



***“Flexicurity –
political slogan and reality”***

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Outline

- a) The flexicurity model: features and prerequisites. *"A sort of political slogan or a model easily importable everywhere?"*
- b) The Danish model: is it easily exportable?.
- c) *"The reality"*: Labour market policies and features in EU15: a highly inhomogeneous picture concerning:
 - ✓ LM indicators;
 - ✓ LMPs;
 - ✓ Spread and quality of temporary jobs.
- d) The LM segmentation as a constraint to flexicurity: the Italian *"reality"* case study.

The definition of flexicurity

- Main theme of EES. The June 2007 Communication: the new paradigm of OMC?
- An economic policy strategy trying to combine claims for flexibility from firms with a strong workers protection, to be realized through better unemployment benefits and efficient active labour market policies (ALMPs), supporting transitions on the labour market.
- “A human face flexibility” (Tangian 2006).
- Wilthagen, Tros (2004) “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”.
- From job security to employability.

Flexicurity axes

- A non segmented labour market.
- High flexibility (internal, external, functional, wage).
- High security (concerning job, employability, income, “combined”).
- Then: passive and active labour market policies (Public employment services, training and lifelong learning, financed by public and private sources).
- A golden triangle (Madsen 2002)?

The Danish model

- Low EPL.
- Generous unemployment benefits (replacement rates up to 90% paid for 4 years; at the end a means tested benefit is provided); high spending.
- Close link between passive and active policies.
- Very wide ALMPs.
- Frequent passage into unemployment, but very short periods of unemployment.

Some caveats on Danish experience

- Performance supply or demand driven?
- Social exclusion of low skilled workers.
- Fiscal sustainability in time of crisis? Is it a sort of luxury good? Does during crisis only flexibility emerge?
- Anyhow, Danish performance does not depend only on flexibility; many pre-requisites are needed.

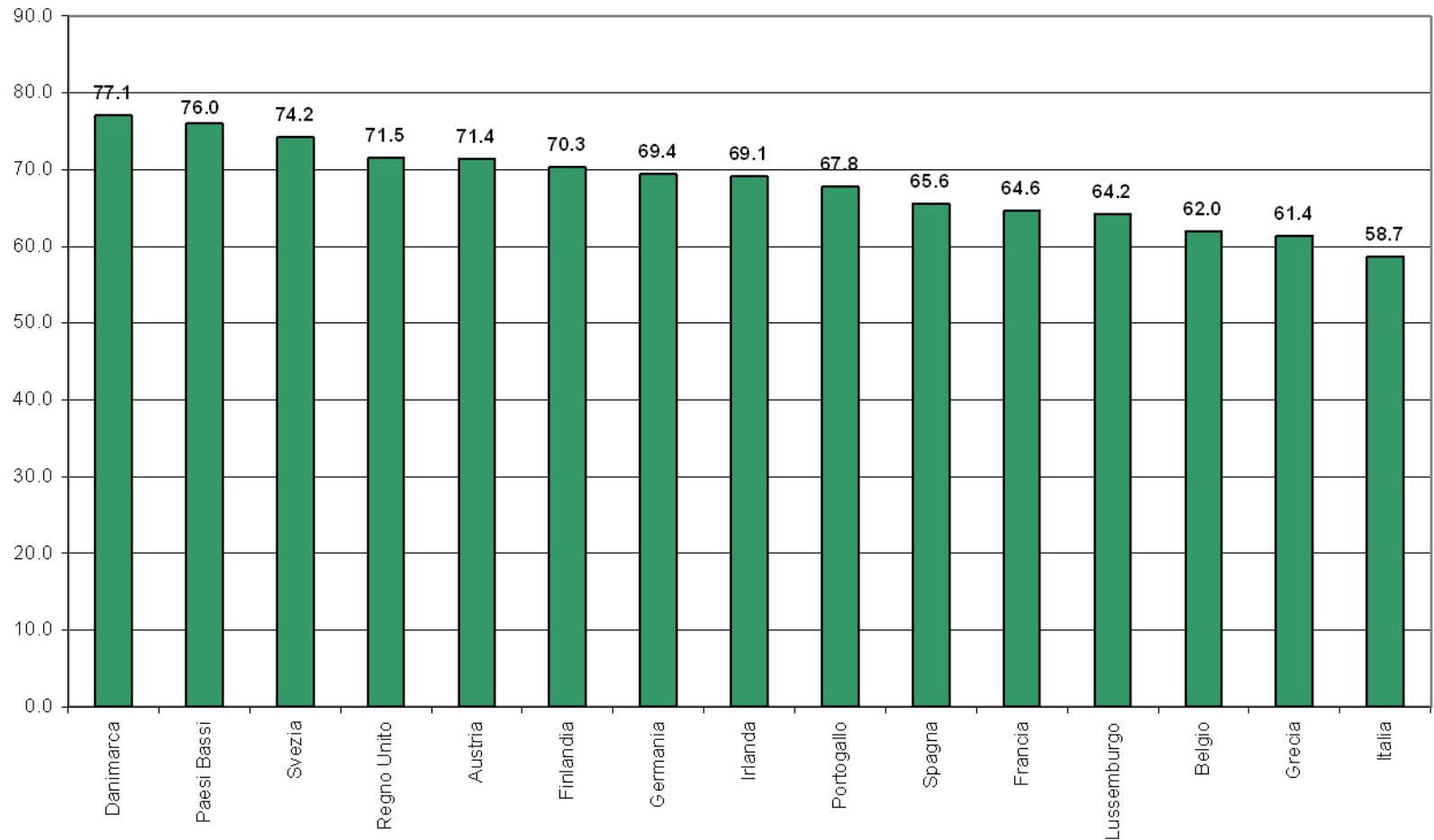
Is Danish model easily exportable?

- A very complex institutional model: what does it happen if only some parts are applied?
- Main institutional aspects: no binding national rules; wide cooperation among social partners; mutual trust; territorial decentralization; territorial homogeneity.
- The role of social capital for explaining EPL or UB (Algan, Cahuc 2006).
- All complementarities have to be assessed, firstly the role played by the productive system and by industrial policies (a kind of job “quality”).
- A main pre-requisite seems to be: an innovative productive system requiring a continuous workers re-training. Danish SMI require flexibility for staying on the frontier rather than for saving labour costs and competing in traditional sectors (which is the main difference with Sweden?).

EU countries LM differences

- a) Huge differences in employment rates (also by gender) and in the spread of part-time jobs.
- b) Are part-time jobs voluntary?
- c) LM policies concerning flexibility and security:
 - ✓ EPL index;
 - ✓ The spending on LMPs (active and passive).
- d) Which are role and features of temporary jobs?

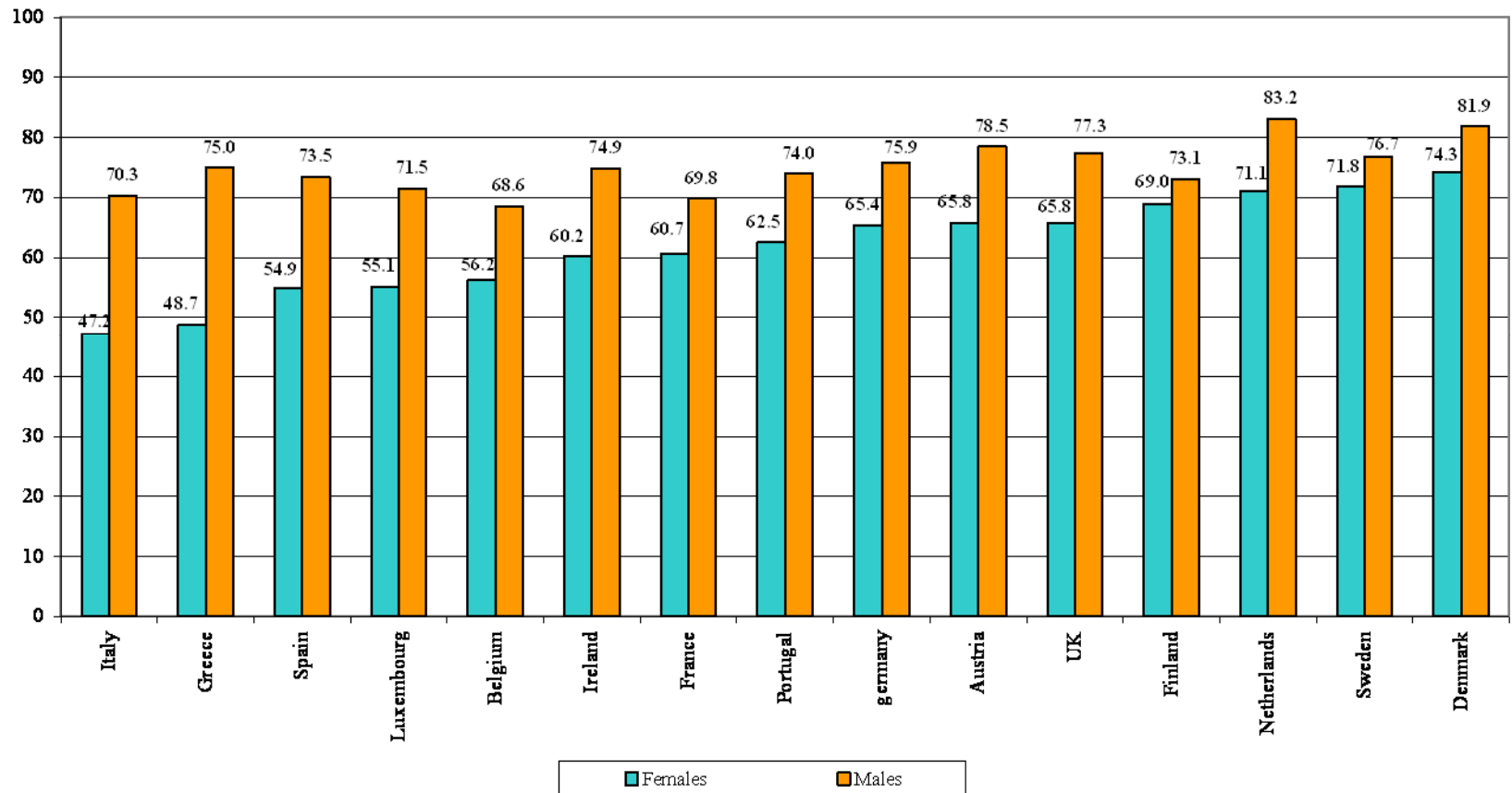
Employment rates in EU15 in 2007



Employment rates by gender

Employment rates by gender in 2008 in EU15 countries (age group: 15-64)

