European Foundation for the Improvement of Living and Working Conditions

Approaches to flexicurity: EU models

Approaches to flexicurity: EU models

Authors: Kaia Philips and Raul Eamets, with research assistants Janika Alloja, Kerly Krillo and Anne Lauringson
Research institute: Institute of Economics, University of Tartu
Research managers: Timo Kauppinen and Christian Welz
Research project: Industrial relations – Future trends and challenges of globalisation

European Foundation for the Improvement of Living and Working Conditions

Approaches to flexicurity: EU models

Wyattville Road, Loughlinstown, Dublin 18, Ireland - Tel: (+353 1) 204 31 00 - Fax: (+353 1) 282 42 09 / 282 64 56
email: postmaster@eurofound.europa.eu - website: www.eurofound.europa.eu

Cataloguing data can be found at the end of this publication

Luxembourg: Office for Official Publications of the European Communities, 2007

The European Foundation for the Improvement of Living and Working Conditions is an autonomous body of the European Union, created to assist in the formulation of future policy on social and work-related matters. Further information can be found on the Foundation website at www.eurofound.europa.eu.

European Foundation for the Improvement of Living and Working Conditions
Wyattville Road
Loughlinstown
Dublin 18
Ireland
Telephone: (+353 1) 204 31 00
Fax: (+353 1) 282 42 09 / 282 64 56
Email: postmaster@eurofound.europa.eu
www.eurofound.europa.eu

Printed in Denmark

The paper used in this book is chlorine-free and comes from managed forests in northern Europe.
For every tree felled, at least one new tree is planted.

Foreword

In 2005, the European Commission called for a renewal of the Lisbon Strategy in an effort to refocus its attention on economic growth, better jobs and social cohesion, with the central aim of making the European Union the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth. In reaching this objective, the policy declaration highlights the crucial role to be played by renewing the European social model. Both social dialogue and industrial relations are identified as key tools influencing the modernisation of the European social model in light of the effects and challenges arising from globalisation.

A key objective of modernising the European social model is ensuring greater social protection for workers, while at the same time increasing labour market competitiveness in light of globalisation – a combined aim synthesised in the term 'flexicurity'.

Against this background, the European Foundation for the Improvement of Living and Working Conditions launched a research project on the Quality of industrial relations in the 25 European Member States prior to further enlargement in January 2007. The project set out to support policymakers and practitioners by increasing comparability and understanding of industrial relations in the EU25, with the aim of highlighting the strengths and weaknesses of the European social model in terms of global competition. Important input for the project came from the Foundation seminars on 'European industrial relations country profiles benchmarked against the Lisbon Strategy' held in early 2006. Based on these seminars, a 'best practice model' was identified in relation to flexicurity and other Lisbon Strategy targets. However, one of the issues to emerge from these seminars was the lack of common understanding of the flexicurity concept, along with the need for more comparable data and comprehensive methodology with respect to flexicurity models.

This timely report addresses such a knowledge gap, providing the appropriate methodology and data sources for a more comprehensive comparison of flexicurity across the EU25. It compares the various flexicurity options in the 25 Member States – including models of best practice – while looking at how flexicurity is measured in these countries and identifying the challenges related to its implementation in the different countries. Three factors investigated as part of the flexicurity model are social protection, labour market adaptability/flexibility and social inclusion.

The report is unique in terms of the range of countries it covers and the variety of variables used, and its findings should fuel the debate on flexicurity. We hope that the analysis will make a useful contribution in paving the way for policymakers to review the framework for increasing labour security and social cohesion, and in shaping the policies which seek to define a modernised European social model.

Jorma Karppinen
Director

Willy Buschak
Deputy Director

Country codes

EU15 (former 'old' Member States pre-enlargement 2004 and 2007)

AT	Austria
BE	Belgium
DK	Denmark
FI	Finland
FR	France
DE	Germany
EL	Greece
IE	Ireland
IT	Italy
LU	Luxembourg
NL	Netherlands
PT	Portugal
ES	Spain
SE	Sweden
UK	United Kingdom

EU10 (10 new Member States that joined the EU in 2004)

CZ	Czech Republic
CY	Cyprus
EE	Estonia
HU	Hungary
LV	Latvia
LT	Lithuania
MT	Malta
PL	Poland
SL	Slovakia
SI	Slovenia

EU25 EU15 + EU10

Contents

Introduction 1

European labour markets are currently facing huge challenges. On the one hand, expectations are high concerning the competitiveness of the European economy, which includes creating more flexible labour markets as employers are demanding wider deregulation of the economy in order to compete in world markets. On the other hand, the European social model highlights the importance of increased labour security and social cohesion, as workers are searching for more employment security in a climate of rapid structural change and job reallocation. Besides the impacts of globalisation, Europe must also meet the combined challenges of low population growth and an ageing population. Faced with these challenges, the European Union as a whole and its individual Member States need to improve labour productivity, increase employment and guarantee long-term growth and social cohesion.

The key objective of the 2000 Lisbon Strategy is the urgent need to increase the competitiveness of the European economy. The strategy addresses issues ranging from the information society to enterprise policy, the single market, innovation, education, social environments, research and globalisation policies. The revised Lisbon Strategy of 2005 emphasises the importance of increasing economic growth, productivity and competitiveness, as well as creating jobs. The renewed strategy focuses on efforts which aim to achieve two principal tasks: delivering steady and persistent growth and creating more and better jobs. One potential way to achieve these objectives is to increase labour market flexibility, while combining it with greater social protection for workers. The balance between labour market flexibility and social security is described using the new concept of 'flexicurity'.

The Council of the European Union proposed to begin the policy debate on the role of the social partners in the promotion of the Lisbon process in the 2006 spring European Council meeting. According to the various documents, modernisation should be encouraged and implemented through joint cooperation between the social partners and the governments, in order to guarantee harmonious societal development while attempting to increase European economic growth, competitiveness and employment. However, the partnership approach in implementing the Lisbon Strategy has been quite limited in preparing the national development plans (NDPs), as has the input from social partners and enterprises (European Employment Taskforce, 2003; Pisani-Ferry and Sapir, 2006).

The European Foundation for the Improvement of Living and Working Conditions (hereafter 'the Foundation') together with national government and social partner representatives have participated in the debate on modernisation by producing a series of reports on industrial relations indicators and corresponding country profiles for 25 EU Member States prior to the entry of Bulgaria and Romania to the EU in 2007.[1] The industrial relations country profiles provide a solid basis for comparing and benchmarking different industrial relations models against the Lisbon Strategy, which aims to make Europe the leading knowledge-based economy in the world by 2010. Important input for implementing this EU25[2] project originated from the Foundation seminars on 'European industrial relations country profiles benchmarked against the Lisbon Strategy', held in Dublin in February and March 2006. Participants of these seminars included representatives of trade unions, employer organisations and governments, as well as national academic experts in the field of industrial relations from all EU25 countries[3]. The basic objective of the seminars was to benchmark

1 See for example: Weiler, 2004 and Biagi et al, 2002 about quality of industrial relations in the EU; analytical and benchmarking report on European industrial models, Cortebeeck et al, 2004 and Van Gyes et al, 2007.

2 The EU25 comprises the original EU15 Member States and the 10 new Member States (EU10) that joined the EU in May 2004.

3 The Foundation seminars were held in Dublin on 7–8 February and 9–10 March 2006. Observers to the seminars came from the four candidate countries at the time: Bulgaria, Croatia, Romania and Turkey. Bulgaria and Romania are not covered by the current research as they were not full EU Member States in 2006 when the project was initiated.

how different industrial relations models or social dialogue models could promote achievement of the Lisbon Strategy targets. During these seminars, national experts presented their ideas about national best practice examples concerning aspects of industrial relations, labour market flexibility and social security. As a result of the seminars, a 'best practice model' was identified on flexicurity and other Lisbon Strategy targets.

During the discussions, the Nordic countries and the Netherlands were identified as the potential benchmarking models in many areas of industrial relations. Overall, the results showed that each country has different strengths in relation to best practice examples and the targets of the Lisbon Strategy. As a result of the Foundation's tripartite seminars, each national expert drafted a country report entitled 'Industrial relations benchmarked against the Lisbon Strategy'.

Based on the seminars, this project aimed to benchmark the EU25 Member States against the flexicurity model. The project was set up as a result of the social partners and government representatives' need to develop a better understanding of flexicurity and the targets of the renewed Lisbon Strategy. Participants of the seminars wanted information on what other flexicurity models exist, which countries have similar models and which have different models, how countries could be grouped together, the impact of flexicurity on economic growth and social cohesion, as well as the role of the social partners and governments in implementing flexicurity practices. The participants' questions and requests were taken on board but not all of them could be dealt with in great detail in one research exercise. Industrial relations country profiles and national reports benchmarking industrial relations against the Lisbon Strategy provided a basis for the benchmarking exercise; however, problems emerged in relation to the lack of common understanding of the flexicurity concept, as well as differences in the interpretation of various sources of information. Against this background, the experts' views and the country experiences were often diverse. Information contained in the national reports, along with feedback from seminar participants and external sources were used to obtain as complete and comparable a picture as possible about flexicurity models. However, these ideas needed more academic proof, based on comparable data and comprehensive methodology.

Objectives of study

The study aimed to provide appropriate methodology apparatus and data sources for flexicurity models. For comparative information, other sources were also used, which included Eurostat data, information from the European Commission and HM Treasury, as well as academic research papers. Parts of the report are informed by the discussions at the Foundation seminar on 'Industrial relations, future trends and challenges of globalisation' held in Rome on 6–7 June 2006 and in Berlin on 30 November to 1 December 2006. These seminars provided useful information about potential measurement problems, potential indicators and country-specific topics related to the flexicurity issue.

This report describes and analyses the present situation in relation to the implementation of flexicurity policies in EU Member States. For this analysis, quantitative multivariate data analysis methods have been used: namely, factor and cluster analysis. Countries are classified according to a particular group based on an overall measure of 'distance' between them, which reflect the scores obtained for the factors that characterise flexicurity systems. Three factors identified in the model are:

social protection, labour market adaptability/flexibility and social inclusion. The uniqueness of this analysis can be attributed to the number of countries studied and the variety of variables used. In an earlier study launched by the European Commission in 2006, only member countries of the Organisation for Economic Cooperation and Development (OECD) were studied.

Structure of report

The report is structured as follows: the first chapter presents an outline of the challenges being faced by European labour markets today, and provides an overview of different flexicurity concepts. In the second part of the report, different aspects of flexibility, social security and active labour market policies in the EU Member States are discussed, along with the social partners' views in relation to these issues. The third chapter examines flexicurity profiles of the EU Member States and country groups according to their stages of implementation of flexicurity systems and also discusses the social partners' role in this implementation process. The final section discusses further challenges related to the implementation of flexicurity systems in the different Member States and presents a number of conclusions based on the research.

Challenges of European labour markets

1

Renewed Lisbon Strategy and further challenges

European economies are facing new challenges associated with emerging global trends both in the short and long term. In recent years, Europe has experienced more intensive competition, the transfer of investments and production reallocation outside of the European network, job losses, unemployment and rapid structural change. Europe's performance has diverged from that of its competitors in North America and Asia (Sapir, 2003). The productivity gap has widened and the only possibility for Europe to maintain its competitiveness is to invest in production processes and human capital in order to improve productivity, as it is becoming increasingly difficult to compete with countries with significantly low labour costs. Furthermore, investments in research and development (R&D) have proved to be inadequate in Europe in recent times (*ibid*). When comparing R&D investments in Europe and in the US, major differences emerge in terms of the proportion of private sector investments. A major challenge in this respect is to encourage more private sector investment. In some cases, European labour markets are also overregulated and various studies have shown that the ability to adjust to macroeconomic shocks is often low. Therefore, it has been proposed in the renewed Lisbon Strategy 2005 that labour markets should urgently be made more flexible; at the same time, however, governments need to address issues related to employee security. Low labour market participation and high rates of non-employment – unemployment and inactivity – are characteristic of many Member States. Non-employment is associated with unemployed, inactive and discouraged workers. In this regard, more focus should be placed on employment growth and the challenge of encouraging more people into employment. However, this proves more difficult as high non-employment exists in several Member States.

Apart from the impact of globalisation, Europe must also meet the combined challenges of low population growth and an ageing population. As general health conditions and medical treatment, for example, are improving and life expectancy is therefore increasing, the need to attract older people into the labour market is becoming more important. This task is proving to be politically difficult as various early retirement schemes are popular among older people. The decision to reorganise the current system needs wide consensus in society, as older people represent an expanding group of voters for political parties. In light of these developments, it is necessary to revise the European social model in order to make it more efficient. Although different models exist and country experiences vary, it should be possible to build on examples of best practice and to learn how to modernise the European social protection system.

In general, European labour markets are facing difficult challenges: on the one hand, expectations are high concerning the competitiveness of the European economy, including the creation of more flexible labour markets, as employers are demanding wider deregulation in order to cope with global competition. On the other hand, the European social model underlines the importance of increased employment security and social cohesion, as workers are searching for better job security during a time of rapid structural change and job reallocation. Faced with these challenges, the EU and its Member States need to improve labour productivity, employ more people and guarantee long-term growth and social cohesion. The renewed Lisbon Strategy focuses on efforts aimed at achieving two principal tasks: delivering steady and persistent growth, while at the same time creating more and better jobs. In achieving these goals, the programme of action defines several key activities, including the following measures:

- attracting more people into employment and modernising social protection systems – more focus should be placed on employment growth, as this promotes socially inclusive societies and because of the expected decline in the working age population over the coming decades. Encouraging people into employment and providing workers with better incentives to stay at work for longer requires the modernisation of social protection systems and more intensive use of active labour market policies along with appropriate incentive schemes;
- improving the adaptability of workers and enterprises and increasing labour market flexibility – in a rapidly changing environment, a high degree of adaptability is vital to promote productivity growth and to allow employment to be reallocated towards expanding enterprises and sectors. European labour markets are in some cases overregulated, and different studies have shown that the ability to adjust to macroeconomic shocks is often low (Solow, 1998; Kucera, 1998; Nicoletti et al, 2000). Increased flexibility and security can be achieved by benchmarking 'flexicurity' models, which includes the analysis of change from job security to employment security. Flexibility in the labour markets, combined with employment security, will facilitate a greater ability to anticipate, manage and incorporate change. Greater adaptability should also ensure that wage developments reflect the labour market situation and do not exceed productivity growth over the cycle;
- increasing investment in human capital and promoting lifelong learning – national economies endowed with a skilled workforce are better able to create and make more effective use of new technologies. Structural change and the need for rapid productivity growth require continued investment in a highly skilled and adaptable workforce. Advancing educational attainment and updating skills and knowledge through lifelong learning also contributes significantly to achieving social cohesion. Labour market flexibility requires that workers are highly skilled, so that they are quickly able to adapt to shifts in production or to new job skills. Updating skills is one way of maintaining lifelong employability for employees, while 'multi-skilling' can provide the required flexibility and resilience to both employers and employees. Where competition is based on quality and innovation, governments place more emphasis on skills training designed to improve workers' competencies, particularly where labour shortages occur. Lifelong learning is one of the tools put forward to enable workers to tackle the challenges of a new working environment. For example, in Denmark and the Netherlands, expenditure on active labour market policies is relatively high, with an additional focus on further training. In addition, some of the other original 15 EU Member States (EU15) use quite a lot of resources on active measures. From a policy perspective, it is not only important how much training is being provided, but also how the opportunities for training are distributed and how they are perceived by the population.

Europe needs to put in place the structures needed to anticipate and manage economic and societal changes more successfully. To make this possible, sound macroeconomic conditions are crucial, in particular the pursuit of stability-oriented macroeconomic policies and sound budgetary policies. Governments should, while maintaining or pursuing sound public finances, maximise the contribution to economic growth and employment. In addition to the aforementioned factors, a renewed partnership and the full involvement of the social partners is needed to help achieve these objectives.

In 2007, the European Commission published the Green Paper 'Modernisation of labour law to meet the challenges of the 21st century' (European Commission, 2006c). In the summer of 2007, the Commission was due to publish a communication on the issue, which is set to lead to much related discussion on labour law by the end of 2007. Major challenges highlighted in the Green Paper include the following issues:

- employment transitions – labour and social security laws may not be sufficient to assist workers in moving from one status to another, in the case of involuntary or voluntary discontinuities, in the labour market. The Green Paper states: 'Opportunities to enter, remain and make progress in the labour market vary considerably, with both employment protection legislation and the legal contractual framework at national level having a strong impact on job status transitions, especially as regards the position of the long-term unemployed and precariously employed "outsiders"';
- uncertainties with regard to the law – different forms of work have made the distinction between 'employee' and 'self-employed' less clear. Such problems arise when an employee tries to hide their legal status in order to avoid taxes or social security contributions. Temporary agency work is regulated in most Member States through a combination of legislation, collective agreements and self-regulation. The Commission seeks to establish the non-discrimination principle to ensure that temporary agency workers are not treated less favourably than regular workers. Moreover, the different scope of the definition of 'worker' in the various Member States affects workers' protection, especially in the case of the free movement of workers, implementation of directives on posting workers, as well as transfers of undertakings;
- enforcement issues and undeclared work – undeclared work is often related to cross-border labour movements, being the main contributor of social dumping. National governments and state agencies have a crucial role to play in monitoring the application of the law in relation to this issue, collecting reliable data on labour market trends and changing work and employment patterns.

