

FLEXICURITY: A DELIBERATE AMBIGUITY?

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## **ABSTRACT**

### **FLEXICURITY: A DELIBERATE AMBIGUITY?**

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The aim of this thesis is to focus on the concept of flexicurity, accepted as the new labour market model balancing the needs of employers for greater flexibility in order to adapt to market forces, and the need of employees for security, which has recently been one of the most popular concepts of the debate on labour market reforms in the European Union. While doing so, this thesis discusses the position of key European institutions, especially of the Commission of the European Communities. The main argument is that the concept is still very open to alternative interpretations at the European Union level. Related to this openness is the fact that the Commission has deliberately instrumentalized the concept's ambiguity in order to absorb all the main actors into the debate in line with its own policy preferences.

Keywords: Flexicurity, ambiguity, Commission of the European Communities, deliberate ambiguity.

## ÖZ

### GÜVENCELİ ESNEKLİK: KASITLI BİR MUĞLAKLIK MI?

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Bu çalışmanın amacı, son zamanlarda Avrupa Birliği'ndeki işgücü piyasası reformları üzerindeki tartışmalarda en gözde kavramlardan biri haline gelen; işverenlerin piyasa koşullarına uyum sağlamak için daha çok esneklik ihtiyaçları ile, işçilerin güvenlik ihtiyaçlarını dengelediği kabul edilen, güvenceli esneklik kavramına yoğunlaşmaktır. Bu yapılırken, kilit Avrupa Birliği kurumlarının, özellikle Avrupa Toplulukları Komisyonu'nun, kavram üzerinde benimsedikleri tutumlar tartışılmaktadır. Kavramın Avrupa Birliği düzeyinde halen alternatif yorumlamalara açık olduğu ve bununla alakalı olarak, Avrupa Toplulukları Komisyonu'nun diğer tüm ana aktörleri tartışmaya çekebilmek için kavramı kasıtlı olarak muğlak araçsallaştırmış olduğu, bu tezin başlıca argümanı olacaktır.

Anahtar Sözcükler: Güvenceli Esneklik, muğlaklık, Avrupa Toplulukları Komisyonu, kasıtlı muğlaklık.

*To the memory of the most loved...*

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## CHAPTER I

### INTRODUCTION

The “Golden Age” of capitalism is intertwined with a generous welfare state that provides safeguards for its citizens with the purpose of counterweighting the deleterious effects stemming from the market. Specifically, with respect to labour power, security is of crucial importance for a welfare state. As Polanyi pointed out, men’s labour power is not essentially a commodity since it is not “produced” for sale. Rather, it is a fictitious commodity (together with land and money) which comprises the basics of a self-regulating market system. The risk associated with such a system is addressed by Polanyi in the following way: “Human society would have been annihilated but for the protective counter-moves which blunted the action of this self-destructive mechanism” (Polanyi, 2001: 79). The uneasy coexistence of both a devastating process and societies’ responses to temper its effects constituted the essence of what Polanyi called the “double movement”. Esping-Andersen used the term *decommodification* referring to the welfare states’ ability to provide conditions of the reproduction of labour power without utter dependence on market transactions (Esping-Andersen 1990). In the “Golden Age”, unemployment was “considered to be the product of temporary mismatches in the labour market and temporary periods of insufficient demand” (Auer, 2002: 84). The state’s basic function was to provide income provision for the unemployed through unemployment benefit systems to allow job search (Ibid: 84).

After the “Golden Age” of capitalism, which ended with the oil crises and the collapse of the Bretton Woods System in the early 1970s, crucial changes in economic, social and employment policy have taken place. With increasing capital mobility, technological change and globalization, employment-related issues have started to be considered as a function of competitiveness rather than an objective in itself, which was the case in the post-World War II periods. The “Social” has started to be considered as a “burden” rather than “productive”. These changes have been particularly reflected in the increasing quest for flexibility of labour markets within the European Union. In this period and although unemployment rates have been on the increase in the EU, the United States, considered as having a more liberal, less protectionist and more flexible labour market met with impressive rates of economic growth that helped reduce unemployment rates.

Ashiaghbor, through quoting Alicia Adserà and Charles Boix, notes two main sets of theories in order to explain the divergence between the U.S. and Europe in terms of unemployment rates. *Structural theories* – considering exogenous shocks as the main factor; and, *institutional theories* – referring to domestic institutional frameworks (i.e. labour law, collective bargaining and so on) in order to explain the variation (Ashiaghbor, 2005: 35). Within this framework, the “flexible” US labour model is seen as more adaptive to the globalization paradigm compared to the more “protectionist”, “inflexible” and “Eurosclerotic” model of the EU.

At this point, looking at the “labour market flexibility debate” is of crucial importance. It is fair to argue that the claims constituting the main elements of

labour market flexibility debate can be grouped under three categories, as Esping-Andersen (1999: 120-142) and Ashiagbor (2005: 40-44) put forward. First, *the institutions of welfare state* – mainly generous social benefits and unemployment benefit levels - is considered as constituting a disincentive for the unemployed actively seeking employment due to the high levels of benefits that makes the decision to work less attractive<sup>1</sup>. The solutions proposed by the advocates of the labour market flexibility were “reducing entitlements to benefits”; “decreasing the durations of benefits”; and “make the decision to work more attractive” under the motto of “make work pay”. Second, *the wage structure* is seen as hampering the market mechanism. The argument is that “high unionization means less wage differentiation”. The solution proposed by advocates of the labour market flexibility is making wage formation more flexible; thus, increase the demand for labour by lowering the cost of employing a worker. Third, there is the critique of *employment protection legislation* (EPL)<sup>2</sup>. These institutional arrangements are largely related to “hiring and firing a worker”<sup>3</sup>. These legal regulations are seen as an obstacle affecting the firms’ ability to adapt themselves to changes in the

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<sup>1</sup> This argument is also called “unemployment trap” arguing that “the unemployed are trapped in unemployment” thanks to the generous benefit levels (Ashiagbor, 2005: 41).

<sup>2</sup> Employment protection regulation refers to the rules that govern “hiring and firing decisions, such as the duration of work contracts, conditions of dismissal and severance pay provisions”. The most known indicator of employment protection regulation is the “EPL Index” provided by the Organisation for Economic Cooperation and Development (OECD). The strictness of EPL is also used as an indicator in the Commission of the European Communities’ *Employment in Europe Report* for 2006 (see, European Industrial Relations Review 395, 2006: 27-8 and Turmann, 2006: 20 for further details).

<sup>3</sup> This understanding is also known as “easy hire and easy fire”. This argument is considered as one of the main elements of the flexicurity debate in Denmark (see Frederiksen, 2007; Madsen, 2005). The words of Klaus Rasmussen of the Confederation of Danish Industries captures the main argument highlighted above: “*You can reduce your workforce when you want. That means you can hire people because you know you can reduce your workforce when you need to*”.

market. The hypothesis is known as “the stricter the EPL, the higher the unemployment rates”. However, it is worth noting that the OECD has recently revised its position on the relationship between the EPL and unemployment rates<sup>4</sup>.

The critics directed by the advocates of the labour market flexibility debate paved the way for the increasing dominance of a “market-based” approach considering labour market policies in the European Union and has its reflections in attempts to increase the flexibility of labour markets at the supranational, national and regional level, and to provide employment rather than job security for workers in order to tackle unemployment problems. The concept of “employment security or employability” is also related to the concept of adaptability and a complementary element of flexible labour markets. The cause of unemployment is now considered to be the inappropriate job skills of unemployed people and solutions are supply-side oriented policies, for example the Active Labour Market Policies (ALMPs), which are proposed in order to upgrade skills and make them adaptive to market conditions. In other words, to a certain extent, the traditional notion of security has become “adaptability or employability”. According to some authors, in essence, this implies *marketability* and, in Wolfgang Streeck’s terms, the responsibility of public policy has become to provide *equal opportunities for commodification*, rather than *decommodifying individuals* (quoted in Apeldoorn, 2003: 130). Tackling with the problems through upgrading workers skills and placing the emphasis on retraining became the main aim of European Employment policy in

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<sup>4</sup> The OECD admitted that empirical studies are not satisfactory to conclude that there is a direct relationship between the EPL level and unemployment rates (OECD; 2006: 212).

the 1990s and 2000s, especially after the Lisbon Strategy of 2000 was adopted. The concept of flexicurity fits into this changing paradigm.

The welfare regime analysis pioneered by Esping-Andersen (1990, 1999) notes three regimes<sup>5</sup>. *The liberal regimes* with weak employment protection and decentralized industrial relations score low on the labour market rigidity index; whereas, *the Continental European or Conservative* labour markets with very strict levels of employment protection and high wage costs exhibit high levels of strictness. *The Social Democratic (Nordic countries and the Netherlands)*<sup>6</sup> “with a long legacy of powerful unions” opted for a high labour market flexibility with a strong social guarantees to workers. The Nordic model has been considered as successful to maximize adaptation to rapidly changing external markets (Esping-Andersen, 1999: 122-3).

The “success” of the Dutch and Danish labour market models - for some the importance of these models are “overrated” (Keune 2007) - despite important differences, in the 1990s later became known as flexicurity models. The Danish model is considered as a “golden triangle” that has three legs. First, a “liberal

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<sup>5</sup> The “three worlds” typology – liberal, conservative and social democratic welfare regimes - of Esping-Andersen (1990) has been questioned on many grounds, as the author acknowledged. “It was a typology too narrowly based on income-maintenance programs, too focused only on the state-market nexus and built around the standard male production worker” (Esping-Andersen, 1999: 73-4). One of the key defining dimensions of the typology was “de-commodification”. Decommodification “occurs when a service is rendered as a matter of right, and when a person can maintain a livelihood without reliance on the market” (Ibid: 21-2).

<sup>6</sup> The Netherlands has been considered as a part of the Nordic model over the years, due to its similarities with the Nordic countries in terms of labour market regulation. For example, the *Employment in Europe Report* for 2006 considers the Netherlands in the Nordic system of flexicurity, together with Denmark, Finland and Sweden.

labour market” (low employment protection) in which it is easy to hire and fire people; secondly a “fine-meshed” social security safety net with a very high net income replacement rates and lastly “active labour market policy” that offers job training or retraining to the unemployed (Frederiksen 2007). The Dutch model, on the other hand, is regarded as promoting similar rights concerning working conditions and social security as standard employment to atypical and flexible types of employment (Keune 2007). The Danish and Dutch models were seen as successful in both providing a balance between the flexibility needs of employers and the security needs of employees, as well as in decreasing unemployment rates to manageable levels. Thus their perceived success attracted great attention within the European Union and around the world: The main Anglo-Saxon media, namely the Economist (2006 and 2007), USA Today (2007) and Forbes (2007) has published special reports. There were comparisons between the Danish model of flexicurity and other countries’ - such as Japan, France and Canada.

Within this perspective, there emerged a growing interest on these countries’ models. The mainstream approach in the literature on the concept of flexicurity argues that these models are the manifestation of the fact that competitiveness, economic growth and high social benefits are not mutually exclusive (Frederiksen, 2007; European Expert Group on flexicurity 2007) due to the fact that these countries, although there are important differences<sup>7</sup>, have very flexible labour markets, low unemployment rates, sustainable economic growth, and high social

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<sup>7</sup> Despite the fact that these two models were put forward as the “reference models” (especially, by the EU Commission), there are many important differences. Labelling these countries as flexicurity models without a clear indication of the differences causes some ambivalence and ambiguity.

benefits designed for the unemployed people and high budget allocations for Active Labour Market Policies (see especially, Madsen 2005 and 2007; Bredgaard and Larsen 2007 for the Danish model and Wilthagen and Tros 2004, Wilthagen and Bekker 2008 for the Dutch model). On the other hand, the rationale for such a model seemed to be compatible with the Union's desire to be more competitive in the global economic arena, an ambition that manifested itself clearly in the Lisbon Strategy of 2000. The Lisbon Strategy was clear evidence of the growing prominence of soft law mechanisms, based on guidelines, recommendations, and voluntary cooperation among the member states and of EU Governance working through the Open Method of Co-ordination (OMC) rather than top down, hard law regulations. In the same period, a new conceptualization of employment policy discourse took place, understood as combining some aspects of economic and social policy discourses. The European Union's employment policy discourse is concerned not only with labour market efficiency, job creation and the perceived need for labour market flexibility, but also with the citizenship- and rights- based concerns and the desire for social cohesion which have been the hallmark of traditional social policy at the national level (Ashiaghbor 2005).

At the Union level, the quest for balancing the flexibility and security of labour markets has been an important task for the last two decades. However, after the success of Holland and Denmark; the decreasing legitimacy of the EU institutions especially following the rejection of the Constitutional Treaty in France and Holland in 2005; the incorporation of Employment Guidelines to the broader Economic Guidelines in 2005 at the revision of the Lisbon Strategy; and to a great

extent, the perceived need for a new buzzword or a new discourse to revitalize the discourse of labour market modernization to give the impression that the other sides' views are taken into consideration (Apeldoorn 2003), such efforts have intensified. Explicitly, since 2006, European institutions and politicians have started to use the term flexicurity, in order to, as they claim, “strike a right balance between flexibility and security”, in their documents and speeches. They also put forward the Dutch and Danish experiences as “good examples” regarding labour market reforms (see especially Keune and Jepsen 2007). The increasing prominence of the term flexicurity is also witnessed within the national labour market reform processes. The best example was the French 2006 initiative of *Contrat Première Embauche* (CPE) - translated as first employment contract. The CPE was a new employment contract for those under 26, which would have made it easier for the employer to fire employees in exchange for financial guarantees, considered as an attempt of formulating *french type of flexicurity* (Karlgaard 2006), was eventually defeated by the strong reactions of students, trade unions and left-wing politicians. Meanwhile in Sweden, the centre-right government has been flirting with the adoption of its own version of CPE for some time. In short, the concept of flexicurity has been everywhere.

The focus of attention in this thesis will be on the concept of flexicurity, namely the new labour market model balancing the need of employers for greater flexibility in order to adapt to market forces; and the need of employees for security, in the European Union. The concept of flexicurity, it is fair to argue, is worth studying within a multidisciplinary approach. First of all, the concept of

flexicurity is at the intersection of economics, politics and public administration so it provides some valuable insights from all these disciplines. The rationale behind the increasing prominence of the concept of flexicurity should be explored. While mainstream approaches deal with the concept heavily through economic and technical measures, it is very likely that the growing prominence of the concept implies a political strategy in itself. It should be considered as a common “European” solution provided to problems that are politically constructed to a varying degree “rather than something external waiting to be discovered”. It is very much a political project aimed at building a “European identity” (Serrano Pascual and Jepsen 2005). Within this framework, the efforts of the EU Commission is worth studying due to the fact that it is the main body of promoting new concepts and giving directions to the general debates. After all, the Commission is meant to promote the Union’s policy direction.

After this brief introduction, in Chapter II, the concept of flexicurity; the definitions put forward in academia; and some related approaches to the concept of flexicurity, namely the Transitional Labour Markets approach, will be explored. While doing so, the historical background of the concept and the details of the definitions debate will be provided. Further questions that this thesis aims to explore are the following: Is there a common definition of the concept? Is the concept of flexicurity “ambiguous”? How and why do the definitions of flexicurity evolve over time?

In Chapter III, the European Employment Strategy (EES) will be analysed through a theoretical perspective, as it is directly linked to the evolution of the flexicurity argument. The background of the EES will be provided with the help of the arguments claiming that after the “post-Maastricht crisis”, the issue of unemployment appeared as an option for the European Commission to tackle the legitimacy crisis generated by economic recession and the discontent with the impact of neoliberal restructuring on social priorities in the 1990s. The launch of the EES has coincided with the increasing power of social democratic policy makers and proponents of Third Way approach. This paved the way for the EES and the employment guidelines to take a specific form at the beginning. By the time, once again with the increasing effect of neoliberal approach, the guidelines have evolved. On the other hand, due to the impacts of some groups working within the Commission, namely civil servants working within the Directorate General Responsible for Employment, Social Affairs and Equal Opportunities, the guidelines have taken an “ambiguous” character.

The aim of striking a balance between flexibility and security was one of the issues considered in the overall EES and its adaptability pillar. But, since 2006, flexicurity has started to be used for that aim. Within this framework, the third chapter raises the following issues: Does flexicurity imply a change in discourse, or is it simply a discursive tool designed for the labour market flexibility debate? What is the link between flexicurity and the Open Method of Coordination (OMC) and the European Employment Strategy (EES) in particular?

In Chapter IV, the debate at the EU level will be scrutinized. The term flexicurity has been at the top of the EU agenda regarding social and employment policy since 2006. The year 2006 is not accidental. The legitimacy crisis generated by the failure of referenda in France and the Netherlands paved the way for the Commission to show a “social face” to Europeans. Flexicurity was an attractive option.

The Commission, due to its historical role, has been very active in pushing the concept as a cure to European labour market problems. At the same time, in order to absorb other key European institutions into the debate over flexicurity, it has to give “openness” to the concept. Within this framework, the Commission’s and other key European institutions’ stance on the concept will be provided. While doing so, the fourth chapter will be addressing “How is flexicurity conceptualized, especially by the European Commission, considered as the disseminator of knowledge and “fervent promoter” of concepts in the EU? Do the efforts of the Commission build on the ambiguity mentioned earlier? What kind of ambiguity inherited in the concept should we talk about, and why? Considering the responses of other main European institutions, is it possible to talk about a European consensus on the term? Overall, what is new – and what is not new -with the flexicurity debate and terminology? At the latest in Chapter IV, as part of the issues needing further research in contemporary European studies and beyond, this thesis is in an attempt to consider the reflections of the flexicurity debate on the Turkish labour markets. Since flexicurity is a very new entry in the Turkish context, some vital points will be touched upon as to its conceptualization by the Turkish social

partners, showing the links between the EU and Turkish debate in political economy.

In conclusion, the overall arguments of this thesis and the conclusions reached will be noted briefly.

## CHAPTER II

### THE CONCEPT OF FLEXICURITY

#### 2.1. Background of Flexicurity

There is no doubt that the term “flexicurity” has been a buzzword since the mid-1990s. This should be primarily attributed to the Dutch and Danish success in managing to substantially reduce unemployment rates. Moreover, “flexicurity” has been at the top of the agenda of the European Union with regard labour markets since 2006. The basic assumption of the term is that flexibility of labour markets and security of employees are not mutually exclusive (Frederiksen, 2007). Before elaborating on this, it should be noted that the quest for enhancing the flexibility of the labour markets and, at the same time increasing the security of employees has been one of the main policy task/goal, especially over the last two decades, at the European level, at least in rhetorical terms. However the term used now, “flexicurity”, has gained prominence since the mid-1990s. This thesis suggests that this shift in discourse is not without political and ideological consequences or devoid of political significance in itself.

