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**Flexicurity and active labour market  
policies during the crisis  
Issues at stake**

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# Outline

- Short presentation of the book *Unemployment benefit systems in Europe and North America: reforms and crisis*
- Why do ALMP(active labour market policies) mostly fail in providing security for employees?
- Why does Flexicurity lose all credibility in the recession context?
- What are the real shock absorbers of the recession?
- Why the crisis could be an opportunity for an alternative strategy within the EU?



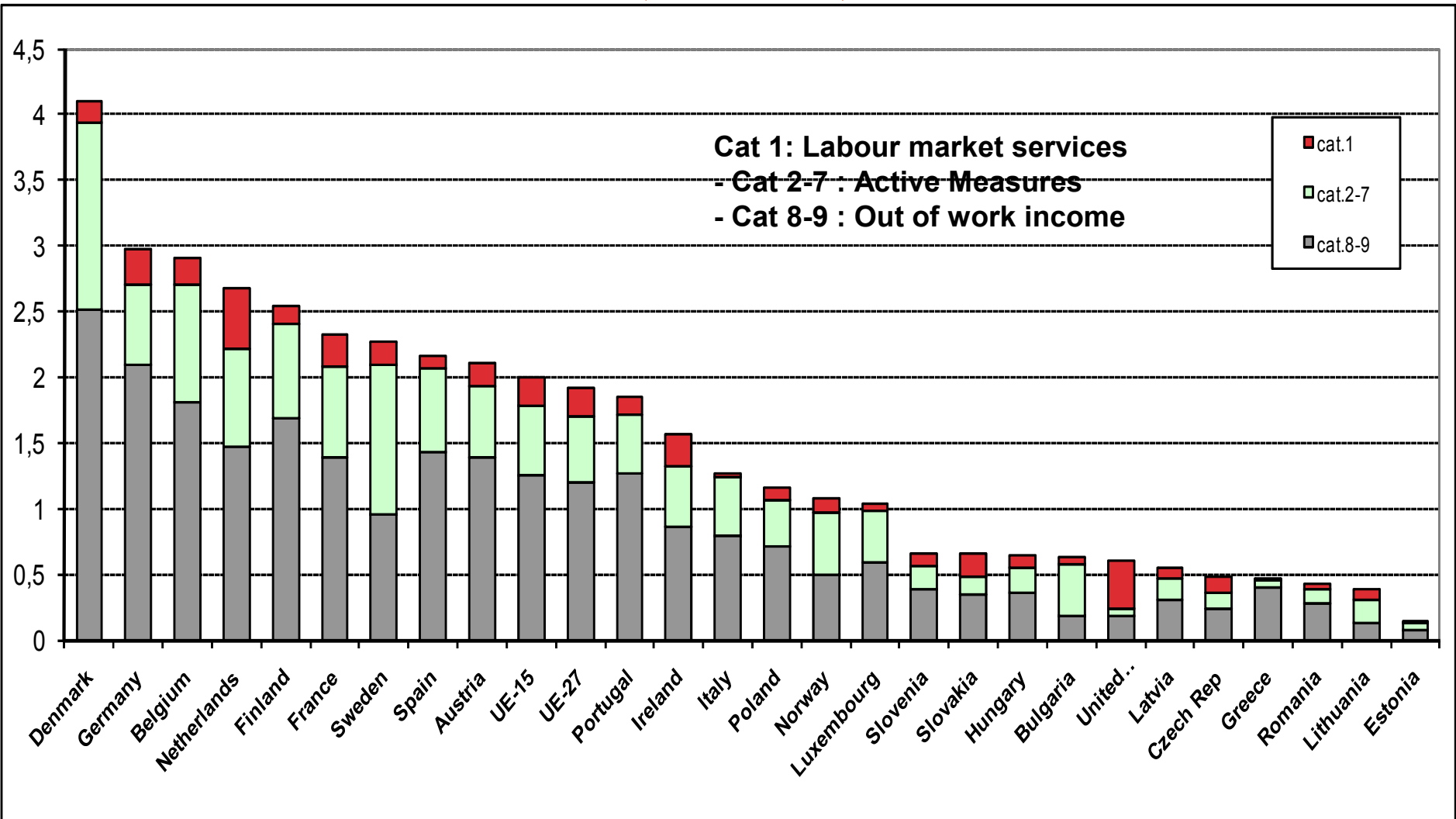
# Unemployment benefit systems in Europe and North America: reforms and crisis