All of these issues are directly related to the flexicurity debate. The essence of work has changed over time, and when labour laws are relatively restrictive, the market will look for new ways of coping with this changing situation. Temporary agency work, self-employment and other flexible work forms are a response to overregulated labour markets. In view of this, labour legislation has to be adjusted to the changing labour market situation, which is the major issue in the flexicurity debate. The main questions are centred around finding a balance between labour market flexibility and social security, guaranteeing minimum social protection to all employees and increasing employment security.

Concept of flexicurity

Expectations are high in relation to improving the competitiveness of the European economy and enlarging the eurozone. Flexible labour markets help to facilitate the expected rapid economic growth of European economies and to adjust to the possible asymmetric shocks of the eurozone (HM Treasury, 2003). The particular significance of labour market flexibility is also explained by the 'optimum currency area theory' (Mundell, 1961), which forms a theoretical framework for the European Economic and Monetary Union (EMU). A possible serious negative consequence of enhancing labour market flexibility may be an increased feeling of insecurity that could weaken cohesion in society and discourage the improvement of human capital. Against this background, an inevitable question which arises is how people can be protected from these unacceptable forms of labour market flexibility. Therefore, the European social model emphasises the importance of high labour security and social cohesion. In order to combine these two tasks - namely, the necessity to increase labour market flexibility while simultaneously providing social security and supporting social cohesion, in an effort to enhance economic growth and competitiveness – a relatively new concept referred to as labour flexicurity has been developed. Flexicurity, as a policy option in general, refers to social protection measures for a flexible workforce.

Wilthagen and Tros (2004) ascribe the initial concept of flexicurity to the Dutch Professor Hans Adriaansens, who started to use this term in his speeches and interviews in 1995. Professor Adriaansens defined flexicurity as a shift from job security towards employment security and suggested compensating for the decline in job security due to fewer permanent jobs and easier dismissals by improving employment opportunities and social security. Based on these initial considerations, Wilthagen and Rogowski (2002) defined flexicurity as 'a policy strategy that attempts, synchronically and in a deliberate way, to enhance the flexibility of the labour market and to enhance security – employment security and social security - notably for weaker groups inside and outside the labour market, on the other hand'. This definition is sometimes also referred to as the Dutch approach to flexicurity (Klammer, 2004). In Denmark, flexicurity is also viewed in combination with a low level of dismissal protection and high unemployment benefits (Madsen, 2006). Overall, Denmark and the Netherlands are often used as examples of good practice in the field of flexicurity.

Several authors have defined flexicurity in a much more general way. For instance, Keller and Seifert (2004) view flexicurity as social protection for a flexible workforce, which is understood as an alternative to pure flexibilisation, or to a deregulation-only policy according to Klammer (2004). As correctly mentioned by Tangian (2005), the definitions describing flexicurity concepts are more like strategies which are difficult to describe quantitatively. Therefore, he suggests narrowing the definition so that flexicurity can be measured numerically. According to Tangian, flexicurity is the employment and social security of atypically employed people, in other words of those who ordinarily do not have a permanent full-time job. Based on this relatively narrow definition, Tangian constructs a flexicurity index, which is based on qualitative juridical data and several other indicators. On the protection side, eligibility for public pensions, unemployment benefits, paid sick leave, paid maternity leave and paid holidays as the indicators for social security are used for describing employment protection.

Eamets and Paas (2007) define flexicurity as increasing labour market mobility – job flows, movement of labour, functional and occupational mobility, geographical mobility, and flexible working time arrangements – with opportunities to get a new job and not to lose out substantially in terms of income level. The latter two characteristics mean that unemployed people should receive sufficient training and active labour market policy support in order to secure a new job quickly. Unemployment benefit should be sufficient to cover major income losses when people are searching for new jobs. Moreover, the duration of the payment of unemployment benefit should be relatively short, so that people will not lose motivation to seek new jobs.

Although some authors still consider flexicurity as a specific Dutch/Danish phenomenon (Gorter, 2000), the idea has spread throughout Europe within only a few years. At the Lisbon summit of 2000, the EU had already referred to the concept of flexicurity (Vielle and Walthery, 2003). In the EU's *Employment Guidelines for 2003*, the balance between security and flexibility was explained as follows: 'providing the right balance between flexibility and security will help support the competitiveness of firms, increase quality and productivity at work and facilitate the adaptation of firms and workers to economic change' (Council of the European Union, 2003, paragraph 12). The

Commission report *Employment in Europe 2006* states that the Member States need to identify and implement appropriate combinations of policies, which enhance both the flexibility and security of their labour markets. No single flexicurity solution exists for all Member States, and therefore adopted reforms need to take into account the specific situation – encompassing the political, economic, social and legal environment – of each country.

Comparison of different flexicurity components

2

Comparison of flexibility in EU Member States

The most well-known classification of labour market flexibility distinguishes between four types of flexibility (see, for example, Tangian, 2006; Wilthagen and Tros, 2004)[4]:

- external numerical flexibility – the flexibility of hiring and firing, ordering some services from external workers or companies without having to award long-term employment contracts, but instead using commercial contracts through teleworking, virtual organisations or 'entreployees', that is, those engaged in self-entrepreneurial activities;
- internal numerical flexibility – an employer's ability to modify the number and arrangement of working hours without changing the number of employees;
- functional flexibility – an employer's ability to move employees between different tasks or departments, or to change the content of their work;
- wage flexibility – enables employers to alter wages in response to changes in labour market or competitive conditions.

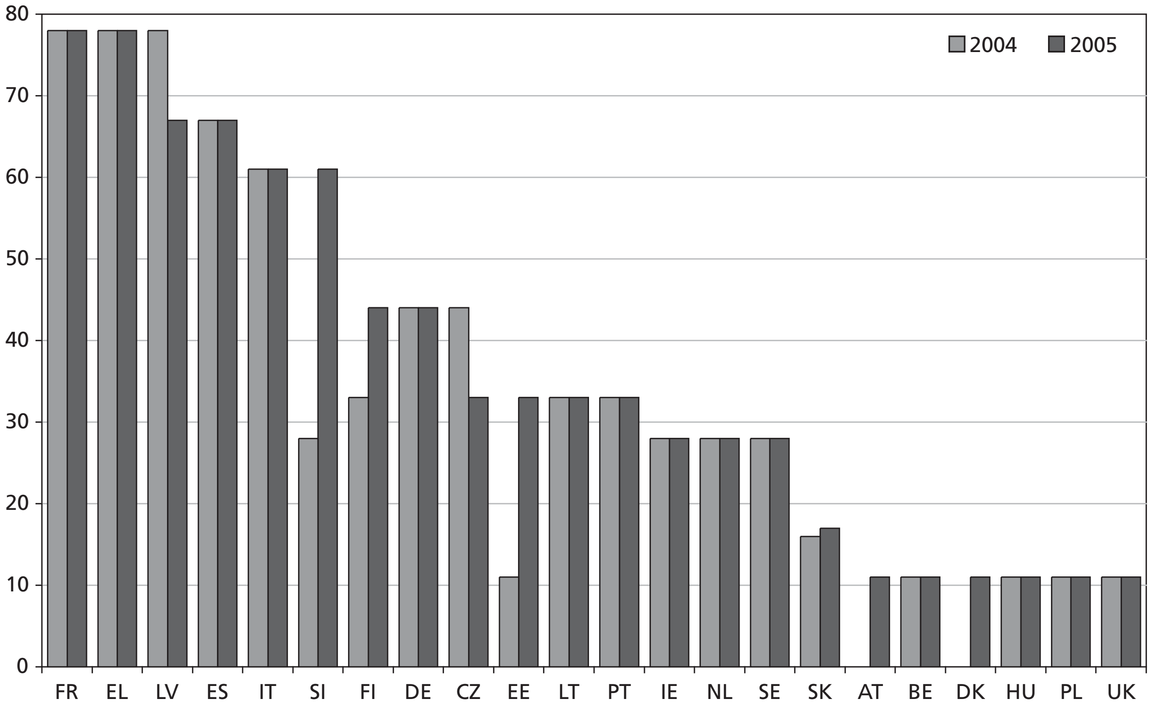
The number of indicators reflecting labour market flexibility is particularly large and includes various aspects concerning both labour demand and supply (see also Chapter 3). It should be emphasised that most of the studies analysing labour market flexibility use the approach that the labour market legislation – that is, the easiness or complicacy of changing the number of employees or working hours using the different forms of working arrangements – of a given country better reflects labour market flexibility in this country. Therefore, it is possible to analyse several aspects of labour market regulations and compare them in order to distinguish between flexible and inflexible countries. In this regard, another approach is to combine the different aspects of labour market legislation, thus making a composite indicator. As the latter approach enables researchers to compare countries, it is often used in cross-county labour market flexibility analysis. The following sections compare different aspects of flexibility in the various EU Member States, as well as outlining the social partners' views in relation to specific issues.

Liberal firing and hiring rules

This section presents the indices of firing and hiring difficulties in EU Member States. In terms of hiring and firing, the labour markets in Latvia and Spain are most rigid. The difficulty of hiring index is also high in France and Greece, while the difficulty of firing index is higher in Latvia, the Netherlands, Portugal and Slovenia. According to the findings presented in Figures 1 and 2, the most flexible labour markets include those in the UK, Denmark, Belgium and Hungary.

4 The majority of empirical studies which attempt to compare countries on the basis of labour market flexibility have concentrated on external or internal numerical flexibility or wage flexibility (see, for example, Wilthagen and Tros, 2004), because data about functional flexibility is scarce and not often internationally comparable.

Figure 1 Difficulty of hiring index, by country, 2004 and 2005



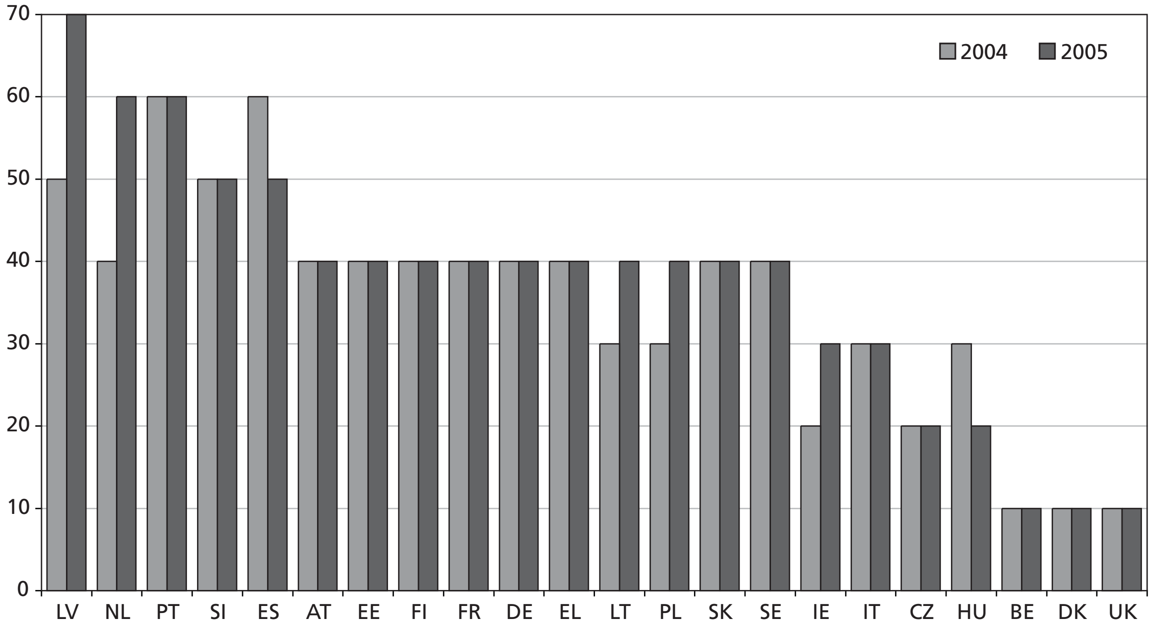
Note: The difficulty of hiring index measures: (1) whether fixed-term contracts can be used only for temporary tasks; (2) the maximum cumulative duration of fixed-term contracts; and (3) the ratio of the minimum wage for a trainee or first-time employee to the average value added per worker. A country is assigned a score of 1 if fixed-term contracts can be used only for temporary tasks and a score of 0 if they can be used for any task. A score of 1 is assigned if the maximum cumulative duration of fixed-term contracts is less than three years; 0.5 if it is between three and five years; and 0 if term contracts can last five years or more. Finally, a score of 1 is assigned if the ratio of the minimum wage to the average value added per worker is higher than or equal to 0.75; 0.67 for a ratio greater than or equal to 0.50 and less than 0.75; 0.33 for a ratio greater than or equal to 0.25 and less than 0.50; and 0 for a ratio less than 0.25. No data are available for Cyprus, Luxembourg and Malta. 2004 data for Austria and Denmark missing.
Source: Doing Business, World Bank Group, 2004 and 2005.

Flexible forms of work

In many countries, legislative systems have been busy in recent years regulating new forms of work, such as telework (Hungary and Poland), working time arrangements (Greece, Hungary and Slovakia), fixed-term work (Malta), part-time work (Lithuania, Malta, the Netherlands and Poland), working time accounts where extra time worked and holiday time could be stored and subsequently 'taken out' in the form of free time or compensated for financially (Luxembourg), and home working (Slovakia). Many of these changes have reflected the required transposition of relevant European directives into national legislation, such as EC directives on night work in the context of equal treatment for men and women, part-time work, fixed-term work, atypical forms of employment, temporary agency work and teleworking (for a more detailed discussion, see, for example, EIRO, 2006a).

According to the Commission's report *Employment in Europe 2006*, in 2005, 18.4% of workers in the EU were engaged in part-time employment. This reflects a significant increase compared with the

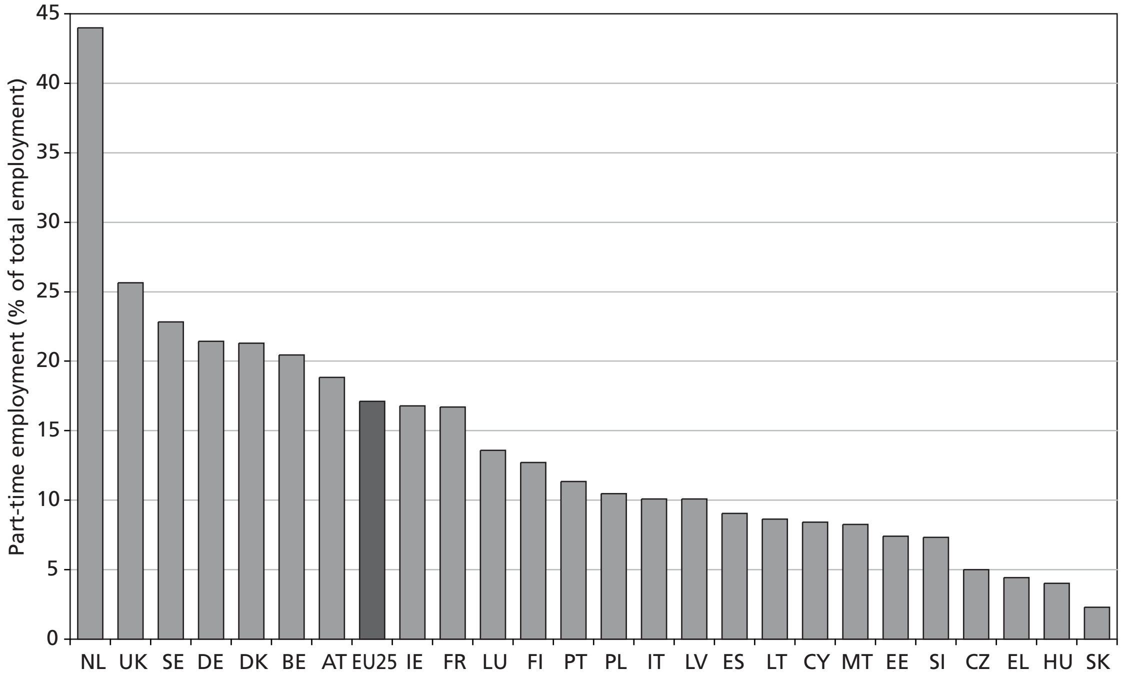
Figure 2 Difficulty of firing index, by country, 2004 and 2005



Note: The difficulty of firing index has eight components: (1) whether redundancy is disallowed as a basis for terminating workers' employment contracts; (2) whether the employer needs to notify a third party – such as a government agency – to make one worker redundant; (3) whether the employer needs to notify a third party to make a group of 25 workers redundant; (4) whether the employer needs approval from a third party to make one worker redundant; (5) whether the employer needs approval from a third party to make a group of 25 workers redundant; (6) whether the law requires the employer to consider reassignment or retraining options before redundancy termination; (7) whether priority rules apply for redundancies; and (8) whether priority rules apply for re-employment. For the first question, an affirmative answer for workers of any income level gives a score of 10 and means that the rest of the questions do not apply. An affirmative answer to question 4 gives a score of 2. For every other question, if the answer is yes, a score of 1 is assigned; otherwise a score of 0 is given. Questions 1 and 4, as the most restrictive regulations, have greater weight in the construction of the index. No data are available for Cyprus, Luxembourg and Malta.
Source: Doing Business, World Bank Group, 2004 and 2005.

previous years and a continuation in the prevalence of more flexible forms of employment. The proportion of part-time workers as a measure of flexibility implies that the older EU15 countries have far more flexible labour markets – in 2005, the average share of part-time workers as a proportion of total employment in the EU15 was 21.7%, while the respective figure for the 10 new Member States that joined the EU in 2004 (EU10) stood at 7.9% (Figure 3). A cross-country comparison reveals that the Netherlands has the highest proportion of part-time workers; almost half of the country's employees work part time. Working part time is particularly prevalent among women, as about 75% of female employees in the Netherlands work part-time hours. Looking at the EU15 in particular, the proportion of part-time workers is also relatively high in the UK, Sweden, Germany, Denmark, Belgium and Austria, but is rather low in Greece. In contrast, the EU10 countries have a markedly lower share of part-time workers compared with the old EU Member States. These differences in the extent and perception of part-time employment imply that the situation of part-time workers – mostly in relation to income, but also social security rights – varies strongly between the old EU15 and the EU10 countries, as the next section also illustrates.