The term flexicurity was launched in the Netherlands during the preparation of the *Dutch Flexibility and Security Act* which came into force in 1999 (Seifert and Tangian, 2007; Wilthagen, 1998 and Wilthagen and Tros, 2004). Wilthagen (1998), Wilthagen and Tros (2004) noted that the term was coined by Dutch Sociologist

Hans Adrianssens in 1995, and he used the term to highlight *a shift from job security towards employment security* (see also Fink 2006; Keune and Jepsen 2007). “The term was rapidly picked up by labour market researchers, who discovered Denmark as an alternative to the Dutch flexicurity model” (Seifert and Tangian, 2007: 7; Keune and Jepsen, 2007: 5-6). Seifert and Tangian highlights that these two experiences “prove that alternatives to simple deregulation of labour market can be successful” especially considering that “European models of capitalism are better than pure flexibilization under the deregulatory approach of the American model” due to the fact that in both the Dutch and Danish models, “the flexible employment relations are compensated by social and employment security” (Seifert and Tangian, 2007: 7). These models seem to constitute an alternative to the “bankrupt neoliberal view of the labour market which dominated the debate during the 1980s and 1990s” (Keune and Jepsen, 2007: 6). Another noteworthy point that these two models indicate is that “there would be a variety of versions of flexicurity” later started to be known under the common theme that *no one-size-fits-all* (Wilthagen and Tros, 2004; Frederiksen, 2007; Keune and Jepsen, 2007).

Keune and Jepsen argue that “while flexicurity is a relatively new concept, there have been earlier attempts to pursue win-win situations following a flexicurity-type of logic”, namely the “*Rehn-Meidner Model*”<sup>8</sup> in Sweden considered as the story of

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<sup>8</sup> It is generally accepted that the Rehn-Meidner model, established by the two Swedish trade union economists in the 1950s, was a “pioneer in developing not only active labour market policy but also life-long-learning and the negotiated flexibilization of working time” (Schmid and Gazier, 2002: 4). At the centre of this model was the challenge to combine full employment with low inflation. The main elements of the model were: a) active labour market policy, b) restrictive fiscal policy, c)

success until the 1980s and the “*diversified quality production model*”<sup>9</sup> “which builds on strong job security, continuous skill upgrading and high internal and functional flexibility” (Keune and Jepsen, 2007: 7).

## 2.2. Definitions of Flexicurity

The most *attractive* aspect of flexicurity from the point of view of political discourse is therefore *its ambiguity*. There is something in it for everybody. We will have a world inhabited of wage earners, who feel economically secure, and of satisfied employers with a high degree of flexibility in hiring, firing and allocating their workforce. For society as a whole, growth and prosperity will be the expected outcome of a more dynamic and flexible labour market. The politician who is able to put forward and implement such a win-win strategy should be up for a guaranteed re-election (Jørgensen and Madsen, 2007: 8 – emphasis added).

Two points need special attention before dealing with the definitions of the concept in general. Many people agree on the “*ambiguous*” character of the concept and the *attractiveness* in this ambiguity; in other words, it is this ambiguity which makes the term “*attractive*”. What this ambiguity implies, what purposes it serves, whether it is fabricated or not, and what kind of ambiguity this is, are issues that will be analysed in detail in Chapter IV. At this point, it is worth noting that, “due to a lack of general framework or a theory of flexicurity; everybody finds

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solidaristic wage policy, and d) fordist mode of production. Mainly, increasing capital mobilization and internationalization of labour markets have made the model obsolete (for details see Pontusson 1992 and Silverman 1998). Not surprisingly, those issues, active labour market policy, life-long-learning and flexibilization of working times, became the main points of the discussions about flexicurity in the following years.

<sup>9</sup> Wolfgang Streeck and Arndt Sorge have developed the concept of “diversified quality production”. In Streeck’s words, the model “designates a style of operation of the economy that might allow societies with high wages and a relatively egalitarian structure to survive in competitive world markets”. Available at [http://www.mpi-fg-koeln.mpg.de/people/ws/forschung\\_en.asp](http://www.mpi-fg-koeln.mpg.de/people/ws/forschung_en.asp) (retrieved on July 10, 2008).

something in it which makes them happy” (Seifert 2008)<sup>10</sup>. The attempts to define the concept heavily rest on “inductive reasoning, or induction”<sup>11</sup>. To a great extent, this fact, relying on inductive method, plays a role in this ambiguity. Social scientists attempt “constructing a theory through the inductive method by first observing aspects of social life and then seeking to discover patterns that may point to relatively universal principles” (Babbie, 2001: 62). Within the debate on the definitions of flexicurity in general, and on the attempts to construct a theory of flexicurity in particular, researchers generally begin with the “field research” by looking to the Dutch and the Danish models in practice in the debate on flexicurity. It is not by coincidence that the first attempts to define the concept (in essence the definitions put forward by Wilthagen in the early years of his research- Wilthagen 1998 and Wilthagen and Rogowski 2002) stem from the Dutch practices. Later, it became possible to construct a definition that would be open to cross-country comparisons (especially flexicurity as a certain state of labour markets and flexicurity as an analytical frame). In other words, flexicurity was “freed from its Dutch origin” (Barbier 2007), mainly due to the discovery of the Danish model, which is different from the Dutch one (Keune and Jepsen 2007). Despite the important differences between the models, many people, intentionally or

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<sup>10</sup> See also Van den Berg (2008); Keune and Jepsen (2007); Keune (2007) on the ambiguous character of the concept and in particular, on the lack of a general framework or a theory of flexicurity.

<sup>11</sup> “Inductive reasoning, or induction, moves from particular to the general, from a set of specific observations to the discovery of a pattern that represents some degree of order among all the given events. Notice, incidentally, that your discovery doesn’t necessarily tell you *why* the pattern exists- just that it does...Deduction begins with “why” and moves to “whether”, while induction moves in the opposite direction” see Babbie, Earl (2001) *The Practice of Social Research*, Wadsworth Publishing Company, Belmont, CA, 9th Edition, p. 34-5.

unintentionally, call those models “flexicurity models”<sup>12</sup>, as if they are the same, putting them forward as “*good examples*” (in the flexicurity debate), constituting “*paradigm cases*” or “*ideal models*” (Jepsen and Serrano Pascual, 2005; Rogowski, 2007: 8 and Madsen, 2006). This argument seems contradictory to the famous motto of “no one-size-fits-all”<sup>13</sup> in the flexicurity model, but, to a great extent, it stems from the impossibility of transferring one model to all others. Also, indirectly, labelling some models as “ideal models or good examples”, it becomes possible to put double-pressure 1) to other countries to get inspired from those models in order to reach such a model, and 2) to those countries, considered as good, to preserve the appreciated models. Thus, as Serrano Pascual puts forward, appreciating some models, both, increases their “symbolic importance” and legitimizes the direction taken by those models. This is what Serrano Pascual calls “standardising” role through disseminating concepts, priorities and procedures (Serrano Pascual, 2007: 30). Within this perspective, the EU Commission plays an important role (see Chapter IV). The new governance method in EU social policy known as the Open Method of Coordination (OMC) was designed to the above mentioned end. According to many, for instance (Büchs, 2007), the OMC can be effective in leading to a convergence of social policy approaches across member states through “policy learning” from “best practices” (see Chapter III)

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<sup>12</sup> In Employment in Europe Report 2006, the Commission has grouped Denmark and the Netherlands in the same family of flexicurity. See Jørgensen and Madsen, 2007: 19-20.

<sup>13</sup> This argument accepts the differences in the national, historical and institutional settings of countries. Even, the European Commission explicitly refers to “no one-size-fits-all” approach in its 2007 Communication on flexicurity.

To argue for the irrelevance of the inductive method is beyond this thesis' aims. Nevertheless, what should be noted is that this kind of reasoning has some difficulties in explaining, as noted by Babbie (2001: 35), "why" the pattern exists. It is understandable for researchers to use induction due to the lack of a general theory. In order to be able to give significant insights on the "why" question, however, one must also move beyond the confines of the inductive method and look for alternative methods, such as deduction and nomothetic explanation<sup>14</sup>, combined with the inductive method rather than privileging one over the others. It seems that to reach a full-fledged general framework or a theory in the flexicurity debate through the inductive methods needs more research and calls for a multidisciplinary approach, which is not only based on technical or operational purposes, but should also gather insights from other disciplines such as sociology, political science, economics and psychology (see Barbier 2007 and Jørgensen and Madsen 2007).

In the literature on flexicurity more generally, the concept is used in many different contexts and many different definitions can be noted. Some people consider it within the framework of "*Third Way*" thinking (Ashiaghbor, 2005: 281-5) or "*the middle ground between Eurostagnation and cruel capitalism*" (Fitch, 2007). This is because while it is a critique to neoliberalism interested in labour market flexibility, and also traditional social democracy, interested in job security, at the same time, it

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<sup>14</sup> Unlike the "idiographic model of explanation which aims at explanation by means of enumerating the many reasons that lie behind a particular event or action; the nomothetic model is designed to discover the considerations that are most important in explaining general classes of actions or events". The idiographic explanations deal with case studies in great details, whereas the nomothetic model focuses on group or classes of cases or events (Babbie, 2001: 72-3).

combines some aspects of both. Others view it, especially with particular reference to the Danish system, as a “*a hybrid of free labour markets, unfettered business and adjusting welfare to give incentives for people to work so they can pay taxes to finance the benefits they get*” (USA Today, March 07, 2007) or “*dynamic labour markets and low unemployment coupled with generous support for those who lose their jobs*” (Economist, January 20, 2007)<sup>15</sup>.

The definitions put forward in the academic literature, in particular, also vary. For analytical purposes, it is useful to group these definitions in three categories listed below (Wilthagen and Tros, 2004; Madsen, 2006). It should be noted that these categories are not mutually exclusive; a definition given under one group may also be applicable under another.

### **2.2.1. Flexicurity as a Policy Strategy**

In the first category, flexicurity is considered as a “*policy strategy*”:

A policy strategy that attempts, synchronically and in a deliberate way, to enhance the flexibility of labour markets, work organisation and labour relations on the one hand, and to enhance security – employment security and social security – notably for weaker groups in and outside the labour market, on the other hand (Wilthagen and Tros, 2004: 169).

As Wilthagen and Tros note, the main components of this kind of a definition are “*synchronization*” – flexibility and security at the same time, “*deliberate way*” – in

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<sup>15</sup> It is noteworthy that the main Anglo-Saxon press has developed an interest in the flexicurity debate, albeit focusing solely on the Danish case. Perhaps, the reason should be the Danish model as having a more “liberal labour market in which it is easy to hire and fire” (Frederiksen, 2007) which seems to be comparable to the Anglo-Saxon countries.

a coordinated way during or through negotiations between social partners or between individual employers and employees, and “*weaker groups*” – policies or measures that enhance labour market flexibility and increase the security of insider groups are not to be counted as flexicurity policies or measures (Wilthagen and Tros, 2004: 170).

Barbier argues that “presenting flexicurity as a policy strategy freed the concept from its Dutch origin” and now, “it was possible to use flexicurity as a far reaching notion that could apply in various national contexts, as well as relating it to the broader European Employment Strategy context” (Barbier, 2007: 157). One of the criticisms to this kind of a definition came from Tangian on the basis of “*operational purposes*” - “flexicurity is a strategy, which is difficult to express numerically” (Tangian, 2004a: 12). As it is apparent from this kind of concern, the quest for “measuring” the concept – even Tangian starts his article with a quotation from Galileo, “Measure what is measurable, and make measurable what is not so” (Tangian, 2004a: 11) – has become the main task among academicians.

Another criticism to such definitions is put forward by introducing the Danish model of flexicurity as the outcome of a long historical development. “In some cases a state of flexicurity has been reached through a gradual process of compromise rather than implementing a political strategy” (Madsen, 2006: 5-6). It is widely considered that “the Danes were not born into a system of flexicurity; it has taken many years to develop the model” (Frederiksen, 2007: 2). At this point to raise a question about considering the flexicurity model as a gradual process should

be functional. If one claims that a specific flexicurity model “has been formed and adjusted progressively by means of reforms and minor changes” (Frederiksen, 2007: 2), it means that, as Frederiksen (the Danish Minister for employment) notes while introducing their flexicurity model, the model in itself is “a dynamic model that needs ongoing adjustment” (Ibid: 6). If a model is considered as “not finished”; then, there is always the possibility to be more critical and cautious about the future of the model. If one particular model needs ongoing adjustment, basically adjustment to changing economic conditions, the future trends of labour markets and economic conditions will have the chance to affect or even destroy the model. According to some authors there are enough indicators to predict that “the future direction is towards greater marketization” (Ellison, 2006: 61). Adjustment to changing economic conditions, in other words, in line with Ellison’s observation, means adjusting the given model to greater marketization. This should, then, pave the way for a more “liberal-type” of model based on greater marketization, if it is to be preserved. It is worth noting that such an argument must not be understood as rejecting the path-dependent characteristics of the Danish model. But what is interesting is that while introducing “necessary reforms” in order to adjust the model to the changing situations, the model under consideration is shifting from its origins. This is thus a political process with important repercussions for flexicurity and its usefulness.

Keune views this definition as “quite ill-defined and ambiguous” because it leaves a lot of scope for interpretation. According to him, this definition “does not prioritise different types of flexibility over others or specify how much flexibility

or security is adequate”. Thus, this definition can cover a broad range of labour market models (Keune, 2008: 95).

### **2.2.2. Flexicurity as a State of Labour Market**

The definition of flexicurity as a “*certain ‘state’ or condition of the labour market*” constitutes the second category. In the literature, again, Wilthagen and Tros gave the definition in the following way:

Flexicurity is (1) a degree of job, employment, income and ‘combination’ security that facilitates the labour market careers and biographies of workers with a relatively weak position and allows for enduring and high quality labour market participation and social inclusion, while at the same time providing (2) a degree of numerical (both external and internal), functional and wage flexibility that allows for labour markets’ (and individual companies’) timely and adequate adjustment to changing conditions in order to maintain and enhance competitiveness and productivity (Wilthagen and Tros, 2004: 170).

As it is noted in the definition, there are certain types of flexibilities and securities.

In general, there are four types of flexibility and four types of security that labour market experts agree on. Types of flexibility and security should be noted in the following way: (Fink, 2006: 3-5; Lesckhe, Schmid and Griga, 2006: 2-3)

1. “*External numerical flexibility*”<sup>16</sup> – flexibility of hiring and firing, flexibility of temporary jobs and temporary agency work, using fixed-term contracts, temporary lay-off, casual work or marginal employment.

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<sup>16</sup> Fink (2006) notes that numerical flexibility should be measured according to different indicators, namely “*job turnover*” (gross job flows) informs about the proportion of jobs created and destroyed in the economy in a specific period of time; “*labour turnover*” which deals with the number of people moving out of employment and/or into a new employment contract, and “*job tenure*” (time

2. “*Internal numerical flexibility*” – flexibility of working hours, overtime, part-time work, marginal part-time employment etc.

3. “*Functional flexibility*” – multi-employability based on broad skills and know-how, flexible organisation of work.

4. “*Wage (or variable pay) flexibility*” – performance or result-based pay; possibilities to adapt collective agreements on firm level etc.

The types of security are:

1. “*Job security*” – the certainty of retaining a specific job with a specific employer.

2. “*Employment or employability security*” – the certainty of remaining in work, not necessarily with the same employer.

3. “*Income security*” – income protection in case that paid work ceases, for instance, through dismissal and mass unemployment, or through chronic illness, disability or retirement.

4. “*Combination or option security*” – the certainty of being able to combine paid work with other social responsibilities and obligations (for example caring and civic engagement).

To consider flexicurity as a “*trade-off*” between certain types of flexibility and security paves the way for a “*flexicurity matrix*”, or what later started to be known as “*Wilthagen Matrix*” (see Figure 2.1).

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spent with the current employer) that gives an idea about the stability of jobs in the economy and is probably the most widely used indicator for both numerical flexibility and job security.

	Job Security	Employment Security	Income Security	Combination Security
External Numerical Flexibility				
Internal Numerical Flexibility				
Functional Flexibility				
Wage (variable pay) Flexibility				

**Figure 2. 1. Flexicurity (Wilthagen) Matrix**

Source: Wilthagen and Tros, 2004: 171.

One can introduce some specific configurations using the matrix above, based on trade-offs between specific types of flexibility and security. For example, the Danish model is generally considered as the clear combination of “a high-level of external numerical flexibility and a high level of income and employment security” due to the fact that there is little protection from dismissal, but generous income protection. The Netherlands, on the other hand, contains “enhanced external numerical flexibility and forms of security for weak groups, i.e. more employment and employability security for temporary agency workers” (Wilthagen and Tros, 2004: 176-7; Madsen, 2006).

	Job Security	Employment Security	Income Security	Combination Security
External Numerical Flexibility	Spain	Netherlands, Denmark	Central and Eastern EU Member States	
Internal Numerical Flexibility	Belgium, Germany	Netherlands		
Functional Flexibility	Germany	Japan	Germany	Denmark
Wage (variable pay) Flexibility				

**Figure 2. 2. The Flexibility-Security Nexus in National Policy-Making**

Source: Wilthagen and van Velzen, 2004: 8.

While presenting the above figure<sup>17</sup> (Figure 2.2), Wilthagen and van Velzen (2004) were very careful to make necessary explanations in order to indicate some of the shortcomings of the figure:

For instance, in the case of Spain both external numerical flexibility and job security do not apply to the same categories of workers. On the contrary, the trade-off here involves a type of bifurcation of the labour market: core or normal workers enjoy a high degree of job security whereas a peripheral group faces a high degree of external-numerical flexibility (Wilthagen and van Velzen, 2004: 8).

Lesckhe, Schmid and Griga assert that the trade-off between these types of flexibility and security “is more complicated than commonly thought”. They argue

<sup>17</sup> In the matrix, some states (Germany, Denmark and the Netherlands) are mentioned more than once because these states have different kind of flexibilities and securities at the same time.

that “the flexibility gains of employers do not necessarily mean a loss of security among employees; similarly, security gains of employees do not necessarily go along with flexibility losses among employees”. They note the fact that “job security, for instance, can induce employees to be loyal to the employer and to invest in firm specific human capital, thereby increasing internal functional flexibility” (Lesckhe, Schmid and Griga, 2006: 3). Another noteworthy point is that putting flexicurity as a trade-off between types of flexibility and security, thus reaching a matrix - “an analytical tool in order to compare different labour market models” (Gündoğan, 2007: 24) - leads to the establishment of different flexicurity models, some of which are put forward as “*good examples*” (in the flexicurity debate, Denmark and the Netherlands) constituting “*paradigm cases*” or becoming “*ideal models*” (Jepsen and Pascual, 2005; Rogowski, 2007: 8).

### **2.2.3. Flexicurity as an Analytical Frame and Alternative Definitions**

The third, but not the last, group should be identified as the flexicurity as “an analytical frame”. Madsen notes that “as an analytical frame, flexicurity is closely related to another popular labour market concept, the idea of Transitional Labour Markets” (Madsen, 2006: 6).

### 2.2.3.1. Transitional Labour Markets (TLMs) Approach and Flexicurity

The argument we would like to bring forward is captured in Schumpeter's famous quotation<sup>18</sup>, which can be reformulated in the following way: There is no more paradox in 'flexicurity' than there is in saying that workers are more flexible and creative than they otherwise would *because* they are provided with securities (Leschke, Schmid and Griga, 2006: 7-emphasis in original).