## ETUI-IRES, March 2010

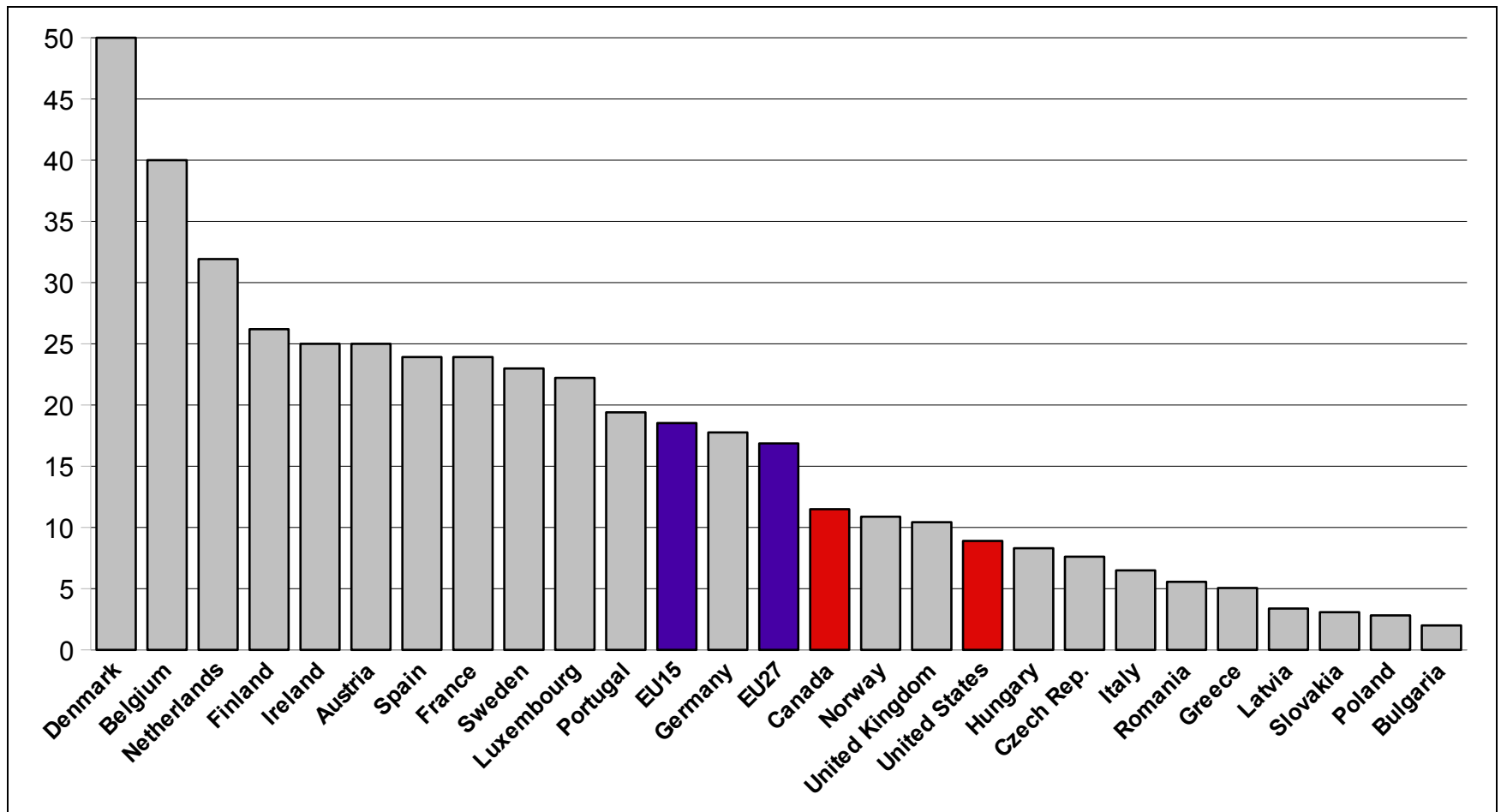
- Paradox: a lack of knowledge concerning a major institution of social protection
- 14 EU countries + USA and Canada
- National unemployment benefit institutions (job placement-benefit payment, links with ALMP, connection with other welfare regimes, social actors' involvement, role of State/local authorities...)
- Ongoing reforms and issues at stake

