

Flexicurity: Lessons for Spain

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Flexibility and security in Denmark

- Security for people not for jobs:
 - It is not a way to decrease the amount of transitions from employment to unemployment (firms' flexibility for hiring *and firing*).
- Active labour market policies to promote easy and fast transitions from unemployment to employment (with an increasing intensity related to unemployment duration).
- Relatively generous passive labour market policies but very focused in specific groups.

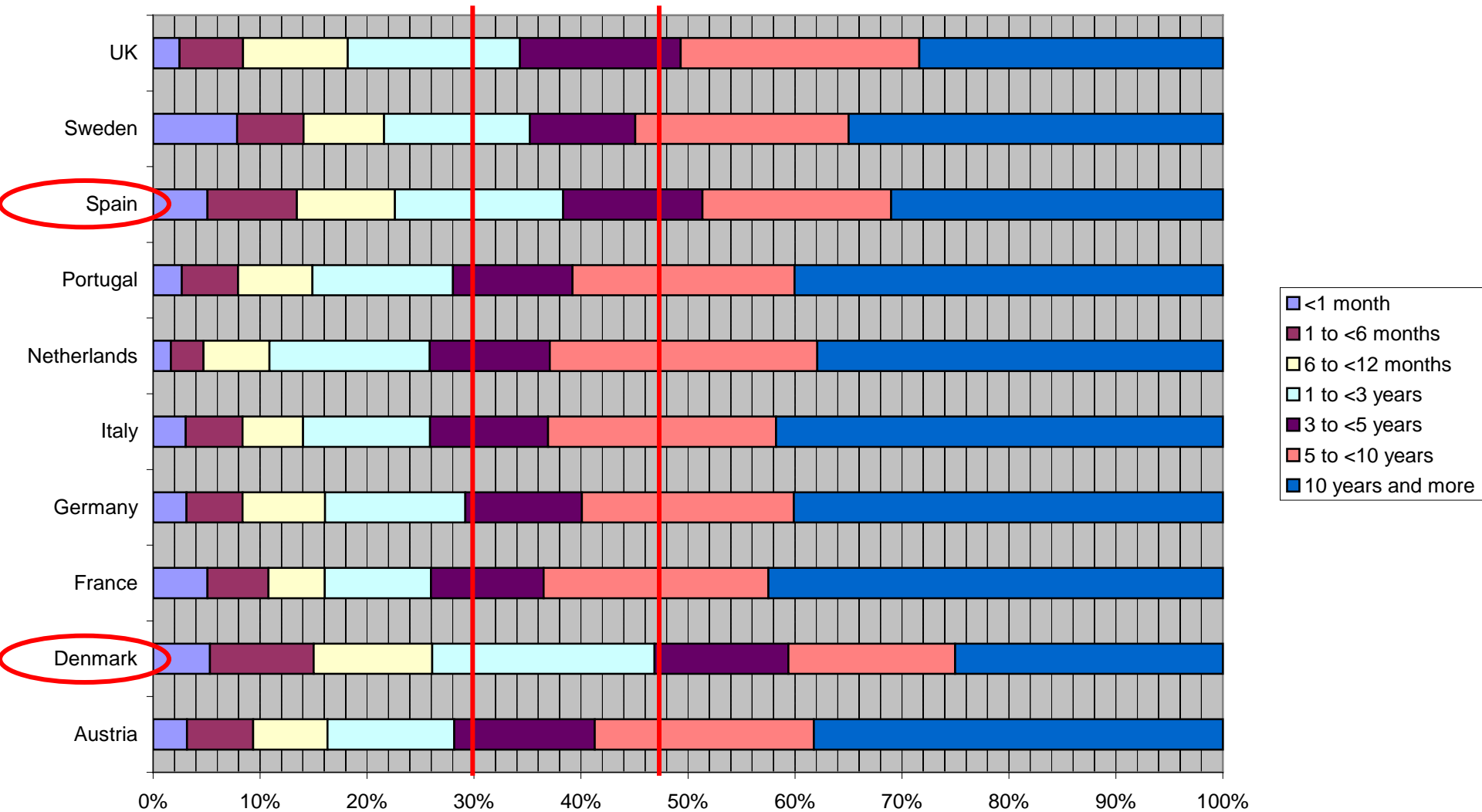
Legal regulation behind Danish flexicurity