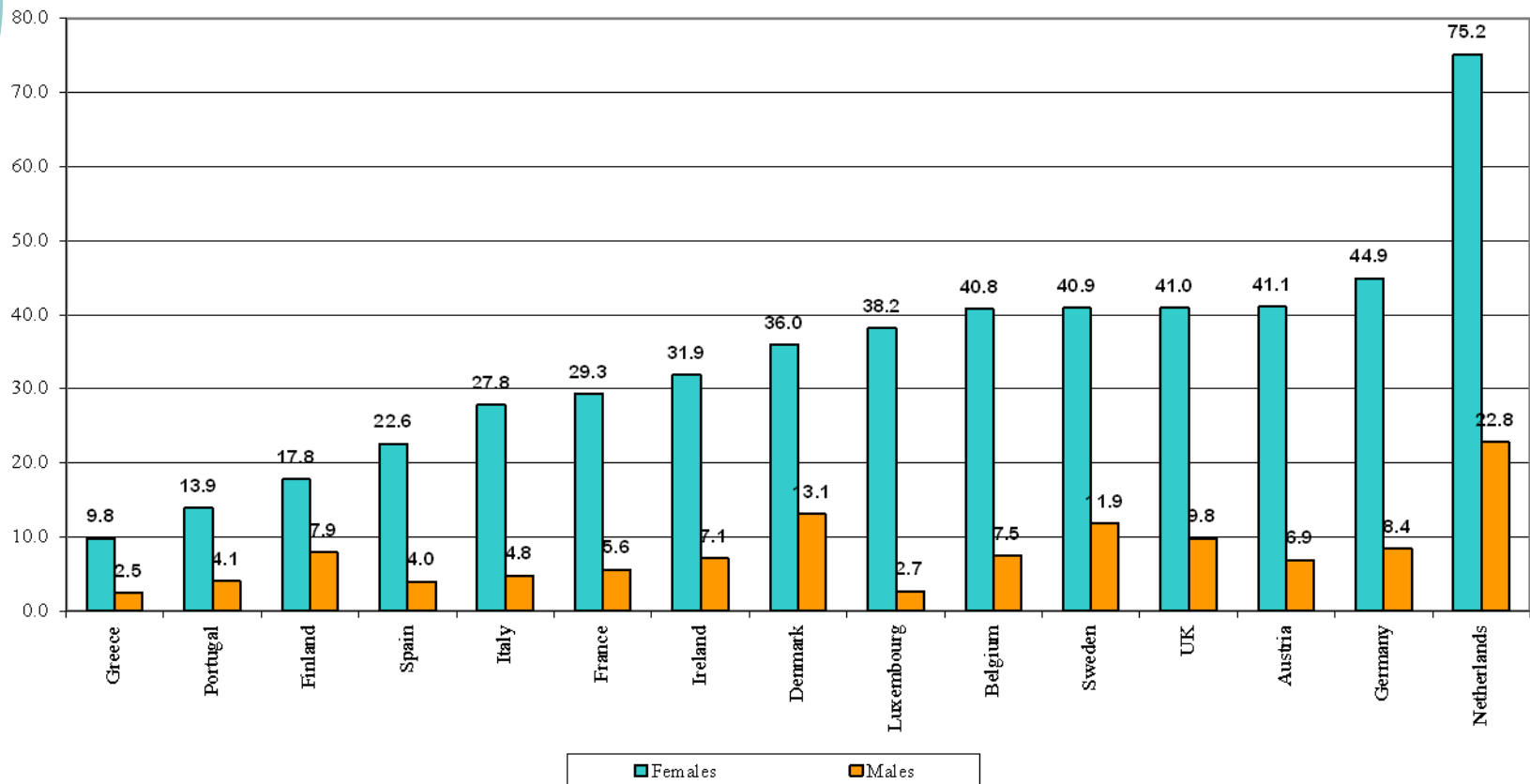
Source: elaborations on EUROSTAT data



Quality of occupation: part-time jobs

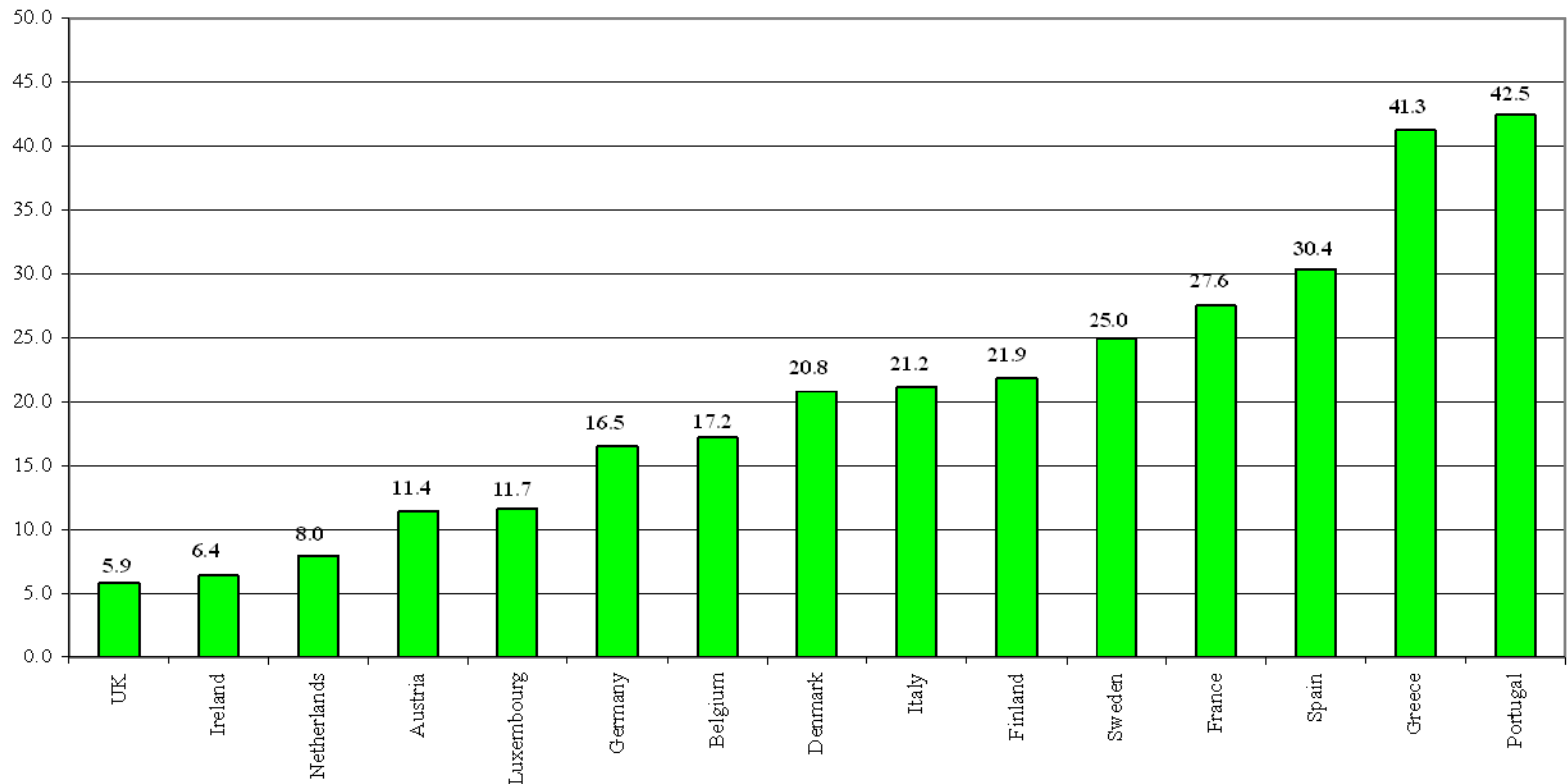
Share of part-time employees by gender in 2008 in EU15 countries