Despite the fact that there is not a general framework or a theory of flexicurity, there are attempts to connect the term flexicurity with Transitional Labour Markets approach (TLMs) (see Schmid and Gazier 2002; Gazier 2007). The TLMs approach, to a great extent, is perceived as very much related to the concept of flexicurity (see Daguerre 2007; Madsen 2006 and 2007; Wilthagen and Tros 2004). Daguerre (2007) noted that the TLMs approach has been very influential within the Directorate General for Employment, Social Affairs and Equal Opportunities (DG V) in recent years<sup>19</sup>.

This kind of approach is based on the observation that:

the boundaries between labour markets and other social systems (such as the educational system or private household economics) are becoming increasingly blurred and on the assumption these boundaries have to become more open to transitions between gainful employment and productive non-market activities if 'insider-outsider' distinctions are to be

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<sup>18</sup> There is no more paradox in this...than there is in saying that motorcars are travelling faster than they otherwise would because they are provided with brakes (Schumpeter, 1976: 88).

<sup>19</sup> Daguerre argues that Günther Schmid, considered as one of the founding fathers of the TLMs approach, together with Bernard Gazier, has taken part in some of the reports of the Commission. As an example, Schmid had produced a report for the Directorate General for Research and Technological Development (DG Research) on transitional labour markets, and, had involved in the Hartz Commission in Germany (Daguerre, 2007: 143).

broken down, long-term unemployment is to be prevented and segmentation or occupational segregation in the labour market reduced (Gazier and Schmid, 2002: 6).

The TLMs approach is put forward, as it is the case in the debate over flexicurity, as “seeking to combine competitiveness and social cohesion”, in other words, “flexibility and security or equity”. De Gier and van den Berg (2005) argue that while the Third Way approaches are also directed to combine those elements, what differentiates the TLMs approach from the Third Ways is that “TLM researchers tend more to emphasise the “capabilities-based” approach” and “individual and collective” dimensions of welfare and labour market reforms rather than “asset-based” approach, that is focusing more on individuals (de Gier and and van den Berg 2005: 1).

One point needs to be underlined. One of the common denominator of flexicurity and the TLMs approach is their views considering the transition in the labour market as inevitable. The problem appears how people in dynamic labour markets should be encouraged to make transitions. Certain security for these people has to be provided. That is the transition security in the TLMs approach.

To sum up, flexicurity can be considered as an “offspring”<sup>20</sup> of the TLMs approach. Both TLMs approach and flexicurity seem to be “trying to regulate

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<sup>20</sup> Maria Jepsen argues that flexicurity is an offspring of the TLMs approach. According to her, in essence the plan was to disseminate the TLMs approach but it was too difficult to bring into a political framework. For that reason, flexicurity has become a fairytale. Interview with Maria Jepsen

flexibility” (Daguerre, 2007: 166) and present a new kind of security – transition and employment security – replacing the traditional job security.

There are also other definitions in the literature. Among them, the “*trade-unionist*” definition noted by Tangian (2004b) is worth noting due to the fact that this definition is put forward against the “liberal” definition; Tangian identified the definition of “flexicurity as a policy strategy” as liberal. Tangian argues that from the viewpoint of trade unions, flexibilization can hardly be compensated by social security benefits. Flexicurity from the “trade-unionist” view should be defined as “*social protection for flexible work forces..., understood as ‘an alternative to pure flexibilization’..., and ‘to a deregulation-only policy’*” (Tangian, 2004b: 14-5). This definition seems an important contribution to the definition debates. It rejects any tradeoffs, i.e. relaxing EPL can hardly be compensated by increasing employability. In particular, the stance of the European Trade Union Confederation (ETUC) is implicitly based on such kind of reasoning (see Chapter IV).

### **2.3. Flexicurity in Real Life**

In the flexicurity literature, the Danish and Dutch labour market systems are regarded as “best practices” or “prime examples” of labour markets with well functioning flexicurity arrangements. These systems were considered successful in providing a balance between flexibility and security and in decreasing unemployment rates to manageable levels (for Denmark from 12.3% in 1993 to

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(The head of ETUI-REHS Research department and Associate Professor at Université Libre de Bruxelles) on January 22, 2008 at ETUI-REHS, Brussels/Belgium.

2.8% in May 2008 and for the Netherlands from around 11% in the mid-1980s to 2.9% in May 2008) thanks to the 1990s labour market reforms. The Danish and Dutch models and flexicurity are viewed as almost “identical” (Bredgaard, Larsen and Madsen, 2007: 371). In its *Employment in Europe 2006* report, the Commission has tried to construct a new European flexicurity chart based on country scores along indicators of “external numerical flexibility by using EPL Index drawn by the OECD”, “security” and “the tax and social security burdens” (see *European Industrial Relations Review* 395, 2006: 27-8 and Jørgensen and Madsen, 2007: 19-20). The Netherlands and Denmark are placed in the same “family of flexicurity”, namely The Nordic system of flexicurity, by this report. According to the remarks made previously in relation to the Dutch and Danish differences, this is a way of using “flexicurity” that “can be disputed, seen from both analytical and empirical points of view” (Jørgensen and Madsen, 2007: 20).

Within this framework, the aim of this part is to briefly note specific features of the Danish and Dutch models as to indicate how much they have in common. While doing so, the reforms in labour market models of above mentioned models in the 1990s will be provided.

### **2.3.1. The Danish Flexicurity Model**

The Danish labour market model is viewed as a “hybrid” model or a “Golden Triangle” that has three legs: a flexible labour market with a high level of external numerical flexibility indicated by high levels of workers flows; a generous system

of economic support for the unemployed and active labour market policies aimed at upgrading the skills of the unemployed (see Madsen, 2005: 11 and Frederiksen 2007). This unique combination of *flexibility, social security* and *active labour market programmes* should be seen as the outcome of a long historical development rather than as the result of a well-defined “policy strategy” (Madsen, 2005 and Frederiksen, 2007). As Madsen (2005: 12) argues, concerning the historical background for the Danish model, the high level of worker mobility supported by a low level of employment protection is a long-term feature of the model. Actually, the employers’ right to freely hire and dismiss their workers in exchange of rights given to trade unions to association and representation in policy making was part of the so-called September Compromise between social partners in 1899 (Madsen, 2005: 12 and Etherington and Jones, 2004: 25). This paved the way for “collective bargaining” which nowadays has remained more or less intact.

Within the framework of welfare regime analysis pioneered by Esping-Andersen (1990), the Danish welfare system can be characterised as “social democratic” due to the strong orientation towards income distribution, universal attitudes, relatively strong trade unions and labour movements and corporatist networks in where trade unions are the key players in the bargaining and in the formation and implementation of social and economic policies.

The Danish model has faced severe unemployment crisis during the 1970s and 1980s. This paved the way for the activation policies of the 1990s. As Prior and Sykes (2001: 202-203) argue with the onslaught of globalisation, the Nordic

countries have found themselves mediating their determination to the goal of full employment, the promise of universal social rights, the responsibility of government for welfare and equality amidst heightened pressures of the increasingly mobile capital. In their words, “the goal of full employment is increasingly losing its primacy...being replaced by activation strategies of retraining and education” (Ibid: 203).

The development of the Danish active labour market policies (ALMPs) initially reflected an attempt to respond to the unemployment crisis of the 1970s and 1980s. There were attempts to introduce some kind of activation policy measures, but the process was slow prior to the election of a Social-Democratic-led government in 1993<sup>21</sup>. The 1994 labour market reforms<sup>22</sup> focused around “activation”. For the first time, the Danes introduced workfare-style policies, in that access to benefits was conditioned by acceptance of various educational and/or employment training

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<sup>21</sup> In this period, Danish labour market model had undergone some changes such as a restriction in the coverage and level of unemployment protection and an introduction of limited range of active measures, mainly targeting youths. Within this framework, Denmark’s first compulsory activation programme, the Youth Allowance Scheme, directed towards claimants aged 18-19, was introduced in 1990. But, major and successful activation policies would have to wait until 1993 (see Lindsay and Mailand, 2004: 196). Indeed, the period between 1975-1982 can be named as “Keynesian Strategies” (stimulating aggregate demand, early retirement allowance and introduction of longer holidays in order to lower unemployment) and between 1982-92 as “export strategies” (anti-inflationary policies, policies aimed at increasing competitiveness and controlling balance of payment deficits and allowing free capital movements and so on) (for a more detailed analysis of these periods, see Andersen, 2002: 63-66).

<sup>22</sup> The main characteristics of the 1994 labour market reforms are “the introduction of a two-period benefit system, with an initial passive period of four years and a subsequent activation period of three years; during the passive period, an unemployed person receives benefits and is also eligible for 12 months of activation”; “a change in the assistance provided to individual long-term unemployed persons from a rule-based system to a system based on assessment of the needs of the individual”; “the decentralization of policy implementation to regional tri-partite labour market councils”; “the abolition of the connection between participation in labour market measures and the unemployment benefit system, with the effect that employment with a wage subsidy no longer would prolong the period for which the unemployed are eligible for unemployment benefits” (Madsen, 2005: 16-17).

offers. This principle has been extended through the Active Social Policy Act of 1998. Although elements of the measures introduced in 1994 reform were concerned with reducing the period during which the unemployed could receive benefits – provoking heavy criticisms from the unions representing unskilled workers – in stark contrast to the “neoliberal welfare-to-work model”<sup>23</sup>, the reforms also introduced an integrated training and job-placement package (Etherington and Jones, 2004: 27).

Under the governments headed by the Social Democrats from 1994 to 2001, Danish labour market policy underwent a number of further reforms. Their main effect was a shortening of the maximum period for which the unemployed would receive benefits (the passive period). The passive period was four years in 1994; in 1996 it was reduced to two years. In 1999, there was a further reduction to one year for adult unemployed persons. The Conservative-Liberal government in 2003 with broad support introduced a new major reform, “More people at work” in which the demands on the unemployed for active job search and mobility were increased (Madsen, 2005: 17). Also as part of the reform, social security cash benefits for some groups (married couples and arrived immigrants) were reduced. (Madsen, 2005: 19).

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<sup>23</sup> According to Jessop (2003b: 144-151) “neoliberal workfarism” forces the individual not only to look for employment but to accept private-sector jobs in return for continued state aid. In this model, it is no longer necessary that suitable employment be offered, only employment; and it is no longer considered as a good cause for refusing an offer that employment involves part-time, low-waged or excessively long working hours. The best example for Jessop is the Social Security Act 1989 in Britain.

The change in the profile of Danish labour market policy since the mid-1990s has placed Denmark in the upper range in terms of expenditure on both active and passive labour market policies. In 2003, Denmark spent around 4.5% of its GDP on income maintenance and worker training (Madsen, 2005: 18).

According to the compromise between the Liberal-Conservative government with the opposition Social Democratic Party, Danish People's Party and Social-Liberal Party, the early retirement scheme was further restricted for people who are below the age of 48 in 2006. The early retirement age – currently 60 – will be gradually increased to 62 in 2022. Early retirement benefits remained unchanged, but the period of contributions required to qualify will be increased from the existing 25 years to 30. The main message of the reform was: “to preserve welfare provision in future, people must work longer and accept more and stricter conditions to qualify for state benefits” (European Industrial Relations Review 395: 32). In the future, in line with the Danish Welfare Commission's (appointed in 2003 by the government) suggestions, higher requirements for entering unemployment insurance, as well as shortening the period of unemployment benefits from 4 to 2.5 years may be main the focus points of discussions but now, it is fair to argue that “Danish ALMPs remain within the remit of a *workfare light version*” (quoted in Daguerra, 2007: 103).

In the flexicurity literature, there are views considering the success of Danish model as “overrated”. Keune (2007: 2) argues that explaining the Danish success solely by the type of labour market regulations without due attention paid to the

elements of macro-economic conditions<sup>24</sup>, wage policies, fiscal policies and industrial relations system is “reductionist”.

Frederiksen (2007) identifies social partnership and social dialogue as an important characteristic of Danish flexicurity. He notes that in Denmark, social partners address issues – such as pay rates, working conditions, minimum wage or requirements about notice of dismissal – without any interference from the government, addressed by means of legislation in many other countries. “Keeping the government out” is an important feature of Danish flexicurity<sup>25</sup>.

Having provided the history of active measures in the Danish context, especially in the 1990s, it is fair to argue that the Danish workfare model that has been formed since the 1990s, is not a “punitive workfare model”, rather, it can be identified as “workfare light version”. Approximately 80 per cent of the labour force belong to unemployment insurance funds, and this proportion has risen from 70 per cent in 1990 to 78.6 per cent in 1994 (Daguerre, 2007: 16-17). Moreover, the stronger work requirements and sanction regimes have been “more symbolic than real”, mainly to send a strong signal to the unemployed (Ibid: 103). On the other hand, the “scope of policy change” or a “paradigm shift” initiated by the Social Democrats in the 1990s has transformed the Danish welfare state, to a certain

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<sup>24</sup> For example, van den Berg claims that “the macroeconomic luck” of the period together with the Active Labour Market Policies (ALMPs) has enabled Denmark to manage its unemployment problems. Interview with Axel van den Berg (Professor at the Department of Sociology at McGill University/Canada), Middle East Technical University, Ankara/Turkey, February 29, 2008.

<sup>25</sup> Interview with Axel van den Berg (Professor at the Department of Sociology at McGill University, Canada) on February 29, 2008 at Middle East Technical University, Ankara/Turkey.

extent. It is debatable how much role should be attributed to the Social Democrats policy-makers of the 1990s in providing the so-called “workfare light version”. It can be argued that in Denmark, there is a “general consensus” over the main tenets of labour market regulations<sup>26</sup> - the primary example of it was the failure of the Liberal-Conservative government’s plans to cut back unemployment benefits<sup>27</sup> - but this does not mean that time model under consideration has shifted towards a more workfarist model, even in a more symbolic terms. Thus, it should be concluded that it seems that for the future the changes in “macropolitics” over the regulation of labour markets will be small<sup>28</sup>.

### **2.3.2. The Dutch Flexicurity Model**

The Dutch flexicurity model has come to being in the mid-1990s with the *Dutch Flexibility and Security Act* and the *Act concerning the Allocation of Workers via Intermediaries* (Wilthagen and Tros 2004; Keune 2007). These pieces of legislation have paved the way for the Netherlands to exploit the possibilities of more flexible employment relationships while providing people in non-standard jobs with more security at the same time. Until the mid-1990s, there was a strict regulatory system

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<sup>26</sup> Cox (2004: 207-208) states that “due to the path dependency or stickiness of ideas” – namely solidarity, universalism and decommodification – the changes in the context of the Danish model has some limitations.

<sup>27</sup> Interview with Anna Ilsøe (Research Fellow and Ph. D. Student at the Employment Relations research Center, FAOS, University of Copenhagen) at Lessius University College, Antwerp/Belgium, January 17, 2008.

<sup>28</sup> Interview with Anna Ilsøe (Research Fellow and Ph. D. Student at the Employment Relations research Center, FAOS, University of Copenhagen) at Lessius University College, Antwerp/Belgium, January 17, 2008.

which was protecting people on ordinary contracts from dismissals. As Jørgensen and Madsen (2007: 11) notes, enterprises' reaction to this was to hire people on short-term contracts, creating a situation in which many wage earners were without legislative protection. The above mentioned acts aimed to address this situation by "injecting additional flexibility into the labour market by relaxing dismissal laws...while, generating a higher level of security for employees in flexible jobs" (quoted in Keune, 2007: 2). "Promoting the use of atypical employment, at the same time providing such flexible types of employment with similar rights concerning working conditions and social security as standard employment" (Keune, 2007: 2) has constituted the Dutch flexicurity.

The Dutch flexicurity system is addressing "problem groups" within the labour market (atypical workers) rather than representing a "comprehensive regulative system covering the whole labour market" (Jørgensen and Madsen, 2007: 12). Concerning the "Wilthagen Matrix", the tradeoffs are made between external numerical flexibility and employment security. The Dutch flexicurity system is also labelled as "gender biased" with almost 80 per cent of all women in the Netherlands working part-time or having atypical employment relationships (Ibid: 12).

High share of part-time employment (in 2007 close to 50 per cent) in the Netherlands led some researchers to question the success of the model. Keune (2007: 2) argues that "when calculated in full-time equivalents, the Dutch

employment rate<sup>29</sup> is actually similar to the German rate and below that of countries like Spain, France or Greece”.

Jørgensen and Madsen (2007: 11-14) notes the following features of the Dutch flexicurity model in comparison with the Danish system. First of all, the legislation that led to the Dutch flexicurity system should be regarded as a path-dependent element of Dutch corporatist roots, but the legislation was rather a “*policy strategy*” of the 1990s. Secondly, compared to the Danish system, it is focused on “*weaker groups*” in the labour market. Thirdly, in sharp contrast to the Danish flexicurity system which builds on “governance without much government as to labour law and regulation”, the Dutch system builds on “governmental regulation of employment and security”. In the Dutch context, “politicians engaging in elaboration of *deliberative* flexicurity policies”<sup>30</sup> has been the case.

The words in italic (policy strategy, weaker groups and deliberative) are the main elements of the definition of flexicurity as a “policy strategy”. That is not accidental. As previously argued, the first attempt to define the concept is clearly inspired by the Dutch flexicurity system. However, the discovery of the Danish model which is very different compared to the Dutch one, has led researchers to look for alternative definitions capable of compromising both models.

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<sup>29</sup> In 2005, the employment rate of the Netherlands was 73.2%. It was 65.4% for Germany. Denmark with 75.9% employment rate was at the top (see Eurostat September 11, 2006).

<sup>30</sup> Ad Melkert, the Dutch Minister of Social Affairs and Employment (1994-1998), has been regarded as the architect of the Dutch flexicurity model (Wilthagen and Tros, 2004: 173).

## 2.4. Concluding Remarks

It seems that the discovery of the Danish model, which is different from the Dutch one, has played an important role in the debate over the definitions of flexicurity. It brought new considerations into the relation between flexibility and security. Labour market researchers started to search for a definition that would be capable of combining both the Danish and Dutch models, which paved the way for the “flexicurity as a certain state of labour market” definition.

After giving the debate on the definition of the concept of flexicurity, especially in academia (Wilthagen and Tros, 2004; Tangian 2004a and 2004b), a few points are worth noting. Firstly, the debate on flexicurity is “predominantly comparative” and deals much more with “the discussions of national models of labour market reform in selected countries” (Rogowski, 2007: 10). It is not a coincidence that in the literature, there is an ongoing increase in articles on the comparison of specific country models with others. Nowadays, there is a growing literature trying to compare the Danish model and the US, Japan and Canada<sup>31</sup>, and the transferability of a specific model to the others.

Secondly, to a certain extent, it is clear that “operational purposes” have weightening their place in this debate. Tangian (2004b: 14) argues that without measuring flexibility and security, referring to a trade-off is “just a scientific metaphor”. The concerns about “measurement” and the search for healthy

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<sup>31</sup> See for Bredgaard and Larsen (2007) for the comparison of Denmark and Japan; Ilsøe (2007) for Denmark and the U.S. and van den Berg (2008) for the flexicurity in Canada.

indicators are still a great task for labour market researchers. This quest for indicators will also become very important in the debate at the European level starting from 2006.

