Policymakers all over Europe are facing a crucial challenge: to regulate a rapidly evolving labour market in the context of the globalized economy.

Will they listen to calls for greater flexibility: reducing employment protection and legislation, union bargaining power, generous welfare systems and high labour taxation? Or can they place their trust in a bargained “flexicurity” model: new ways of balancing flexibility, stability and security in relation to employment, income and social protection? “Flexicurity” is one of the main issues to be discussed at the forthcoming European Regional Meeting of the ILO in Budapest on 14 to 18 February.

Research by the ILO and others refutes the claim that, as labour markets become more flexible, stable jobs are becoming a thing of the past. In the industrialized world, at least, the employment relationship is more stable than is commonly assumed, even if there is at the same time a rise in more flexible forms of employment.

And there are several countries in Western Europe which have balanced stability, flexibility and security in a way that has allowed them to achieve a large quantity of jobs without sacrificing job quality. These countries have the highest employment rates (including youth employment), low unemployment, high rates of participation by women in the labour market, a good record in relation to the transformation of temporary into permanent jobs, and among the best records of job quality and perceived security.

By contrast, the Central and Eastern European countries have experienced strong movements in their labour markets, owing to the accelerated pace of job elimination in the wake of transition and the limited scope of job creation in the formal economy. While the share of traditional forms of flexible employment, such as fixed-term and part-time jobs, and even self-employment, has remained fairly stable, there has been a rise in employment based on non-labour contracts or work performed without a contract.

Especially the new EU Member States are seeking more stability and security, to encourage employers to invest more in human capital in order to boost productivity and competitiveness. In contrast, other countries in this region still need to promote more flexibility and adaptability, for both enterprises and workers, and to better balance them with security.

Each country in Europe and Central Asia will have to consider a wide choice of policy options for creating labour markets which offer flexibility, stability, and security. In this respect, social dialogue is undoubtedly the best tool for testing the acceptability and efficiency of the proposed changes and securing broad support for them.

**Facts**

- Some of the larger countries, such as Germany and Italy, have experienced a growth in more flexible forms of employment, while in France, Spain and the United Kingdom, the growth of flexibility has been outpaced by the growth of “standard” forms of employment.

- Countries like France, Germany, Greece, Italy and Spain, appear to have lower employment rates than the more “flexible” countries such as Denmark, Finland or the Netherlands. While this may stem from many factors, including women’s employment rates and the sectoral distribution of employment, flexibility also plays a role.

- “Flexible” countries have high employment rates for youth as well as a high rate of transformation of temporary jobs into permanent jobs. Over a period of three years, around 65 per cent of temporary jobs in Denmark and 55 per cent in the Netherlands were transformed into permanent jobs.

- While the use of fixed-term contracts has increased in the majority of Central and Eastern European countries, their share is still much lower than in EU countries - well below 10 per cent of total employment.

- Between 1992 and 2002, average job stability in Europe increased slightly from 10.5 to 10.6 years, ranging from slightly more than 8 years in the UK to almost 12 years in Greece. In the same year (2002), average job stability in the United States was just over 6 years.
The role of the ILO

The work of the ILO in the field of employment policy is guided by the ILO’s Global Employment Agenda for the pursuit of Decent Work for All. The main goal of the Global Employment Agenda is to contribute to increasing productive employment and improving the quality of employment, by placing employment at the heart of economic and social policies.

Through experience and lessons drawn from policy advice and technical cooperation, and by highlighting good national or regional practices, the ILO contributes to the further elaboration and improvement of the Global Employment Agenda and its implementation at the national and regional levels.

Of course, there is no single optimal institutional setting for any specific country, since all countries differ in terms of national experience, culture and circumstances. Each country must therefore consider a wide choice of policy options for creating labour markets which offer stability, flexibility and security (in short “flexicurity”). In this respect, social dialogue is undoubtedly the best tool for testing the acceptability and efficiency of the proposed changes and securing broad support for them.

“Flexicurity” requires high employment rates. Without competitive enterprises which are able to adjust their workforces to market conditions, employment performance will be poor. However, high levels of labour market flexibility per se cannot solve the unemployment problem, unless workers enjoy sufficient employment and income security – provided by a core of stable jobs and secured transitions between jobs – to motivate them to accept the changes which are linked to increasing globalization.

For more information:
www.ilo.org/public/english/employment/strat

Relevant Convention
ILO Employment Policy Convention, 1964 (No. 122)