Source: elaborations on EUROSTAT data



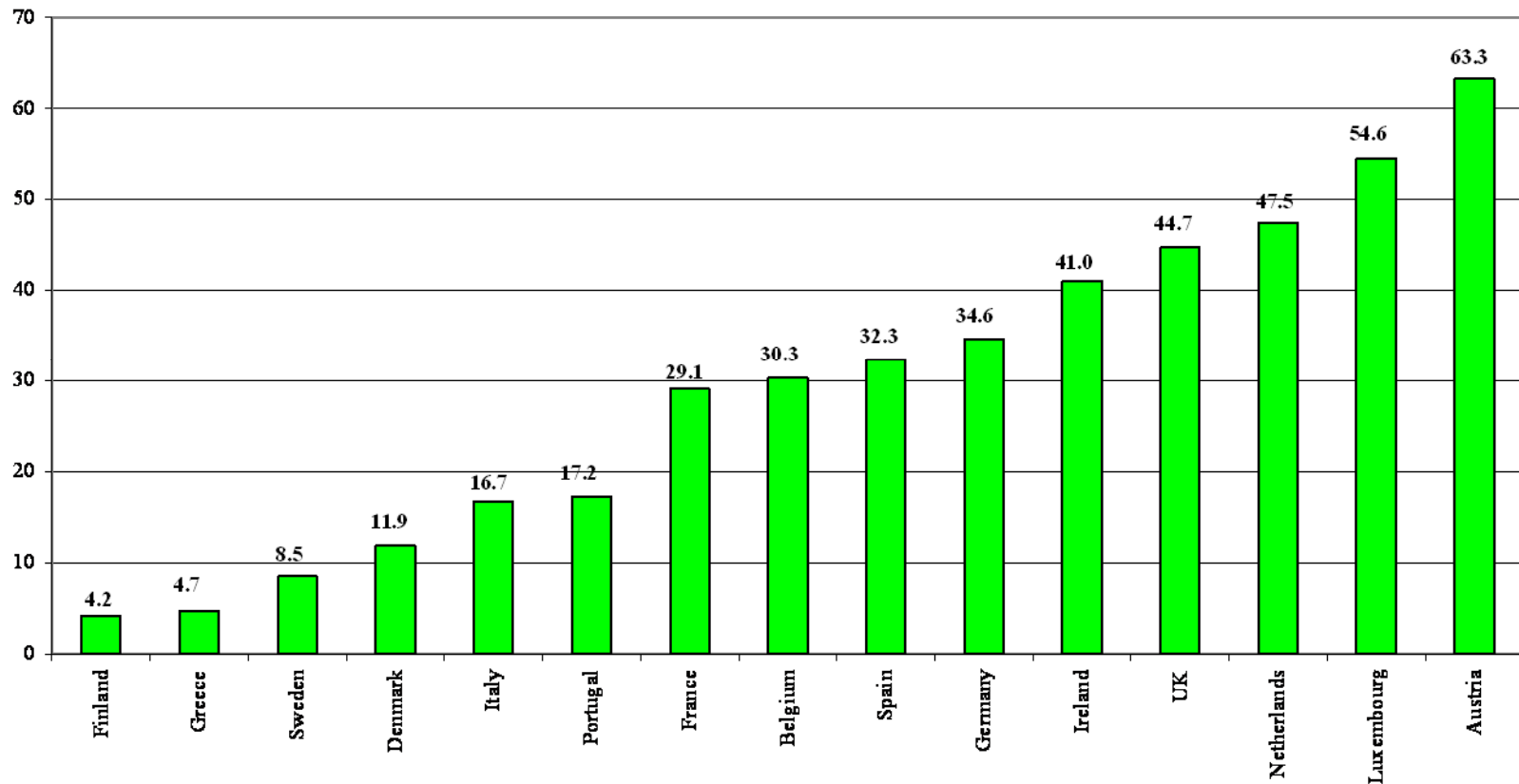
PT outcome of a labour demand constraint?

Share of female part-time employees which would like to work more hours in EU15 countries
Source: elaborations on EU-SILC (2006)



PT outcome of welfare state drawbacks?

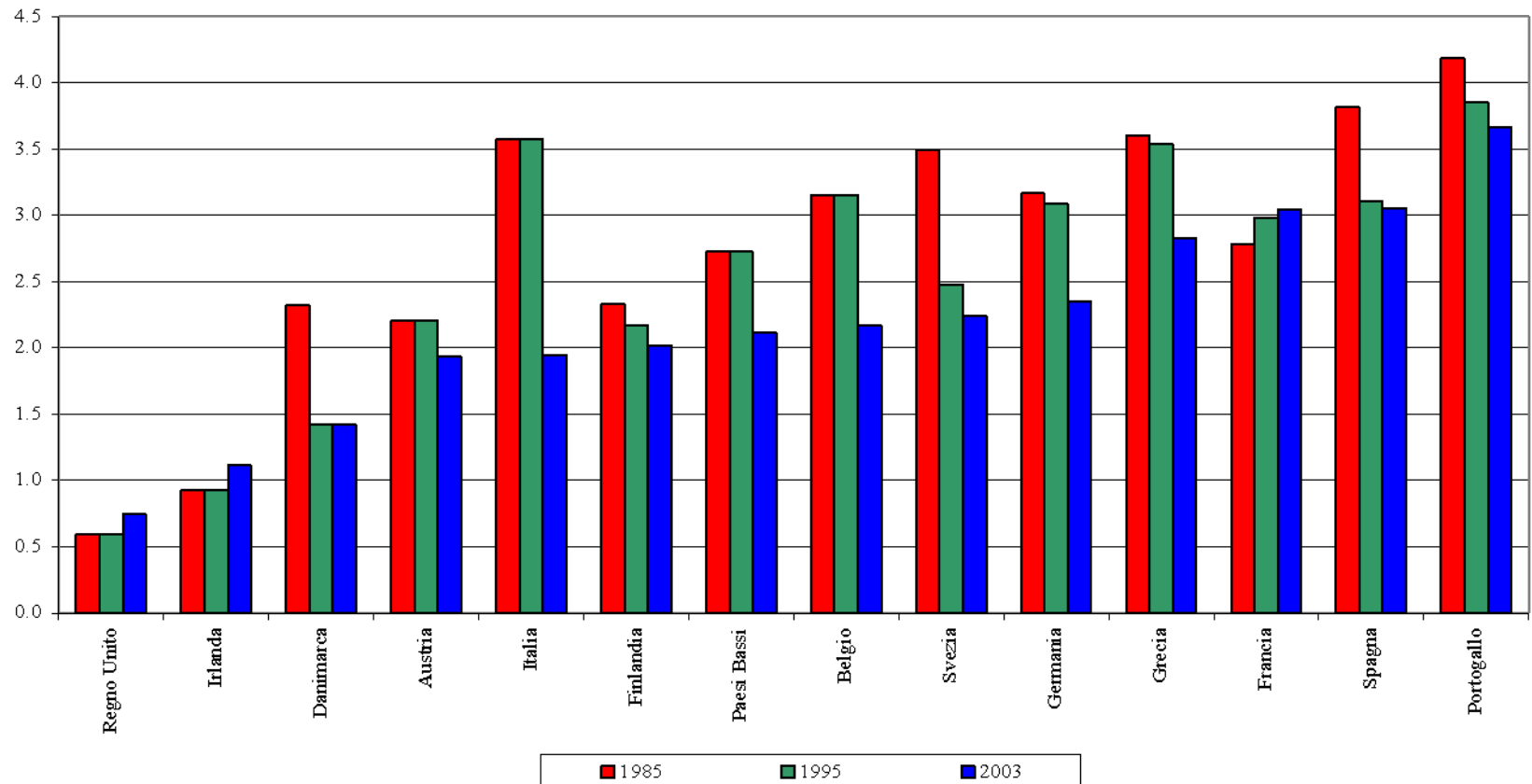
Share of female part-time employees which are constrained to work part-time for having to provide care activities in EU15 countries. Source: elaborations on EU-SILC (2006)