# LMP expenditure in % GDP, 2006

(Eurostat)

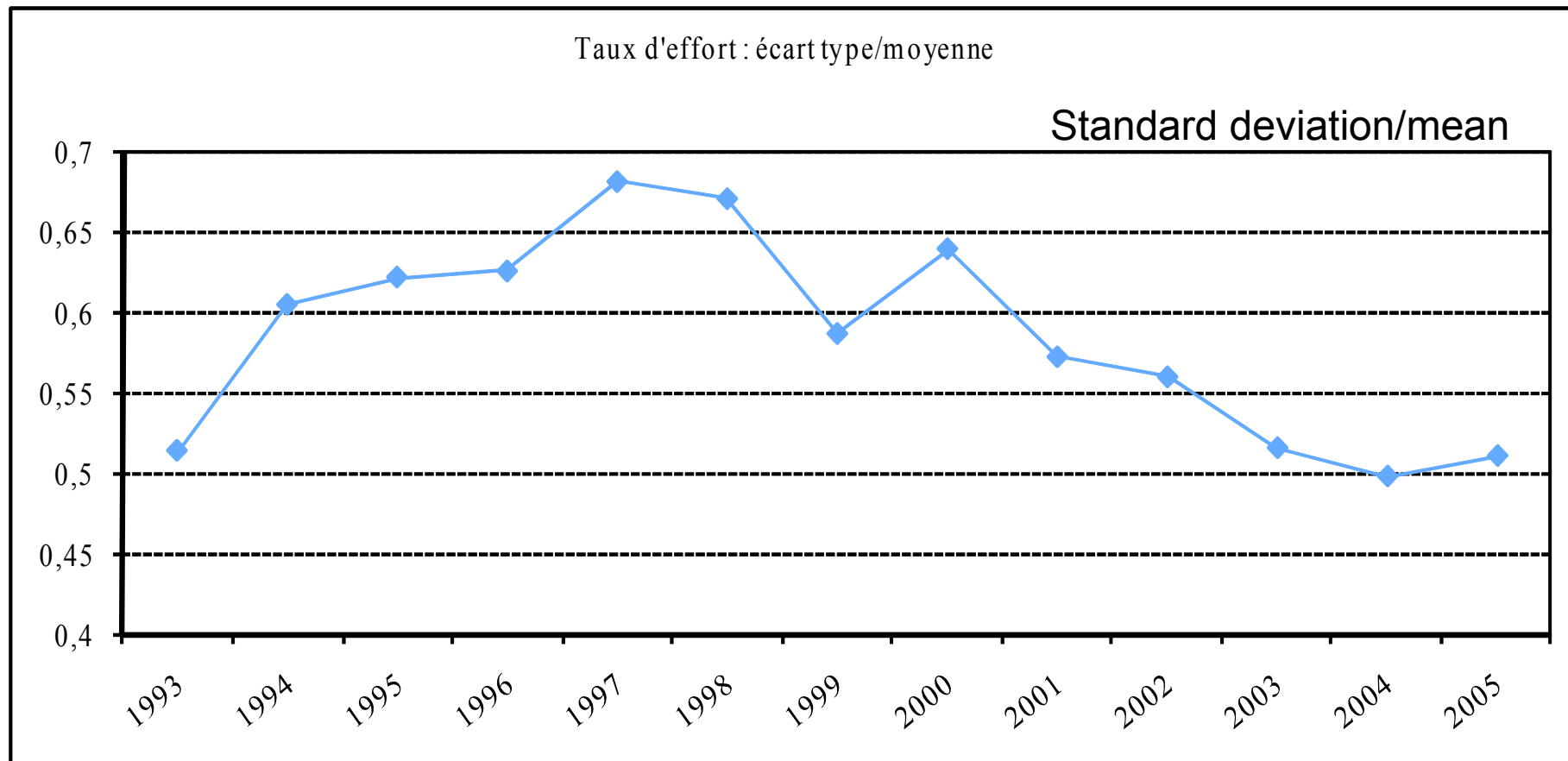


# Spending on unemployment benefit: Unemployment expenditure as% GDP/Unemployment rate



ESSPROS- Eurostat, SOCX-OCDE (for the USA and Canada)