- Danish Labour Law is based on a basic principle: the employer has the right to decide on production factors, including labour (key implications for firing).
- There is a contract system based on increasing severance payments with seniority.
 - Strictly, this system only covers white collar workers. [Only these workers have the legal right to file a suit against the firm because of unfair dismissal. There are additional severance payments in case of unfair dismissal (related with seniority and age.)]
 - But blue collar workers are covered because of a general agreement between unions and employers.

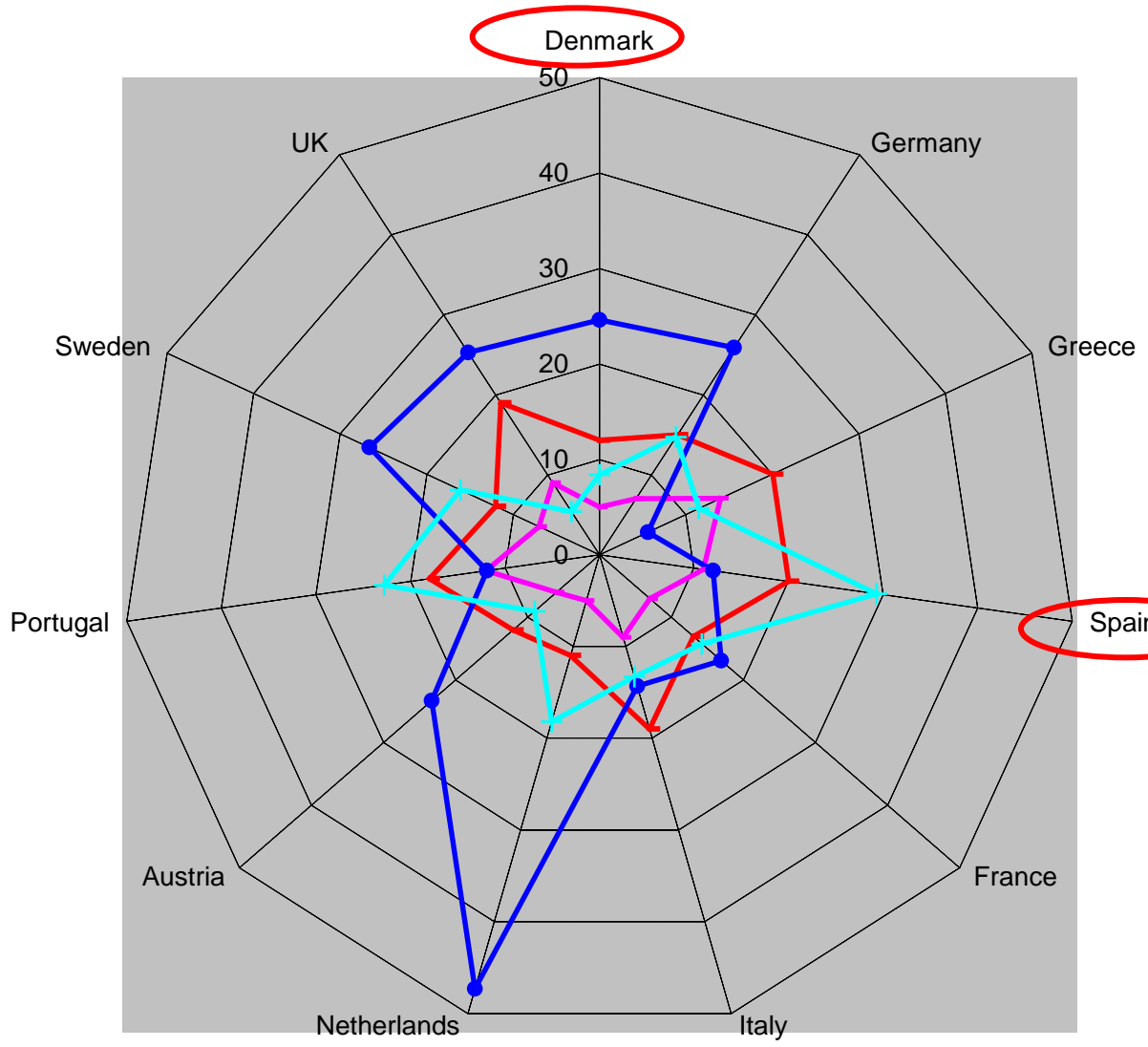
Flexibility with less negative effects?