The employment protection legislation (EPL) index

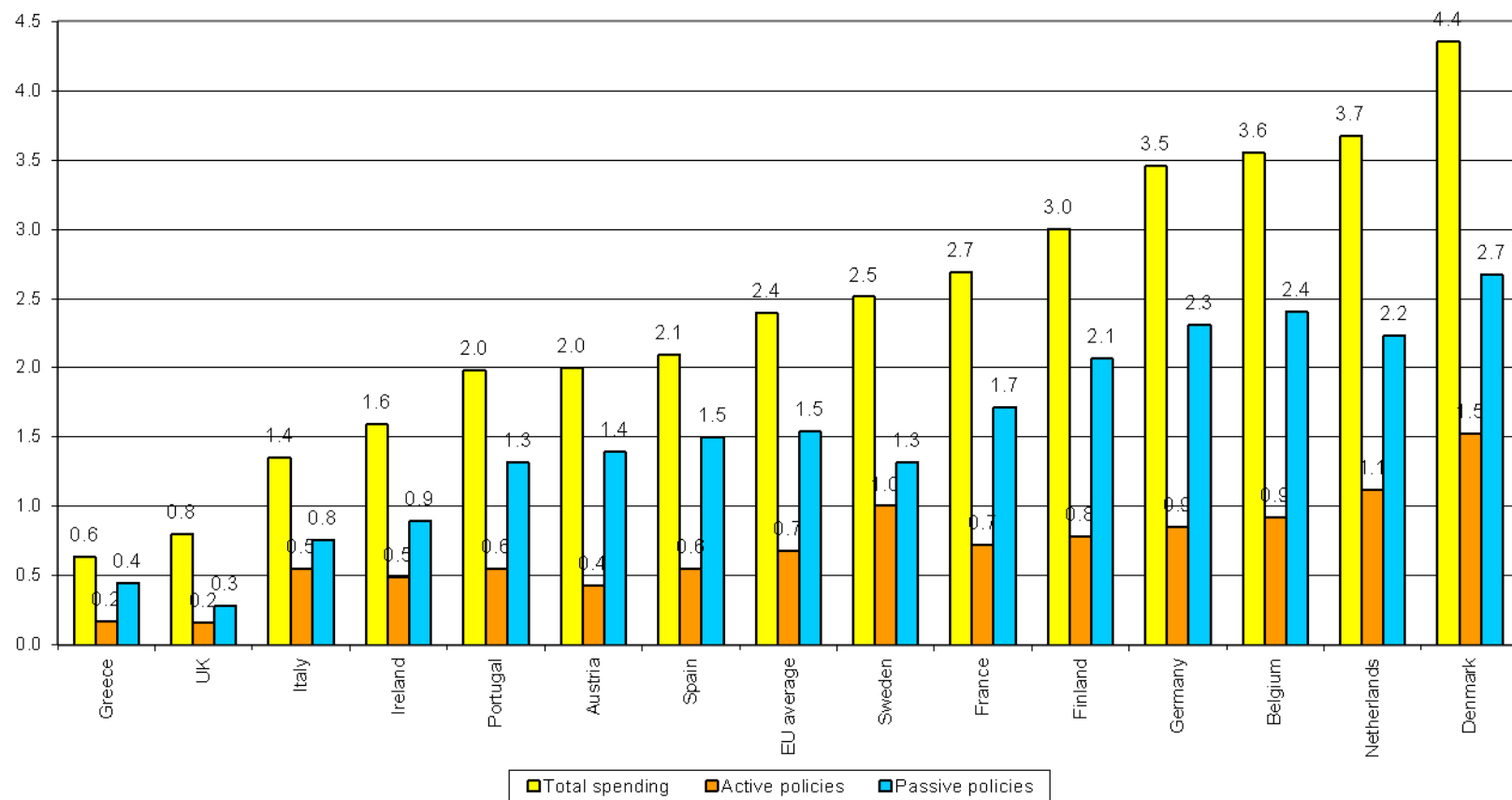
Fig. 4.3.1: Andamento dell'indice di *employment protection legislation* (EPL) nei paesi di UE15 fra il 1985 e il 2003.

Fonte: elaborazioni su dati OCSE



The spending for labour policies (active and passive)

Spending for labour market policies in 2004 in EU15 countries.
Source: elaborations on Eurostat - Labour market policy database



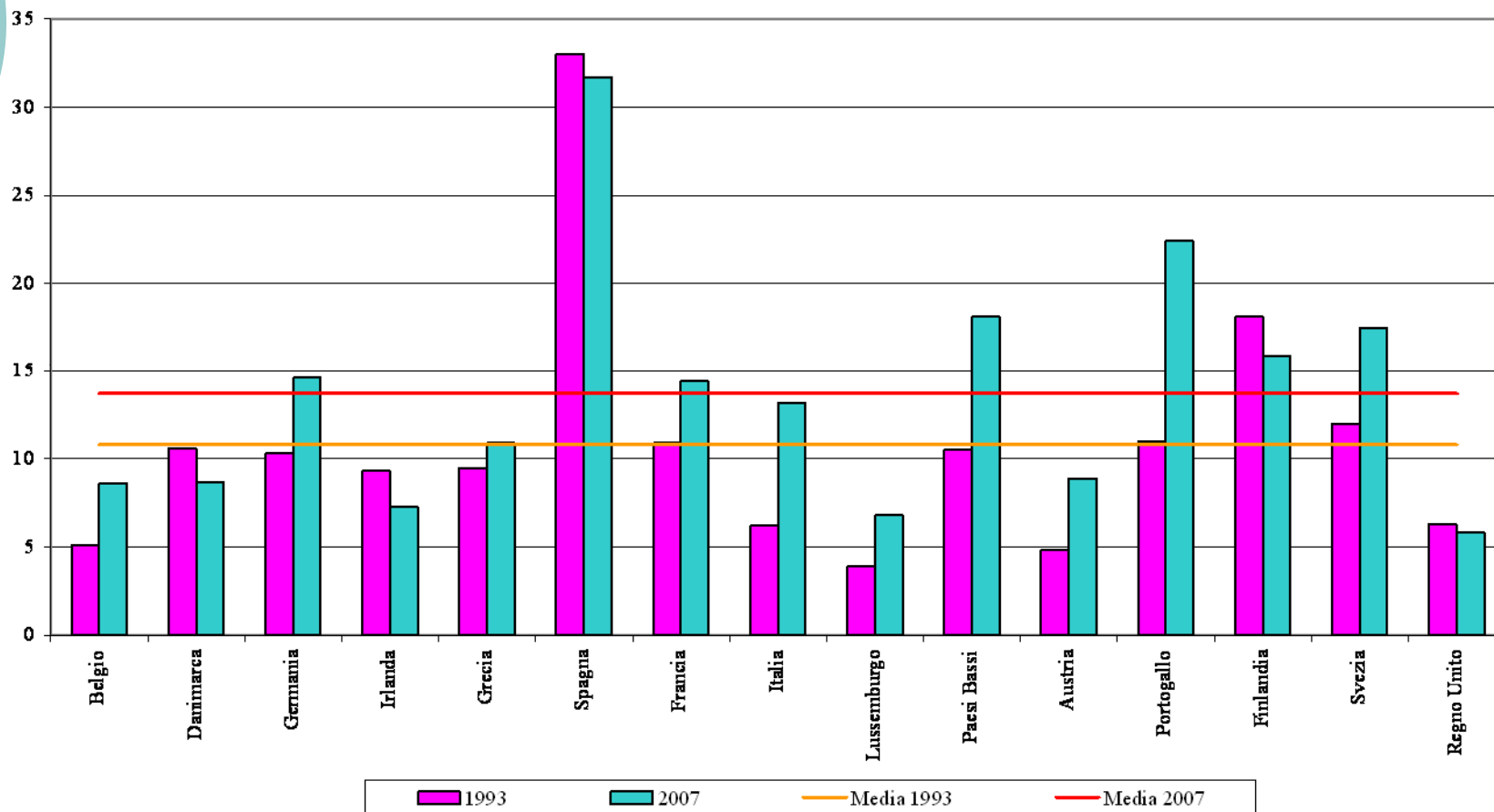
Spread and features of temporary jobs in EU15

- A picture highly inhomogeneous, concerning spread, occupations, “job quality” and wages (used EU-SILC data).
- Higher shares of temporary jobs in Southern Europe (and double weakness with involuntary part-time?).
- High shares of temporary in low skills occupations in Southern Europe, France, Germany and Austria.
- Apart from UK (and partly Ireland) everywhere high gaps among permanent and temporary workers concerning working months and earned wages.
- Are temporary workers “working poor”?
- Are wage gaps (and the supply of temporary jobs) a tool for overcoming strict EPL?