Figure 3 Average level of part-time work as a percentage of total employment, by country, 2000–2005

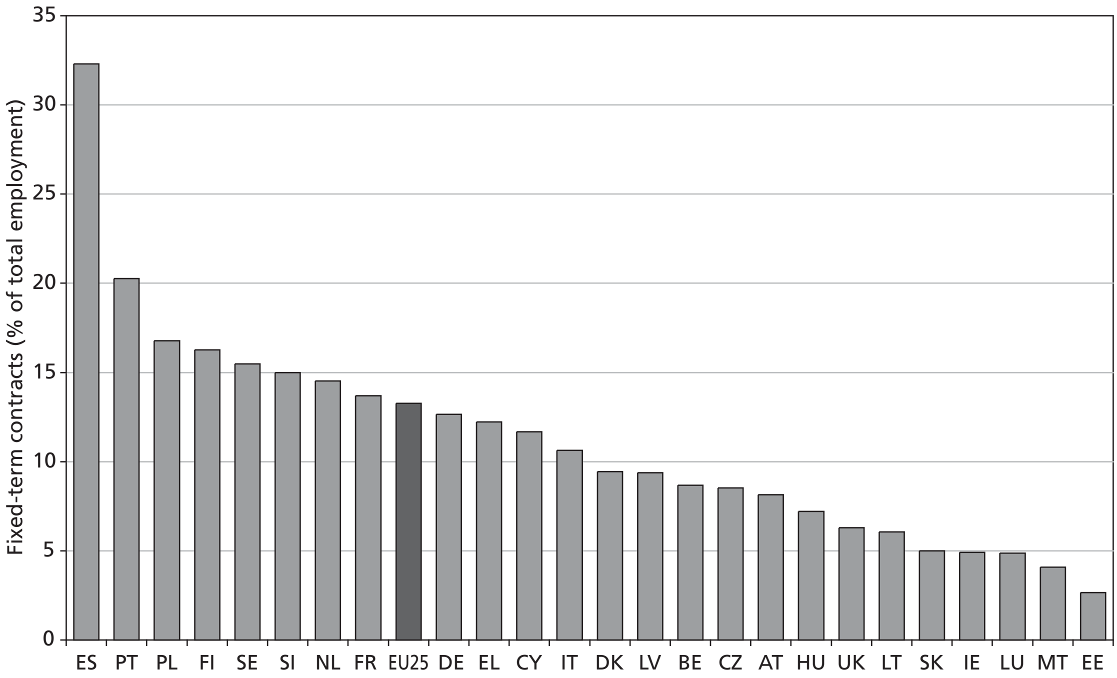


Note: For Ireland, the average is for 2000–2004.
Source: Eurostat, 2000–2005.

In 2005, some 14.5% of EU25 employees held a fixed-term employment contract. The proportion of employees with fixed-term contracts is highest in Spain, followed by Portugal, Poland and the Nordic countries. In Estonia, Malta, Luxembourg, Ireland and Slovakia, only 5% or less of employees were employed under fixed-term contracts (Figure 4). According to a recent study on benchmarking, country differences in fixed-term employment rates are explained by the regulations in force for regular contracts and the relative differences in employment protection legislation between regular and temporary employment contracts (ETUI-REHS, 2007).

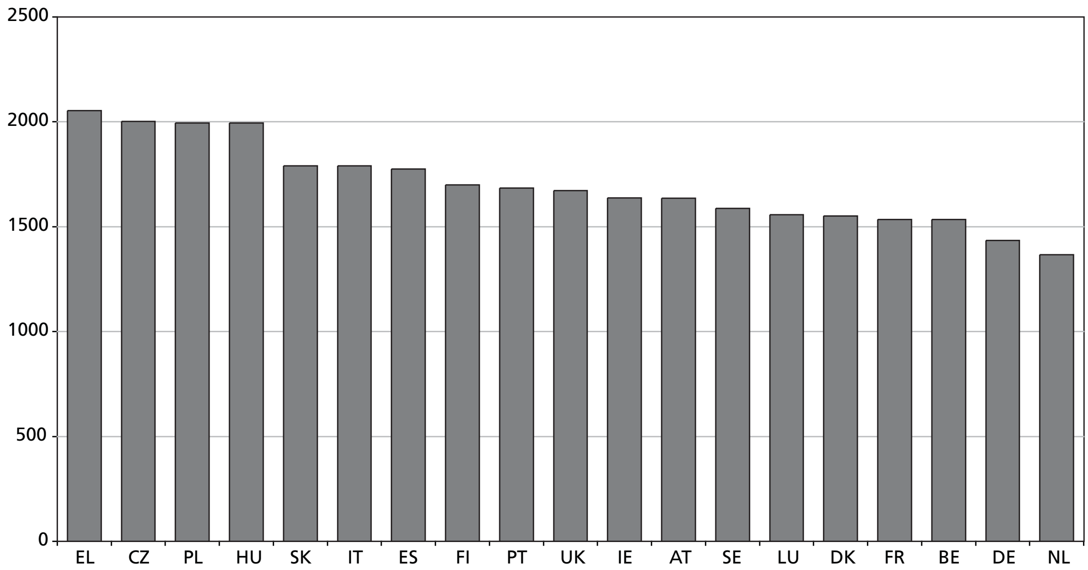
Non-standard forms of employment are generally favoured in Europe in order to fight long-term unemployment and increase the employment rates of specific labour market groups. Apart from part-time and fixed-term employment, other forms of non-standard employment, such as casual employment, temporary agency work and self-employment, are also promoted. While these forms of employment increase labour market flexibility, they are often associated with lower job security, fewer career possibilities, lower income and restricted access to fringe and social benefits. The degree of precariousness of non-standard employment forms varies not only between countries, but also between different labour market segments (ETUI-REHS, 2007).

Figure 4 Average proportion of fixed-term contracts as a percentage of total employment, by country, 2000–2005



Source: Eurostat, 2000–2005.

Figure 5 Average annual working hours per person in employment, by country, 2005



Note: No data are available for Cyprus, Estonia, Latvia, Lithuania, Malta and Slovenia.
Source: European Commission, Employment in Europe, 2006.

Working time flexibility

In recent years, many countries have been dealing with the transposition of relevant European directives into national legislation, including the introduction of the 35-hour working week, the increase in paid holidays and flexibility as to when leave may be taken, and the annualisation of working time (Figure 5). The reduction of working time and annualised hours are reflections of a growing debate on flexible working conditions. More specifically, in some countries, such as Belgium, Greece, Portugal and Spain, the issue of reduced working time has remained a topic for discussion on the social partner agenda. One exception in this regard is France where the 35-hour working week was introduced by law in 1999. Following this move in France, a large number of sectoral and company agreements reduced working time by combining various approaches, such as flexi-time work, caps on overtime, individual 'time banks', additional rest days and part-time work. Increased working time flexibility has been regulated in countries such as Luxembourg, Spain (such as in relation to shop opening hours) and Sweden, where more favourable measures regarding working time have been introduced (for a more detailed discussion, see EIRO, 2006b).

In relation to working time, EU countries roughly fall into two groups: the first group sets the maximum weekly working hours at 48 hours, as specified under Council Directive 93/104/EC of 23 November 1993 concerning certain aspects of the organisation of working time; the second group stipulates a weekly limit of 40 hours. One exception is Belgium, which has a weekly working time of 38 hours. In the first group of countries, the statutory maximum is in excess of the average collectively agreed number of weekly working hours and higher than the actual average weekly hours; thus, this maximum appears to operate essentially as a safety net, although the 48-hour figure often includes overtime. In the second group of countries, the statutory maximum working time is much closer to the average agreed or actual weekly hours, indicating that the law plays a more active role in governing working time – although overtime may not be included in this figure. These statutory maximum amounts may be exceeded in many countries, particularly in the context of working time flexibility schemes that allow weekly hours to be varied around an average over a reference period of up to four months[5] (EIRO, 2006b). In addition, average collectively agreed normal weekly working hours amount to less than 40 hours in most countries. The difference between the statutory maximum working week and collectively agreed hours is greatest in France, the Netherlands, Denmark, the UK and Germany.

It can be concluded that countries with more flexible regulations include Denmark, the UK and to some extent also Belgium and the Netherlands. Spain, Greece and France are more dominant among the countries with lower numerical flexibility. According to the national experts' reports, the following conclusions can be drawn. In Sweden, flexicurity policies are supported by social partnership through collective agreements and company-level negotiations. A relatively timely and all-encompassing Law on Flexibility and Security was passed in the Netherlands in 1999[6], which was based on the self-regulatory action of the social partners, who concluded a flexicurity agreement in 1996. In Slovakia, flexibility is supported by collective bargaining, but job security in companies is relatively low. In Italy, some movement towards flexibility with the involvement of the social partners has also taken place. Estonia, France, Greece, Latvia, Lithuania and Poland claim to have an inadequate level of social dialogue on flexicurity issues. In France, the government attempted to introduce flexibility

[5] These statutory maximum figures may also be exceeded due to unofficial working hours like unpaid overtime work, dispersion of working hours and places, or information technology (IT). Such phenomena disperse and increase actual working hours, particularly among white-collar workers.

[6] See: http://www.eurofound.europa.eu/eiro/1999/01/feature/nl9901117f.html

into the labour market by changing labour legislation without consulting or initiating real social dialogue with the social partners. As a result, the social partners rejected the government's plan, which led to the recent withdrawal of the controversial legislation. The absence of social dialogue on flexicurity in France represents the greatest weakness in terms of industrial relations input in the implementation of the Lisbon Strategy.

Comparison of social security systems in EU Member States

According to Wilthagen, Tros and van Lieshout (2003), social security can be distinguished according to the following four categories:

- job security – the certainty of retaining a specific job with a particular employer;
- employment security – the certainty of remaining in work but not necessarily with the same employer;
- income security – income protection in the event that paid work ceases;
- combined security – the certainty of being able to combine paid work with other social responsibilities and obligations.

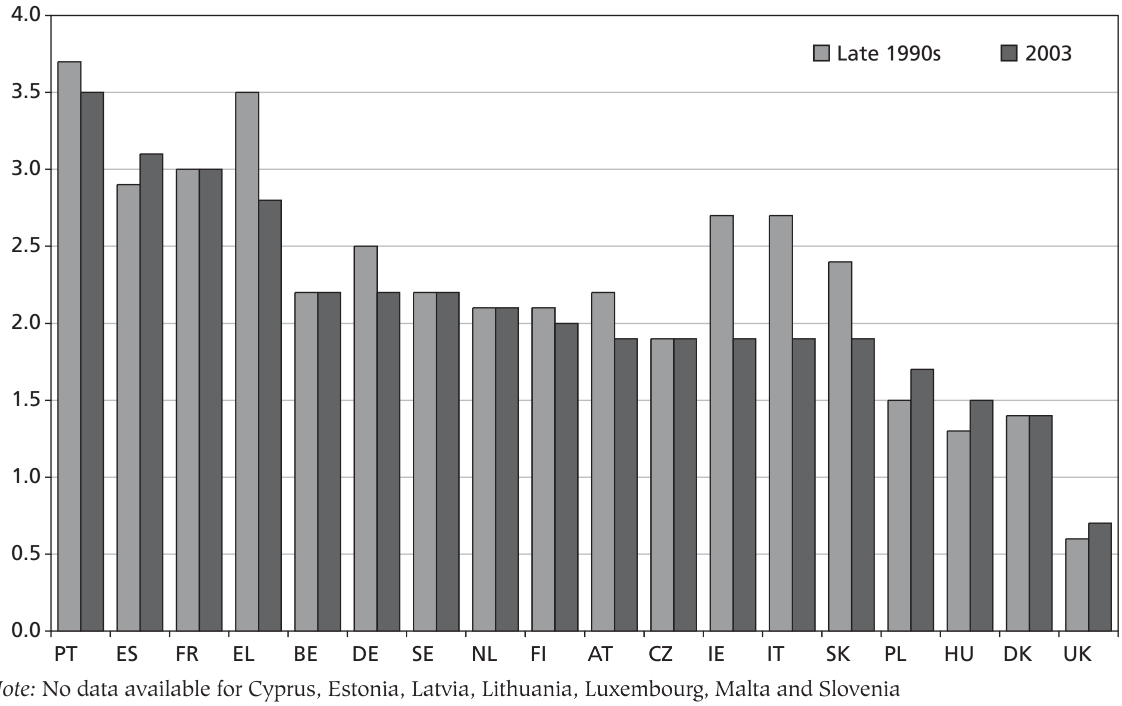
The number of indicators used to describe social security is relatively large (see also Chapter 3). For example, Wilthagen (2003) and Vielle and Walthery (2003), among others, associated social protection with unemployment benefits, minimum guaranteed income schemes, retirement schemes, guaranteed minimum income, parental allowances, sickness and disability benefits and healthcare insurance, monitoring access to certain benefits, as well as the rate and duration of benefits. Hessels et al (2006) used both aggregate and micro-level indicators to represent social security. On the one hand, aggregate indicators, such as social security contributions or premiums paid by employers and employees, are considered by Hessels et al. On the other hand, they look at micro-level based indicators, such as 'replacement rates', measuring the benefits an individual is entitled to in the event of unemployment or illness/disability.

One frequently used indicator measuring social security is the amount of social security expenditure and the level of expenditure in terms of gross domestic product (GDP) (Arjona, Ladaique and Pearson, 2001; Korpi, 1985; Wennekers et al, 2005; Bonnet, 2002). Chung (2005) has proposed that the tax wedge can represent the generosity of the social security system, since the tax wedge includes social insurance contributions. In a similar way to the debate on security, there is also the possibility to combine different aspects of social security and to create composite indicators. For example, indicators such as the Social Protection Index and Social Security Laws Index (Baulch et al, 2006; Botero et al, 2003), the ILO Economic Security Index and the Composite Labour Security Index (Sen and Dasgupta, 2005) are used for cross-country analyses. Although different indices are undoubtedly more adequate ways to measure social security, these have flaws as they need a lot of data and may cause errors in aggregating the data. The following section compares the different aspects of social security in the EU Member States and outlines the social partners' views on specific issues.

Job and employment security

A study by the European Industrial Relations Observatory (EIRO) concludes that it is a common trend to switch from a welfare orientation to a more proactive employment policy (EIRO, 2005). In fact, efforts have been made to develop synergies between employers, employees and local employment offices. According to this rationale, the redundancy procedure should not aim to achieve financial compensation for job loss. Rather, it should help the employee to ensure a relatively smooth transition to a new job, by minimising not only financial, but also social costs. Legislation in Austria, Denmark, Germany and Luxembourg explicitly states that the consultation procedure with employee representatives should aim to minimise the number of redundancies and to soften the impact of redundancy where it cannot be avoided. Thus, countries such as Denmark, France, Germany, the Netherlands and Spain provide for a statutory obligation to draw up a social plan. This rationale already underpins the way Nordic countries deal with redundancies. In fact, Denmark, Finland and Sweden do not provide for special compensation payments in the case of redundancies. Instead, these countries actively support employees in finding a new job. In Sweden, 'adjustment' agreements constitute a form of insurance which aims to facilitate the adjustment process for employees who have been made redundant. Furthermore, employees due to be made redundant are entitled to reasonable leave of absence, with full employment benefit, to look for a new job. In Finland, employees should be given an 'employment programme' set out by employers, employees and labour authorities. In Sweden, a series of funds have established redundancy support for employees, including a personal advisor, further training and additional income supplements.