However, one should find some common denominators in labelling a specific model as flexicurity. Ilsøe asserts that “there seems to be consensus, among academics, that certain requirements must be fulfilled, if the concept should apply to a given labour market regulation:

- A combination of flexibility for the employers and security for the employees.
- That this combination produces advantages for both employers and employees.
- That the degree of flexibility and of security balances each other (both in *depth*-refers to the extent of flexibility and security, *scope*-relates to the question of which groups are covered by the flexibility and the security respectively and *length*-refers to the aspect of time: whether the flexibility and security occur simultaneously” (Ilsøe, 2007: 7).

There are some other important points that need more exploration dealing with the definitions of the concept. As Madsen notes, “the complexity in the debates about flexicurity” should be further increased by considering the arrangements *according to the level at which they function* (national, regional, local or industry-firm level), *according to the actors involved* (government, social partners, individual firms or

employees) and *the regulatory tools applied*<sup>32</sup> (law, collective agreements, individual contracts etc.) (Madsen, 2007: 529 – emphasis added). Also, “the timing of the reforms” seems an important point. Dealing with the “timing and the acceptance of flexicurity arrangement”; the issue of *economic vulnerability*, according to Madsen, should be considered as a “double-edged sword” due to the fact that;

On the one hand, economic crisis can be the factor which changes political preferences and puts the need for labour market reform high on the political agenda. On the other hand, an economic crisis is rarely a situation in which economic resources for improving workers’ security are abundant. Higher public spending on income security or policies providing more employment security will for instance be hampered by fear of increasing deficits on the public budgets (Madsen, 2007: 532).

Similarly, Wilthagen and Tros, also, consider the timing of introducing flexicurity strategies – whether it is possible in times of favourable or unfavourable economic conditions – “a major question not only scientifically but also politically” (Wilthagen and Tros, 2004: 181). Especially, in the systems where “the levels of trust are low or absent, either among the social partners or towards the government, flexicurity strategies can be expected to meet with strong opposition and mistrust” (Ibid: 179).

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<sup>32</sup> The latest compromise of French employers’ and trade unions over the reform of labour market should be identified as an example of reaching a flexicurity-type labour market model through using law as a regulatory tool (threatening the social partners by a top-down regulation for an agreement in a specific period of time if they are not able to agree - which is very different from the collective bargaining as a regulatory tool of the Danish model). The broad outlines of agreement were breaking long-term, open-ended contracts; extension of trial periods for blue collar workers and those in management; increasing severance pay for salaried employees and transferring various rights between jobs. For details of the latest French labour market reform, see Euractiv (January 17, 2008)

## CHAPTER III

### THE EUROPEAN EMPLOYMENT STRATEGY

The European integration process has been driven by two internally contested and overlapping discourses: an economic policy discourse and a social policy discourse. From the interaction between economic and social policy, an employment policy discourse emerged (Ashiaghbor, 2005). Before dealing with the issue at hand, it is important to deal with the causes of the problems that the European integration process has faced regarding social priorities and objectives.

The European integration process has long been generally considered as creating an asymmetry between the economic and the labour market/social field, in the words of Fritz Scharpf, between *negative and positive integration*<sup>33</sup>. Scharpf argued that this “constitutional asymmetry between policies promoting market efficiencies and policies promoting social protection and equality” constrained the European welfare states through the functioning of economic integration and liberalization (Scharpf, 2002: 645). Thus, negative integration limited the range of policy instruments of member states, paving the way for the important social consequences of negative integration in the member states (Keune, 2007: 1).

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<sup>33</sup> “Negative integration” is considered as the “measures that serve to increase market integration by eliminating national restraints on trade and distortions of competition” where as positive integration is about “the development of common European policies to shape the conditions under which markets operate” (quoted in Keune, 2008: 92)

The treaty of Rome (1957) left social and labour market regulations to the hands of the member states<sup>34</sup>. This led to a fundamental difficulty with which EU social and employment policy, in the following years, has been confronted. On the one hand, “negative integration” (single market agenda) limits national governments’ autonomy in designing their welfare systems. On the other hand, member states strongly oppose shifting further social and employment policy competencies upward to the EU (Büchs, 2007: 1-2).

The process of dealing with labour market crisis and aiming to establish a common strategy to that end at the supranational level is also problematic due to a lack of legitimacy of EU institutions in the social realm. Unlike the institutionalisation of national social models, the EU lacks a political identity in the social policy field. It is hard to speak about common social identity features as opposed to the European Union’s economic identities (for example the Euro and European Central Bank) (Serrano Pascual and Crespo Suárez, 2007: 376). Within this perspective, the stronger EU role in social policy would also increase the legitimacy of EU integration which is generally perceived as detrimental to national welfare systems by Europeans (Büchs, 2007).

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<sup>34</sup> Scharpf notes that, in the negotiations leading to Rome, the French Socialist Prime Minister Guy Mollet had tried to make “the harmonization of social regulations and fiscal burdens as a precondition for the integration of the industrial markets” but, in the final package he only got a “commitment from other governments to increase social protection nationally”. The author concludes that “the failure of Mollet” paved the way for economic policy discourse to frame the European agenda which resulted in the “constitutional asymmetry between the economic and social policies” (Scharpf, 2002: 645-7).

Despite the fact that we have been witnessing the aims of increasing competencies of Community in the social and labour market areas, the reluctance of member states to give up their competencies to supranational authorities has not gone away. This tension has been the case throughout the 1990s. It was not until 1997 Treaty of Amsterdam which launched the European Employment Strategy, this deadlock was managed. This is the central reason for the “soft” character of the Employment Strategy (Ashiaghbor, 2005: 72).

The concept of flexicurity, it is often argued, falls into the realm of the European Employment Strategy (Jepsen 2007) and there were explicit references to the issue of the balance between the flexibility and security in the EES guidelines for many years. There are also arguments on the issue claiming that the launch of flexicurity as a possible solution for the challenges that Europeans face is narrowing down the EES, as the discourse of the concept of flexicurity has long been part of the EES in general and the adaptability pillar in particular (Keune and Jepsen 2007).

After this brief introduction, the focus of this chapter will be on the relationship between flexicurity and the EES. A full-fledged analysis of the EES workings and mechanisms is beyond the aim of this thesis. Instead, the main aim is to place the evolution of the EES within the years following its launch in context, so as to be able to reach a conclusion as to whether the concept of flexicurity is a new discursive construct of a political project to build a common identity, rather than a change in the overall discourse that dominates the EES. This necessitates the

critical evaluation of the formulation of the guidelines of the EES concerning the flexibility and security issues.

### **3.1. The Background of the EES**

The European Employment Strategy has come into being in the mid-1990s in the context of high unemployment problems and rising pressures on social expenditure budgets. With the Monetary Union (elimination of all national control over exchange rates and monetary policy) and the Stability and Growth Pact (imposing rigid constraints on the public sector deficits of its member states), economic integration has accelerated. The advance of economic integration has greatly reduced the capacity of member states to influence the course of their own economies and to realize self-defined socio-political goals. Briefly noted, member states found themselves constrained in their fiscal policy; liberalization and deregulation policies have eliminated the possibility of using public-sector industries as an employment buffer. In principle the only national options which under European law, remain freely available are “supply-side”<sup>35</sup> strategies involving lower tax burdens, further deregulation and flexibilization of employment conditions, increasing wage differentiation and welfare cutbacks, reducing the generosity or tighten the eligibility rules of tax-financed social

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<sup>35</sup> Mullard and Spicker (1998: 74-75) briefly notes the main tenets of supply-side economics in the following way: The approach of supply siders is that solution to unemployment is mainly found in improving flexibility of labour supply so that the cost of labour will fall. According to this approach, the rigidities are largely due to the trade unions and social security systems which paves the way for uenemployed to rely on social benefits. Supply siders, thus, argue that unemployment is voluntary and if government is committed to reducing the rate of unemployment, they also have to reduce the level of benefits so that benefits became less of an incentive.

transfers and social services. In Bieling's words, until the economic recession of 1990s, discontent with the economic and social conditions in Europe under the guiding principles of "neoliberal restructuring" had not been visible (Bieling, 2003: 56). The so called "post-Maastricht crisis"<sup>36</sup>(Apeldoorn, 2003; Bieling, 2003 and Overbeek, 2003) – the deep legitimacy crisis of the EU in the wake of the difficulties experienced in the ratification of the Treaty of Maastricht accompanied with record unemployment levels (11% in 1992)- led the European Commission to undertake cautious attempts to modify the integration process in order to enhance its public legitimacy, and the "promising route" was the reduction of mass unemployment (Tidow, 2003: 79-80).

The Delors' White Paper on *Growth, Competitiveness, Employment* (1993) was released in order to face the "post-Maastricht crisis". It was the first Commission document that put the issue of unemployment on the EU agenda, declaring that "we should once again make employment policy the centre-piece of our overall strategy" (quoted in Apeldoorn, 2003: 126). Regarding labour market field, the Commission advocated increased investment in education and vocational training and active incentives (Tidow, 2003: 80-81). In the literature over the tone of the White Paper, there are many voices; some claim that it was "an attempt at a compromise between neoliberals and social democrats" (Apeldoorn, 2003: 127),

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<sup>36</sup> According to Bieling (2003: 57), the discontent emerged due to the economic recession and rising levels of unemployment in the 1990s, was directed against not only the Single Market but also, the EMU. Also, in a context of economic crisis, with monetarist instructions strengthened as a consequence of German unification, social cutbacks and dismantling of the welfare state became the main point in the political debates. According to him, mainly "the fear of stronger leadership by Germany" and the "devastating impact of austerity measures" generated the "post-Maastricht crisis".

whereas for others it was “a guided transition from the old *Keynesian Welfare State* to a *Schumpeterian Workfare State*” by letting fiscal, monetary and wage policies function at the same time, thus achieving growth and employment through labour market reforms (Tidow 2003 emphasis in the original). Nevertheless, the White Paper had won one thing: it put the issue of unemployment firmly on the EU agenda. From that time on, every EU summit has dealt with the issue. The EU Summit in Essen (1994) recognized that effective employment policies conducted at national level can no longer be successfully managed under the conditions of globalization and European integration but the compromise reached was “the restriction of the competency of the EU to the sphere of common currency and completion of internal market” (quoted in Tidow, 2003: 81). The responsibility for employment policy was to be assumed exclusively at the national level which in Streeck’s words, led the way for national governments to opt for “increasing labour market flexibility as a privileged mean in dealing with the management of unemployment” (quoted in Apeldoorn, 2003: 130). Finally, the agreement was reached in the 1997 Amsterdam Summit. The Employment Chapter of the Treaty of Amsterdam has been what is called “European Employment Strategy”.

### **3.2. The EES through a Theoretical Perspective: Its Working and Mechanisms**

The principal aim of the EES is to promote coordination with each member state working through its own institutional methods towards achieving commonly agreed goals (Tsarouhas, 2008). The procedure and the working of the strategy can be summarised in the following way: An employment Committee was set up to draft

Employment Guidelines and monitor progress. The Council adopted Employment Guidelines (since 2002, guidelines centred on the four pillars) which must be taken into account by the member states governments in their national employment policies. The member states would report annually to the Commission through the National Actions Plans (NAPs) explaining how it intended to implement these Guidelines. The Council, the Commission and the Member States would scrutinize the success of the strategy, while the Commission and the Labour and Social Affairs Council would synthesize the National Reports and assess both nation-specific and EU-wide performance. The result of this is the Joint Employment Report by the EU institutions which serves as the basis for new conclusions on the part of the European Council. The Guidelines have been revised annually and extended in scope (Tsarouhas, 2008 and Tidow, 2003: 86).

A new “soft” style of regulation, the Open Method of Coordination (OMC), was soon promoted as an alternative to the old Community Method (hard regulation) and the EES has been the most used field for this new governance (Jørgensen and Madsen, 2007). The OMC was designed to be a response to complex situation within EU social policy and aimed to contribute to a convergence of social policy approaches across the member states, based on “policy learning”, “exchange of best practices” and “peer reviews” (Büchs, 2007). As Tsarouhas (2008) notes, in essence, the OMC means four things: fixing EU Guidelines and setting timetables for their implementation; translating these Guidelines into policy initiatives through specific targets but sensitive to national differences; establishing quantitative and qualitative benchmarks to assess best practice and periodic monitoring, evaluation,

and peer review of the process to facilitate learning. In the literature, there are views arguing that the methods similar to the OMC have been previously used by the OECD and IMF (Schäfer, 2006; Büchs, 2007; Tsarouhas, 2008).

From 1998 to 2002, the EES guidelines were structured in four pillars (see Table 3.1). The pillar structure was removed in 2003.

**Table 3. 1. The EES Pillars**

Improving *employability*: promoting the move from passive to active and preventive labour market policy through work incentives in social security and tax system, training measures and life long learning

Developing *entrepreneurship*: aiming to facilitate the start-up of business

Encouraging *adaptability*: promoting the modernization of work organization and the linkage between labour market flexibility and security

Strengthening the policies for *equal opportunities*: proposals for closing gender gaps in the labour market, providing an inclusive labour market which does not discriminate against gender, age, ethnic groups

Source: Büchs, 2007: 48

Interestingly, some critical authors re-read the above mentioned pillars in the following way. For example Apeldoorn (2003: 130) argues that employability, in

essence, represents “marketability” and by quoting Streeck argues that it is about “defining the responsibility of public policy, not in terms of *de-commodification* of individuals, but to the contrary of the creation of *equal opportunities for commodification*”. Daguerre also considers the EES as based on a “supply-side policy analysis” which sees the individual as responsible for causing the unemployment by not adapting to changes in the labour market, rather than an emphasis on a lack of demand. The author notes “employability” as “policies to adapt the workforce to new labour market demands by increasing training opportunities” (Daguerre, 2007: 135-6).

Apeldoorn (2003: 113-134) argues that the social democratic hegemonic project in the post-Maastricht context has come to be ideologically underpinned by a “neoliberal competitiveness” discourse. This competitiveness discourse has started to penetrate all areas of European policy-making, including employment policies. He believes that this ideological commitment to neoliberal competitiveness made it difficult even to think about alternative approaches to the European Union’s unemployment crisis. One of the clear reflections of this fact, according to Apeldoorn, was the four pillars of the European Employment Strategy (see Table 3.1). These pillars indicate a shift away from a paradigm of market-correcting towards a new transnational policy paradigm of market-making employment policies which aimed at creating the opportunity to participate in the market (Ibid: 130). To use another terminology, the changes in the labour market policies in the EU was related to “*rescaling of welfare regimes*” indicating a shift away from

“*Keynesian Welfare National State*” (KWNS) towards “*Schumpeterian Workfare Post-national Regime*” (SWPR)<sup>37</sup> (Jessop, 2003a: 29-50).

There are also views in the literature considering the EES within the context of other ideological positions and paradigms. For some, the EES is fully coherent with a “third way” employment policy agenda that focuses on supply-side measures promoting employability, lifelong learning and so on (Büchs, 2007: 47). For others, the strategy was the peak of the intellectual and political influence of “social liberalism”, based on a fragile political compromise rather than a coherent policy paradigm (Daguerre, 2007: 134). What is common in these observations is that their emphasis lies on activation as a cure to increasing employment rates and, it is worth identifying. This attempt will also be very beneficial in order to provide a theoretical approach in dealing with the EES and its relation with the concept of flexicurity.

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<sup>37</sup> “*Keynesian Welfare National State*” should be identified as *Keynesian* in terms of securing full-employment through demand size management; *welfarist* in producing labour power as a fictitious commodity, social policy had a distinctive welfare orientation; *national* economic and social policies were pursued within the matrix of a national economy, national state and society compromising national citizens and *statist* due to state institutions were the chief supplement to market forces in securing the conditions for economic growth and social cohesion; whereas “*Schumpeterian Workfare post-national Regime*” should be identified as *Schumpeterian* trying to promote permanent innovation and flexibility by intervening on the supply side; *workfarist* subordinating social policy to the demands of labour market flexibility and employability and competitiveness and regarding employment as a by-product of competitiveness; *post-national* as to transferring of economic and social policy-making functions upwards, downwards and side-ways and *regime* for increasing importance of non-state mechanisms in compensating for market failures and shifting from government towards governance or new forms governance (Jessop, 2003a).

### **3.2.1. Third Way and the EES**

The Third Way approach (Giddens 1998 and 2000) is presented as a middle ground between old social democracy and neo-liberalism. Recalling the aim of reconciliation of economic efficiency and social justice of the EU, this approach offers useful insights in understanding the policy-making within the framework of the employment, social and economic areas regarding the EU level.

Paul Cammack argues that the idea of risk in Giddens's Third Way is a central element of life (Cammack, 2004: 159). Risk in this understanding has come to mean "the new security", and this risk energizes people "to take responsibility for them". Thus, the role of governing bodies should be shaping the environment for these "responsible risk takers" to play their roles required of them by the market economy (Ibid: 159-160). With respect to economic policy, the Third Way advocates supply-side economics. Regarding social policy, it considers "social justice and economic effectiveness as mutually reinforcing" (Büchs, 2007: 41). Thus, it is fair to argue that the EES reflects the main tenets of the Third Way.

### **3.2.2. The Social Liberal Discourse Coalition and the EES**

Daguerre (2007) considers the evolution of the EES and the Lisbon Strategy as a reflection of the same discourse coalition's<sup>38</sup> temporary impact by analysing the

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<sup>38</sup> Daguerre (2007) identifies "discourse coalition" as "volatile welfare coalition alliances". The "Social Liberal Discourse Coalition" according to the author is not based on a "policy paradigm"; rather, it is based on a fragile political and ideological compromise. The Social Liberal Discourse

institutional factors within the Commission. The author argues that the launching of the EES was prompted by “the emergence of a social democratic coalition in the mid-1990s” through “reversing the neoliberal and monetary turn” that had dominated the integration process since the 1980s by the centre-left governments in France, Germany and Britain (Daguerre, 2007: 136). This discourse coalition was very effective in terms of putting social priorities – such as social cohesion - to the European Agenda. The coalition was a clear supporter of the promotion of employment strategy based on activation principles but even there was no real “consensus on the definition of activation” (Ibid: 137). The coalitions’ demands on promoting the employment strategy based on activation fitted the economic requirements of the EU perfectly, in terms of “enabling governments to transfer the workforce to the sectors affected with labour shortages without creating budget deficits” (Ibid: 148). Also, a former Swedish Finance Minister, Allan Larsson became the Director of the Directorate General for Employment, Social Affairs and Equal Opportunities (DG V). He was able to promote a Social Democratic response to unemployment problems based on the dissemination of Swedish activation policies (Ibid: 133), very similar to the Danish paradigm outlined in Chapter II.