Quality of occupation: temporary jobs in EU15 in 1993-2007

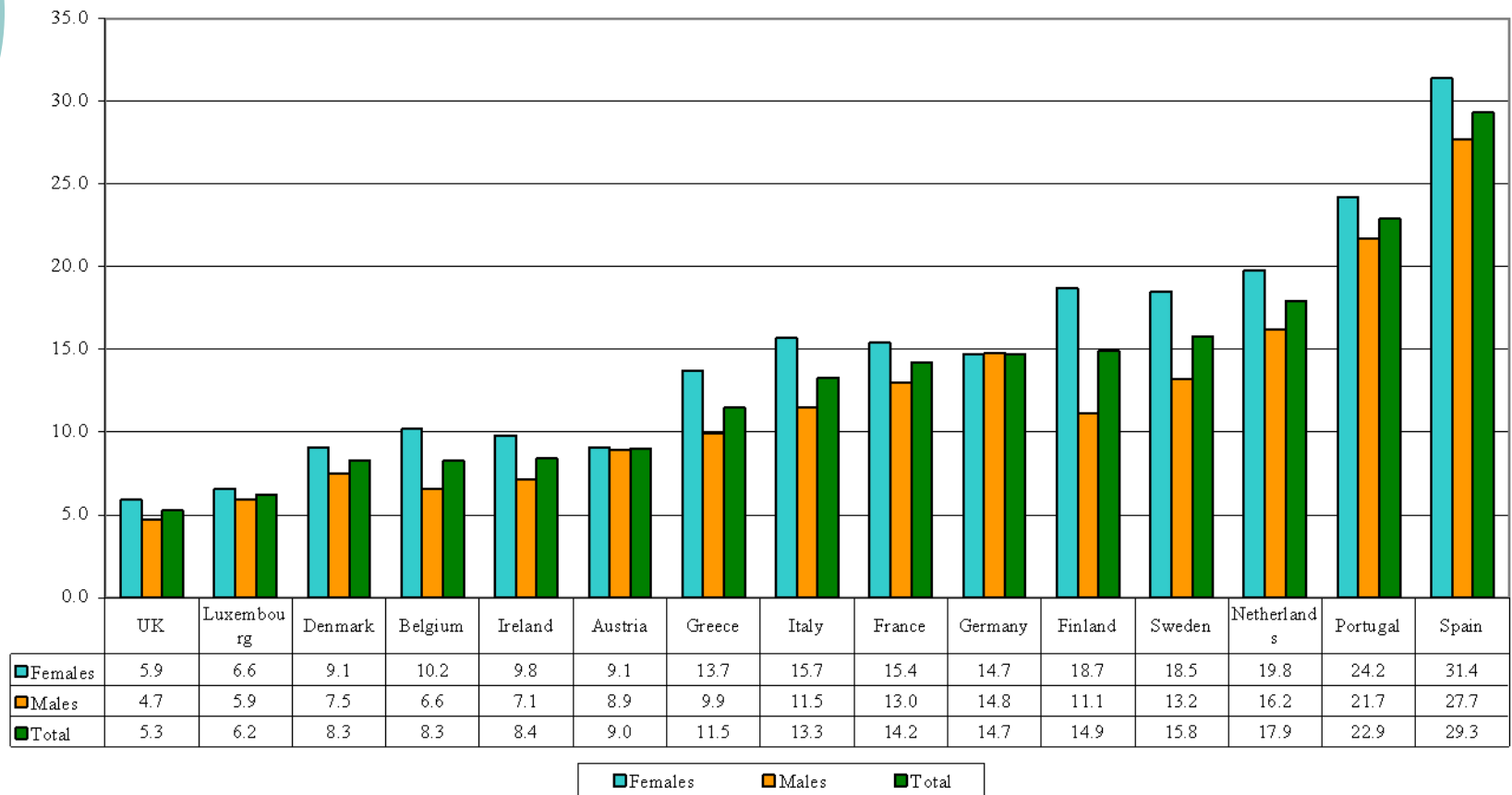
Fig. 4.3.3: Quota di lavoratori dipendenti con contratto a termine nei paesi di UE15.

Fonte: elaborazioni su dati Eurostat



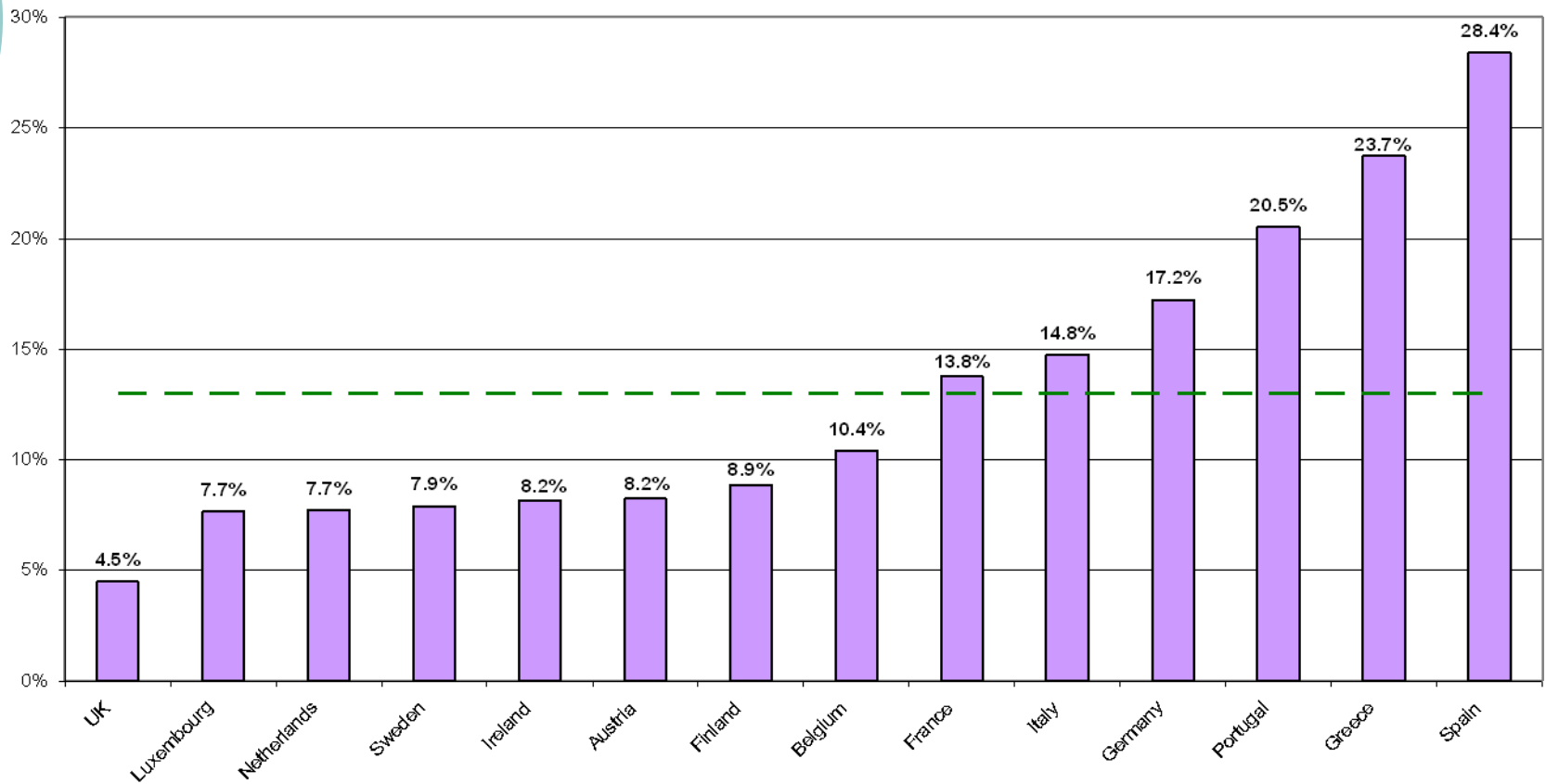
Temporary jobs in EU15 in 2008

Share of temporary employees in 2008 in EU15 countries.
Source: elaborations on EUROSTAT data



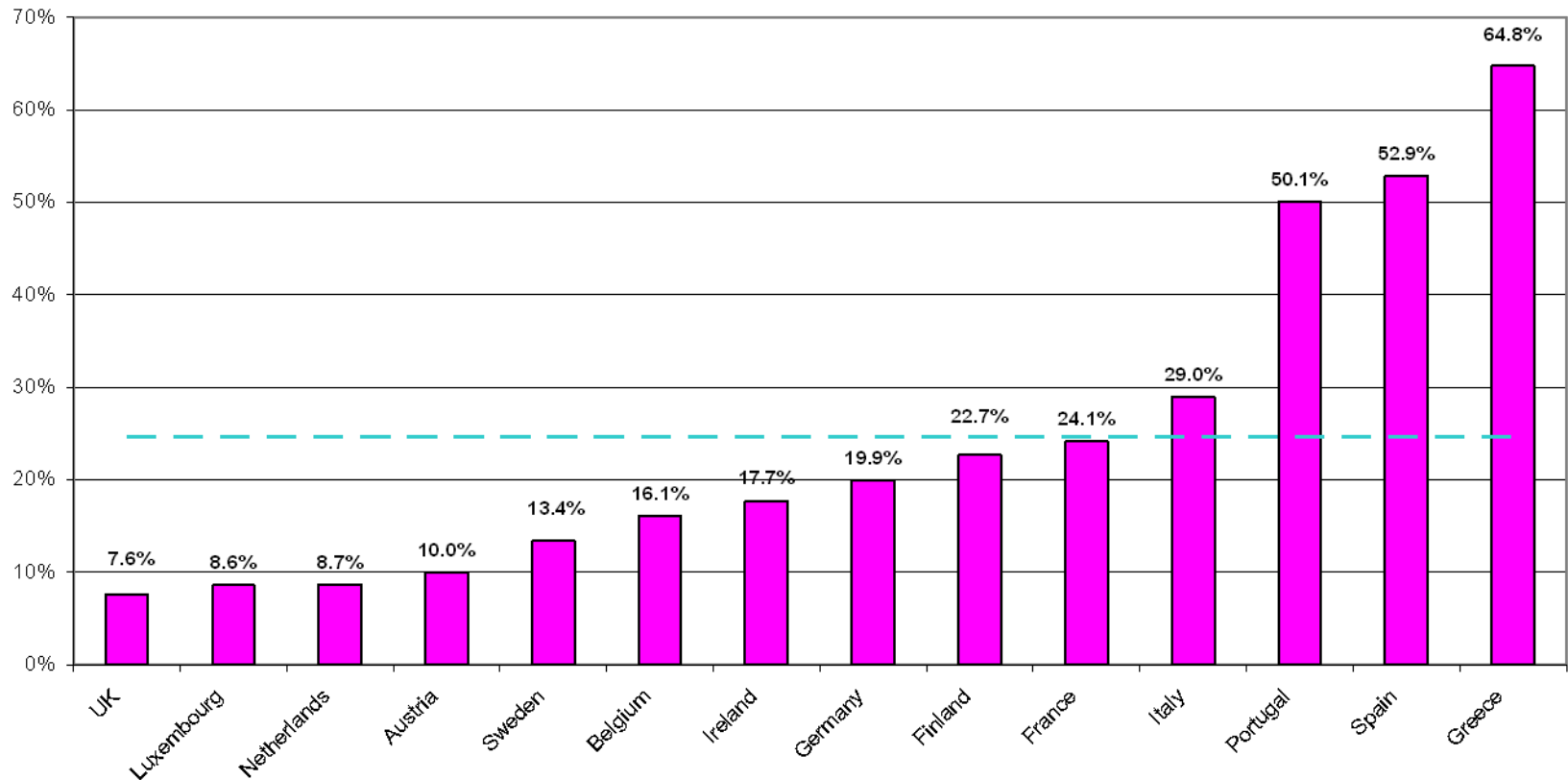
Temporary jobs in EU15 according to EU-SILC