Figure 6 Employment protection legislation index, by country, late 1990s and 2003



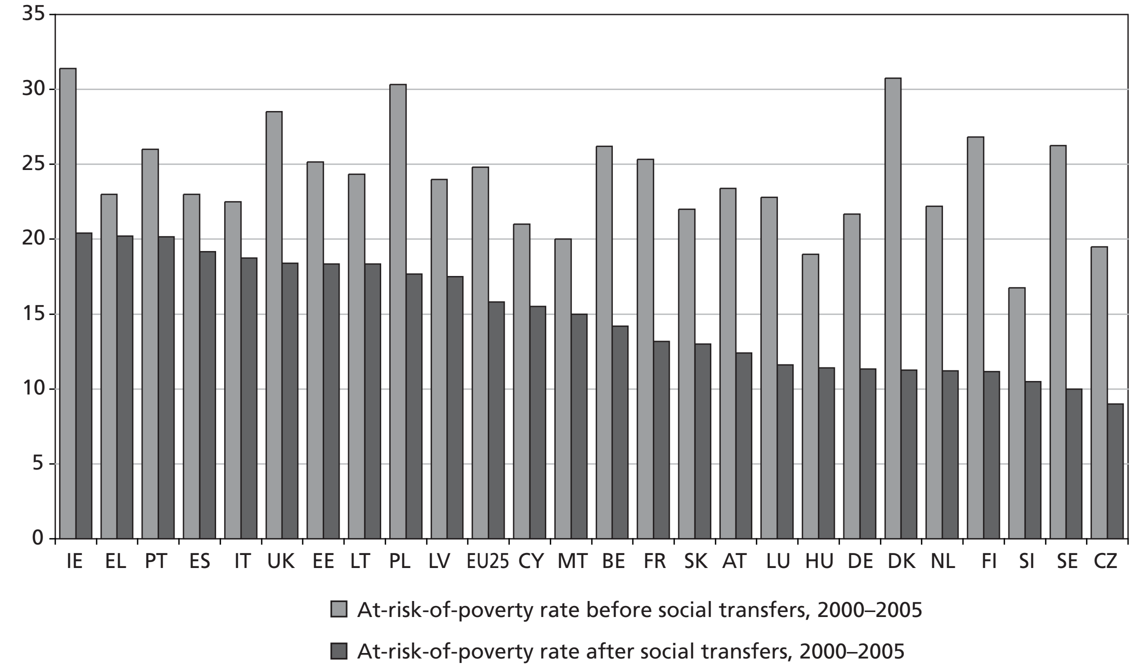
Note: No data available for Cyprus, Estonia, Latvia, Lithuania, Luxembourg, Malta and Slovenia
Source: OECD Employment outlook 2004.

Income security
According to the study by the ETUI-REHS (2007), it is often argued that wage differences between European countries act as an incentive for relocation, while employers also exert pressure on wage negotiations by using the threat of relocation. At the same time, analysis of wage and productivity developments show that wage growth is lagging behind productivity growth (European Commission,

2006). Control of labour costs works in most countries to some extent through collective wage bargaining, although the results are not always effective. A better model in this regard might be that of the Netherlands, where wage moderation is reached through a combination of central coordination and decentralised bargaining, backed up by a policy culture dominated by consensus seeking between the government, employer organisations and trade unions, in an effort to stimulate economic development and welfare. The social partners in Sweden have also managed to achieve a balance of interests in order to attain favourable results.

At present, an increasing concern relates to low pay and the working poor, which means that, for some groups of workers and their families, wages are too low to keep them above the poverty line. The findings in Figure 7 show the proportion of people who are at risk of poverty before and after social transfers in the EU Member States. The data show a rather diverse picture in the different Member States. In this context, the minimum wage is currently a major topic of debate in a number of EU Member States (ETUI-REHS, 2007)

Figure 7 Average at-risk-of-poverty rate before and after social transfers, by country, 2000–2005 (%)



Note: 'At-risk-of-poverty rate before social transfers' refers to the proportion of persons with an equalised disposable income, before social transfers, below the risk-of-poverty threshold, which is set at 60% of the national median equalised disposable income (after social transfers). Retirement and survivors' pensions are counted as income before transfers and not as social transfers. 'At-risk-of-poverty rate after social transfers' refers to the proportion of persons with an equalised disposable income below the risk-of-poverty threshold, which is set at 60% of the national median equalised disposable income (after social transfers).
Source: Eurostat, 2000–2005.

Reconciliation of work and family life

Social security also involves being able to combine family life and work commitments through creating attractive arrangements for paternity/maternity leave, as well as suitable childcare facilities.

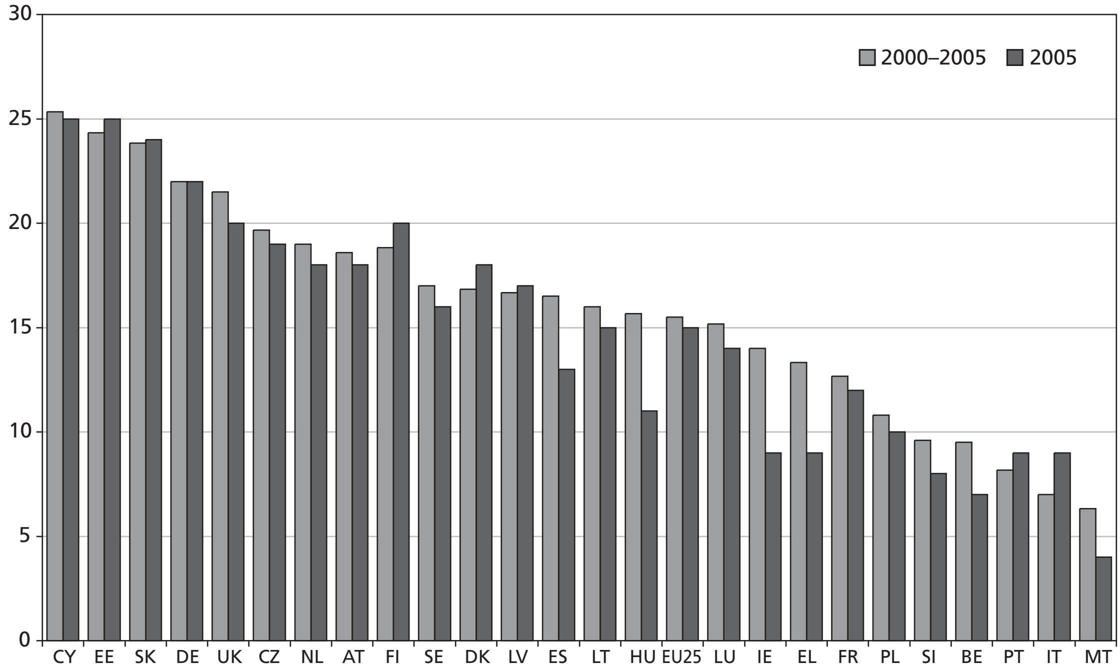
Such measures are essential to achieve a higher labour market participation rate among women. As with other policy areas, variations exist across countries in terms of the possibilities to reconcile work and family life as well as the means – through legislation or collective bargaining – of regulation. New forms of work organisation, special leave, career breaks and childcare support appear on the bargaining agenda of almost all Member States. Overall, it appears that collective bargaining in the EU10 does not deal with the issue, with the exception of the Czech Republic regarding leave arrangements and Slovenia in relation to tripartite agreements, including on gender equality. While collective bargaining plays a minor role in the EU10 countries, legislation is an important tool for policymakers in introducing changes that offer employees more choice in balancing work and family or other responsibilities. Although the differences between the EU15 and the EU10 are more noticeable in this regard, variations also exist within the EU15, reflecting the different priorities, traditions and systems of these countries.

Many EU Member States, particularly the EU10, have introduced new legislation in a number of areas: work–life balance issues have been addressed in Hungary, Malta, Belgium and Portugal; paternity or other leave arrangements have been dealt with in Latvia, Lithuania, Poland and Slovakia, but also in the Netherlands; the protection of pregnant women has been regulated in Latvia and the Netherlands; family-friendly policies have been introduced in Malta; equality legislation came into effect in Poland, Slovakia and Portugal; and legislation relating to the care of family members has been introduced in Slovakia (for further details, see EIRO, 2006).

New forms of work as part of the reconciliation agenda – gender equality, gender balance, maternity leave, paternity leave, work–life balance – have been negotiated in some countries, such as France, Germany, Greece, Italy, Portugal, Slovenia and Spain. In terms of special leave – parental leave, maternity leave, family and care leave – and career breaks or sabbaticals, agreements have been concluded at sectoral level in various Member States, including Austria, Belgium, Denmark, Finland, Germany, Greece, Italy, Luxembourg and Portugal, as well as at national level in Belgium, Finland, Greece, Ireland, and at company level in Greece, Italy and Portugal. Some provisions also exist in the existing National Action Plans (NAPs) of Member States. The industrial relations system plays an important role in decreasing gender inequalities in France, where the social partners have unanimously signed a national intersectoral agreement in 2004 about professional equality between men and women. The agreement aims to reduce gender disparities in terms of recruitment, pay and career development. It signals the will of the social partners to address the issue of gender equality and to include it in both sector and company-level negotiations. The agreement was used as a basis for a law on wage equality between both sexes in 2006 (Figure 8). Company-level bargaining plays an important role in decreasing the gender pay gap in Sweden.

In conclusion, country rankings based on different social security measures show that, even if the differences between the EU15 and the EU10 are not particularly significant overall, the figures still vary considerably. Sweden, Luxembourg, Denmark, Belgium, France Germany, Austria and the Netherlands tend to have higher levels of social security; the three Baltic countries have the lowest level of social protection. In addition, the figures are quite low for Slovakia, Hungary, Poland, Ireland, Malta and the Czech Republic. Income equalisation through social transfers seems to be the most successful in Denmark, but it has also proved favourable in Sweden, the Czech Republic, Finland, Luxembourg, France, Belgium and the Netherlands.

Figure 8 Gender pay gap, by country, 2005 and average 2000–2005



Note: The gender pay gap is given as the difference between average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees. The population consists of all paid employees aged 16–64 years that are 'at work 15+ hours a week'.
In calculating the 2000–2005 averages the 2002–2003 data for Italy and Belgium, 2003 data for Slovenia, 2000 data for Poland, 2002 data for Ireland and Austria are missing.
Source: Eurostat, 2000–2005; for Finland, estimation of expert Juhani Pekkola.

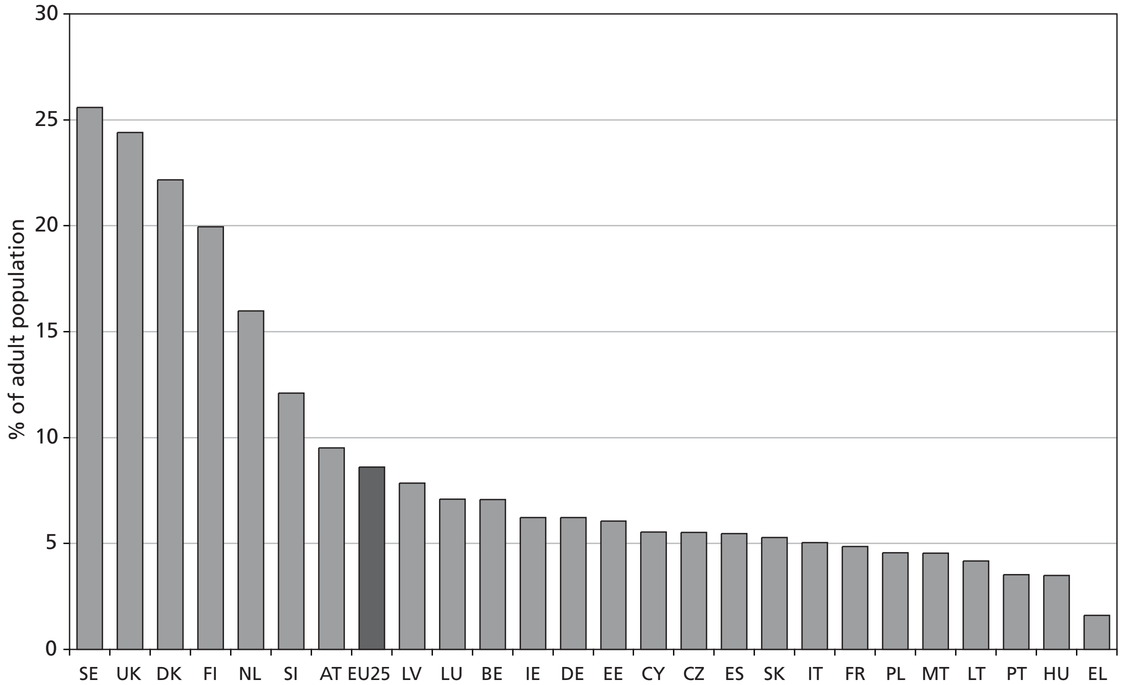
Comparison of active labour market policies in EU Member States

Active labour market policies (ALMPs) should, in particular, help people to re-enter the labour market and decrease unemployment by improving the functioning of the labour market in various ways. Typically, the following interventions are considered as active labour market programmes: training and development, job rotation and job sharing, employment incentives, integration of disabled individuals, direct job creation and start-up incentives. In practice, more combined programmes for unemployed people are increasingly emerging, which are also combined with passive labour market policies and programmes designed especially for specific target groups, such as younger and older people. Public labour market services that facilitate the integration of unemployed people and other jobseekers in the labour market, or which assist employers in recruiting and selecting staff, are sometimes also considered as ALMPs.

Strong activation and training measures

In particular, Denmark and the Netherlands have a relatively high expenditure on active labour market policies, with an additional focus on training and development. Other older Member States of the EU15 spend a considerable amount on active measures. The expenditure of the EU10 countries on such measures is rather low and extremely small in Slovakia and Estonia. According to the ETUI-REHS (2007), from a policy perspective it is not only important how much training is being provided, but also how the opportunities for training are distributed and how they are perceived by the population. Lifelong employability based on the need for continuous learning and the upgrading of skills is considered a viable alternative to lifelong employment. A high proportion of adults participate in education and learning in Sweden, the UK, Denmark and Finland, but their share is practically non-existent in Greece. Hungary, Portugal, Slovakia and Poland also fall behind other countries in this regard (Figure 9).

Figure 9 Average percentage of population aged 25–64 years participating in education and training over the four weeks prior to survey, by country, 2000–2005



Note: In calculating the averages for 2000–2005, the 2000 data for Poland and Slovenia and 2000–2001 data for Slovakia, the Czech Republic, Ireland and Latvia are missing.
Source: Eurostat, 2000–2005.

Lifelong learning

No major differences are evident between the countries in terms of total expenditure on education. Denmark, Sweden, Cyprus and Finland spend relatively more on education than do the other Member States. Yet, the importance of lifelong learning varies between countries. Since the late 1980s, lifelong learning has begun to acquire an increasing importance in the social partners' bargaining agenda. The negotiations have been carried out at national, territorial, intersectoral, sectoral or company level. Lifelong learning has become a qualitative element in collective bargaining and regulation in this area has clearly emerged as the central topic: in other words, most collective bargaining has focused on the establishment of an institutional, normative and financial framework that regulates and stimulates training and development in companies. The characteristics of the industrial relations system in each country influence lifelong learning arrangements. Thus, Austria, Belgium, Denmark, France, Italy, the Netherlands and Spain show an extensive development of the national and sectoral-level collective bargaining on lifelong learning. On the other hand, a significant number of company agreements exist in Germany that deal with lifelong learning, although sectoral-level bargaining still remains important. Company-level agreements are also seen frequently in Italy, regulating different aspects than those dealt with at sectoral or national level. A third group of countries exists where collective bargaining has a limited impact on lifelong learning, including Ireland, Greece, Luxembourg, Portugal and the UK. In particular, in Ireland, Greece and Portugal, lifelong learning is part of the national employment policy and is still largely separated from collective bargaining (EIRO, 2002).

Active labour market policy plays a crucial role in defining flexicurity models. Without government intervention, it is not possible to guarantee a smooth transition from one job to another. It is essential to have appropriate training systems in place so that people can change or increase their qualifications if a new job demands it. According to national expert reports, human capital development is a point where many countries claim to have achieved good outcomes as a result of it being included on the collective bargaining agenda – such countries include Belgium, France, Ireland, Portugal, Slovakia, Slovenia, Spain, Sweden and Greece. The social partners in Poland also have a substantial interest in the matter, although the effects have so far been rather limited. In the Netherlands, human capital development is considered as only a minor point in most collective agreements and is not an issue high on the government policy agenda. Concerning active labour market policies, several government regulations and collective agreements which aim to stimulate reintegration and active labour market participation have been introduced recently in the Netherlands, but the effects of these measures seem to be rather modest so far. In Slovenia, the social partners involved in the tripartite agreements, such as the Social Agreement, as well as in other forms or levels of tripartite and bipartite dialogue, have supported active labour market policies as instruments for fostering higher employability. In Sweden, the social partners have managed to balance the interests of workers and employers in order to achieve good results in this area.

EU25 benchmarked against the flexicurity model

3

Measurement of flexicurity

Over the last few years, a large number of studies have been carried out which discuss the concept of flexicurity. While studies on the issue are increasing, widespread consensus is still lacking on the definition and measurement of flexicurity. The number of indicators reflecting flexibility and social security is particularly large and includes various aspects concerning both labour demand and supply (see also Chapter 2). A variety of papers exist describing different aspects of flexicurity issues. As the concept of flexicurity itself is relatively new, no general consensus emerges from existing literature in terms of which indicators are better and which reflect the essence of the concepts in the best possible way. Attempts have been made to measure flexicurity in different countries and several authors have tried to rank countries based on their choice of indicators. Annex 1 gathers some empirical analyses and presents different rankings of EU Member States according to their social security and flexicurity aspects.