However, in the following years, with the increasing neoliberal stance of the Barroso-led Commission, and the dissolution of the Social Liberal discourse coalition due to the electoral defeats of centre-left governments in France, Denmark and the Netherlands; social policies have been relegated to a lower level and

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Coalition was based on two elements: economic growth and the hegemony of centre-left governments. Their stronger demands for the Social Policy Agenda have come to being in the formulation of the EES due to the economic and political environment prevalent at the time.

economic considerations have become paramount (Ibid: 130). The 2003 and 2005 modifications of the EES demonstrate how the effect of the discourse coalition has started to change. In 2003, the guidelines regarding employability called for “altering tax and benefit systems” emphasising that “generous benefit systems created disincentives to take up paid work”, and related to this, unemployment started to be portrayed as “being mainly voluntary” (Ibid: 140). The Social Liberal Discourse Coalition until 2003 had been effective in putting social concerns into the European agenda. However, with the economic upturn and increasing neoliberal stance of the Commission, the “social” has started to be understood once more as a burden.

The Directorate General for Employment, Social Affairs and Equal Opportunities (DG V)<sup>39</sup> plays an important role in formulating the EES guidelines. Daguerre, basing her arguments on the interviews conducted with civil servants within DG V, notes that ambiguity<sup>40</sup> is also the case considering the formulation of the EES guidelines, especially in the early stages, despite the above mentioned factors relegating social policy to economic policy:

However, although DG V was not immune to this changing political climate, senior civil servants adapted to this change by promoting

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<sup>39</sup> Generally, DG V is considered as weak in comparison to the other Directorate Generals, for example the Directorate General for Economic and Financial Affairs (DG Ecfi). Thus, DG V, historically, is subordinated to DG Ecfi in order to push employment and social issues to the forefront. It needs alliances (Daguerre, 2007: 131).

<sup>40</sup> As an example Daguerre notes that “under the employability pillar, the Commission recommends offering a new start for all young and long-term unemployed persons, reaching a global rate of activation of 20 per cent. This activation guideline can be portrayed as an attempt to discipline the unemployed but can also be interpreted as a sincere attempt to include vulnerable groups into the labour market” (Daguerre, 2007: 136).

recommendations based on the lowest common denominator in order to deflate political controversy. European civil servants conceived their role as ‘consensus building’. In this context, members of DG V favoured the emergence of compromises to the detriment of political clarity. This search for consensus explained, at least partially, the structured ambiguity of the employment guidelines (Daguerre, 2007: 145).

Regarding the EES, some important tensions should be noted. Firstly, due to the fact that the more the emphasis of the EES is on the quantitative targets, the more the quality of employment is relegated to a secondary position. This constructs a tension between the quality of work and the understanding of the new type of full employment. As Büchs puts it, “the full employment of the EES does not mean full-time jobs for the whole workforce but can only be achieved by extending the low-wage and low-skills sector” (Büchs, 2007: 50). Secondly, the goal to provide beneficial active labour market policies such as training and the central aim of the Stability and Growth Pact - reduction of public deficits - seems contradictory (Büchs, 2007: 51). For the ALMPs to be effective, a certain amount of financial resources need to be made available. For example, Denmark has allocated around 4.5 – 5% of its GDP to passive and active labour market policies (Madsen 2005, Janssen 2008<sup>41</sup>).

In 2005 the EES was reformed altogether. Employment Guidelines together with macroeconomic and microeconomic guidelines formed the “Integrated Guidelines for Jobs and Growth” (Table 3.2) for a three-year period. This so called “Integrated

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<sup>41</sup> Interview with Ronald Janssen (the advisor of flexicurity department of the ETUC) at ETUI-REHS, Brussels/Belgium, January 22, 2008.

Guidelines for Jobs and Growth” from the basis for the successors of the NAPs, the National Reform Programmes.

**Table 3. 2. Integrated Guidelines 2005-2008**

<p><i>Macroeconomic policies</i></p> <p>Guideline 1 Securing economic stability to raise employment and growth potential</p> <p>Guideline 2 Safeguard long-term economic sustainability in the light of Europe’s ageing population</p> <p>Guideline 3 Promote a growth, employment-orientated and efficient allocation of resources</p> <p>Guideline 4 Ensure that wage developments contribute to growth and stability and complement structural reforms</p> <p>Guideline 5 Promote greater coherence between macroeconomic, structural and employment policies</p> <p>Guideline 6 Contributing to a dynamic and well-functioning EMU</p> <p><i>Microeconomic policies</i></p> <p>Guideline 7 Increase and improve investment in research and development, in particular by private business, with a view to establishing the European Knowledge Area</p> <p>Guideline 8 Facilitate all forms of innovation</p> <p>Guideline 9 Facilitate the spread and effective use of ICT and build a fully inclusive information society</p> <p>Guideline 10 Strengthen the competitive advantages of Europe’s industrial base</p> <p>Guideline 11 Encourage the sustainable use of resources and strengthen the synergies between environmental protection and growth</p> <p>Guideline 12 Extend and deepen the internal market</p> <p>Guideline 13 Ensure open and competitive markets inside and outside Europe and reap the benefits of globalisation</p>
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Guideline 14 Create a more competitive business environment and encourage private initiative through better regulation

Guideline 15 Promote a more entrepreneurial culture and create a supportive environment for SMEs

Guideline 16 Expand, improve and link up European infrastructure and complete priority cross-border projects

*Employment Guidelines*

Guideline 17 Implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion

Guideline 18 Promote a lifecycle approach to work

Guideline 19 Ensure inclusive labour markets, enhance work attractiveness, and make work pay for job-seekers, including disadvantaged people and the inactive

Guideline 20 Improve matching of labour market needs

*Guideline 21 Promote flexibility combined with employment security and reduce labour market segmentation, having due regard to the role of the social partners*

Guideline 22 Ensure employment-friendly labour cost developments and wage-setting mechanisms

Guideline 23 Expand and improve investment in human capital

Guideline 24 Adapt education and training systems in response to new competence requirements

Source: Büchs, 2007: 46-7.

*Guideline 21* is the new manifestation of the flexibility - security nexus. It is obvious that the whole security has narrowed down to employment security. In Wilthagen's words, "it was a deliberate choice not to speak about job and income

security”<sup>42</sup> in the Guideline 21. Jørgensen and Madsen (2007: 24) consider the *Integrated Guidelines* as reducing the ambitions of the EES and as “economic considerations and elements overshadowing employment and social ones”.

Overall, the priority in the EES is given to a widening of labour market participation without due attention paid to the quality of work. The cause of unemployment is considered heavily as an individual responsibility and therefore, the role of the state is diminished to activate the people to enter or remain in the labour market in order to increase the employment rates (Büchs, 2007: 51). In that sense, the EES is following on the footsteps of the Third Way’s supply-side orientation.

### **3.3. The EES and Flexicurity**

As Wilthagen and Tros put forward, the flexicurity-type expectations have been present in the EU policy discourse since the 1993 White Paper on Growth, Competitiveness and Employment and formulated explicitly in the 1997 Green Paper called *Partnership for a New Organization of Work*. “The key issue for employees, management, the social partners and policy makers alike is to strike the right balance between flexibility and security” (quoted in Wilthagen and Tros, 2004: 167). The “flexibility-security nexus”, as the authors name it, has become the main target of the EES and a major challenge to the European Social Model

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<sup>42</sup> Interview with Ton Wilthagen (Professor at Tilburg University/The Netherlands and the rapporteur of the Commission’s European Expert Group on Flexicurity) on January 17, 2008 at Lessius University College, Antwerp/Belgium.

(ESM). The authors also cited the formulation of the 2001 European Employment Guideline 13, under the Adaptability pillar. This was an invitation addressed to the social partners, formulated in explicit terms. It asked from them:

to negotiate and implement at all appropriate levels agreements to modernise the organisation of work, including flexible working arrangements, with the aim of making undertakings productive and competitive, achieving the required balance between flexibility and security, and increasing the quality of jobs (quoted in Wilthagen and Tros, 2004: 168).

Bekker<sup>43</sup> (2007) in her study analyzing the guidelines and proposed measures regarding the adaptability pillar between 1998 and 2006 concluded that at first, the tone of the Commission's guidelines and recommendations were "balanced" between flexibility and security; but especially after 2005, the discourse shifted towards "dealing with flexibility and security as two separate issues". Bekker states that:

...at first the strive was balance between the two, later on the EES speaks of a need for both, which makes flexibility and security two issues that are to be addressed separately... The last formulation of promoting flexibility combined with employment security reconnects the two items, however, narrows the term security down to employment security. Simultaneously the European debate has shifted to flexicurity, a term in which flexibility and security are interwoven (Bekker, 2007: 11).

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<sup>43</sup> Bekker also argues that "the flexibility and security in the EES are mainly approached as flexicurity a state of affairs rather than as a deliberate policy strategy aiming at striking a balance between flexibility and security" (Bekker 2007)

This observation is of paramount importance regarding the discursive change in that period. It seems in line with the observations regarding the mid-term revision of the Lisbon Strategy as evidence of increasing emphasis on flexibility and relegating social to economic policy.

It seems that the quest for striking a right balance between flexibility and security, until 2006, has been considered explicitly within the framework of the EES, and of the adaptability pillar in particular. It led some authors to argue that preferring a new concept – flexicurity- as a discursive tool in order to express this aim has narrowing down the EES as a whole into a discussion of balancing flexibility and security (Keune and Jepsen 2007). However, the EES had three other pillars besides the adaptability pillar and these pillars seem to be devalued. It can be argued that the EES and the OMC have promoted a “participatory policy-making” process “empowering actors in ways parallel to the flexicurity basis of the Danish and Dutch systems” (Jørgensen and Madsen, 2007: 24). Policy actors adopt similar concepts through participation in European policy networks in dealing with social and employment policies (Büchs, 2007: 1-2).

Considering the formulations of social and employment policies in the EU as part of “hegemonic struggles”<sup>44</sup> between different ideological positions (Apeldoorn,

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<sup>44</sup> Apeldoorn notes that there were three different projects– neo-liberal, neo-mercantilist and social-democratic - contending with each other for the relaunching of the European integration process in response to the crisis of European capitalism, especially in the 1980s. He argues that the hegemonic neo-liberal project has been consolidated at the level of policy-making in Western Europe in as much as it incorporates the social-democratic project since the 1990s. He considers the EES as an incorporation of the social-democratic goals of full employment and social cohesion into the competitiveness discourse of neo-liberals.

2003), it is fair to argue that, in times of crisis and in times of governments in power putting stronger emphasises on employment related issues, “neoliberal restructuring” looks for compromises with especially, the social democrats. When the social democrats are powerful, the formulations on the social and employment field represent a “middle-way” and employment guidelines remain “ambiguous”. But when neoliberals really worry about economics, their offensive becomes very visible indeed (for example, the Integrated Guidelines).

The legitimacy crisis generated by the failure of the Constitution referenda in France and the Netherlands in 2005, and the impression that the mid-term revision of Lisbon Strategy prioritising economic considerations (see Chapter IV) may pave the way for the Commission to show a social face to Europeans. Flexicurity seems to be the nice option. To see how and whether this has occurred, it is time to move to the flexicurity debate at the EU level.

## CHAPTER IV

### THE CONCEPT OF FLEXICURITY AT THE EUROPEAN UNION LEVEL

The aim of this chapter is to focus on the analysis dealing with the contribution the European Union makes to flexicurity policies and politics. Taking into consideration the fact that the quest for a flexicurity type win-win strategy has been a major task since the mid-1990s, “the new interest for this balance (the balance between the flexibility and security – author’s note) in the last years remains to be told” (Barbier, 2007: 179). Related to this observation, an effort will be made to comprehend the reasons for the *explicit* use of the term flexicurity since 2006. Within this framework, the question of “whether there is something new with the term flexicurity” and, if yes, “what is new” or “is it only a new discursive tool rather than a change in the overall discourse”; in other words, “does the term flexicurity reflect a paradigmatic change” is worth dealing with. While doing so, noting briefly the positions of the main European institutions and the role researchers play as experts is crucial, particularly in terms of launching a new “communication strategy”, following the decreasing legitimacy of EU institutions, especially of the Commission after the failure of the Constitutional referenda in France and the Netherlands. This observation is related to the overall debate of the asymmetry between economic and social integration which for many, characterises the history of the European Union’s evolution.

As part of an attempt to grasp the meaning attributed to “flexicurity”, this chapter will discuss the stance adopted by key European institutions on this subject, in as comprehensive a manner as possible. These institutions are: a) the Commission, considering its Constitutional role as the main part of the decision-making process and the main driver of the flexicurity debate in Europe, b) the Council, c) the European Parliament (EP), together with the most important social partners, d) the European Trade Union Confederations (ETUC) and e) BusinessEurope. The main aim of presenting briefly the positions of these institutions is to enquire as to whether a European consensus on the concept has been reached (Keune, 2007: 7) or whether the debate is still open to alternative interpretations and understandings. Within this framework, this part of the thesis will mainly shed light to the EU Commission’s efforts. While doing so, this part tries to give preliminary answers to the above-mentioned questions.

#### **4.1. The Stance of Key European Institutions on Flexicurity**

The aim of this part is to focus on the efforts of the Commission of the European Communities together with key European institutions’ positions in order to grasp the main lines of the debate over flexicurity at the EU level.

##### **4.1.1. The Commission of the European Communities (CEC)**

The role the CEC (hereinafter the Commission) has been playing in the debate over the concept of flexicurity is of crucial importance due to the characteristics of the

Commission. Its role as a disseminator of knowledge and best practices and as a “broker between divergent interests” (Keune and Jepsen, 2007: 16) puts the Commission at a pivotal position. Weiss and Wodak, after noting the constitutional preponderance of the Commission and its monopoly in the right of initiative in the legislative procedure of the Community, claim that “the Commission is truly the initiator and driving force of the decision-making process- not only in a formal but also in a material sense of developing political ideas, concepts and strategies” (Weiss and Wodak, 2000: 187). Thus, the efforts of the Commission in the debate on the concept of flexicurity deserve special attention.

The Commission in the 2006 *Employment in Europe* Report quoted the definition of flexicurity as a certain state or condition of the labour market provided by Wilthagen and Tros (CEC, 2006a: 77). It noted in that report that “the main thrust of the EU recommendation on flexicurity is to encourage a shift from job security to employment security” (CEC, 2006a: 78). This statement clearly supports the claims that employability is the new security.

The Commission Green Paper *Modernising labour law to meet the challenges of 21<sup>st</sup> century* aimed “to launch a public debate in the EU on how labour law can evolve to support the Lisbon Strategy’s objective of achieving sustainable growth with more and better jobs” (CEC, 2006b: 3). The Green Paper was about assessing how labour law at the EU and national level can help the labour market become more flexible while improving security. In the same paper the accent was on employment security for workers (Rogowski 2008). According to Rogowski, one

of the concerns of the Green Paper was the “clear focus on employment protection matters related to new or atypical forms of employment” (Rogowski, 2007: 10).

The crucial point related to the Green Paper, for the aim of this thesis, is about the changing title and content<sup>45</sup> of it. By some researchers (Bercusson, 2007: 25 and Bekker 2007), it is argued that the draft version of this paper (September 2006 Draft version) was entitled “Adapting labour law to ensure flexibility and security for all” – which seems to be discursively compatible with flexicurity. After UNICE (now BusinessEurope) had launched a ferocious attack on the draft which led the Secretary General of the ETUC, John Monks, to write to Barroso on October 12 2006 urging him not to draw back from the modest ambition of the Green Paper; the title got its final version as “modernising labour law to meet he challenges of the 21<sup>st</sup> century”. This note seems very important considering the Commission’s role as a broker of interests and it should be inferred that, as Weiss and Wodak cited, “It is high time to correct the widely accepted image of the Commission as an institution serving no interests other than the purely European and, therefore, embodying the ‘European idea’ *per se*...” (Weiss and Wodak, 2000: 192).

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<sup>45</sup> Ronald Janssen – the advisor of flexicurity department of the ETUC – states that “the intention was to prevent *False Independence*. This should be tackled by modern labour law. *Initially, it was an agenda of strengthening labour law to tackle the problem of false independence, then it was turned around into a green paper on labour law and competitiveness to see how labour law could be used to increase competitiveness which is not the idea of labour law. That’s not the function of labour law. The function of labour law is to balance the relationships between the employers and employees. But, now suddenly, with the changing title and changing contents, the labour law became an instrument of competitiveness*” – emphasis added. Interview with Ronald Janssen, by the author, Brussels, January 22, 2008.

The Commission's 2007 Communication "*Towards Common Principles of Flexicurity: More and better jobs through flexibility and security*" is the most important document in which its main arguments on the concept of flexicurity are outlined. In order to understand its position, some very important points should be noted.

Flexicurity is defined as "an integrated strategy to enhance, at the same time, flexibility and security in the labour market" (CEC, 2007a: 4). The Commission presents what it understands from security as "employment security rather than job security" and by relying on a report of Eurobarometer, it argues that Europeans also consider the job security "as a thing of the past" (Ibid: 3). In this special Eurobarometer report (October 2006), it was cited that 76% of Europeans agree with the following statement - "Life-time jobs with the same employer are a thing of the past". The report interpreted it as an indirect support to flexicurity (Special Eurobarometer 261, 2006: 14).

The document outlines four components of flexicurity as "flexible and reliable contractual arrangements", "comprehensive lifelong learning strategies", "effective active labour market policies" and "modern social security systems". Not as a component of flexicurity but under another title, it notes the importance of "social dialogue" arguing that integrated flexicurity policies are often found in those countries where social dialogue has played an important role.

Related to flexible and reliable contractual arrangements, the Commission underlines the negative role of Employment Protection Legislation (EPL). It argues for low levels of EPL to increase adaptability and reduce segmentation (Keune, 2007: 5). As can be inferred by looking at its predominant components of flexicurity, the Commission believes in the benefits of lifelong learning and effective active labour market policies in order to provide employment security (Wilthagen, 2008). However, as Keune (2007 and 2008) argues while interpreting the Commission's position, "no mechanisms are provided which should contribute to achieving these goals". It is also noteworthy that the Commission has already been calling for many years for these policies with limited results. Jepsen claims that lifelong learning and active labour market policies have been on the agenda for a decade but it is clear that they are not considered as a type of security<sup>46</sup>.

While presenting its views on the financial dimension of flexicurity, the Commission retains a tone that is "vague and ambiguous", saying "good unemployment benefit systems are necessary to offset negative income consequences during job transfers". At the same time, it argues that "unemployment benefits may have a negative effect on the intensity of job search activities and may reduce financial incentives to accept work" (Keune, 2007: 5). The Communication also notes that the budgetary costs related to flexicurity policies should remain compatible with sound and financially sustainable budgetary policies (CEC, 2007a: 11).

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<sup>46</sup> Interview with Maria Jepsen (The head of ETUI-REHS Research department and Associate Professor at Université Libre de Bruxelles), January 22, 2008 at ETUI-REHS/Brussels, Belgium.

The following observation deserves to be quoted at length in order to critically outline the Commission's view in simple terms:

Flexibility should be provided by low EPL and easy use of flexible contracts while security should derive from employment security...Its call for modern social security remains vague and underspecified...Hence the emphasis in the Commission's conceptualisation is first of all on increasing flexibility, while security remains much less developed. Also, in spite of the claim that flexicurity is a new approach to labour market reform, all these elements have been part and parcel of the European Employment Strategy since 1998 (Keune, 2007: 7)

The Commission also presented "Eight Common Principles of Flexicurity" (see Table 4.1) to the Council for adoption. The Council adopted a document with these principles of flexicurity very similar to the Commission's propositions but not identical (see the Council part).