- Usually, the most reknown characteristics are:
 - flexibility of dismissals for regular workers (including relatively lower severance payments)
 - the design of contracts (increasing severance payments with seniority).
- However, it is very important the “normalisation of atypical work” (i.e., atypical work and a higher level of transitions are not strictly linked with precariousness).

Distribution of workers by seniority levels (LFS, 2008)



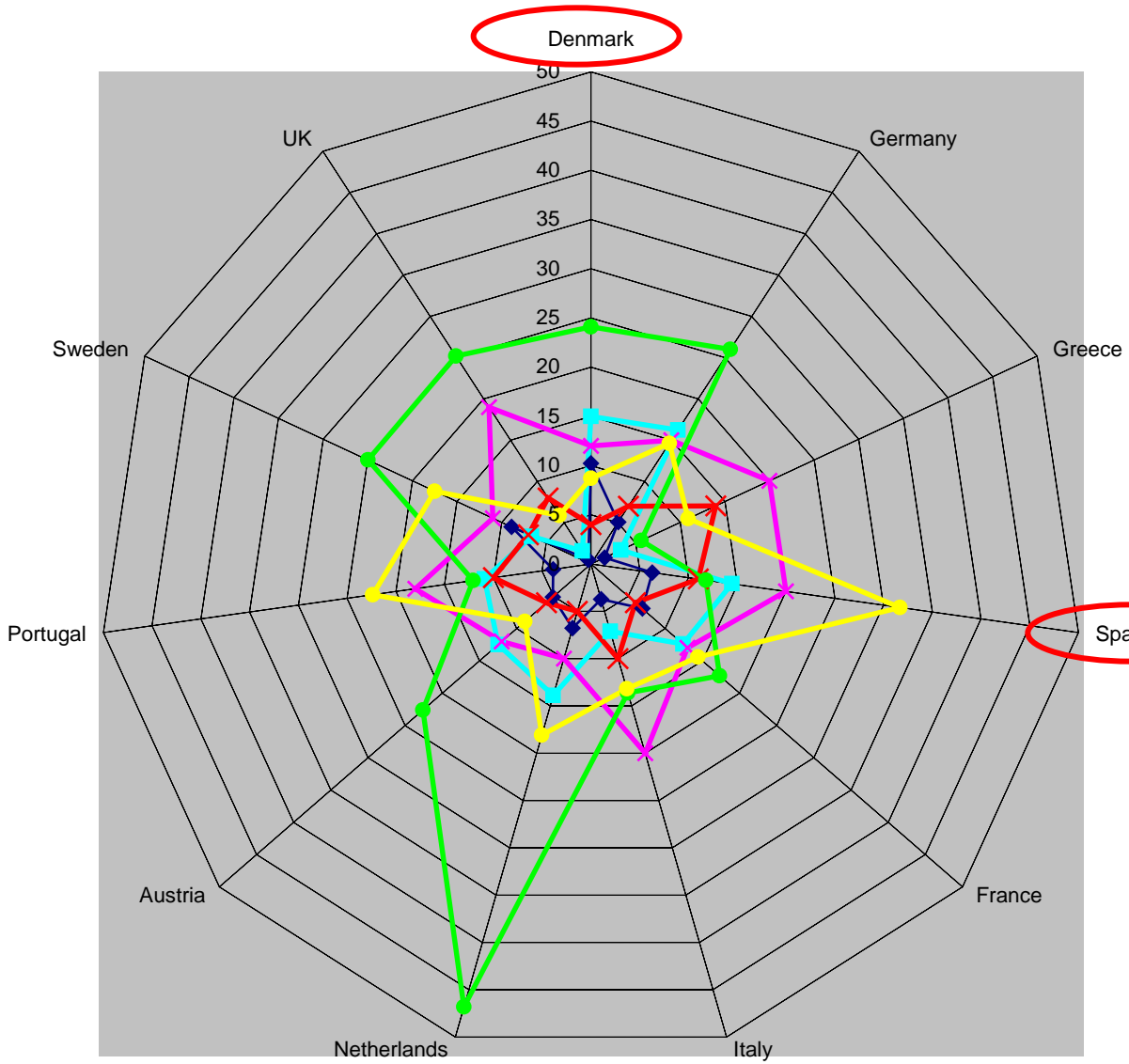
The importance of lower seniority levels is much higher in Denmark than in the rest of these European countries (even Spain), but...