# Is spending on unemployment benefit converging in the EU-15?



# A strong negative correlation between the unemployment effort and the unemployment rate fluctuations (1990-2005)

|   |       |              |       |
|---|-------|--------------|-------|
| Union européenne (25 pays)<br>2000-2005         | -0,56 | Finlande     | -0,24 |
| Union européenne (15 pays)                      | -0,29 | Italie       | -0,19 |
| Irlande   | -0,94 | Espagne      | -0,18 |
| Grèce   | -0,93 | Danemark     | -0,07 |
| Allemagne (incluant l'ex-RDA<br>partir de 1991) | -0,93 | Portugal     | -0,03 |
| Belgique  | -0,88 | Norvège      | 0,75  |
| France  | -0,83 | Royaume-Uni  | 0,82  |
|   |       | Pologne      |       |
| Suède   | -0,68 | 2000-2005    | -0,34 |
|   |       | Rép. tchèque |       |
| Autriche  | -0,53 | 1998-2005    | -0,14 |
|   |       | Slovaquie    |       |
| Luxembourg (Grand-Duché)                        | -0,38 | 1998-2005    | -0,68 |
|   |       | Estonie      |       |
| Pays-Bas  | -0,35 | 2000-2005    | -0,55 |



# A pro-cyclical effect mainly occurs in the EU

The restrictive budgetary policies led to limit the spending on unemployment benefit while unemployment becomes massive...  
EU unemployment benefit systems have no counter-cycle effect...

# Main results

- Significant disparities remain between countries (and categories of working people) regarding the quality of the cover against unemployment risk
- But changes and reforms confirm the contraction of the scope of unemployment social assurance: tougher eligibility criteria, reduction in benefit amounts and entitlement periods, tighter controls by the public employment services...
- Transfer onto others social regimes (incapacity, early-retirement, income support...)
- Activation process is often the gateway to low quality jobs, with a strong legitimation for vulnerable people...

# Why ALMP (active labour market policies) mostly fail to provide security for employees?

- ALMP have been largely dominated by the dogma of increasing the labour force participation and therefore are insufficiently related to the quality of job issue. They participate to the LM segmentation and working poor enhancing process
- ALMP (including unemployment benefit) have no real counter-cyclical effect...The recession makes subsidized jobs rare

# Why is flexicurity concept ill-adapted to the recession?

- Is it even well-adapted to a healthy growth? (more an oxymoron than a strategy, now widely criticized by the research community...)
- Some country cases highlight the magnifying effect of flexibility on employment. Spain : unemployment rise is positively correlated with the fixed-term jobs share
- Denmark (unemployment rate doubled), flexicurity faces limits. Unions negotiate job stability instead of mobility