The Commission's Communication articulates "general pathways" for member states– reducing asymmetries between non-standard and standard employment; strengthening transition security; broadening and deepening investments in skills; prevent long-term welfare dependence, regularise informal work and build up more institutional capacity for change (Wilthagen 2008) - in order to reach a better combination of flexibility and security, by taking their institutional and historical properties into account, largely developed on the basis of the report of the European Expert Group on flexicurity (European Expert Group on flexicurity 2007) and notes "background indicators relevant for flexicurity" (see Table 4.2). The issue of indicators is also noteworthy due to the fact that the Commission has

not attempted to present a “composite indicator” for flexicurity, which would be “disastrous for Europe” considering the possibility of ranking member states<sup>47</sup>. Combining the attempts of common principles together with different pathways means that “there are different ways leading to Rome” (Seifert, 2008) or, in other words, “no one-size-fits-all”. As stated in the Common Principle 3 “each member state should develop its own flexicurity” tailored to the specific circumstances of each (Wilthagen, 2008).

**Table 4. 1. The Common Principles of Flexicurity**

1)	Flexicurity involves flexible and reliable contractual arrangements (from the perspective of the employer and the employee, of insiders and outsiders); comprehensive lifelong earning strategies; effective active labour market policies; and modern social security systems. Its objective is to reinforce the implementation of the Growth and Jobs Strategy, create more and better jobs, and strengthen the European social models, by providing new forms of flexibility and security to increase adaptability, employment and social cohesion.
2)	Flexicurity implies a balance between rights and responsibilities for employers, workers, job seekers and public authorities.
3)	Flexicurity should be adapted to the specific circumstances, labour markets and industrial relations of the Member States. Flexicurity is not about one single labour market model or a single policy strategy.
4)	Flexicurity should reduce the divide between insiders and outsiders on the labour market. Current insiders need support to be prepared for and protected during job to job transitions. Current outsiders – including those out of work, where women, the young and migrants are over-represented – need easy entry points to work and stepping-stones to enable progress into stable contractual arrangements.
5)	Internal (within the enterprise) as well as external (from one enterprise to another) flexicurity should be promoted. Sufficient flexibility in recruitment and dismissal must be accompanied by secure transitions from job to job. Upward mobility needs to be facilitated, as well as between unemployment or inactivity and work. High-quality workplaces with capable leadership, good organisation of work, and continuous upgrading of skills are part of the objectives of flexicurity. Social protection needs to support, not inhibit, mobility.

<sup>47</sup> Wilthagen, after his presentation, replied to a question of “why does the Commission chose not to use composite indicator?” in the way quoted above.

- 6) Flexicurity should support gender equality by promoting equal access to quality employment for women and men, and by offering possibilities to reconcile work and family life as well as providing equal opportunities to migrants, young, disabled and older workers.
- 7) Flexicurity requires a climate of trust and dialogue between public authorities and social partners, where all are prepared to take responsibility for change, and produce balanced policy packages.
- 8) Flexicurity policies have budgetary costs and should be pursued also with a view to sound and financially sustainable budgetary policies.

Source: CEC, 2007a: 9

**Table 4. 2. Background Indicators Relevant for Flexicurity**

<b>A.</b>	<b>Flexible contractual arrangements</b>
•	Strictness of employment protection, total, for permanent and non-permanent employees (OECD)
•	Diversity of and reasons for contractual and working arrangements (EUROSTAT)
<b>B.</b>	<b>Comprehensive lifelong learning strategies</b>
•	Percentage of the adult population between 25 and 64 participating in education and training (EUROSTAT)
•	Educational attainment of age cohorts 45-54 and 25-34 (share of the population with at least upper secondary education (EUROSTAT)
<b>C.</b>	<b>Effective active labour market policies</b>
•	Expenditure on active and passive labour market policies as a percentage of GDP (EUROSTAT)
•	Expenditure on active and passive labour market policies per unemployed person (EUROSTAT)
•	Number of participants in active labour market policies, by type of measure (OECD)
•	Share of young or adult unemployed not having been offered a job or an activation measure within 6 or 12 months respectively (EUROSTAT)
<b>D.</b>	<b>Modern social security</b>
•	Net replacement ratios in the first as well as after 5 years (OECD)
•	Unemployment trap, seen as a measure of benefit levels (OECD-EUROSTAT)
<b>E.</b>	<b>Labour market outcomes</b>
•	Employment rate, total, for women, and for older workers (EUROSTAT)
•	Youth unemployment ratio (15-24 years) (EUROSTAT)

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|--|
| <ul style="list-style-type: none"><li>• Long-term unemployment rate (EUROSTAT)</li><li>• Growth in labour productivity (EUROSTAT)</li><li>• Quality in work (under construction)</li><li>• At risk of poverty rates (EUROSTAT)</li></ul> |
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Source: CEC, 2007a: 21

It must be noted at this point that the Commission's views can be deconstructed at will. However and at least to a certain extent, there are also important arguments and proposals for the labour market entailed in the Commission proposals that cannot be rejected by anybody. In other words, the general Commission's views are based on a "polysemic discourse" (Daguerre 2007), which could play into the hands of many different positions. For example, there are certain measures inspired by the activation discourse such as preventing welfare dependency, rights together with responsibilities, making search for work more attractive and so on. At the same time, there are calls for equal employment, the importance of social dialogue and reconciliation of family and work. This polysemy stems largely from the vagueness and ambiguous formulations of the Commission. The Commission as a broker between different interests has to be very careful while presenting its views in order not to discourage some specific actors from engaging in the debate. Having said that, it is fair to argue that the Commission is not neutral to all sides of this debate and has a clear agenda concerning the labour market reforms. At the same time, remaining vague as to proposing concrete measures on how to reach its recommendations, the Commission does not push other actors out of the debate.

Dealing with the role the Commission played in the debate on flexicurity, some important points deserve to be noted. Weiss and Wodak talk about the “committee regime of EU policy-making”<sup>48</sup>, understood as “the many highly specialized expert groups developing programs, concepts, strategies in their respective policy fields” (Weiss and Wodak, 2000: 187-8). Their existence replaced political legitimacy by functional legitimacy. At the same time, the trend towards them reflects a “de-politicization”<sup>49</sup> of policy-making in the traditional sense (Ibid: 189). It has been also the case within the Commission in terms of flexicurity. Within this framework, we see the establishment of the “European Expert Group on flexicurity” and some methodologically flawed reports (such as Eurobarometer October 2006) as an exercise of “political communication” (Barbier, 2007: 180).

Jepsen and Serrano Pascual note that political discourse and research are intertwined considering the proposals from the Commission, “which are supported by research for legitimating to make controversial political arguments pass for objective scientific conclusions” (Jepsen and Serrano Pascual 2005: 233). The Commission has established *the European Expert Group on flexicurity*<sup>50</sup> in July

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<sup>48</sup> “Committee regime” is also related to what is called as “policy-entrepreneurs”- the bureaucrats acting as political actors rather than executive agents of the political systems - and “epistemic communities” – transnational knowledge and expertise communities. (p. 187-8).

<sup>49</sup> Weiss and Wodak (2000), in their work on the Competitiveness Advisory Group’ (CAG) political program noted that the program was designed to deconstruct unemployment as a political program, presenting it as an economic reality (p. 201).

<sup>50</sup> The expert group was established in July 2006 by the Directorate-General for Employment, Social Affairs and Equal Opportunities. It consists of experts chosen on the basis of their academic record and two other experts as advisors from the social partners. “The group’s main task was to review relevant academic literature and practices in member states and to advise the Commission on preconditions for flexicurity, various starting positions and flexicurity pathways” (see European Expert group on flexicurity, 2007: 3). Interestingly, Ton Wilthagen – the rapporteur of the group – acknowledged that “officially the mission was developing core principles but within time, also

2006. The interim and final reports of the expert group have been used heavily by the Commission in its 2007 Communication towards common principles of flexicurity. This close connection between the Commission and the expert group opens up the debate for the above mentioned role the scientific studies play. This does not mean that the expert group is only about legitimating the policy proposals of the Commission. However, the conclusions derived from these studies are presented as “neutral and scientific”, thus “overshadowing the highly political nature of the decisions being made”<sup>51</sup>. This helps Commission to produce, reproduce and transform political and ideological positions of other decision-making bodies (Weiss and Wodak, 2000: 192).

Barbier considers the addition of the Europeans’ approval of the concept of flexicurity to the Eurobarometer survey (Eurobarometer October 2006). Barbier argues that within the frame of a single question<sup>52</sup>, the Commission concluded by saying “a large majority of citizens agree with all the proposals and thus indirectly agree with the concept of flexicurity (between 72% and 88%)” (Barbier, 2007: 180). The support for flexicurity has been made measurable with a single question.

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showing the concrete ways how to go there, in other words, the pathways were also becoming part of it” (Interview with Ton Wilthagen, January 17, 2008 at Antwerp/Belgium).

<sup>51</sup> Quoted in Jepsen and Serrano Pascual, 2005: 233.

<sup>52</sup> The question was “please tell me, for each of the following statements to what extent you agree or disagree with it: regular training improves one’s job opportunities; life time jobs with the same employer are a thing of past; Being able to change easily from one job to another is a useful asset to help people find a job nowadays; Work contracts should become more flexible to encourage job creation; In (our country) many people retire too early” (Barbier, 2007: 180).

#### 4.1.2. European Parliament

The European Parliament (EP), in its report on common principles of flexicurity (European Parliament 2007), does not present a position that is in line with the Commission's. In Keune's words, it is "a more comprehensive opinion" and "it takes a number of positions that contradict the Commission" (Keune, 2007: 8). Analysing the EP's resolution in detail is beyond this thesis's aim but, at this point, it is vital to note the main points that the Parliament adopts. Among those, the most important one concerns the Commission's general interpretation of the term; the EP Report notes that "the interpretation of the Commission's flexicurity options is too one-sided" (see also Keune, 2007: 8). Related to this observation, while calling on the European Council in December 2007 to adopt "a more balanced" set of common principles of flexicurity, the EP tries to focus attention on "the quality of employment". Thus, it clearly states that the Commission's position is not balanced enough with respect to flexibility and security. The EP clearly states that related with the gender dimension, "the Commission's communication completely disregards the obligations and responsibilities" set out in its own communications - *A Roadmap for equality between women and men* (2006) and *Tackling the pay gap between women and men* (2007). Another noteworthy point is that the EP strongly highlights the necessity of "a supportive macro-economic environment" in the debate. Other important disagreements between the EP and the Commission are the Commission's distinction between insiders and outsiders and the creation of a new indicator on the strictness of employment protection legislation. At this point, the EP's resolution does not forget to note the recent OECD statement admitting that

“employment protection legislation has no significant impact on the total employment rate”.

It is obvious in the EP’s resolution that more flexibility is needed in order to deal with the challenges of the 21<sup>st</sup> century. Flexibility should mainly be achieved through improving education, expanding training, removing the obstacles to mobility and providing transition security. But, what differentiates the EP’s position is that it is talking about “job insecurity” and for this matter, it calls for “improving job security”, maintaining “the traditional model of open-ended contracts”. The EP also acknowledges the need to improve employment security.

To conclude, while considering the Commission’s view as “too one-sided”, the EP believes that “a more balanced” view on flexicurity must also take the security side (not only employment but also job security) into consideration.

#### **4.1.3. Council of the European Union**

The Council of the European Union released a document with eight flexicurity principles that are very much in line with the Commission’s propositions on 5-6 December 2007. Keune (2007 and 2008) argues, however, that there is an important statement in the Council Conclusions (2007: 5) that deserves to be noted due to the fact that it contradicts the Commission’s understanding of flexibility, in particular in terms of contract and employment protection (Keune, 2008: 97) and the Commission’s view that “EPL should be low” (Keune, 2007: 7):

The inactive, the unemployed, those in undeclared work, in unstable employment, or at the margins of the labour market need to be provided with better opportunities, economic incentives and supportive measures for easier access to work or stepping-stones to assist progress into *stable and legally secure* employment (quoted in Keune, 2007: 7-emphasis in original)

Another interesting thing to note is the fact that in the Council Conclusions, “the need to promote the awareness of citizens of flexicurity policies and their importance” is referred to two times. The Commission is asked to “launch a public initiative in close cooperation with the European Social partners...and to raise the awareness of citizens of flexicurity...” (Council of the European Union, 2007: 3-4). This demand paved the way for the launching of a public initiative, in the form of a *Mission for Flexicurity*. This mission seems to be quite in line with the observation of the Commission’s attempts to highlight the need for a communication strategy in order to stem the criticism exerted on the Commission by the EU public, a criticism often due to a lack of sufficient information<sup>53</sup> (Barbier, 2007: 180).

#### **4.1.4. BusinessEurope**

The Confederation of European Business (BusinessEurope)<sup>54</sup>, the largest European employers’ organization, now consists of 39 members from 33 EU and non-EU countries. BusinessEurope, together with UEAPME (European Association of Craft, Small and Medium-Sized Enterprises), CEEP (European Centre of

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<sup>53</sup> Barbier (2007: 180) notes that the Constitutional crisis led the Commission to accelerate its communication policy. Also, the Commission evaluated the European citizens’ indifference and hostility to Lisbon Strategy because of their lack of information.

<sup>54</sup> The organization changed its name into BusinessEurope in 2007. The original name was the “*Union des Industries de la Communauté européenne*” (UNICE).

Enterprises with Public Participation and of Enterprises of General Economic Interest), and ETUC (European Trade Union Confederation) has been part of the European Social Partners' "Joint analysis of the key challenges facing European labour markets" released at October 2007, just after the Commission's Communication on 27 June 2007. BusinessEurope has released a "Position Paper on the Commission's Communication 'Towards Common Principles of Flexicurity'" on 6 November 2007 in which its main arguments were presented.

After analysing their position paper, one may initially think that BusinessEurope is probably the actor that has a position most similar to that of the Commission (see also Keune, 2007: 8). On many points, namely "the restrictive character of the Employment Protection Legislation" (EPL); "the main components of flexicurity"; "no one-size-fits-all model" considering different national situations; and "the role of the social partners", BusinessEurope sides with the Commission (BusinessEurope 2007b). According to Philippe de Buck, the Secretary General of BusinessEurope, "flexicurity is to go from a job preservation mindset to a job creation mindset"<sup>55</sup>. This view is also noted in their position paper; "job creation" is the main part of BusinessEurope's discourse (BusinessEurope, 2007b: 2). While introducing the details of the job creation mindset, de Buck argues that "there is a shared responsibility for companies, governments and peoples themselves". Explicitly, the responsibility of people, according to de Buck, is "to make sure that they increase their skills, they are trained". This must be understood in a context

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<sup>55</sup> BusinessEurope (2007a): "Philippe de Buck" on flexicurity, October 18. available at <http://www.businesseurope.eu/content/Default.asp?PageID=526> (retrieved on 23.02.2008).

suggesting that flexicurity is to change the way the social models in Europe function (BusinessEurope, 2007a).

The EP's report on the common principles of flexicurity is appreciated by BusinessEurope and is considered as full-fledged support to the Commission's initiatives<sup>56</sup>, deliberately or unintentionally not considering or noting the serious reservations of the EP in the report's interpretation of flexicurity.

To sum up, BusinessEurope's position is in line with the Commission's. The main emphasis is on job creation, but, whether it is a better job does not seem to be important. Another noteworthy point is that, explicit in the words of de Buck on peoples' responsibility, to a great extent, is that the "individualization" approach which claims that the cause of unemployment is the inappropriate job skills of unemployed people, is supported by BusinessEurope.

#### **4.1.5. The European Trade Union Confederation (ETUC)**

The ETUC was founded in 1973; it now represents 82 trade union organisations in 36 European countries, plus 12 industry-based federations. It is involved in economic and social policy-making at the highest level, working with all EU

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<sup>56</sup> BusinessEurope President Ernest-Antoine Seillière said: "In their joint labour market analysis, European social partners agreed that flexicurity is the right step forward to modernise European labour markets. The European Parliament's report now adds to the growing consensus that flexicurity is key to allow companies and workers to seize new opportunities and enhance their adaptability" (see BusinessEurope (2007c) "European Parliament vote shows support to flexicurity", Press Release, November 29).

institutions. At the same time, the ETUC negotiates with the employers at European level through the European Social Dialogue.

The ETUC, to a great extent, reasons differently from the Commission and BusinessEurope in the flexicurity debate. The ETUC is very much concerned with the ongoing debate on the concept of flexicurity, as the General Secretary of the ETUC, John Monks stated. The real agenda, according to the ETUC, is different from what is proclaimed. “Hiding behind flexicurity simply seems to be the dismantling of job protection”<sup>57</sup>; hence, the most important point for the ETUC is the issue of giving up job protection in return for employment security<sup>58</sup>. John Monks argues that the emphasis on lifelong learning as a new type of security means the withdrawal of your benefits if you do not take up alternative work, even when this is a work of worse pay and working conditions. Monks listed some important points that ETUC wants recognised in the flexicurity debate: These are a) more and better jobs; b) the respect and promotion of the role of social partners; c) a fight against precariousness and undeclared work; d) a focus on upward mobility to help workers find not just new but better jobs; e) the integration of flexicurity with macroeconomic policy<sup>59</sup>.

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<sup>57</sup> Euractiv (2007a) “Social partners on flexicurity and labour-market reforms”, available at <http://www.euractiv.com/en/socialeurope/social-partners-flexicurity-labour-market-reforms/article-164260>, retrieved on August 26, 2007.

<sup>58</sup> Introduction by John Monks, General Secretary of the ETUC at the “Stakeholder Conference on flexicurity”. Available at <http://etuc.org/a/3593>, retrieved on August 26, 2007.

<sup>59</sup> Ibid.

The ETUC clearly opposes the ideas of some member states and the Commission on the reduction of EPL in the hope of making the European labour markets more flexible and dynamic. It argues that Europe is already enjoying high adaptability, and referring to the OECD's latest statements on the issue of the EPL, it notes that "advance notification of dismissal is beneficial on the ground that it gives workers the chance to look for a new job, in this way reducing the time spent in unemployment"<sup>60</sup>.

In its Position Paper on the Commission's Communication<sup>61</sup>, the ETUC presented its evaluation of the Commission's views. Its conclusion was that the Commission's Communication is not balanced regarding the flexibility and security elements. The ETUC argued the irrelevancy of the arguments proposed by the Commission's Communication in a concrete way. Concerning active labour market policies, lifelong learning and employment security, the ETUC argues that the Commission's tone is on workfare rather than learnfare approach without paying due attention to the quality of jobs made available. On the issue of the principles of flexicurity, the ETUC notes that the Commission's views are not consistent and are characterised by vagueness. The Commission's calls for some principles – such as the need for rights and responsibilities to be balanced, improving gender equality, supporting the social dialogue, no one-size-fits-all and so on – are welcomed. However, the ETUC has serious concerns on some issues –

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<sup>60</sup> ETUC (2007b) "The Flexicurity debate and the Challenges for the Trade Union Movement", available at <http://etuc.org/a/3588>, retrieved on August 26, 2007.