For example, Tangian (2004) introduced flexicurity indices which are constructed from the following sources:

- measurements of the strictness of employment protection legislation, provided by the OECD;
- qualitative juridical data on social security benefits, such as unemployment insurance and public pensions;
- data on the dynamics of employment types, such as permanent, temporary, full-time, part-time and self-employed positions.

Tangian distinguished between the 'norm-security index' indicating the security of permanent full-time employees, the 'flexicurity index' covering the security of permanent part-time and fixed-term full-time employees and the 'all-security index' indicating the security of all of the three aforementioned groups. The analysis revealed that the highest indices are attained by Sweden and the Netherlands, while the lowest are occupied by the UK, Portugal, Spain and the Czech Republic.

However, different authors have generally used separate measures for labour market flexibility and social security. The most well-known classification of labour market flexibility distinguishes between four forms of labour market flexibility and four forms of social security (see, for example, Tangian 2006; Wilthagen and Tros, 2004). Tangian (2006) and Boeri et al (2002, 2006) analysed the relationship between labour market flexibility, which includes the employment protection legislation (EPL) index, and security, which includes the generosity of unemployment insurance benefits. The results indicate that it is possible to distinguish between different groups of countries. In several countries – France, Germany and Belgium – unemployment benefits are particularly generous, while the EPL has traditionally been close to the EU average. Southern European countries like Italy, Spain and Greece, on the other hand, are historically characterised by strict employment protection regulations and a rather low coverage of unemployment benefits.

Several authors have also found significant trade-offs between social security and flexibility (see Boeri et al, 2003, 2006), which means that countries with flexible labour markets have a rather low level of security and vice versa. In the context of measuring flexicurity, some aspects of social security and flexibility can be measured using the same indicators, but with 'opposite signs', thereby they 'cancel out'. According to Tangian (2005), it makes little sense to view all types of security in direct opposition to flexibility, because the latter implies most of the former. In the case of social security, income security is the only category not described by different types of flexibility. This concept has been adopted by several authors describing social security. For example, Tangian (2005) only considers different social security benefits measuring social security, in a similar way to Baulch et al (2006), Botero et al (2003) and Moffitt (2001) who, however, have referred to this measure as an overall measure of welfare generosity and have not linked it with the wider concept of social security.

Analysis of flexicurity models

The objective of the following analysis is to classify the EU Member States into groups based on flexicurity models and to determine whether countries with similar flexicurity systems also show similarities in their industrial relations systems. Therefore, factor analysis and cluster analysis are applied. Factor analysis is a method for detecting structure in the relationships between large sets of variables. This method allows for the summarising of information on variables, reducing initial sets of variables into new smaller sets of combined variables or factors. In the first phase of the analysis, factors are extracted from initial data and decisions must be made on how many factors to define. Although there are several criteria which help with this decision, the objective of the analysis was to determine at least 75% of common variance. The next step is rotation in factor analysis, which involves the redistribution of variance between factors to achieve a more meaningful factor structure. In defining a perfect structure, every variable must be associated with only one factor. Oblique rotation is used, which allows for correlation between factors, since different aspects of flexicurity are likely to be closely related. The next step in the analysis involves assigning names to factors based on variables highly connected to each particular factor. Lastly, the objective of the analysis is to also reduce information to a smaller set of variables, through which combined variables can be found.

The primary purpose of cluster analysis is to group objects based on their characteristics. The analysis is used to simplify data and identify relationships among the observations. Objects are classified into groups based on their similarity to each other with respect to some predetermined selection criterion. Several methods can be used to calculate the (dis)similarity of the objects. The most well-known methods are correlation coefficient and several distant measures – such as the Euclidean distance[7], Mahalanobis distance[8] and city-block distance[9]. It is possible to use hierarchical and non-hierarchical clustering procedures. In the former case, the number of groups is not predetermined, while in the latter case it is. Although several stopping rules (a mechanism for deciding whether to continue or stop a process on the basis of the present position and past events) are available, the selection of the final number of groups is determined by the researcher and is therefore highly subjective. Therefore, objects belonging to the same group are more similar to each other than they are to objects in other groups: in other words, resulting groups should exhibit high internal homogeneity within the group and high heterogeneity between the groups. In the cluster analysis, the

[7] The Euclidean distance measures the straight line between two objects or values.

[8] The Mahalanobis distance is based on correlations between variables by which different patterns can be identified and analysed. It is a useful way of determining the similarity of an unknown sample set to a known one, and it differs from the Euclidean distance in that it takes into account the correlations of the data set and is not dependent on the scale of measurements.

[9] The city block distance, alternatively known as the Manhattan distance, is related to the Euclidean distance; while the latter corresponds to the length of the shortest path between two values (i.e. a straight line), the former is the sum of distances one would have to walk between two points in a city where one has to walk along city blocks; it thus represents the distance between two points in a city road grid and examines the absolute differences between coordinates of a pair of objects.

complete linkage method and Euclidean distance is used as a measure of dissimilarities between countries. In the clustering process, the variables used are coefficients obtained from factor analysis.

However, certain weaknesses are associated with both factor and cluster analysis, which must be considered. The most significant limitation in this respect is that both of these methods are highly subjective. For example, in the factor analysis, deciding on how many factors to retain, which rotation method to use, which variables are considered to be connected to which factors, as well as the names of factors are all highly subjective. Hence, different solutions may be found from the same initial data. The cluster analysis can be characterised as atheoretical, exploratory and descriptive; moreover, it has no statistical basis on which statistical inferences can be drawn from sample to population, which makes it difficult to generalise the sample-based results in relation to the whole population. Furthermore, the results depend on the researcher's decisions and the cluster solution is extremely dependent on the variables used in the analysis as the similarity measure.

One of the aims of this research was to define flexicurity models for all EU Member States – excluding the newcomers Romania and Bulgaria, which joined the EU on 1 January 2007. Up until now, most of the research in this field has been based on analysing OECD countries or the EU15 countries. This represents a challenging task, as finding comparable information about all EU25 countries is complicated for various reasons. First, the indicators for which values are available for all EU25 Member States are relatively scarce. For example, the most well-known composite indicator used for measuring the strictness of EPL – the EPL index – is not available for the majority of the EU10 countries. For similar reasons, several other indicators could not be included in the analysis – such as data measuring the success of the implementation of active labour market policies. Secondly, information was collected about more than 60 variables that could possibly appear to be relevant in analysing the flexicurity approach. As the number of observations must exceed the number of variables in factor analysis, it was possible to keep a maximum of 25 variables. Then, excluding variables, the analysis relied on the Kaiser-Meyer-Olkin (KMO)[10] measure of sampling adequacy and excluded variables for which the KMO was the lowest. Thirdly, the interpretability criteria were considered, making it possible to constantly observe whether the variables are logically combined into factors during the factor analysis process. Therefore, flexicurity had to be treated slightly differently as data were available on labour market flexibility/adaptability, social security and social cohesion. The major problem of this study, and other studies on flexicurity issues, is the lack of reliable and comparable quantitative and qualitative data.

As a result, the choice of indicators that could be included in the analysis was quite limited (for definitions and sources of the following variables, see Annex 2 and the discussion in the next section). The following indicators were used to:

- measure labour market flexibility – tenure, mobility, ease of finding a new job, proportion of part-time workers, trust in the society;
- characterise the security in different countries – total expenditure on social protection (% of GDP), total expenditure on social protection per head of population, unemployment insurance, the long-term unemployment rate, the youth unemployment rate, the share of early school-leavers, the employment rate of people aged 55–64 years, the Gini coefficient (measures the inequality of

[10] KMO takes values between 0 and 1, with small values meaning that the values have too little in common overall to warrant a factor analysis.

income distribution within a country) and the poverty rate (cut-off point equals 50% of the median equivalised income);

- characterise the activation side of labour market – lifelong learning and training indicators.

In the final version, 16 variables were used as an input to factor analysis. Variables correspond to the main assumption of factor analysis that an underlying structure exists among variables, such that variables are logically related. Variables were selected if values existed for every country, since case-wise selection applies.[11] Three factors remained in the flexicurity model and they account sufficiently for variance and a yield tractable solution. Oblique rotation was used, as it was assumed that different factors of labour market variables may be strongly related. Results indicate that three factors account for 84% of the common variance shared by 16 indicators, meaning that more than three quarters of the common variance is described by the model. The objective of the research was to achieve a simple structure as a solution; therefore, only factor loadings which were highest for every variable were considered.

Results of factor and cluster analysis

Results of factor analysis
The factors and their components identified in the model include the following (see Table A3 in Annex 3):

- Adaptability[12]/flexibility: this factor consists of Eurobarometer (2006b) indicators concerning the ease of finding a new job, worker mobility – if persons have changed job more than six times during their working life – and two indicators reflecting training issues, including one from Eurobarometer and one from Eurostat. Other indicators also included pertain to the long-term unemployment rate, youth unemployment rate and the employment rate of older persons. The proportion of part-time workers was considered as part of this factor, although this indicator also correlated with the second factor. This factor can be interpreted in such a way that parts of indicators – mobility, part-time work and ease of finding a new job – are flexibility indicators. Training and lifelong learning show the adaptability of workers, while the employment and unemployment rates of different social groups reflect both the adaptability and flexibility of the labour market.

- Social security: in relation to the social security factor, two indicators characterising expenditure on social protection and unemployment insurance are grouped together. As the tenure was also switched to this factor, it can be interpreted that social security in the broader sense includes also some elements of job protection or low job mobility. It should be pointed out that part-time employment also correlates strongly with this factor.

- Social cohesion[13]: the social cohesion factor consists of poverty and income distribution data. The proportion of early school-leavers also belongs to this factor. If people do not have appropriate

[11] The data analysis and statistical software programme used is STATA.

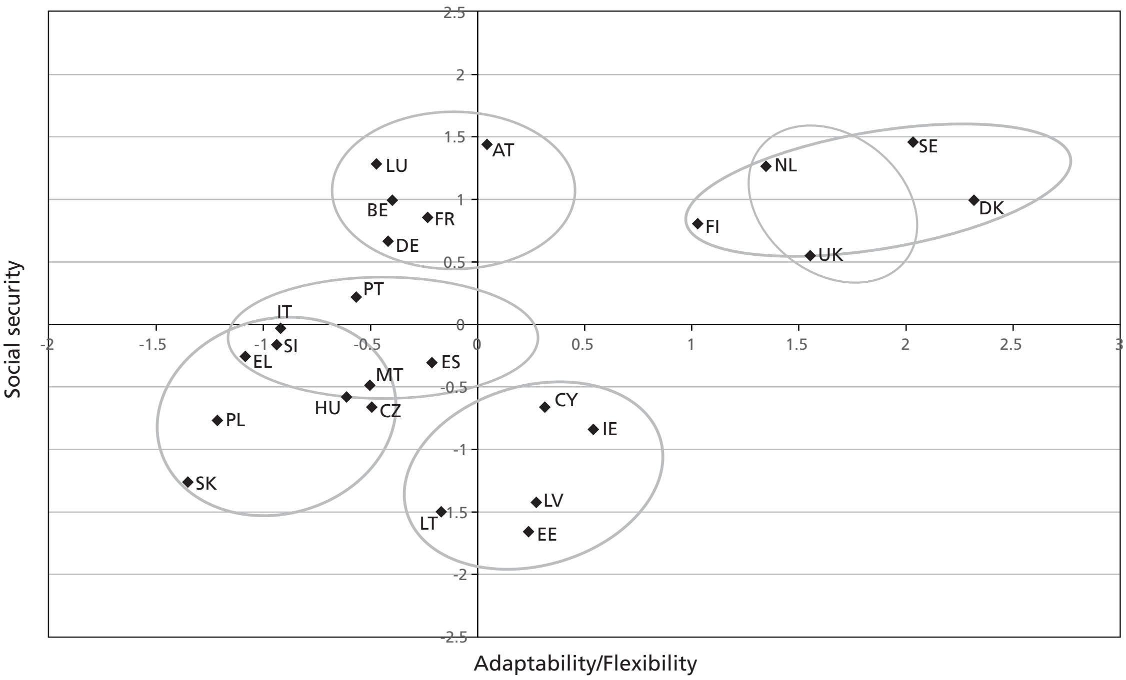
[12] Despite the fact that the term ‘flexicurity’ clearly indicates the policy which optimally combines labour market flexibility and security, flexibility is usually considered in more general terms as adaptability. As Boeri et al (2002) assert, adaptability includes flexibility, but can potentially go far beyond the latter concept, capturing the ability of the market to establish precautions against uninsurable risk, the ability to ensure that skill requirements are met, while simultaneously allowing for a sizeable labour market and labour mobility.

[13] The values of this third factor score were reversed, which means that the third factor represents social cohesion instead of social inclusion as indicated in factor analysis.

qualifications and skills, they will be in a weaker position in labour market terms and will be relatively more likely to become part of the low-income group. Tenure is negatively correlated with this factor, which indicates that longer tenure might reduce income insecurity.

Figures A1 and A2 in Annex 3 show the relations between these dimensions in different EU Member States.[14] The Nordic countries together with the Netherlands and the UK have higher flexicurity and social security indicators than other countries. Meanwhile, the new Member States (NMS) together with the Mediterranean countries have lower figures for both flexicurity and security. Countries which are part of mainland Europe have higher levels of social security and less flexible labour markets.

Figure 10 Adaptability/flexibility versus social security in EU Member States



Source: Authors' calculations.

In order to compare different countries, cluster analysis was used in an attempt to group the countries together. This type of analysis helps to detect whether appropriate groups originate using factors found in the analysis. Factor scores were calculated and applied in the cluster analysis. As a result of cluster analyses, six different country groups were formed. Each of these country groups is characterised by certain weak and strong features in terms of labour market performance – the average value of variables used in the factor analysis by different country groups were calculated (see Table 1); standard deviations are presented in Annex 3 (Table A5).

- The first country group consists of old EU Member States – Austria, Belgium, France, Germany and Luxembourg – which represent a continental model of social and economic activities. It is not surprising that social protection is relatively high in these countries; this is one of the cornerstones

[14] Since there were three factors, relationships between countries are three-dimensional. As for the easier interpretation, two-dimensional plots were constructed; however, due to the three-dimensionality, two-dimensional plots are somewhat mixed concerning the various country groups.

of the continental social model. The tenure is also relatively high, which also hints at a rigid labour market with low mobility.

- The Netherlands and the UK represent countries with fairly liberal and flexible labour markets. Unsurprisingly, the proportion of part-time workers is particularly high in this group. Unemployment is low, and labour mobility is high.
- Denmark, Finland and Sweden represent countries which are often used as benchmarking models in flexicurity debates. The Nordic countries show top scores for most of the indictors presented in Table 1.
- The fourth group comprises the fast-growing economies of the Baltic states of Estonia, Latvia and Lithuania, as well as Ireland. In addition, according to cluster analysis results, Cyprus is also included in this country group. Labour market flexibility indicators in this group are relatively high, but social protection is lowest than in the EU overall, while income protection is also at a relatively low level. The heterogeneity of the group should be considered (see standard deviations in Table A5 of Annex 3). A closer look at the data indicates that the similarities result from the closeness of the values of some variables – for example, similar expenditure on social protection, early school-leavers, employment rates of older people and lifelong learning – whereas notable differences emerge in relation to other variables – for instance, the youth unemployment rate, the long-term unemployment rate and job tenure. This means that some indicators are most likely overestimated and some are underestimated, as the low-income countries such as the Baltic states appear together with a high-income country such as Ireland.
- Greece, Italy, Malta, Portugal and Spain form the fifth country group. This group could be labelled as the southern European or Mediterranean group. It is characterised by poor labour market adaptability and low income protection. Training and education indicators are surprisingly low. Unemployment is relatively high while employment is at a comparatively low level.
- The last group of countries consists of the NMS from central Europe – the Czech Republic, Hungary, Poland, Slovakia and Slovenia – which are labelled sometimes as the Visegrad countries (excluding Slovenia).[15] It seems that, together with the Mediterranean countries, this group is not performing particularly well. Labour market mobility is relatively low, the long-term unemployment rate is high, while the employment rate among older people is low; these results indicate that labour market adaptability is also relatively low.

According to a similar study – but with fewer countries in the sample – launched by the European Commission, five country groups were identified (European Commission, 2006):

- *the Anglo-Saxon system,* comprising Ireland and the UK;
- *the Continental system,* including Austria, Belgium, Germany and France;
- *the Mediterranean system,* including Greece, Spain and Portugal;
- *the Eastern European (plus Italy) system*, including the Czech Republic, Hungary, Italy, Poland and Slovakia;
- *the Nordic system,* including Denmark, Finland, the Netherlands and Sweden.

[15] The Visegrad Agreement was an agreement signed on 15 February 1991 between Czechoslovakia, Hungary and Poland establishing cooperation to move toward free-market systems. Czechoslovakia split into the Czech Republic and Slovakia on 1 January 1993.