Correlations (2005-2008):

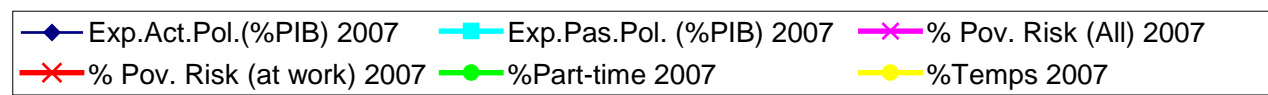
- Part-time x Pov. All: -71,2%
- Part-time x Pov. Work: -75,6%
- Temps x Pov. All: 21,0%
- Temps x Pov. Work: 28,0%

— % At Poverty Risk (All) 2008 — % At Poverty Risk (at work) 2008 —●— % Part-time 2008 —+— % Temps 2008

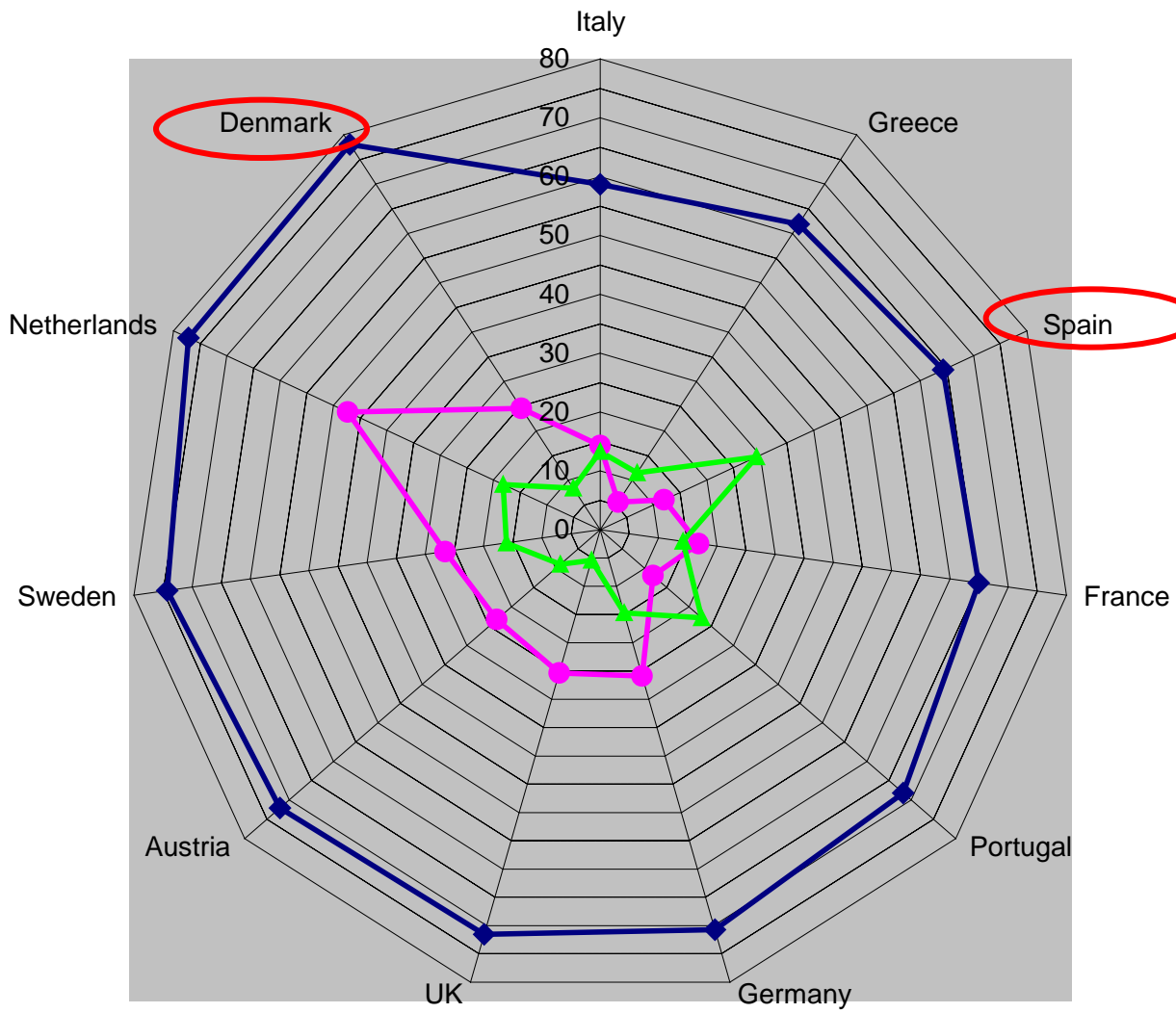


Correlations:

Activ.xPov. (All):	-72,8%
Activ.xPov. (Work):	-64,9%
Pasiv.xPov. (All):	-46,2%
Pasiv.xPobr. (Work):	-51,0%
Activ.xPart-time:	35,5%
Activ.xTemps:	23,9%
Pasiv.xPart-time:	31,1%
Pasiv.xTemps:	39,6%



Note: Expenditures in policies multiplied by 10, for scaling purposes



Correlations (1997-2008):

- Empl.Rate x Part-time: 72,5%
- Empl.Rate x Temps.: -28,7%
- Part-time x Temps.: -24,1%

◆ Employment rate 2008 ● %Part-time 2008 ▲ % Temps 2008



- On one hand, flexibility means more transitions and lower seniority.
- On the other hand, there are different forms of flexibility (better results linked with part-time employment than with temporary contracts).
- The main lesson of Danish flexicurity consists of *normalising atypical work* (Bredgaard et al., 2009)

And Spain?

- Probably, Spain obtains some of the worst results, combining high flexibility and high precariousness.
- Spanish flexibility is based (almost exclusively) on temporary contracts, leaving aside working hours adjustments.
- Although we spend a lot in labour market policies, we have a relatively lower intensity in active labour market policies.
- We have a lot of transitions, security based on the job and not in employment, and lower and different expenditures in labour market policies.