Share of temporary workers according to EU-SILC (2006) data



Temporary jobs among part-time workers

Share of temporary jobs among part-time workers
Source: elaborations on EU-SILC (2006) data



The “quality” of temporary jobs

Share of temporary workers by occupations

	Manager	White collar	Blue collar
Austria	11.8	55.4	32.8
Belgium	24.1	40.3	35.6
Germany	12.5	53.9	33.6
Spain	10.5	38.0	51.5
Finland	25.0	46.7	28.2
France	10.9	52.6	36.5
Greece	15.4	39.3	45.4
Ireland	22.7	52.5	24.8
Italy	9.8	43.8	46.5
Luxembourg	18.0	43.5	38.5
Netherlands	27.1	52.0	20.9
Portugal	13.8	39.8	46.3
Sweden	23.6	55.4	20.9
UK	30.8	48.7	20.6
Average	18.2	47.3	34.4

Source: elaborations on EU-SILC (2006) data

Working time gaps

Average worked weekly hours and months for permanent and temporary (full time) workers

	Weekly hours			Months		
	Temporary	Permanent	Ratio	Temporary	Permanent	Ratio
Austria	40.2	40.2	100.0%	10.2	11.3	89.7%
Belgium	38.8	40.5	95.8%	7.6	11.2	68.0%
Germany	38.9	39.2	99.4%	9.1	11.7	78.0%
Spain	41.3	41.3	100.0%	9.6	11.7	81.6%
Finland	38.2	39.5	96.7%	9.0	11.5	78.0%
France	38.1	40.1	95.1%	8.6	11.5	74.8%
Greece	41.9	40.5	103.5%	9.2	11.5	79.3%
Ireland	38.1	39.2	97.1%	8.7	11.5	75.4%
Italy	38.3	39.5	97.0%	9.3	11.6	80.2%
Luxembourg	39.4	42.3	93.3%	9.4	11.7	80.7%
Netherlands	39.1	38.7	100.9%	9.2	11.6	79.6%
Portugal	40.5	41.1	98.5%	8.9	11.7	75.8%
Sweden	40.5	40.6	99.9%	8.9	11.5	77.2%
UK	40.4	42.5	95.0%	10.4	11.7	88.9%
Average	39.6	40.4	98.0%	9.1	11.6	79.1%

Source: elaborations on EU-SILC (2006) data

Where are temporary workers in the labour income distribution?

Distribution of temporary workers by yearly labour income quintiles

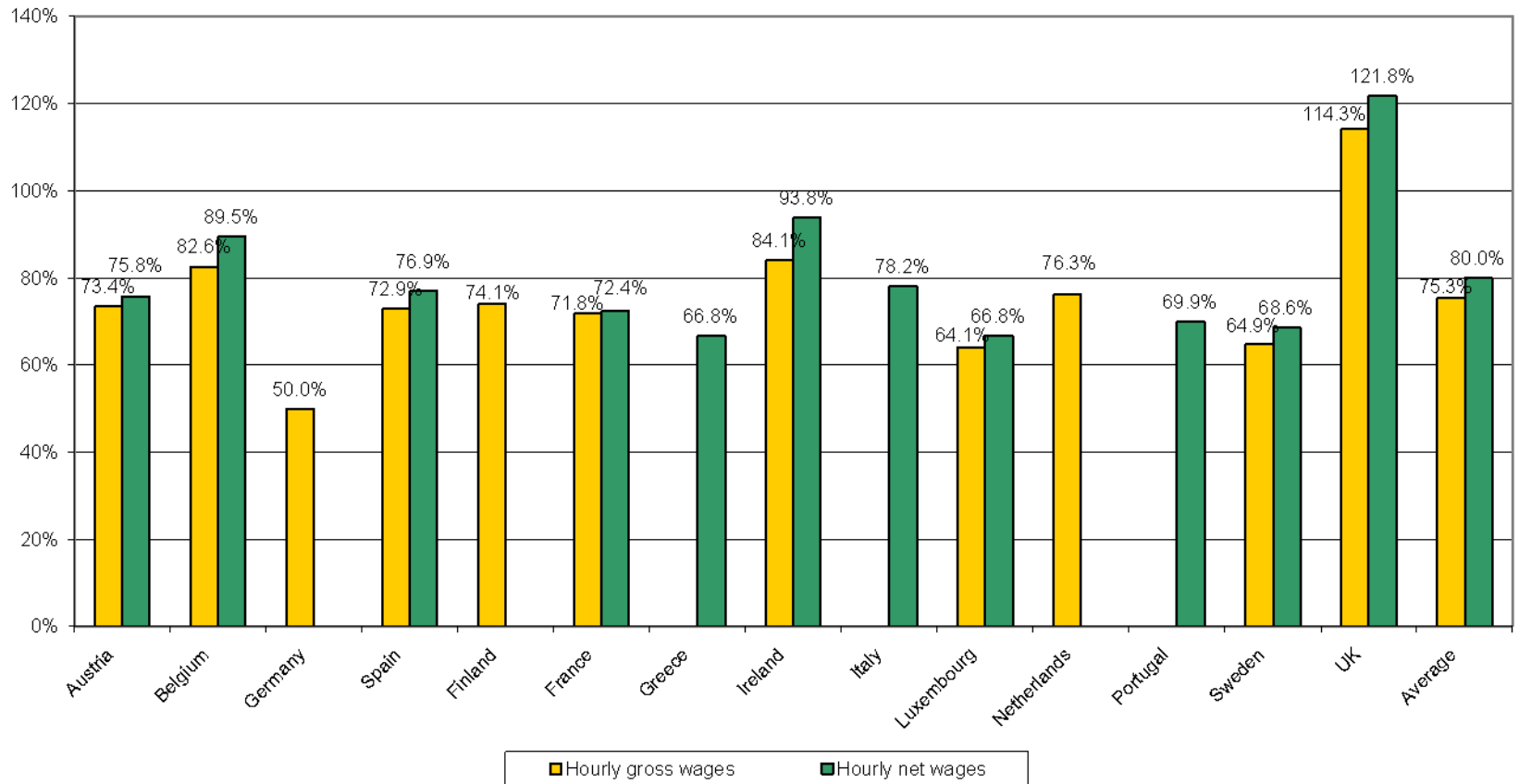
	1	2	3	4	5
Austria	43.8	23.2	16.1	10.0	6.9
Belgium	57.1	17.5	12.1	7.7	5.6
Germany	59.0	25.1	9.4	3.9	2.6
Spain	40.0	25.7	18.1	10.7	5.6
Finland	55.5	23.3	12.6	6.3	2.3
France	61.3	22.4	9.7	4.0	2.7
Greece	53.9	24.1	12.7	4.7	4.5
Ireland	54.6	21.0	15.9	6.0	2.6
Italy	56.3	22.8	10.8	6.0	4.2
Luxembourg	53.2	17.5	16.4	8.7	4.2
Netherlands	46.6	22.5	15.4	11.1	4.4
Portugal	41.5	23.3	16.2	12.2	6.8
Sweden	60.9	18.1	8.6	6.9	5.5
UK	35.9	23.6	15.2	11.0	14.4
Average	51.4	22.2	13.5	7.8	5.2

Source: elaborations on EU-SILC (2006) data

Rough hourly wage gaps

Ratio between hourly average wages by temporary and permanent workers (in %).