Table 1 Average value of variables used in factor analysis, by country group

Variables*	AT, BE, DE, FR LU	NL, UK	DK, FI, SE	CY, EE, IE, LT, LV	EL, ES, IT, MT, PT	CZ, HU, PL, SI, SK
Total expenditure on social protection (% of GDP)	28.4%	27.4%	29.8%	**14.7%**	22.9%	21.2%
Total expenditure on social protection per capita (in purchasing power standards – PPS**)	7,769.0	7,347.3	8,651.7	**2,165.9**	3,957.6	2,453.0
Job tenure	37.6%	30.0%	37.3%	**24.8%**	29.8%	34.4%
Unemployment insurance	37.2%	23.0%	39.0%	18.0%	16.6%	**13.2%**
Ease of finding a new job	16.2%	29.0%	35.0%	27.2%	**9.8%**	12.8%
Mobility	7.8%	18.0%	21.0%	6.8%	6.2%	**4.4%**
Training	25.2%	38.0%	43.3%	23.2%	**15.0%**	21.4%
Lifelong learning	8.2%	19.3%	28.6%	7.3%	**4.2%**	7.3%
Part-time workers	18.2%	35.4%	19.1%	10.8%	8.4%	**5.7%**
Long-term unemployment rate	37.7%	24.6%	21.2%	38.5%	44.7%	**52.8%**
Youth unemployment rate	15.4%	9.3%	14.8%	16.3%	21.3%	**24.9%**
Employment rate of older people aged 55–64 years	33.1%	49.9%	59.5%	48.1%	39.3%	**29.2%**
Gini coefficient	27.6%	30.5%	24.7%	31.4%	**33.4%**	27.2%
Poverty (50%)	7.6%	8.5%	5.7%	10.2%	**11.8%**	8.6%
Early school-leavers	12.2%	15.5%	9.2%	14.3%	**31.8%**	6.7%

Notes: *See Table A2 in Annex 2 for methodology used for each of the variables listed in the above table. **PPS is the artificial common reference currency unit used in the EU to express the volume of economic aggregates for the purpose of spatial comparisons in such a way that price level differences between countries are eliminated.
Grey areas in the table indicate best performance in terms of flexicurity; numbers in bold indicate worst performance.
Source: Authors' calculations.

In general, the findings of this report are similar to the results presented in the European Commission study. However, in the current analysis, Ireland is grouped together with the Baltic states and Cyprus, while the Netherlands is grouped together with the UK. If the standard deviations for the variables used in the factor analysis were to be calculated (see Table A5 in Annex 3), it appears that there is a small variability within the groups. However, as mentioned above, the results of the factor and cluster analysis depend very much on which variables are used.

Not surprisingly, the first conclusion of the analysis is that countries are particularly diverse in terms of social policy and the labour market situation. The question is how these countries will change in the future and which direction they will move in. Based on the data presented in Table 1 above, the continental countries should probably focus mostly on flexibilisation of the labour market, as their labour markets are relatively rigid at present. How to achieve this goal is another issue. As can be seen from policy debates and the recent history of industrial relations, this is politically a rather difficult task. For the Mediterranean and Visegrad countries, both social security and labour market flexibility should be increased. The Anglo-Saxon model represented here by Ireland, the Baltic states and Cyprus is particularly controversial. For Cyprus and Ireland, the major task will be to increase social security benefits, as the labour market is already relatively flexible, while social security is low. For the Baltic states, more social security is needed. All of these different paths will make it difficult at European level to implement a common social and labour policy, since the aims and policies indicating how to achieve this are simply too different. The success of the flexicurity policy depends on the social consensus achieved at country level. The role of social dialogue will be crucial in this process. Without general agreement at national or regional level, it seems impossible to implement policy measures that will result in more labour market flexibility or increase the social security of the labour force.

Social partners' role in implementation of flexicurity

Despite the fact that different industrial relations indicators we tried to use in the factor analysis did not yield reasonable results in the empirical model applied, the country groups show that they play an important role in the flexicurity debate. It is a well-known fact that, in the Scandinavian countries, the social partners have a long historical influence on the whole society. Today, these are also the countries with the highest trade union density and collective agreement coverage rates. High centralisation of negotiations and more cooperative relations between the social partners have resulted in a balance between social security and labour market flexibility. Most likely, this would not have occurred without well-established industrial relations systems in these countries.

Based on the cluster analysis, the researchers tried to look at how similar or different the main industrial relations indicators are in relation to the different country groups. In this regard, it was possible to calculate average levels for different industrial relations indicators and also variation coefficients to describe the similarity and diversity within the country groups. In the findings presented in Table 2, variation coefficients with a value of less than 0.3 are shown in shaded colour, indicating a high degree of similarity in the group.

Similar industrial relations indicators are found for Denmark, Finland and Sweden as one country group and countries belonging to the 'continental European' model – Austria, Belgium, Germany, France and Luxembourg (Table 2). Conversely, the three Baltic states, together with Cyprus and Ireland, do not show many similarities in their industrial relations indicators. In other country groups, the industrial relations indicators are relatively diverse. This may partly explain why the industrial relations indicators in the previous factor and cluster analysis gave controversial results.

To summarise, the following conclusions can be made based on the results shown.

- The Nordic countries have high trade union density rates together with high coverage rates; trade unions are politically influential and cooperation takes place between the social partners.
- Continental countries are characterised by an average level of trade union density, but by relatively high coverage rates. The trade unions in these countries are also politically influential, but more tensions are evident between the social partners.
- The representatives of the Anglo-Saxon model include the UK and the Netherlands, which are characterised by low trade union density and relatively low coverage rates, while trade unions' political influence is rather weak.

Table 2 Industrial relations indicators, by country group

Countries		Trade union density	Employment organisation density	Workplace representation	Collective bargaining coverage
AT, BE, DE, FR, LU	Average	31.20	73.40	59.40	81.40
	Variation coefficient	0.56	0.10	0.13	0.23
NL, UK	Average	26.50	63.50	55.50	61.50
	Variation coefficient	0.13	0.50	0.22	0.61
DK, FI, SE	Average	77.00	55.67	78.00	85.67
	Variation coefficient	0.04	0.07	0.13	0.06
CY, EE, IE, LT, LV	Average	32.00	41.40	35.60	36.60
	Variation coefficient	0.79	0.63	0.41	0.67
EL, ES, IT, MT, PT	Average	30.00	58.00	38.60	69.60
	Variation coefficient	0.66	0.27	0.52	0.23
CZ, HU, PL, SI, SK	Average	26.00	33.00	50.40	52.40
	Variation coefficient	0.44	0.25	0.25	0.52
All countries	Average	35.20	52.92	50.60	63.20
	Variation coefficient	0.63	0.39	0.36	0.42

Source: Authors' calculations.

- Southern European countries have relatively similar density rates among employer organisations, and their collective bargaining coverage rate is higher than the EU average.
- The new central European Member States have relatively similar employer organisation density rates, which are lower than the average EU rates; the average level of workplace representation in these countries is among the highest in the EU. However, the trade unions in these countries are not politically influential – except perhaps in Poland – and there is confrontation between the social partners.
- The Baltic states together with Cyprus and Ireland form quite a diverse group of countries. Industrial relations in the Baltic states are quite similar to the other NMS, while it can be argued, with some reservation, that Ireland belongs more to the Anglo-Saxon group and Cyprus to the southern European country group.

The country profiles of industrial relations show that each EU Member State has its own industrial relations model. In spite of many differences and specific national features, some common characteristics emerge in relation to the industrial relations of the observed countries; for example, trade unions are recognised by employers and the state; collective bargaining is voluntary; a collective agreement extension clause is quite common. However, these are qualitative aspects of the industrial relations systems and it is complicated to involve such aspects in the empirical analysis. According to the European Commission study on industrial relations in Europe (2006a), the tests carried out at international level show few convincing relationships between industrial relations and macroeconomic performance. However, it appears that income inequalities and wage distribution are more limited, that average wages, fringe benefits and training are higher and that unemployment is, on the whole, lower and less persistent in systems with high trade union density and high collective bargaining coverage. The study concludes that the complementarities and interrelationships between the industrial relations system and the economic and social development make it possible to reach different objectives of economic and employment performance in a variety of ways, depending on the national circumstances and pathways of adaptation.

However, as the Nordic model shows, trust and cooperation between the social partners are two important elements of industrial relations. In the Scandinavian countries, the social partners have traditionally played a key role in decision-making processes and administrative arrangements in relation to labour market and training policy. The social partners' role is the product of historical development, and also of their high level of organisation. Moreover, social partner organisations are vital for ensuring that policies are adopted, implemented and accepted. The authorities are thus dependent on the social partners' cooperation with regard to flexicurity arrangements. However, in order to have a strong input, the social partners and other civil society players need to be adaptable, willing to work together and ready to address real-life situations in new and broad-based ways.

During the previously mentioned Foundation tripartite seminars on 'European industrial relations country profiles benchmarked against the Lisbon Strategy', national experts presented their ideas about best practice countries concerning industrial relations, labour market flexibility and social security. In most of the countries, national evaluation groups consisted of representatives of employer organisations, trade unions and governments. National experts were asked to discuss the following question: 'The Lisbon Strategy includes plenty of national policy areas of improvement ranging from human capital, flexicurity up to labour market and productivity. Which is the "best practice" country on the following issues from your own country perspective? (Please, nominate one country).' Best practice results are based on a 25-country tripartite evaluation (see Table 3).

Table 3 Best practice countries based on tripartite seminar discussions

Ranking	Human capital	Flexicurity	Active labour market	Active ageing	Quality of work	New forms of work	Control of labour costs	Productivity	All
1	FI	DK	DK	SE	SE	NL/SE	UK	IE	SE/DK
2	SE/UK	NL	SE	NL/UK	DK	UK	DE	FI/UK	UK/NL

Source: Foundation tripartite seminars on 'European industrial relations country profiles benchmarked against the Lisbon Strategy', national experts' evaluations.

In these discussions, the Nordic countries and the Netherlands were pointed out as the potential benchmarking models across many areas. Finland was nominated as the best practice country in relation to human capital development. Denmark achieved first position when considering flexicurity and active labour market practices. Active ageing policies, quality of work and new forms of work are particular strengths of Sweden, the latter also proving to be a strength of the Netherlands. Control of labour costs is thought to be best applied in the UK, while productivity is best controlled in

Ireland.[16] In second highest position were also quite often the Nordic countries, the Netherlands, as well as the UK. Germany is well-known for its control of labour costs.

According to national experts' reports about benchmarking industrial relations against the Lisbon Strategy, it can be concluded that the social partners' stake in implementing the strategy has been greater in Belgium and France. In Belgium, the social partners constantly monitor the implementation of the Lisbon Strategy on a national basis. Although the Netherlands also has a rather developed industrial relations system like France and Belgium, the Lisbon Strategy is first and foremost a concern for the government, and the social partners are hardly involved in its implementation nor do they actively try to influence its course. Contributions of the social partners in implementing the Lisbon Strategy are also lacking in Greece, Hungary, Italy, Lithuania, Portugal, Slovakia and Slovenia; moreover, cooperation between the social partners is also weaker in these countries. Even if the issues of concern are discussed, deep contradictions emerge between the social partners and they can only create a generic consensus on the broadest objectives for jobs, growth and competitiveness. In Belgium and Portugal, NAPs and NDPs have been discussed previously within social dialogue bodies. Cyprus, France, Greece, Italy and Slovakia claim that the social partners' participation in the preparatory stage and in the implementation of the NAPs and NDPs has been formal and weak or even non-existent. Taking a glance at the social partners' involvement in implementing separate aspects of the Lisbon Strategy, it appears that few successful examples exist. Better results can be found in countries with more developed industrial relations systems – Sweden, France, Belgium, the Netherlands and to some extent also Finland and Austria. In analysing the involvement of the social partners and other civil society organisations in the Lisbon process, Pisani-Ferry and Sapir (2006) highlight problems such as ineffective cooperation and lack of political partnership.

In general, shortcomings concerning active ageing, active labour market policies and flexicurity are the issues related to the Lisbon Strategy that countries seem to be more worried about. Member States are also concerned, to some extent, about new forms of work organisation. Human capital development is an area about which the majority of countries feel quite confident and industrial relations systems are usually also quite supportive of this subject. Nevertheless, better results concerning the social partners' involvement in implementing the objectives of the Lisbon Strategy relate rather to countries with more cooperative and developed industrial relations systems.

[16] According to Irish expert, Joe Wallace, the high productivity growth lasted up to 2001 in Ireland. Since then, economic success has been driven mostly by the expansion of the labour force and the growth of the construction and services sectors.

Conclusions 4

The industrial relations country profiles reveal that each EU Member State has its own model of industrial relations. Each country carries over its particular historical, economic, political, social and individual characteristics into this model. Diversity is significant among the different countries, firstly due to the number of countries surveyed, and also taking into account the varied cultures, religions and historical developments. The EU15 have relatively regulated labour markets, comparatively high density and coverage rates, as well as different forms of worker representation. However, the best way to differentiate between countries is according to their type of social model. In the EU10, the opening up of national economies to global competition has required domestic enterprises to adjust their inputs, including labour and market demand. Within the structural adjustment package, introducing employment flexibility and lowering social protection was in most cases offered as the sole alternative for transforming labour markets under the new market conditions. As a result, the low administrative capacity of labour market institutions and weaknesses of trade unions combined with poor law enforcement have contributed to high labour market flexibility and increased job insecurity experienced by workers.

Comparing the EU25 Member States

Well-known typology classifies countries according to four different models: the Anglo-Saxon, Continental, Nordic and Mediterranean models. It could be said that the EU10 just fall into one group or another; however, in practice, these groups are relatively mixed and the analyses show that, from a flexicurity standpoint, six different country groups could be formed as follows:

- the first group comprises the older EU Member States – Austria, Belgium, France, Germany and Luxembourg – which represent the Continental model;
- the UK and the Netherlands belong to the second group – countries which represent relatively liberal and flexible labour markets;
- the Nordic group – Finland, Denmark and Sweden – represents countries which are often used as benchmarking models in flexicurity debates;
- the fourth group consists of the fast-growing economies of the Baltic states – Lithuania, Estonia and Latvia – together with Ireland and Cyprus;
- the Mediterranean group – Greece, Italy, Malta, Portugal and Spain – is characterised by poor labour market adaptability and low income protection;
- the last group represents the NMS from central Europe – the Czech Republic, Hungary, Poland, Slovakia and Slovenia – characterised by relatively high income protection, low mobility and low social trust.

The attempts to include any industrial relations indicator to multivariate statistical analysis failed, as different industrial relations indicators were grouped to different factors and it was not possible to provide a reasonable interpretation. This is not a new observation: the same has been found in many other studies, for example in the European Commission report *Industrial relations in Europe 2006*. However, these results are based on quantitative research, and qualitative aspects of interpretation represent further possibilities for researchers to improve the quality of research.

Looking at similarities, it was found that only the Nordic countries have relatively similar industrial relations systems. Countries in the Continental European group also have relatively similar industrial relations systems. In other country groups, the industrial relations indicators show that systems are very different. It was also noticed that commonly used industrial relations indicators are not correlated with the trust indicators. These results indicate that industrial relations are not directly related to the economic, human capital and labour market developments of the country. This conclusion is also in line with results presented by other researchers (see, for example, European Commission, 2006a).

Of course, there is evidence of the indirect influence of the social partners on socioeconomic development. In this regard, examples of best practice can again be found in the Nordic countries, which are highly placed in the different competitiveness rankings, where employment rates are high and where the income per head of population is above the EU average. At the same time, industrial relations in the Nordic countries are characterised as being relatively centralised, with high trade union density and collective bargaining coverage rates. More cooperation and less confrontation takes place between the social partners compared with some of the other EU Member States.

Balancing security and flexibility

The renewed Lisbon Strategy tries to find a balance between social security and labour market flexibility. The previous discussion could be deemed more generalised, implying that the various country groups take different approaches in implementing the flexicurity concept. It could be concluded that countries are strategically in different positions as follows:

- some of the old EU15 Member States are largely characterised by a high level of social security and a relatively rigid labour market – this is particularly the case for the Continental group of countries. The biggest challenge for these countries is the flexibilisation of their labour markets;
- the second group of countries comprises a mix from the Anglo-Saxon model and the Baltic states with their rather liberal economic policy. The greatest challenge for these countries is addressing social protection issues;
- the Mediterranean countries and also the NMS from central Europe belong to the same group. The analysis indicates that both security and flexibility systems should be developed further if these countries want to implement the flexicurity model;
- the Nordic countries, as well as the Netherlands and the UK are, in fact, particularly close to the flexicurity model defined by the European Commission.

In this regard, the research investigates the policy options for both the EU15 and the EU10. In general, for the EU10, two unavoidable issues need to be dealt with: time and active labour policies from the government side. The former element means that a certain time frame should be considered while nominal and real convergence of the new EU economies will take place. At the same time, active labour policies help to accelerate faster adjustment of the labour force to external shocks, mainly through training activities. Mutual trust is also an important issue highlighted as part of flexicurity strategies. Both employers and employees should trust each other and realise that it is possible to implement effective measures which may increase flexicurity.[16]

[16] Fisher and Ury (1987) have pointed out that it is a false dilemma to either trust or not trust in negotiations. They point out that one should proceed independently of trust. In practical policy terms, this translates into the need for an independent guarantor of trust – as in the role of government in the case of Irish social partnership, which has been internationally acknowledged as one of the underpinning forces behind the Irish economic transformation since 1987.

