

Measures of flexicurity secure employment

Dr. Hartmut Seifert

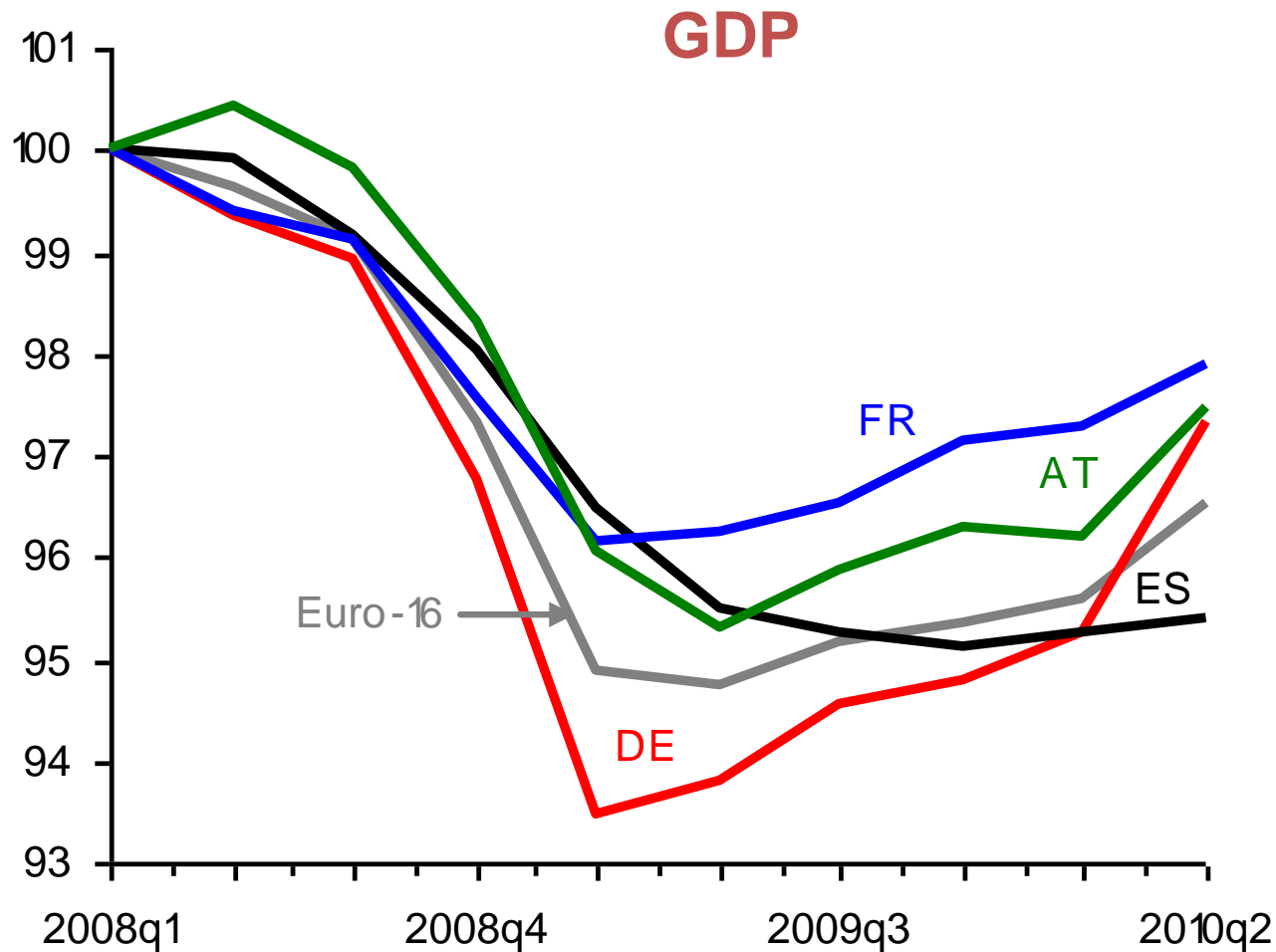
Seminar: The implementation of flexicurity
and the role of social partners

Lisbon, 9 & 10 December 2010

The Message

Internal flexibility helped to protect employees from dismissals during the crisis. In exchange to concessions on income and working hours employees gained stability. This strategy, mainly based on Pacts for Employment concluded by the social partners, can be regarded as flexicurity. But employment stability affects mainly core workers, peripheral workers such as temp agency workers serve as a buffer and labour market segmentation deepens.