<sup>61</sup> ETUC (2007c) "ETUC's position adopted by the ETUC Executive Committee of 17-18 October 2007", available at <http://www.etuc.org/a/4233>, retrieved on January 17, 2008.

such as giving priority to external flexibility at the expense of others, the absence of a clear reference to macroeconomic policies because of the argument that easy firing creates more jobs and so on. Lastly, regarding the indicators, the ETUC worries about the Commission's proposal to include the OECD indicator of strictness of employment protection to the background indicators relevant for flexicurity. This would pull the strategy in one particular direction, according to the ETUC.

There is an interesting point which should be noted, concerning the ETUC and the role of the Commission in this debate. The ETUC, together with UEAPME, CEEP, and BusinessEurope has been part of the European Social Partners' Joint analysis of the key challenges facing European labour markets<sup>62</sup> in which they all reiterate their support for the Lisbon Strategy, released at October 2007, just after the Commission's Communication on 27 June 2007 and as foreseen in the social dialogue work programme 2006 – 2008. In this joint analysis, flexicurity has also been mentioned. There were very general statements, such as “the need for a balance between flexibility and security” and for “sound macroeconomic policies”; and a “call for social partners to contribute to the debate”. The interesting point was that there were clearly contradictory statements by the Commission and ETUC. Commission President Barroso stated that “this is a consensus for a Europe that recognises that we live in a more competitive world” while the General Secretary of the ETUC, Monks said “the joint text represented a way of giving new life to

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<sup>62</sup> Available at [http://www.etuc.org/IMG/pdf\\_Broch\\_key\\_challenge2007.pdf](http://www.etuc.org/IMG/pdf_Broch_key_challenge2007.pdf), retrieved on January 17, 2008.

social Europe by rebalancing the Commission's proposal"<sup>63</sup>. For many researchers affiliated to the ETUC's different departments, Barroso's reasoning was not the message of the joint analysis<sup>64</sup> and this statement was rather confusing.

In short, the ETUC considers that the debate on the balance of flexibility and security should not be seen as separate from the agenda of "quality of jobs". Like the EP, the ETUC considers employment security as a complement, rather than an alternative, to job security (Keune 2008: 98).

Following the outline on the main European institutional actors on flexicurity, a number of critical aspects can be noted with respect to the use of the concept in documents such as the Presidency Conclusions, the Green paper on labour law, the Communication and so on. What predominates is: (adopted from Rogowski, 2007: 9-10 and Rogowski, 2008: 86-7):

- a vagueness in the definition of the term flexicurity, which seems crucial for the success of flexicurity policies and which permits its use for the expression of a wide range of almost contradictory policy goals;

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<sup>63</sup> Euractiv (2007b) "Trade Unions and employers clinch deal on flexicurity", available at <http://www.euractiv.com/en/socialeurope/trade-unions-employers-clinch-deal-flexicurity/article-167750>, retrieved on December 20, 2007.

<sup>64</sup> In reply of the question that "whether this joint analysis legitimizes the Commission discourse on the term flexicurity", both Jannsen and Keune were not clear. Ronald Jannsen (the advisor of the flexicurity department of the ETUC) claims that the joint analysis "was basically due to the *institutional reason*" – the Social Dialogue Programme 2006-2008. According to Maarten Keune (senior researcher at the department of ETUI-REHS) "there were *pressures* on both sides – the ETUC and BusinessEurope – by the Commission and *it was a political act not a real joint opinion*" – emphasises added. Interview with Ronald Jannsen, January 22, 2008 at Brussels and Maarten Keune, January 17, 2008 at Antwerp/Belgium. It must be noted that their views are not the official view of the ETUC.

- the term flexicurity expresses an *aspiration* rather than a concrete policy, despite efforts to define common principles and translating them into measures
- the notion of flexicurity carries positive connotations of balancing (of interests), integration (of different reform efforts) and inclusion (of actors) and avoids addressing negative consequences. In that way, it becomes seen as politically neutral to maximum effect.
- flexicurity is assessed as an opportunity, adding urgency to the need for labour market and social policy reforms, and downplays caution and restraint in reforming established systems of welfare protection.

#### **4.2. Flexicurity: A Deliberate Ambiguity?**

*In lieu of* the conclusion of the debate at the EU level, the following observation of Keune deserves to be quoted at length:

...it can be seen that there is no European consensus on flexicurity. The ambiguous nature of the flexicurity concept makes it possible for everyone to subscribe to its importance. At the same time, different actors have quite different understandings of the concept...The concept is widely open to interpretation and different actors put forward quite different versions of flexicurity, using it as a banner to promote their traditional views on labour market reforms (Keune, 2008: 98).

The above observation has addressed the main argument of this thesis at this point, albeit indirectly. The ambiguity referred to in the above quotation, which makes the

term flexicurity very attractive, is not an “ordinary ambiguity”. As Keune rightly argues, everyone is happy with the term because they are able to put in it what they want, due to the lack of a general framework and a theory of the concept. This ambiguity stems also from the EES (in particular from its guidelines). The “vague” and “ambiguous” conceptualizations of the concept by the Commission are instrumentalized in order to play one of its main role as the broker of interests between different actors through letting them articulate their views, while at the same time giving the impression that they should move the framework of the debate in its desired direction. In other words, the argument here is that there are many different interests embedded in the concept and through loose definitions and vague arguments, you can absorb all the main actors into the debate through letting them jump to the bandwagon in order to give the image that they can also shape and recapture the debate<sup>65</sup>.

Bredgaard and Larsen<sup>66</sup> in their article *Comparing flexicurity in Denmark and Japan* note the following observation, in line with the above argument, as a reason for the increasing popularity of the concept:

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<sup>65</sup> As an example, the statements of John Monks at the Stakeholder conference on flexicurity are instructive: “Yet I am not negative about flexicurity. I just want to *recapture the debate* from those who want to concentrate on reducing employment protection and unemployment benefit entitlements, and from those who are giving the impression that the way to tackle the issue of precarious work is to make regular work more precarious” (available at <http://www.etuc.org/a/3593>, retrieved on August 26, 2007 – emphasis added).

<sup>66</sup> Bredgaard and Larsen quoted Jean-Claude Barbier (2006) in order to justify their argument on the “ambiguity of the concept”: “*No political document published by the Commission or the OECD has -so far- been able to present a coherent, comprehensive and detailed economic model of a “nexus” between flexibility and security*” (quoted in Bredgaard and Larsen, 2007: 5 – emphasis in original).

One important reason for the increasing popularity of the concept is probably the very fact that the concept is so hard to define, and consequently different actors can mould the concept to fit their own interpretations and interests. Here lies one possible explanation as to why flexicurity has become a semantic magnet to which the EU Commission and the OECD, for example, have found themselves attracted. This lack of conceptualization and concretization implies a certain political ambiguity and timidity (Bredgaard and Larsen, 2007: 5).

This “certain political ambiguity and timidity”, at the same time, gives certain legitimacy to the main initiator of the concept and the debate. This plays into the hands of those (especially the Commission due to its pivotal role in promoting concepts and shaping the nature of the debates) promoting the concept as a cure to the current challenges that European labour markets face. Putting it differently, the concept is very much a political construct of a political project directed towards deliberately created common problems (Serrano Pascual and Jepsen, 2005). According to this thesis, ambiguity on flexicurity is not an ordinary ambiguity but, a “deliberate ambiguity”<sup>67</sup>.

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<sup>67</sup> The term “deliberate ambiguity” was used by Olli Rehn (member of the European Commission Responsible for Enlargement) in a different context. Prior to the release of the “Negotiating Framework for Turkey” on October 3, 2005 by the Commission, there were a deadlock between Austria, Turkey and Greece over the content of the document. Following the release of the document, Greece stated that “they were very happy”; Austrian President Schüssel declared that “he was proud of that document”; and Turkish Foreign Minister attributed a historical importance to the document: “This document is a historical gift”. For many observers, the situation was very strange and they asked Olli Rehn “how it was possible for all parts to be pleased with the same document”. He replied that “this document was written through a deliberate ambiguity. Every part reads the same document as they want and find something that pleases them” (quoted by Onur Öymen, in his interview at “İskele Sancak”, Kanal 7, on October 7, 2005. available at: <http://www.onuroymen.com/docs/%C3%96YMEN-Ba%C5%9Fkent%20TV7%20Ekim%202005.doc> (retrieved on May 13, 2008).

### **4.3. The Explicit Use of the Term Since 2006**

*Intereconomics*, in its special issue (March/April 2008) on flexicurity entitled “*Flexicurity – a European Approach to Labour Market Policy*” notes that “although linguistically somewhat strange, ‘flexicurity’, the combination of labour market flexibility and security for employees, has become a much praised cornerstone of European labour market policies”. As noted in the previous parts, the term has been gaining in popularity since 2006. To a great extent, in the previous years, at the discursive level, the quest for “striking a right balance between flexibility and security” was expressed under the “adaptability” pillar of the EES in particular and under the EES in general. Why this quest has left its place to the term flexicurity rather than the “adaptability” pillar and the EES? This is a question worth exploring because the timing seems deliberate and the new discursive tool, flexicurity, expresses more than a balance between flexibility and security.

Starting from early 2006, many European institutions have launched a campaign, through organizing summits, publishing documents, expressing their views, organizing conferences and establishing special groups, on the concept of flexicurity. In the words of Fink “in 2006, the term ‘flexicurity’ explicitly appeared on the Common EU-agenda (Fink, 2006: 3). Briefly noting, the process started with the “Tripartite Social Summit on flexicurity” (initiated by the Commission). The Commission has taken its part in the process through the documents of “2006 Employment in Europe Report”, the “Green Paper” of 2006 on modernising labour

law to meet the challenges of 21<sup>st</sup> century and its 2007 “Communication” towards common principles of flexicurity. At the level of European Council, under the term presidency of Austria<sup>68</sup> and Finland, respectively in January and July 2006, we have clearly witnessed the increasing popularity of the term flexicurity. The European Parliament, also, through the expression of then EP President Josep Borrell<sup>69</sup>, has been included in this process. In addition to these efforts, the Commission has set up a “European Expert Group on flexicurity” in June 2006.

After noting the process, one can conclude that the Commission, as of early 2006, started to follow “an extremely comprehensive and multifaceted strategy to advocate flexicurity” (Keune and Jepsen, 2007: 8). To give a full-fledged analysis to the question of the timing of this process, at this stage, seems impossible. But, in the following section, this thesis attempts to note some important developments and tries to come up with a partial explanation to the above mentioned questions.

As noted in previous parts, the references to the flexicurity-type of a model, at least in the discursive level, has been present for a long time at the EU-level. Thus, “the

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<sup>68</sup> Fink (2006) stated that “on the informal meeting of Employment and Social Affairs Ministers in Villach in January 2006, the Austrian Presidency pushed the concept as an instrument to further develop what is called the ‘European Social Model’ (ESM)” (emphasis in original). It’s worth noting at this point, at the above mentioned meeting, Vladimír Špidla (Commissioner responsible for Employment, Social Affairs and Equal Opportunities) in addressing the meeting expressed his views on the concept and underlined the importance of “protection of people” (in other words the importance of employability) rather than “protection of jobs”. By way of illustrating, he stated that “when a ship sinks, the most important thing is not to save the ship but to save the people on board”. Available at: <http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/06/20&format=HTML&aged=0&language=EN&guiLanguage=en> (retrieved on May 11, 2008).

<sup>69</sup> Keune and Jepsen (2007) notes that “in early 2006, the president of the EP, Josep Borrell stated that “there is growing agreement on the benefits of the ‘flexicurity’ model” (emphasis in original). Needless to say, this observation was very vague and general due to the fact that it does not give details on the beneficiary aspects of the term, or any further instructive details.

history of the new interest for this balance (between flexibility and security-author's note) in the last years remains to be told" (Barbier, 2007: 179) and, one can claim that this is not coincidental. The factors for this growing interest should be noted. In the following part, this thesis will try to touch upon some important factors that are considered as playing a crucial role for the explicit use of the term since 2006.

The following observation deserves to be quoted at length:

*The French and Dutch 'no' to the Constitutional Treaty in 2005 further shocked the EU institutions. A new semantic magnet is perhaps missing? The EU truly needs more than new words and communication strategies: it needs policies that work and which can reinstall trust in the European institutions and foster a common identity. This calls for policies able of bridging European and national interests, economic and social interests, and employer and employee interests at the same time. Flexicurity might be the answer? The EU Commission as disseminator of knowledge, policy broker and political communicator...has a natural role to play in this respect. As a creator of norms it is in a pivotal position (Jørgensen and Madsen, 2007: 19 – emphasis added).*

According to many<sup>70</sup>, the rejection of the *Treaty Establishing a Constitution for Europe* by the French and Dutch electorates was a clear manifestation of the concerns about "social Europe"<sup>71</sup>. Needless to note, this was an important crisis to be dealt with for the EU. French citizens who gave a 'no' vote to the EU Constitution, according to Eurobarometer (2005), listed "loss of jobs" (31 percent),

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<sup>70</sup> See especially Keune 2007 and 2008, Barbier (2007), Bertola (2006) on the role of the failure of the *Treaty Establishing a Constitution for Europe* in 2005.

<sup>71</sup> In the words of Keune, The French "non" and Dutch "nee" to the European Constitution "was the most vivid manifestation of the continued dominance of negative integration which led to a growing alienation and contestation concerning Europe" (Keune, 2008: 96).

*“too much unemployment”* (26 percent), *“economically too liberal”* – meaning the Constitution - (19 percent) and *“not enough social Europe”* (16 percent) among the top five reasons. Similarly, *“joblessness and other economic problems”* were also cited by Dutch voters as a reason for rejecting the treaty<sup>72</sup> (quoted in Bertola, 2006: 192). Keune notes the message underlining the fact that *“look Europe, you are not social enough”* which paved the way for the Commission to start to feel that *“we have to show a social face to public”*<sup>73</sup>. This message was interpreted by the Commission as the need to step up its communication strategy (Barbier, 2007: 180). Within this framework, one should conclude that the term flexicurity, to a certain extent, has started to be pushed to the top of the agenda considering European labour market reforms in order to give the message that the social concerns of the citizens are taken into consideration<sup>74</sup>. This is not to argue that the failure of the Constitutional Treaty was the main reason, but nevertheless it played an important role and accelerated the process. In short, the double rejection of the EU Constitution led to a change in the policies and discourses of the Union. Now, the need for a new strategy or a framework is clear. Still, the main problem is

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<sup>72</sup> Interestingly, *“first step towards a social Europe”* was cited as a reason by 7 percent of those who voted *“yes”* (Bertola, 2006: 192).

<sup>73</sup> Interview with Maarten Keune (senior researcher at ETUI-REHS) on January 17, 2008 at the conference on *“Flexicurity and the Lisbon Strategy”*, Lessius University College, Antwerp/Belgium.

<sup>74</sup> Maria Jepsen (The head of ETUI-REHS Research department and associate professor at Université Libre de Bruxelles), in reply to the question of the link between the failure of the Constitutional treaty and the explicit use of the term flexicurity, stated that *“there might be (a link) but it is a misunderstood way of dealing with treaty issues. Because, I have difficulties in understanding how flexicurity, as it has been put forward on the table today, promotes social Europe”*. Instead, she gives more weight to the incorporation of the Employment guidelines to the Broad Economic Policy Guidelines in 2005, at the revision of the Lisbon Strategy. She concluded that *“flexicurity is the new way to bring employment strategy back on the table after the revision of the Lisbon strategy”*. Interview with Maria Jepsen on January 22, 2008 at ETUI-REHS, Brussels/Belgium.

whether the new strategy or framework was really new or was it only a change in the discursive tool rather than in the discourse.

The year 2005 was the year of the merger of the EES employment guidelines and the Broad Economic Policy Guidelines into Integrated Economic and Employment Guidelines. Jørgensen and Madsen note that:

The mid-term revision of the strategy in 2005<sup>75</sup> could also be seen as a kind of mid-way crisis, as the economic elements was strengthened to the disadvantage of the social elements. Rhetoric is intact, but in reality ‘security’ and welfare was supposed to be placed on the back burner (Jørgensen and Madsen, 2007: 21).

Maria Jepsen<sup>76</sup> considers flexicurity, as a new way to bring the employment strategy back on the table after the revision of the Lisbon strategy in 2005. It seems that the term flexicurity is a logical bulwark to hide the increasing affiliation of the Commission to the neoliberal agenda.

Having argued for the ambiguous nature of the concept and having investigated the possible reasons for the concept to have been explicitly pushed to the top of the debate at the EU and national levels despite the existence of such ambitions since the middle of 1990s, it is now time to address the questions: “Is there something new with flexicurity” or “is it an old wine in a new fashionable bottle”? (Keune and

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<sup>75</sup> Jørgensen and Madsen also notes that the EU Commission President Barroso, in presenting the result of the Mid-term review in 2005, referred to the economic pillar of the Lisbon strategy as the ‘sick son’ requiring special care.

<sup>76</sup> Interview with Maria Jepsen on January 22, 2008 at ETUI-REHS, Brussels/Belgium.

Jepsen, 2007). Asking such a question is very fruitful because it sheds some useful light on the issue, and should also be seen as an attempt to deal with the future of the concept.

Wilthagen, in reply to the critics arguing that “it is the current formulation of capital-labour nexus” (quoted in Wilthagen and Tros, 2004: 168) towards the concept, argues that flexibility should not be thought only in the interest of the employer since employees can also win from flexibility in order to combine work and private responsibilities (Ibid: 168-9).

Keune and Jepsen in their article<sup>77</sup> present their views at the very first statement. They argue that the discourse surrounding the debate on flexicurity has also been the case with the EES for a long time. What is more, they consider a narrowing down of the EES with the use of flexicurity due to the fact that flexicurity is very much related with the adaptability pillar of the EES, and, now the other pillars (employability, equal opportunities and entrepreneurship) are devalued (Keune and Jepsen, 2007).

According to some authors, especially Ralf Rogowski (2007) and Wilthagen (2008), the concept is very much in line with the reflexive law, governance policies and soft law mechanisms. The reflexive policies such as open method of coordination, mutual learning, benchmarking procedures seem closely related to the debate on flexicurity.

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<sup>77</sup> The article was entitled *Not balanced and hardly new*.

Ronald Janssen considers flexicurity “as a continuation of the attack of the OECD on the EPL<sup>78</sup> and Maria Jepsen “as the continuation of the activation”<sup>79</sup>.

#### 4.4. Flexicurity in the Turkish Context

In line with the aim of this thesis, the concept of flexicurity has been evaluated mainly at the EU level. But, there is no doubt that the idea of combining labour market flexibility and security has clear reflections on a member-state level, as well as outside the borders of the EU. Thus, the term flexicurity is and must not be “locked in” only in European politics concerning labour market developments.

In addition, there is an emerging literature (Ilsøe 2007 for a comparison of Denmark and the U.S.; Bredgaard and Larsen 2007 for Denmark and Japan and van den Berg 2008 for Canada) on the transferability of flexicurity to other countries, mainly outside Europe.