In the EU15, with regard to the continental model, the demographic situation is particularly bad, with employment at a standstill and non-employment proving to be rather high. In this case, the older EU Member States need to introduce reforms in order to survive global competitiveness. However, not many options remain for these countries to improve matters: innovation and increasing productivity could compensate for declining employment rates, a reduction of labour costs, the introduction of flexible work forms, and introducing flexible employment contracts. These are a few examples of decisions to be taken; nonetheless, they are not easy to implement, as it is difficult to explain to the public on a political level that workers could perhaps face lower job security overall.

Social protection should be increased also in the UK and Ireland. The southern European countries and the Visegrad countries will face the most serious problems, as both social security and labour market flexibility is relatively low – at least according to the data used in the calculations for this current study. However, it should be considered that, the Visegrad countries are not a particularly homogeneous group.

In the long run, both parties will shift towards a more modernised European social model (see Figure A4 in Annex 4), which tries to find balance between social security and flexibility: the EU10 will lose some of their current labour market flexibility, while the EU15 will most likely have to face reduced job security. The extent to which the social partners are involved in the implementation of the renewed Lisbon Strategy depends on the level of trust and cooperation between them. In this regard, the Nordic model could be a benchmark for other Member States.

Future considerations

For future studies, the first elements that are needed are comparable and better data. In this study, flexicurity was treated in the framework of three pillars: namely, the data available on labour market flexibility/adaptability, social security and social cohesion. It would be interesting to incorporate comparable active and also passive labour market policy indicators into the analyses. Furthermore, no employment protection indexes are calculated for all EU Member States; however, this indicator is also essential in the flexicurity analysis. The major problem of this study and other studies focusing on the flexicurity theme is the lack of reliable and comparable quantitative and qualitative information.

For the current debate about changes in European labour law, it would be interesting to find answers to the questions presented in the Commission's Green Paper (2006), using the experience of the best practice countries. As mentioned before, no universal solutions are available for the questions raised in the Green Paper (European Commission, 2006c); in this case, each country needs to find a way to balance labour market flexibility and social security.

Bibliography

Arjona, R., Ladaique, M. and Pearson, M., 'Growth, inequality and social protection', OECD, Labour *Market and Social Policy Occasional Papers*, No. 51, 2001.

Baulch, B., Wood, J. and Weber, A., 'Developing a social protection index for Asia', *Development Policy Review*, No. 24, Issue 1, January 2006, pp. 5–29.

Biagi, M., Tiraboschi, M. and Rymkevitch, O., *The 'Europeanisation' of industrial relations: Evaluating the quality of European industrial relations in a global context – A literature review*, Dublin, European Foundation for the Improvement of Living and Working Conditions, 2002, available online at: http://www.eurofound.europa.eu/publications/htmlfiles/ef0276.htm

Boeri, T., Conde-Ruiz, J.I. and Galasso, V., *The political economy of flexicurity*, FEDEA Working paper 15, 2006.

Boeri, T., Conde-Ruiz, J.I. and Galasso, V., 'Protecting against labour market risk: Employment protection or unemployment benefits?', Institute for the Study of Labour (IZA), Discussion paper No. 834, July 2003.

Boeri, T., Garibaldi, P., Macis, M. and Maggioni, M., *Adaptability of labour markets: A tentative definition and a synthetic indicator*, Milan, June 2002.

Bonnet, F., *Whither social security? A response through indicators*, ILO, IPF-SES, 2002.

Botero, J., Djankov, S., La Porta, R., Lopez-de-Silanes, F. and Shleifer, A., *The regulation of labour*, National Bureau of Economic Research (NBER), Working paper No. 9,756, June 2003.

Chung, H., *Different paths towards flexibility: Deregulated employment protection or temporary employment?*, Paper presented at ESPAnet conference 'Making social policy in the postindustrial age', 22–24 September 2005.

Cortebeeck, V., Huys, R., Van Gyes, G. and Vandenbrande, T., European Foundation for the Improvement of Living and Working Conditions, *The quality of industrial relations indicators: An assessment of the data and country profiles of 15 EU Member States*, unpublished report, Luxembourg, Office for Official Publications of the European Communities, 2004.

Council of the European Union, Council Decision 2003/578/EC of 22 July 2003 on guidelines for the employment policies of the Member States, Official Journal L 197, 5 August 2003.

Delhey, J., European Foundation for the Improvement of Living and Working Conditions, *Life satisfaction in an enlarged Europe*, Luxembourg, Office for Official Publications of the European Communities, 2004, p. 88, available online at: http://www.eurofound.europa.eu/publications/htmlfiles/ef03108.htm

Eamets, R. and Paas, T., 'Labour market flexibility and flexicurity', in Paas, T. and Eamets, R. (eds.), *Labour market flexibility, flexicurity and employment: Lessons of the Baltic states*, Nova Science, 2007.

European Commission, *Employment in Europe 2006*, Luxembourg, Office for Official Publications of the European Communities, 2006, available online at: http://ec.europa.eu/employment_social/employment_analysis/employ_2006_en.htm

European Commission, *Industrial relations in Europe 2006*, Luxembourg, Office for Official Publications of the European Communities, 2006a, available online at: http://ec.europa.eu/employment_social/social_dialogue/docs/ir_report2006_en.pdf

European Commission, *European employment and social policy*, Special Eurobarometer No. 261, Brussels, 2006b, available online at: http://ec.europa.eu/public_opinion/archives/ebs/ebs261_en.pdf

European Commission, *Modernisation of labour law to meet the challenges of the 21st century*, COM (2006) 708 final, Brussels, 2006c.

European Employment Taskforce, *Jobs, jobs, jobs: Creating more employment in Europe*, Report of the Employment Taskforce chaired by Wim Kok, Brussels, November 2003.

European Industrial Relations Observatory (EIRO online), *Lifelong learning and collective bargaining: An analysis of EIRO articles*, Dublin, European Foundation for the Improvement of Living and Working Conditions, 2002, available online at: http://www.eiro.eurofound.eu.int/other_reports/lifelong_learning.pdf

European Industrial Relations Observatory (EIRO online), *Redundancies and redundancy costs*, EIRO thematic feature, Dublin, European Foundation for the Improvement of Living and Working Conditions, 2005, available online at: http://www.eurofound.eu.int/pubdocs/2005/75/en/1/ef0575en.pdf

European Industrial Relations Observatory (EIRO online), *Industrial relations country profiles*, Dublin, European Foundation for the Improvement of Living and Working Conditions, 2006, available online at: http://www.eurofound.europa.eu/eiro/country_index.html.

European Industrial Relations Observatory (EIRO online), *Reconciliation of work and family life and collective bargaining in the European Union: An analysis of EIRO articles*, Dublin, European Foundation for the Improvement of Living and Working Conditions, 2006a, available online at: http://www.eiro.eurofound.eu.int/other_reports/work_family_life.pdf

European Industrial Relations Observatory (EIRO online), *Working time developments 2005*, Dublin, European Foundation for the Improvement of Living and Working Conditions, 2006b, available online at: http://www.eiro.eurofound.eu.int/2006/08/update/tn0608101u.html

European Trade Union Institute for Research, Education and Health and Safety (ETUI-REHS), *Benchmarking working Europe 2007*, Brussels, ETUI-REHS and ETUC, 2007.

Eurostat, *Social security data,* Luxembourg, 2003.

Eurostat, *European social statistics: Labour market policy – Expenditure and participants*, Luxembourg, Office for Official Publications of the European Communities, 2006.

Fisher, R. and Ury, W., *Getting to yes: Negotiating agreement without giving in*, London, Arrow Books, 1987, p. 176.

Gorter, C., 'The Dutch miracle?', in Esping-Andersen, G. and Regini, M. (eds.), *Why deregulate labour markets?*, New York, Oxford University Press, 2000, pp. 181-210.

Heckman, J. and Pagés, C. (eds.), *Law and employment: Lessons from Latin America and the Caribbean*, Working paper No. 10,129, Cambridge Massachusetts, National Bureau of Economic Research, 2003.

Hessels, J., van Stel, A., Brouwer, P. and Wennekers, S., *Social security arrangements and early-stage entrepreneurial activity: An empirical analysis*, EIM Scales Paper N200518, 2006.

HM Treasury, *EMU and labour market flexibility*, London, The Stationary Office, 2003, available online at: http://www.hm-treasury.gov.uk/media/8/4/adwor03_123_419.pdf

Inglehart, R., Basanez, M., Diez-Medrano, J., Halman, L. and Luijkx, R. (eds.), *Human beliefs and values: A cross-cultural sourcebook based on the 1999–2002 values surveys*, Mexico City, Siglo XXI, 2004.

International Labour Organization (ILO), *Indexes and indices*, Social Security Department, available online at: http://www.ilo.org/dyn/sesame/SEShelp.Noteindice

Keller, B. and Seifert, H., ‘Flexibility – the German trajectory’, *Transfer*, Vol. 10, No. 2, 2004, pp. 226–247.

Klammer, U., ‘Flexicurity in a life-course perspective’, *Transfer*, Vol. 10, No. 2, 2004, pp. 282-299.

Korpi, W., ‘Economic growth and the welfare state: Leaky bucket or irrigation system?’, *European Sociological Review*, Vol. 1, No. 2, 1985, pp. 97–118.

Kucera, D., *Unemployment and external and internal labour market flexibility: A comparative view of Europe, Japan and the United States,* New York, Centre for Economic Policy Analysis (CEPA), Working paper No. 11, October 1998, p. 32.

Lisbon Strategy web page, available online at: http://www.eapn.ie/policy/55

Madsen, P.K., ‘How can it possibly fly? The paradox of a dynamic labour market in a Scandinavian welfare state’, in Campbell, J.L., Hall, J.A. and Pedersen, O.K. (eds.), *National identity and a variety of capitalism: The case of Denmark*, Montreal, McGill University Press, 2006.

Moffitt, R.A., ‘Welfare benefits and female headship in US time series’, Johns Hopkins University, Institute for Research and Poverty, Discussion paper No. 1219–01, January 2001.

Mundell, R., ‘A theory of optimum currency areas’, *American Economic Review*, Vol. 51, No. 4, American Economic Association, 1961, pp. 657-665.

Nicoletti, G., Scarpetta, S. and Boylaud, O., *Summary indicators of product market regulation with an extension to employment protection legislation*, Working paper No. 226, Organisation for Economic Cooperation and Development (OECD), Economics Department, Paris, 2000, p. 86.

Organisation for Economic Cooperation and Development (OECD), *Employment outlook*, Paris, OECD, 2004.

Organisation for Economic Cooperation and Development (OECD), *Employment outlook*, Paris, OECD, 2003.

Pisani-Ferry, J. and Sapir, A., *Last exit to Lisbon*, Brussels, Bruegel Policy Brief, March 2006.

Sapir, A., *An agenda for a growing Europe. Making the EU economic system deliver*, Report of an independent high-level study group established on the initiative of the President of the European Commission, Brussels, July 2003, available online at: http://www8.madrid.org/gema/fmm/informe_sapir.pdf

Sen, S. and Dasgupta, B., *Economic insecurity under globalisation: The case study of the Indian manufacturing sector*, Paper presented at 11th EADI General Conference ‘Insecurity and development: Regional issues and policies for an interdependent world’, Bonn, 21–24 September 2005.

Solow, R.M., ‘What is labour market flexibility: What is it good for?’, *Proceedings of the British Academy*, Vol. 97, 1998, pp. 189–211.

Tangian, A.S., ‘*Monitoring flexicurity policies in Europe from three different viewpoints*’, WSI Discussion paper No. 145, Düsseldorf, Hans Böckler Foundation, June 2006.

Tangian, A.S., *Monitoring flexicurity policies in the EU with dedicated composite indicators*, Paper presented at the conference of the International Employment Association (IERA), Alborg, 26–29 June 2005, available online at: http://ec.europa.eu/employment_social/employment_analysis/docs/050318_tangian_pres_en.pdf

Tangian, A.S., ‘Defining the flexicurity index in application to European countries’, WSI Discussion paper No. 122, Düsseldorf, Hans Böckler Foundation, 2004.

Van Gyes, G., Vandenbrande, T., Lehndorff, S., Schilling, G., Schief, S. and Kohl, H., *Industrial relations in EU Member States 2000–2004*, Dublin, European Foundation for the Improvement of Living and Working Conditions, 2007.

Vielle, P. and Walthery, P., European Foundation for the Improvement of Living and Working Conditions, *Flexibility and social protection*, Luxembourg, Office for Official Publications of the European Communities, 2003, available online at: http://www.eurofound.europa.eu/publications/htmlfiles/ef0355.htm

Weiler, A., European Foundation for the Improvement of Living and Working Conditions, *Quality in industrial relations: Comparative indicators*, Luxembourg, Office for Official Publications of the European Communities, 2004, available online at: http://www.eurofound.europa.eu/publications/htmlfiles/ef0461.htm

Wennekers, S., van Stel, A., Thurik, R. and Reynolds, P., *Nascent entrepreneurship and the level of economic development*, Max Planck Institute of Economics, Discussion papers on entrepreneurship, growth and public policy, No. 2005–14, 2005.

Wilthagen, T. and Rogowski, R., 'Legal regulation of transitional labour markets', in Schmid, G. and Gazier, B. (eds.), *The dynamics of full employment: Social integration through transitional labour markets*, Cheltenham, Edward Elgar, 2002, pp. 233–273.

Wilthagen, T., *Flexibility and social protection*, Amsterdam Institute for Advanced Labour Studies, Working paper No. 15, 2003.

Wilthagen, T. and Tros, F., 'The concept of "flexicurity": A new approach to regulating employment and labour markets', *Transfer*, Vol. 10, No. 2, 2004, pp. 166–186.

Wilthagen, T., Tros, F. and van Lieshout, H., *Towards 'flexicurity'?: Balancing flexibility and security in EU Member States*, Paper for the 13th World Congress of the International Industrial Relations Association (IIRA), Berlin, September 2003.

Annex 1

Ranking of countries according to previous empirical analyses

Table A1 Ranking of countries based on previous analyses

Social security laws index	Global social security index	Social security expenditure (% of GDP)	Cost of job security	Total cost	Norm-security (%)	All security (%)	Flexicurity (%)	EPL (I)	EPL (II)
Botero et al, 2003	Bonnet, 2002	Eurostat, 2003	Heckman and Pagés, 2003		Tangian, 2004; 2005; 2006			OECD, 2003	
DK	AT*	SE	NL	IT	SE	SE	SE	UK	UK
SE	BE*	DK	IE	NL	IT	NL	NL	IE	IE
FI	DK*	FR	DE	HU	NL	IT	FI	DK	HU
ES	FI*	DE	PL	FR	BE	BE	DK	HU	DK
FR	FR*	BE	FR	PL	DE	DK	BE	PL	CZ
EL	DE*	AT	EL	AT	PL	DE	DE	AT	SK
IT	EL*	NL	UK	DE	DK	FI	FR	CZ	FI
SK	HU*	FI	HU	ES	PT	AT	AT	IT	PL
SI	IT*	UK	FI	PT	AT	FR	ES	SK	AT
LT	LU*	IT	BE	EL	FI	PL	IT	FI	NL
HU	NL*	EL	DK	BE	FR	CZ	PL	NL	IT
PT	PL*	SI	AT	FI	CZ	PT	UK	BE	BE
LV	SK*	PT	SE	SE	ES	ES	CZ	DE	DE
IE	ES*	LU	ES	UK	UK	UK	PT		
AT	SE*	PL	IT	IE					
UK	CY**	HU	PT						
CZ	IE**	CZ							
DE	LV**	ES							
BE	PT**	MT							
PL	UK**	SK							
NL	EE***	IE							
	LT***	LT							
		EE							
		LV							

Notes: *,**, *** = similar rankings.
Source: Botero et al, 2003; Bonnet, 2002 ; Heckman and Pagés, 2003; Eurostat, 2003; Tangian, 2004, 2005, 2006; OECD, 2003.