Source: elaborations on EU-SILC (2006) data



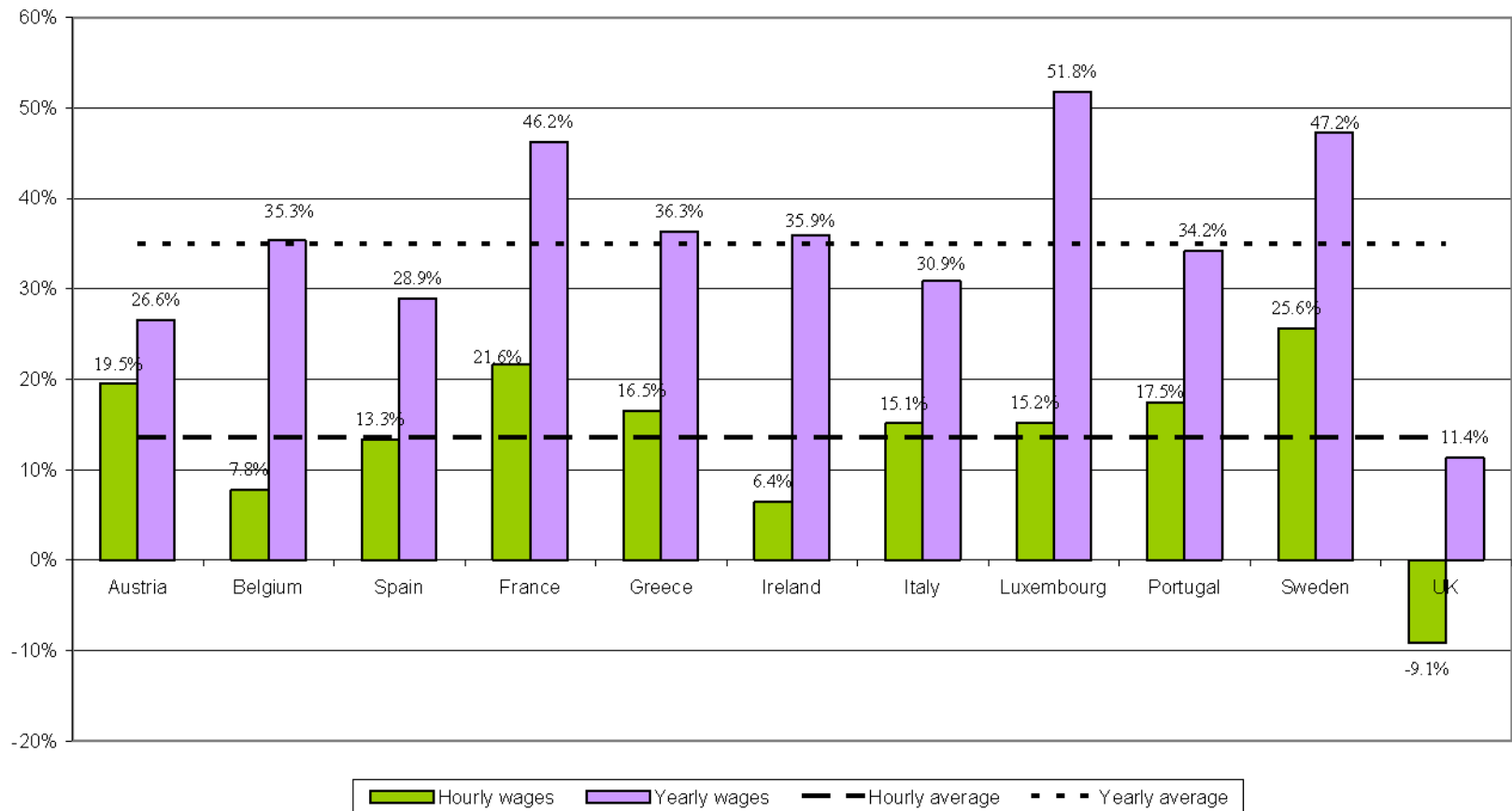
Gross wage gap by temporary employees

Gross wage gap by employees working with temporary contracts (percentage values estimated through a Mincerian wage equation). Source: elaborations on EU-SILC 2006



Net wage gap by temporary employees

Net wage gap by employees working with temporary contracts (percentage values estimated through a Mincerian wage equation). Source: elaborations on EU-SILC 2006



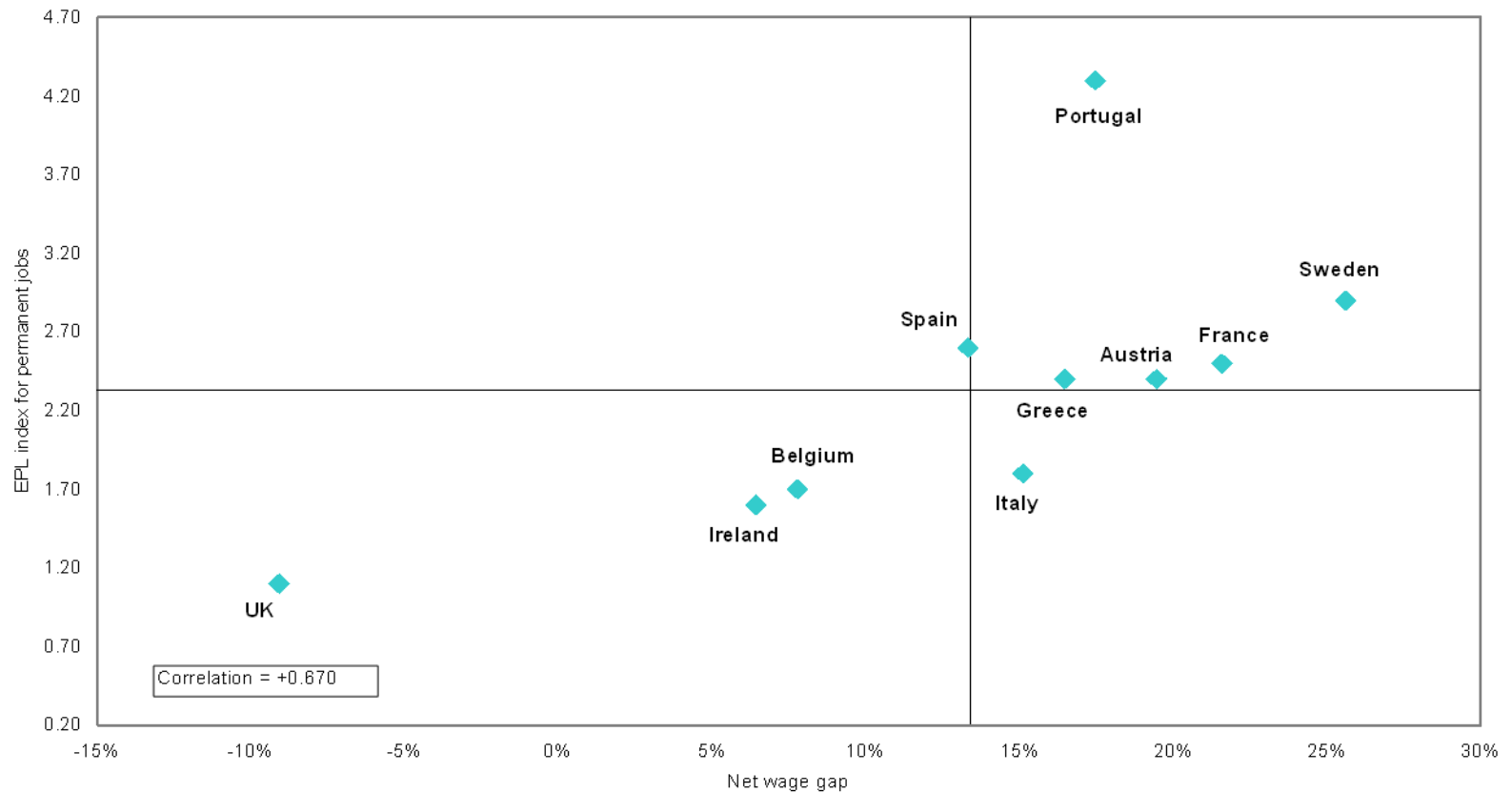
Gross wage gap and EPL

Hourly gross wage gap among temporary and permanent workers and EPL index concerning permanent jobs. Source: elaborations on EU-SILC (2006) and OCSE (2009) data



Net wage gap and EPL

Hourly net wage gap among temporary and permanent workers and EPL index concerning permanent jobs. Source: elaborations on EU-SILC (2006) and OCSE (2009) data



Is Italy following a flexicurity strategy?

- Are there flexicurity elements in the Italian labour market?
- Are Italian LM policies synchronic and mainly directed for favouring weaker groups?
- The Italian context:
 - Segmentation: gaps regarding wages and welfare guarantees (unemployment benefits and pensions). A further segmentation among temporary employees and parasubordinate workers.
 - High flexibility for outsiders.
 - A limited and very fragmented unemployment benefit system.
 - No link between passive and active policies.
 - Highly inhomogeneous ALMs, often inefficient.
- Low LLL: an effect of firms size and sectors? Creaming effects?