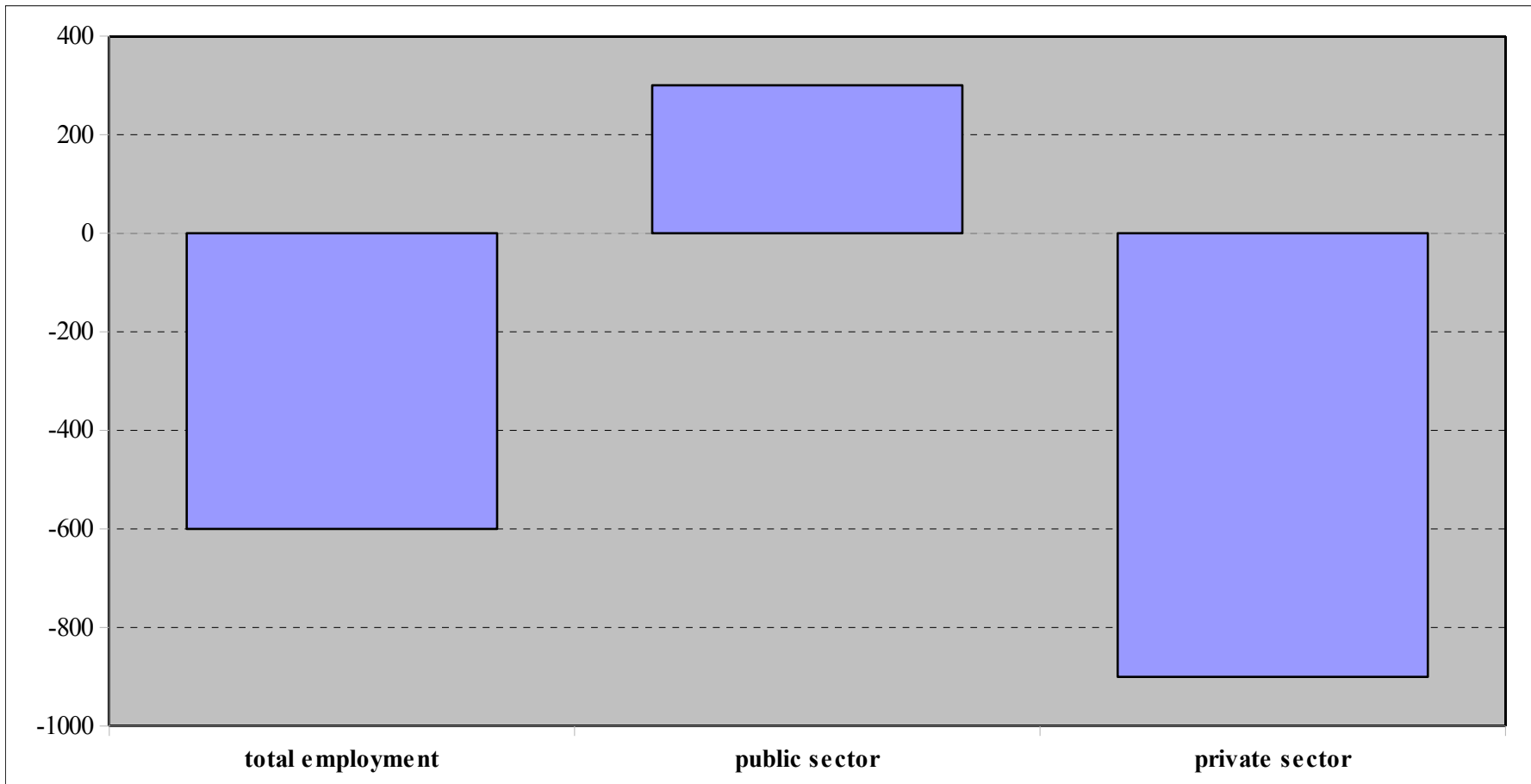
# GDP, employment, and unemployment during the crisis

|         | Variation 2009Q4/2008Q1 (GDP and Employment in %, Unemployment in percentage points) |            |              |
|---------|--|------------|--------------|
|         | GDP  | Employment | Unemployment |
| Germany | -5,6   | +2,0       | -0,1         |
| Denmark | -5,4   | -3,6       | +3,9         |
| Spain   | -4,6   | -8,6       | +9,7         |
| France  | -2,4   | --1,4      | +2,4         |
| UK      | -6,0   | -2,0       | +2,5         |
| USA     | -1,5   | -4,7       | +4,6         |

# What are the shock absorbers within the recession?

- The German case says a lot about the remaining capacity of *insiders* to limit the job reduction by negotiating part time benefit new regulation...
- Public sector plays also a role in limiting the employment decrease. See the UK next slide
- As part of the EU social model, social protection systems contribute to support consumption and maintain relative social cohesion...but strongly called into question by the public deficit increase

# Employment variation in the UK, June 2008 to June 2009 (in thousands)



Labour Force Survey

# Is there any coherent and coordinated strategy at the EU level?

- Since now, recovery plans have been launched at each national level
- Every country tries to limit its own loss of competitiveness and achieve unequal performance in terms of employment and unemployment, within a context of very weak growth
- Wage pressure and low standards competition within the EU can be a realistic scenario
- The Greek « recovery plan » as a bleak evidence of the EU lack of strategy...Who's next on the list?

# The crisis as opportunity to promote an alternative strategy

- Capabilities and security for employees in their career paths could be more relevant concepts for public employment policies than ALMP of Flexicurity
- Back to the most competitive knowledge economy...Sustainable growth based on RandD, social investments and collectively defined needs
- The Lisbon strategy reorientation should be linked to a new policy mix (budgetary and monetary policies) and cannot ignore income policy