Annex 2

Indicators used in factor analysis

Table A2 Indicators and methodology used in factor analysis

Indicator	Methodology	Source
Total expenditure on social protection (% of GDP)	Expenditure on social protection includes the following: social benefits, which consist of transfers, in cash or in kind, to households and individuals to relieve them of the burden of a defined set of risks or needs; administration costs, which represent the costs charged to the scheme for management and administration purposes; other expenditure, which consists of miscellaneous expenditure by social protection schemes, such as the payment of property income and other expenses. Current prices used.	Eurostat
Total expenditure on social protection per head of population (purchasing power standards – PPS)	See: Total expenditure on social protection (% of GDP).	Eurostat
Job tenure	Percentage of respondents who answered 'more than 11 years' to the following question: 'For how long have you been working for your current employer or last employer if you are not currently working?'	Eurobarometer study: European Employment and Social Policy, 2006; European Commission (2006b)
Unemployment insurance	Percentage of respondents who answered 'more than 71% of your current income' to the following question: 'If you were to be laid off, how much do you think the unemployment insurance and the welfare system in your country will compensate you for the loss of income during the first six months as a percentage of your current income?'	European Commission (2006b)
Ease of finding a new job	Percentage of respondents who answered 'very likely' to the following question: 'If you were to be laid off, how would you rate on a scale of one to 10, the likelihood of you finding a job in the next six months, where "one" means that it "would be not at all likely" and "10" means that it "would be very likely"?'	European Commission (2006b)
Mobility	Percentage of respondents who answered 'more than six times' to the question: 'How many times have you changed employer in your working life so far?'	European Commission (2006b)
Training	Percentage of respondents who have participated in any training courses during the last 12 months, including on-the-job training.	European Commission (2006b)
Lifelong learning	Percentage of the population aged 25–64 years participating in education and training over the four weeks prior to the survey – this represents the numerator. The denominator consists of the total population of the same age group, excluding those who did not answer the question relating to 'participation in education and training'. The information collected relates to all types of education or training, whether or not they are relevant to the respondent's current or possible future job.	Eurostat
Part-time workers	Full-time/part-time distinction in the main job is declared by the respondent – except in the Netherlands, Iceland and Norway, where part-time work is declared if the usual working hours amount to fewer than 35 hours and full-time work is denoted if the usual hours account for 35 hours or more, and in Sweden where this criterion is applied to self-employed individuals.	Eurostat
Long-term unemployment rate	Long-term unemployed persons include those who have been unemployed for one year or more.	Eurostat
Youth unemployment rate	Harmonised unemployment rates of people who are less than 25 years of age, according to annual averages.	Eurostat
Employment rate of 55–64 year olds	Employment rate of people aged 55–64 years, according to yearly averages.	Eurostat

Indicator	Methodology	Source
Trust	Percentage of respondents who answered ‘most people can be trusted’ to the following question: ‘Generally speaking, would you say that most people can be trusted?’	Inglehart et al, 2004
Gini coefficient	Summary measure of the cumulative share of equivalised income accounted for by the cumulative percentages of the number of individuals. Its value ranges from 0% (complete equality) to 100% (complete inequality).	Eurostat
Poverty	At-risk-of-poverty rates – the cut-off point equals 50% of the median equivalised income.	Eurostat
Early school-leavers	Percentage of the population aged 18–24 years with a lower secondary education at most and not attending further education or training.	Eurostat

Annex 3

Results of factor and cluster analysis

Table A3 Results of factor and cluster analysis

Variable	Adaptability/ flexibility	Social security	Social cohesion
Total expenditure on social protection (% of GDP)	-0.089	0.888	-0.116
Total expenditure on social protection per capita (in PPS)	0.184	0.817	-0.024
Job tenure	-0.413	0.612	-0.528
Unemployment insurance	0.140	0.472	-0.182
Ease of finding a new job	0.926	-0.355	-0.182
Mobility	0.784	0.148	0.007
Training	0.685	0.070	-0.391
Lifelong learning	0.718	0.153	-0.343
Part-time workers	0.471	0.497	0.133
Long-term unemployment rate	-0.704	-0.320	-0.159
Youth unemployment rate	-0.483	-0.319	-0.207
Employment rate of older people aged 55–64 years	0.903	-0.173	0.206
Gini coefficient	-0.092	-0.135	0.784
Poverty rate (50%)	-0.232	-0.147	0.598
Early school-leavers	-0.082	0.193	0.703

Note: Grey areas indicate highest scores for each variable.

Table A4 Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy

Variable	KMO
Total expenditure on social protection (% of GDP)	0.5916
Total expenditure on social protection per capita (in PPS)	0.7424
Job tenure	0.6133
Unemployment insurance	0.8529
Ease of finding a new job	0.7602
Mobility	0.7771
Training	0.7385
Lifelong learning	0.7577
Part-time workers	0.6715
Long-term unemployment rate	0.6776
Youth unemployment rate	0.6642
Employment rate of older people aged 55–64 years	0.7413
Gini coefficient	0.7401
Poverty rate (50%)	0.7197
Early school-leavers	0.5601

Figure A1 Social security versus social cohesion, by country

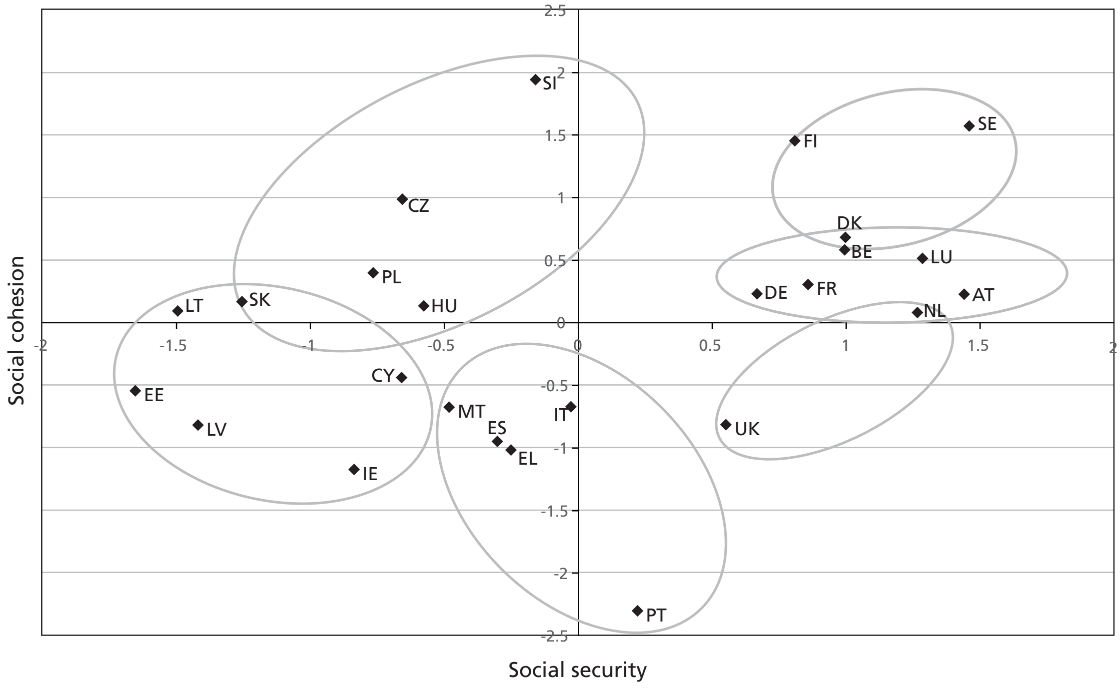


Figure A2 Adaptability/flexibility versus social cohesion, by country

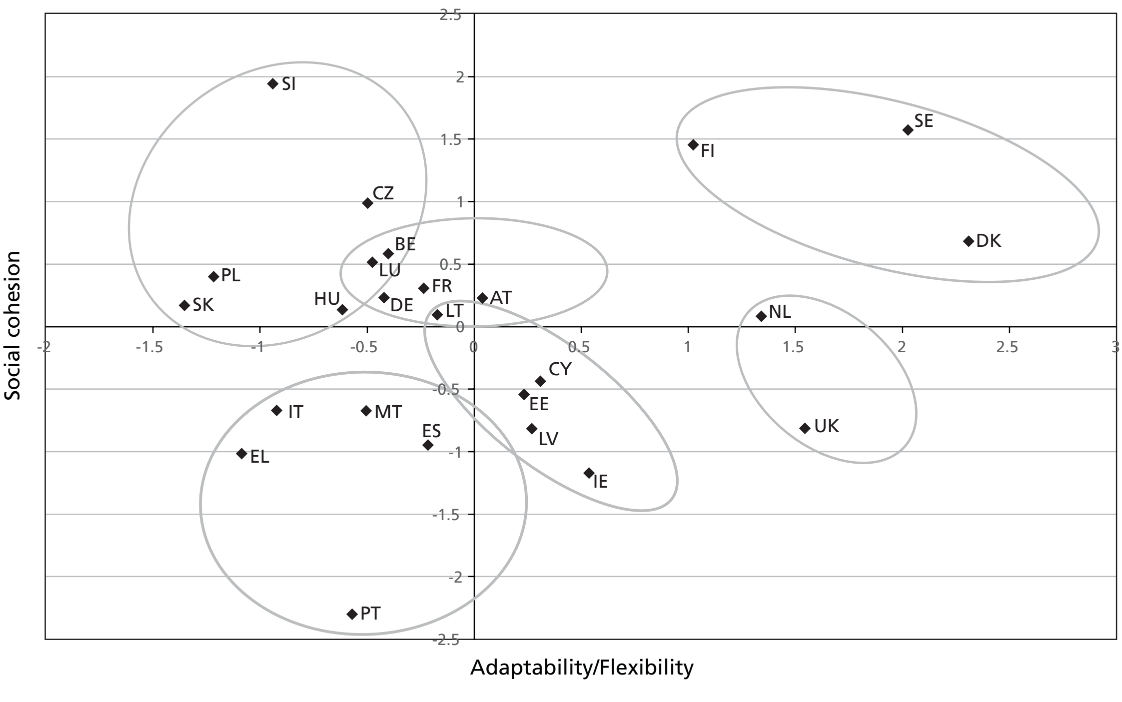


Figure A3 Dendrogram showing complete cluster analysis, by country

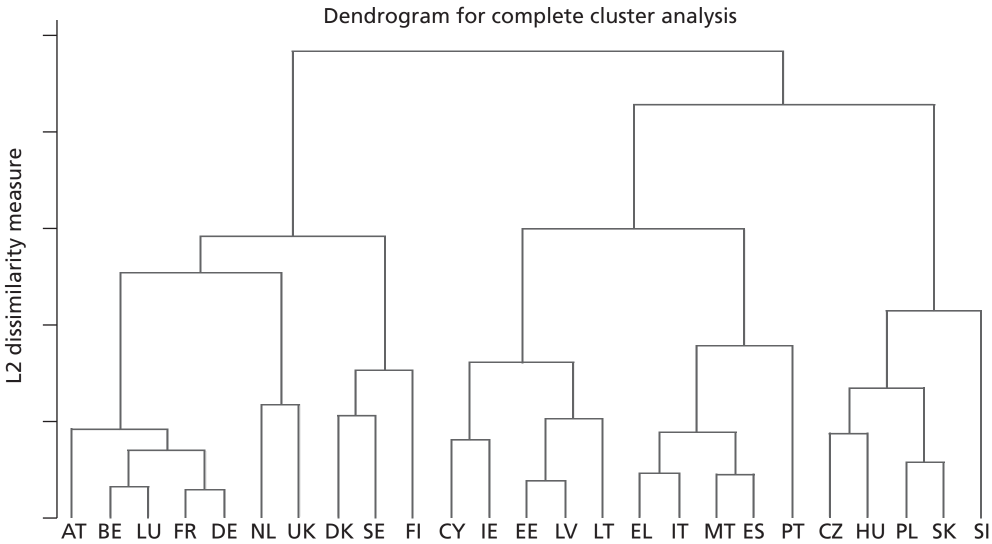


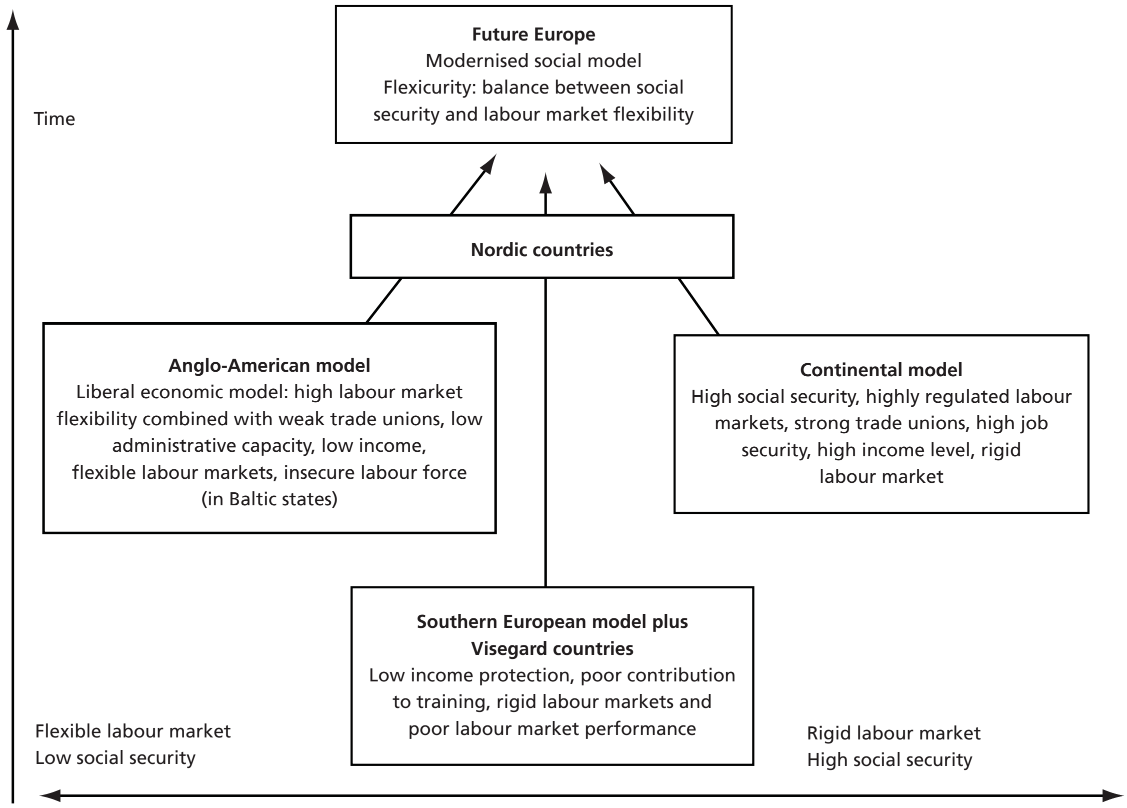
Table A5 Standard deviation values of variables used in factor analysis, by country group

Variables	AT, BE, DE, FR, LU	NL, UK	DK, FI, SE	CY, EE, IR, LT, LV	EL, ES, IT, MT, PT	CZ, HU, PL, SK, SL
Total expenditure on social protection (% of GDP)	0.1	1.0	2.6	1.3	3.6	2.5
Total expenditure on social protection capita (in PPS)	657.7	260.5	1,851.7	1,370	1,388.2	921.3
Job tenure	1.8	0.0	6.4	3.0	2.2	3.9
Unemployment insurance	10.9	28.3	19.7	14.2	12.5	5.7
Ease of finding a new job	3.9	7.1	13.9	5.2	3.4	3.8
Mobility	4.9	7.1	6.2	0.8	1.8	2.6
Training	2.9	5.7	9.7	4.6	5.1	3.3
Lifelong learning	2.8	2.7	5.4	2.0	1.2	4.4
Part-time workers	2.3	13.6	5.3	3.5	2.7	3.0
Long-term unemployment rate	9,1	4.5	4.0	10.1	11.3	8.8
Youth unemployment rate	6.4	4.2	6.4	7.2	5.3	12.2
Employment rate of older people aged 55–64 years	5.5	7.8	9.5	3.6	8.4	7.6
Gini coefficient	0.6	4.9	1.5	3.6	3.2	3.9
Poverty (50%)	1.8	2.1	0.6	1.9	2.5	4.9
Early school-leavers	1.9	1.8	1.0	3.2	13.0	3.0

Annex 4

Convergence of EU Member States in flexicurity framework

Figure A4 Convergence of 'old' and 'new' EU Member States in flexicurity framework



European Foundation for the Improvement of Living and Working Conditions

Flexicurity profiles in the EU25

Luxembourg: Office for Official Publications of the European Communities

2007 – VIII, 51 p. – 21 x 29.7 cm

SALES AND SUBSCRIPTIONS

Publications for sale produced by the Office for Official Publications of the European Communities are available from our sales agents throughout the world.

How do I set about obtaining a publication?

Once you have obtained the list of sales agents, contact the sales agent of your choice and place your order.

How do I obtain the list of sales agents?

- Go to the Publications Office website: http://www.publications.europa.eu/
- Or apply for a paper copy by fax (352) 2929 42758

EF/07/84/EN

One of the main objectives in the current EU policy goal of modernising the European social model is to ensure greater social protection for workers, while at the same time increasing labour market competitiveness in light of globalisation. This twin aim is summarised in the term 'flexicurity', which may be defined as social protection measures for a flexible workforce. This report compares the various flexicurity options across 25 Member States – including models of best practice – while looking at how flexicurity is measured in these countries and identifying the challenges related to its implementation in the different countries. It explores the three pillars of the flexicurity model: social protection, labour market adaptability/flexibility and social inclusion. It highlights the crucial role played by the social partners in the process, revealing that countries with a high degree of centralised negotiations and cooperative relations between the social partners tend to have a good balance between social security and labour market flexibility.

The European Foundation for the Improvement of Living and Working Conditions is a tripartite EU body, whose role is to provide key actors in social policymaking with findings, knowledge and advice drawn from comparative research. The Foundation was established in 1975 by Council Regulation EEC No 1365/75 of 26 May 1975.

Publications Office
Publications.europa.eu