As Pennings and Süral (2006: 1) notes Turkish accession to the EU means implementation of *acquis communautaire*, requiring Turkey, to amongst other things “increase the adaptability of workforce”, to “reorient social security instruments”, to “promote increasing employment” and so on. The implementation

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<sup>78</sup>“It has all happened in the early 1990s. OECD came along with “EPL” reduction. It did not work. They invent this term, “flexicurity”. It sounds social...friendly to workers. But, this time, it is more accepted. *The attack is not frontal attack*. They are creating the impression that in the end, this is still social policy rather than employment policy”. Interview with Ronald Janssen on January 22, 2008 at Brussels/Belgium.

<sup>79</sup> In her words, “it started with *activation, life long learning* then *the European Social Model* and now we came to *flexicurity*. Interview with Maria Jepsen.

of the *acquis communautaire* is an important dimension of the flexibility discourse in the Turkish context.

Regarding the overall debate on flexicurity, it is fair to argue that the debate has also been taken into account in Turkey over the last few years. In general, the debate seems to be imported in the Turkish context mainly by the efforts of the Turkish Confederation of Employers' Association (TISK).

The aim of this part is to look at the current flexicurity debate through the lenses of the Turkish social partners. Within this framework, some early comments will be noted on the following issues -specifically considering the appropriate time of launching a flexicurity-type of labour market reform; the possible role of the Turkish government and related to this, the possible regulatory tool; and as being a candidate country for EU membership, the possibility of using the EU as a pretext in order to increase the flexibilisation of labour markets, in other words, avoiding the blames of the public and resisting trade unions<sup>80</sup>. It should be noted that flexicurity is a recent entry in the Turkish debate, and a full-fledged analysis of it is, at the present time, a rather formidable task. Moreover, flexicurity in Turkey necessitates a more comprehensive study than the current one. Nevertheless, this part will try to capture the ongoing debate among the Turkish Social Partners on the issue and offer some vital clues as to its instrumentalization.

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<sup>80</sup> It is considered that “the attempts by Turkey to implement the EU *acquis* were the driving forces behind the evolution of labour issues in the 1990s and early 2000s”. Within this framework, “the Labour Act of 2003 constituted a drive towards flexibility in line with the Community *acquis*” (Pennings and Süral, 2006: 6-7).

#### **4.4.1. The Turkish Social Partners**

It is generally accepted that *there is an asymmetry* in Turkish labour relations due to the fact that there is only one confederation of employer organisations, while the unions are organized into three confederations (der Valk and Süral, 2006: 41). TISK (Turkish Confederation of Employers' Associations) is the employers' confederation comprising 21 employers' associations and around 1.200.000 employees. Of the trade unions, TURK-İŞ (Confederation of Trade Unions of Turkey) is the largest confederation and is perceived as reflecting the centre left of the political spectrum (It is noteworthy that, since the last few months, TURK-İŞ has been criticized as having similar concerns to that of the ruling party). DISK (Confederation of Progressive Trade Unions of Turkey) has more left wing attitudes, while HAK-İŞ (the Confederation of Righteous Trade Unions) is generally perceived as having an Islamist stance.

#### **4.4.2. Major Characteristics of Labour Relations in Turkey**

Before dealing with the issue at hand, an overall picture of the Turkish reality regarding industrial relation is in order. The major characteristics of labour relations in Turkey can be summarized in the following way:

- There is an asymmetry in Turkish labour relations due to the fact that there is only one confederation of employer organisations, while the unions are organized into three confederations

- Workers' unions represent less than 10% of the employed in Turkey (Ercan, 2006: 2).
- The currently applicable Trade Union and Collective Bargaining, Strike and Lockout Laws are not in line with the ILO and EU standards<sup>81</sup>
- The emphasis is placed on differences and conflicts and not on common interests and consensus.
- Unions are focused more on government and labour legislation than on the employers and other unions, or on consultation or negotiation.
- Labour legislation has always been the major means of establishing labour standards.
- Collective bargaining – as the most widespread form of social dialogue in Turkey- is characterised as *distributive bargaining* (one side loses while the others win) rather than *integrative bargaining* (win-win approach).
- The social partners describe the role of Turkish government within the social dialogue as problematic, insufficient, unproductive and too dominant (der Valk and Süral, 2006: 45-61).

These characteristics, as argued before, are not appropriate to reach a consensus that the main message of flexicurity reveals: *Win-win approach*. Now it should be functional to look into the details of the social partners' view on the issue of flexicurity.

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<sup>81</sup> Commission of the European Communities (2007b), "Turkey 2007 Progress Report", Communication from the Commission to the European Parliament and the Council, SEC (2007) 1436, Brussels, 6 November 2007.

#### 4.4.3. Turkish Social Partners and Flexicurity

The flexibilisation of Turkish labour markets has undergone an important transformation with the Labour Act of 2003 which introduced flexibilities on part-time work, fixed-term contracts, on-call work and flexitime. However, it is difficult to argue that, it has brought foreseen outcomes, despite the steadily increasing rates of economic growth. The unemployment rate is still very high and increasing, the overall employment rate is very low, and the share of the black market/informal economy has not been decreased to negligible levels (see Table 4.3)

**Table 4. 3. Household Labour Force Survey for the Period of February 2008 (February, March and April 2008) Compared to the Same Period of the Previous Year**

	<u>2007</u>	<u>2008</u>
Employment rate (%)	42.1	41.7
Unemployment rate (%)	10.4	10.7
Youth employment (%)	19.5	19.5
Black market/informal economy (%)	46.2	43.4

Source: Turkish Statistical Institute (TurkStat), June 16, 2008.

The term flexicurity has recently gained popularity despite the fact that the term has been discussed since 1998 among academicians. Since 2006, under the

leadership of the EU and its institutions, the term has been widely used all over the world by politicians, academicians and by the social partners. This debate has also been brought to Turkey under the aegis of the efforts of TISK since 2006. TISK's monthly magazine *İşveren* (Employer) published an information article on flexicurity in June 2006<sup>82</sup> (Ercan, 2006: 2). After that date, TISK has intensified its pressure on the issue of flexibility in general and flexicurity in particular. TISK has stated the need for a flexicurity type of labour market relations in Turkey on the basis of the competitiveness discourse with which it is concerned. TISK stated its concerns while referring to the OECD indicators claiming that Turkey has one of the most rigid labour markets in the OECD, and also referring to World Economic Forum's Global Competitiveness Index 2006-2007 that ranks Turkey at the bottom of all the OECD members in terms of competitiveness. TISK claims that introducing new measures in order to increase flexibility in terms of work contracts is necessary to tackle the unemployment problem in Turkey and to enhance competitiveness (*Hürriyet*, 10.01.2007).

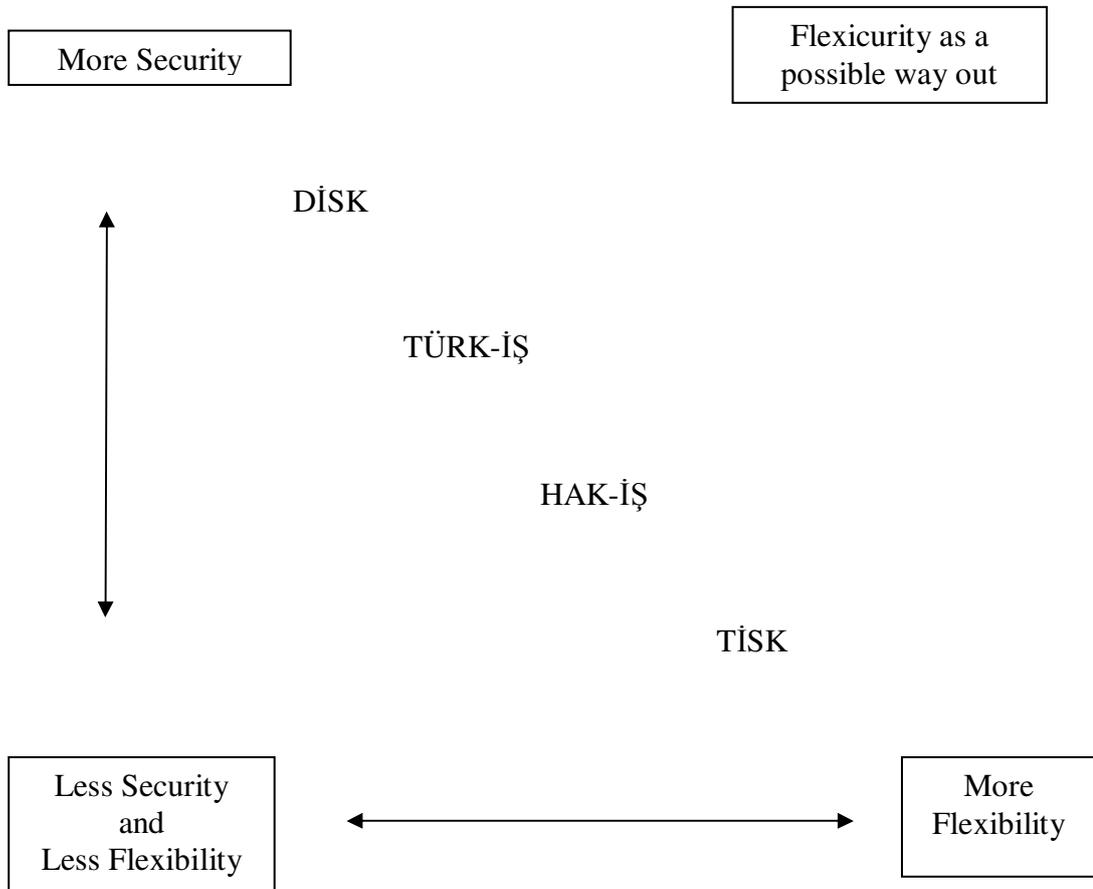
The issue of flexicurity is another point of discussion among the social partners. Their stance on this issue should be articulated in the way outlined in Figure 4.1. DISK is at the top demanding more security, and bases its arguments on the fact that *"full-time work is the basic type of work. The nature of part-time work and temporary work has to be identified in accordance with the workers and production needs and should not affect full-timers' position and rights"* (der Valk and Süral, 2006: 64). Considering the positions of TURK-İŞ and HAK-İŞ, one can

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<sup>82</sup> Ercan argues that the information article on flexicurity presents the Wilthagen Matrix without referencing the source (Ercan, 2006: 2).

rank HAK-İŞ's position nearer to TISK based on its views on the issue of *temporary work agencies* and *vocational training* (see Table 4.4 for the answers of social partners on this issue).

Regarding the Justice and Development Party's (AKP) stance on flexicurity, their "Election Manifesto" for "22 July 2007 Elections" made references to the issue without using the concept of flexicurity. Under the employment heading of the manifesto, the three pillars of the party's employment strategy were noted. Those are "to decrease the burden on labour force and provide the flexibilization of labour markets"; "to strengthen the relations between the vocational training and labour market" and "to strengthen Active Labour Market Policies". Within this perspective, the manifesto noted that "types of flexible employment will be encouraged; the *flexibility-security relation will be preserved*" (AKP Seçim Manifestosu, 2007: 119-120, emphasis added). It is fair to argue, depending on the above notes, that the understanding of AKP, a balance between flexibility and security has already been achieved. Even increasing the types of flexible employment is related with the preservation of the flexibility-security balance in their eyes. Flexicurity or the balance between flexibility and security is largely considered as a matter of increasing the flexible types of employment by the AKP.



**Figure 4. 1. Security and Flexibility and the Position of the Turkish Social Partners**

Source: der Valk and Süral, 2006: 65.

**Table 4. 4. Main Results Questionnaire Turkish Social Dialogue 2005**

FLEXIBILITY AND FLEXICURITY MEASURES: EMPLOYMENT GUIDELINES 1/3	OPINIONS AND URGENCY (Yes, Maybe or No) (+, ++)			
	TİSK	DİSK	TÜR KİŞ	HA K-İŞ
m) Create entrance opportunities to the formal labour via temporary work agencies	Yes++	No	May be	Yes +
n) Improve the legal position of temporary work agencies. The government could consider changing the Labour Act, introducing a licensing system for temporary work agencies and allowing vocational training programs to be created for employees working for temporary work agencies.	Yes++	No	Yes	Yes ++

Source: der Valk and Süral, 2006: 79.

Also, the need for comprehensive studies on the timing of flexicurity-type reforms – whether it is appropriate to be implemented in times of economic boom or vulnerabilities; the possibility of using the EU as a pretext, thus avoiding the blames for the resistance within the Turkish context is of paramount importance.

For the time being, however, it seems unlikely to reach a flexicurity-type of a compromise in the Turkish context. As a conclusion, it will be clear that there is a disagreement among the social parties and reaching a consensus among them without external pressure (mainly of government, as it was the case in France, by a top-down regulation) seems to be very difficult at the time being.

## **CHAPTER V**

### **CONCLUSION**

In this thesis, one of the most famous concepts of the last few years, flexicurity, has been explored with particular reference to the role the Commission of the European Communities played in the debate within the European Union.

Since the end of the Golden Years of Capitalism, there have been important changes in economic, social and employment policy areas. In particular, the quest for increasing the flexibility of labour markets has been a challenge for European countries. The U.S. labour market model, considered as more flexible and adaptive to the changes in the market, had been successful in terms of unemployment rates during the 1990s unlike the European countries, which have been labelled as possessing “rigid” labour markets.

Regarding the definitions of the concept, one point needs special attention. The arguments on the lack of a general theory or a framework for the concept which makes flexicurity attractive for everybody deserves to be explored. This is also largely reflected in the debate over the definitions of the concept. There are many definitions used for the concept, and the definitions remain ambiguous.

It is crucial to note that the discovery of the Danish labour market model which is different from the Dutch one, has paved the way for attempts to provide definitions capable of comprising both labour market models. In other words, this led to the freeing up of the concept of flexicurity from its Dutch origins. Very much related to the above observation, the attempts of providing definitions for the concept through focusing on the country examples of the Danish and Dutch model indicate that the method of induction has been privileged in this debate. Another noteworthy finding of this thesis is that operational purposes aiming to measure the concept through some indicators has been the central focus. This kind of efforts, which seem very beneficial to make comparisons between countries, started to be applied in order to label different countries under specific flexibility/security combinations. Through this way, some states have been put forward as paradigm cases or ideal models.

With regard to the debate at the EU level, the Commission, due to its preponderance in decision-making and giving a direction to the overall debates, has been very active in pushing the concept to the top of the European agenda. But, for the time being, to speak about a European consensus on the concept is not realistic. The other main European institutions have some reservations towards the Commission's reasoning but they are not negative about flexicurity. Nevertheless, the Commission seems to be victorious in terms of getting other sides to accept the basic tenets of the debates it has been advocating. Having argued for the ambiguous nature of flexicurity and the role the Commission has been playing in the debate at the EU level, this thesis has also argued that the ambiguity associated

with the concept, at the EU level, is not an ordinary ambiguity, but a deliberate ambiguity.

Since 2006, we have been witnessing increasing efforts at the EU level (especially by the Commission) to push the concept to the top of the political/economic agenda. In the previous periods, the need for a fine balance between flexibility and security in the labour markets had been considered within the confines of the European Employment Strategy, and in particular falling under the adaptability pillar. According to this thesis, this timing is not accidental. The failure of the Constitutional Treaty in France and the Netherlands in 2005 was a clear manifestation of the decreasing legitimacy of the integration project and of its supranational bodies, namely the Commission. The mid-term revision of the Lisbon Strategy in which the Employment Guidelines together with the Broad Economic Policy Guidelines were incorporated to the Integrated Guidelines was considered as prioritizing the flexibility needs over security. They have led the Commission to show a social face, by using the concept of flexicurity, in order to neutralise the present antagonisms directed against it by its opponents. This observation necessitates a clear investigation in order to argue whether the term flexicurity has transformed the overall debate on the issue of Social Europe. The conclusion reached after the investigation is that flexicurity seems a new discursive tool rather than a change in the discourse that has existed for many for years. Thus, this thesis believes that “the song is again that song; the string in the musical

instruments has changed”<sup>83</sup>. The “song” in these expressions can be considered as the “discourse” and the string in the musical instruments as the “discursive tool”. The *song* is the attempt to provide reconciliation between capital and labour, or between economic and social policies, or between flexibility and security since the end of Golden Years of Capitalism; and *changing string in the musical instruments* is the concept of flexicurity replacing older concepts such as activation, transitional labour markets and the European Employment Strategy. Consequently, the discourse remains intact but the tool to reach the aims expressed in the overall discourse has changed.

In addition, it is a discursive tool propagated by policy entrepreneurs in the Commission eager to impose the broad terms of their agenda on other EU institutions and the non-complying social partners.

Few words should be noted for the possible future of the concept. The concept contains the danger of disappearing due to the ambiguity of its nature. In the words of Jørgensen and Madsen;

Perhaps it is the present lack of a precise and concrete concept of flexicurity used by the EU institutions that has secured the European success and status as a celebrity. A non-precise meaning can make flexicurity politically harmless. But if the concept and the strategy is defined too broad and all encompassing it will soon be scraped again – and then you could talk of a pyrrhic victory for flexicurity (Jørgensen and Madsen, 2007: 31).

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<sup>83</sup> This passage is translated from a famous Turkish poem of Neyzen Tevfik: “Türkü yine o türkü, sazlarda tel değışti; yumruk yine o yumruk, bir varsa el değışti”.

It is fair to argue that if the debate on the concept is not strengthened considering the overall shortcomings, i.e. the gender dimension (the income gap between sexes, the absence of the necessary conditions for combining work and family life remain a central problem for European workers<sup>84</sup>); its relation with macroeconomic policies (the relation between supportive macroeconomic conditions and launching flexicurity type reforms remain unclear), an understanding of security that is limited to employability and so on, then this buzzword will not escape from the decreasing popularity of previous famous words such as “activation” and the “European Social Model”.

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<sup>84</sup> See European Parliament, 2007.

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## **APPENDIX A: LIST OF INTERVIEWS**

Ilsøe, A. (Research Fellow and Ph. D. student at the Employment Relations Research Center, FAOS, University of Copenhagen), Interview by author, Lessius University College, Antwerp/Belgium, 17 January 2008.

Jannsen, R. (Advisor of flexicurity department of the ETUC), Interview by author, ETUI-REHS, Brussels/Belgium, 22 January 2008.

Jepsen, M. (Head of ETUI-REHS Research department and Associate Professor at Université Libre de Bruxelles), Interview by author, ETUI-REHS, Brussels/Belgium, 22 January 2008

Keune, M. (Senior Researcher at ETUI-REHS), Interview by author, Lessius University College, Antwerp/Belgium, 17 January 2008.

Van den Berg, A. (Professor at the Department of Sociology at McGill University, Canada), Interview by author, Middle East Technical University, Ankara/Turkey, 29 February 2008.

Wilthagen, T. (Professor at Tilburg University/The Netherlands and Rapporteur of the Commission's European Expert Group on Flexicurity), Lessius University College, Antwerp/Belgium, 17 January 2008.