Some data about segmentation

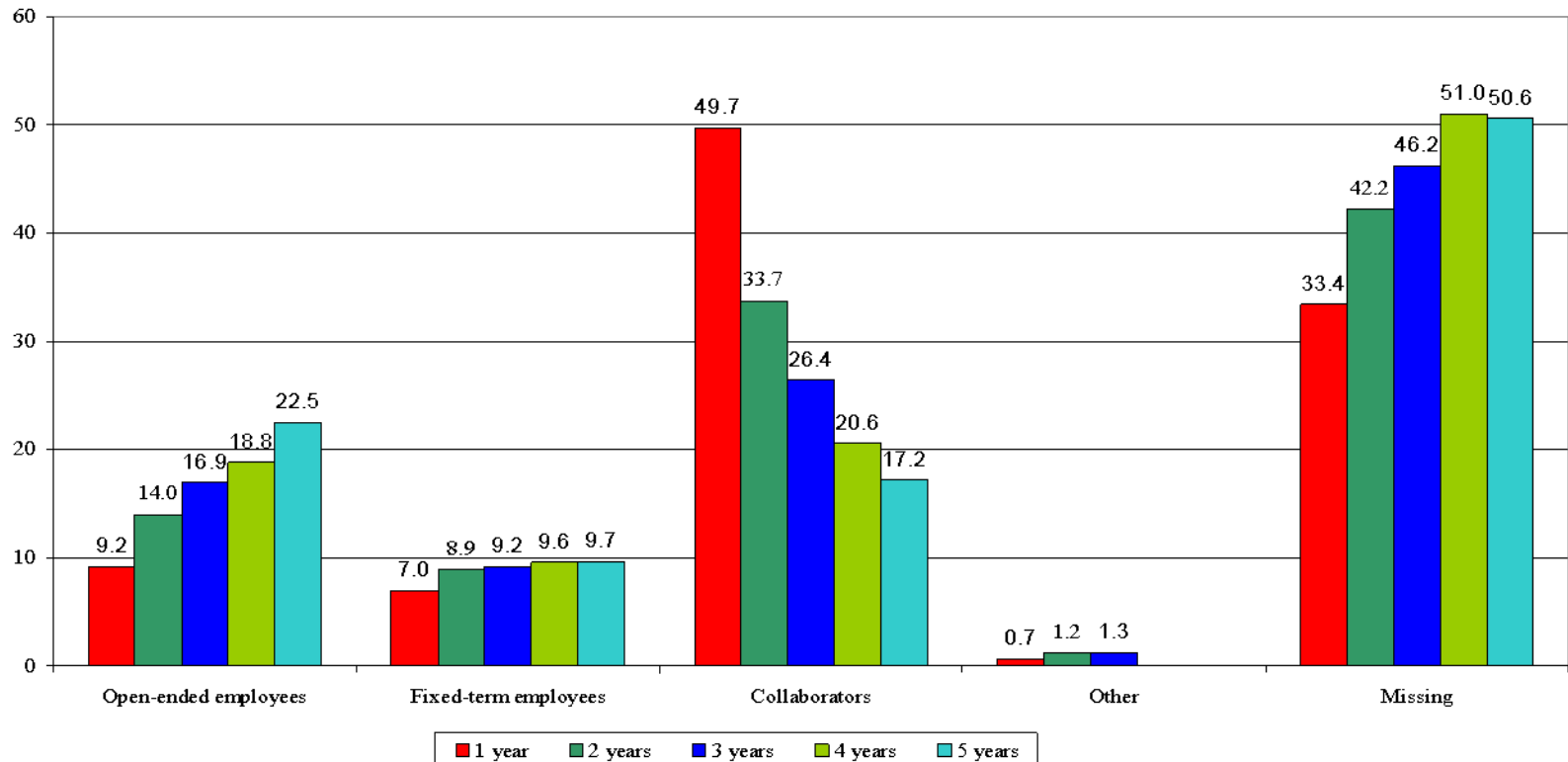
- Double segmentation: permanent vs temporary and fixed-term employees vs parasubordinate.
- Segmentation in terms of: contractual flexibility; welfare guarantees, wages, unemployment risks, access to credit.
- Opinion surveys show a wide sense of insecurity, even if the share is in line with EU average.
- Possible explanations of this paradox:
 - A high increase in few years without an increase of security (i.e. a risk shift): from 6.2 in 1992 to 13.2 in 2007.
 - A risk concentrated on specific groups (young and often tertiary graduated).
 - The emergence of a sort of trap.
 - Parasubordinate workers are not included in international data.
 - Decrease in EPL without an increase on the security side.

Is there a true segmentation?

- Is it transitory belonging to the disadvantaged status?
- Segmentation has to be studied dynamically.
- First studies confirm the existence of a trap for someone.
- Who is trapped?
- The need for observing medium run transitions.
- The use of INPS administrative data.
- The INPS sample: individuals born in 4 data and enrolled in INPS funds.

5 cohorts of collaborators' transitions

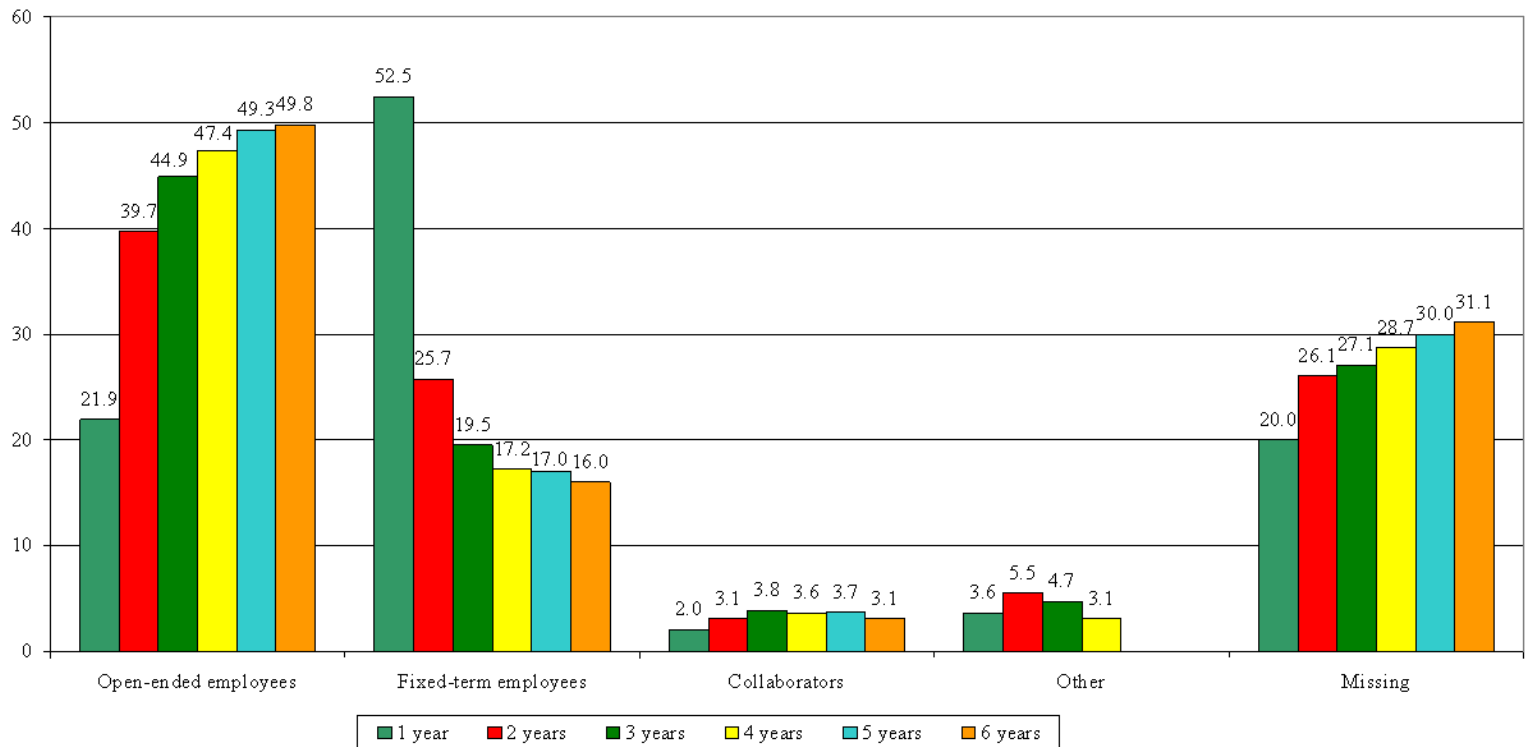
Fig. 3.1: Destinations of workers entered for the first time in the workforce as "pure collaborators" in the period 1999-2003 by years distance of their entry in the workforce.
Source: elaborations on INPS data



6 cohorts of fixed term employees' transitions

Fig. 3.4: Destinations of workers entered for the first time in the workforce as fixed-term employees in the period 1998-2003 by years distance of their entry in the workforce.

Source: elaborations on INPS data.



Are permanent workers not vulnerable?

Table 3.13. Destinations of workers that joined the workforce in 1998 as open-ended employees; age group in 1999: 15-39. Annual status observed on December 31st. Sample size: 5,623 observations.

	1999	2000	2001	2002	2003	2004
Open-ended employees ¹	65.3	59.5	56.9	54.5	53.3	51.4
Fixed-term employees ¹	12.1	10.9	12.1	12.5	11.9	12.6
Collaborators	0.6	1.1	1.5	2.0	2.5	1.9
Other	1.4	2.7	3.7	4.6	4.9	n.a.
Missing	20.7	25.8	25.8	26.4	27.4	34.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

¹ Employees working in the private sector. Source: own computation on INPS data

Some policy suggestions

- Paradox of lower guarantees for individuals facing higher flexibility risks.
- Risk shift from firms to individuals without a higher involvement by the state.
- Biased incentives to firms that limit a new productive specialization?
- Which are the effects on productivity?
- The idea of flexinsurance (Tangian, 2006).
- The “single contract” proposal (Boeri, Garibaldi, 2007): some evaluations.
- Is the Danish experience replicable in Italy?

Towards the Danish model? Italian peculiarities...

- ✓ Different social capital (Algan, Cahuc).
- ✓ Different productive system.
- ✓ Are ALMPs needed in traditional sectors?
- ✓ Spending constraints.
- ✓ The effect of black economy.
- ✓ Territorial disparities.
- ✓ The uncooperative climate among social partners.