Towards flexicurity (1)

- Some key elements to move from “flexi-precariousness” to “flexicurity”:
 - We need a different combination of severance payments and unemployment benefits:
 - Re-building the dismissal system.
 - Relating unemployment contributions with dismissal behaviour of the firm (in general, separation behaviour in order to include temporary workers).
 - We need to promote working hours adjustments instead of dismissals.
 - We need to increase the weight of active labour market policies, preventing long-term unemployment.

Towards flexicurity (2)

- Some additional lessons on flexicurity from other European countries:
 - In general: The worst results are obtained with high temporality rates **and** low proportions part-time employment.
 - Netherlands:
 - A 'high' temporality rate is not necessarily a basic obstacle to flexicurity.
 - A 'complex' dismissal system is not necessarily a basic obstacle to flexicurity. But maybe fast resolutions of labour courts are responsible of not being an obstacle.
 - Austria:
 - Ex-ante determination of severance payments is probably a good solution to some key problems.
 - The marginal cost of an additional dismissal is zero and this will be a problem when firms are used to rely on dismissals (possible solutions: experience rating systems of unemployment contributions, additional requirements for collective dismissals, etc.)

Towards flexicurity (3)

- Anyway, going to a flexicurity system needs a whole set of coherent changes affecting key elements of the regulation of the labour market.
- And the international experience shows that different options are possible.