The Great Recession¹



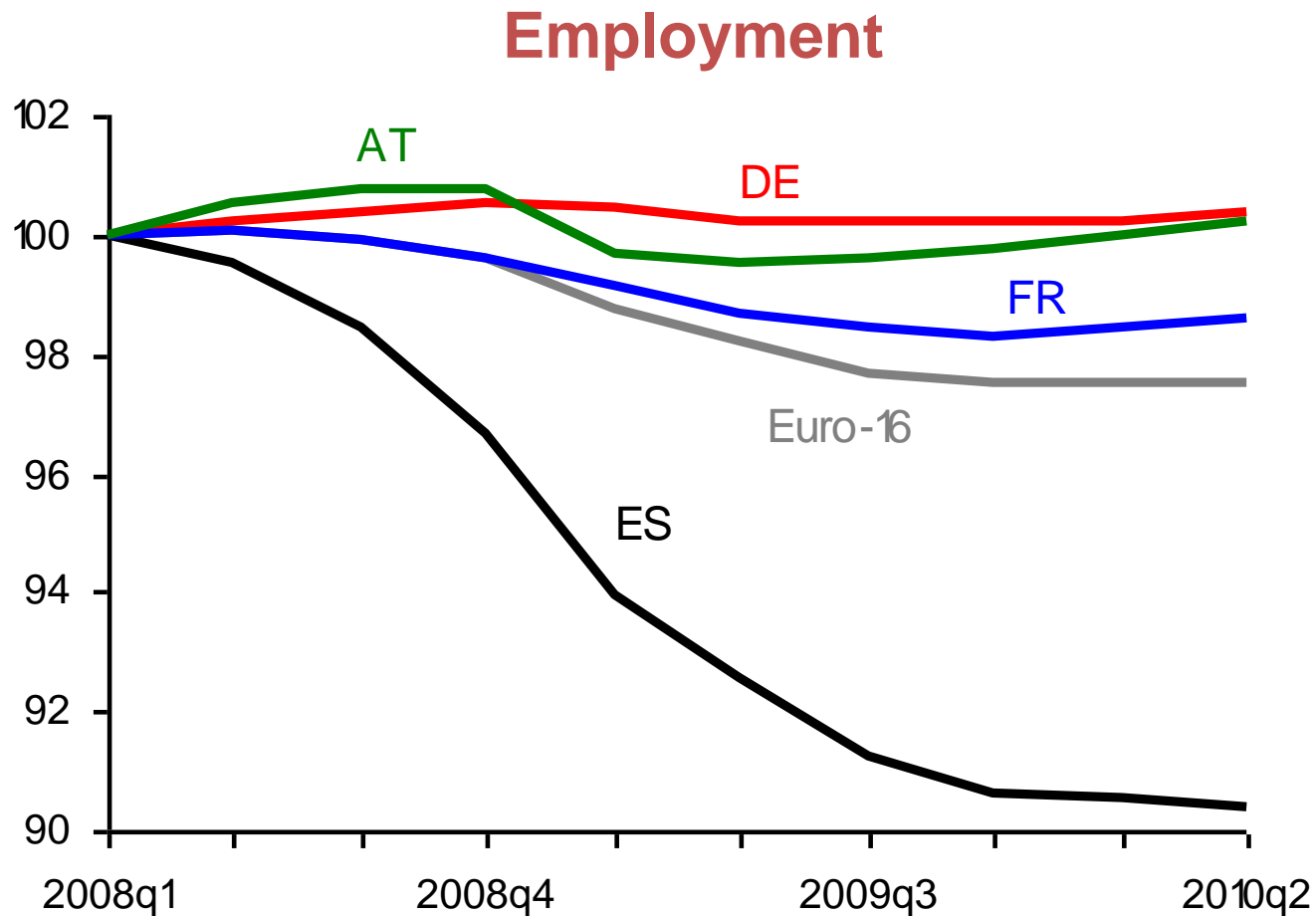
¹ Index Business cycle peak = 100; seasonally and calendar adjusted.

AT = Austria, DE = Germany, Euro-16 = Euro area (16 Countries), ES = Spain, FR = France.

Source: Statistisches Bundesamt; Eurostat; authors own calculation.

Dr. Hartmut Seifert

The Great Recession¹



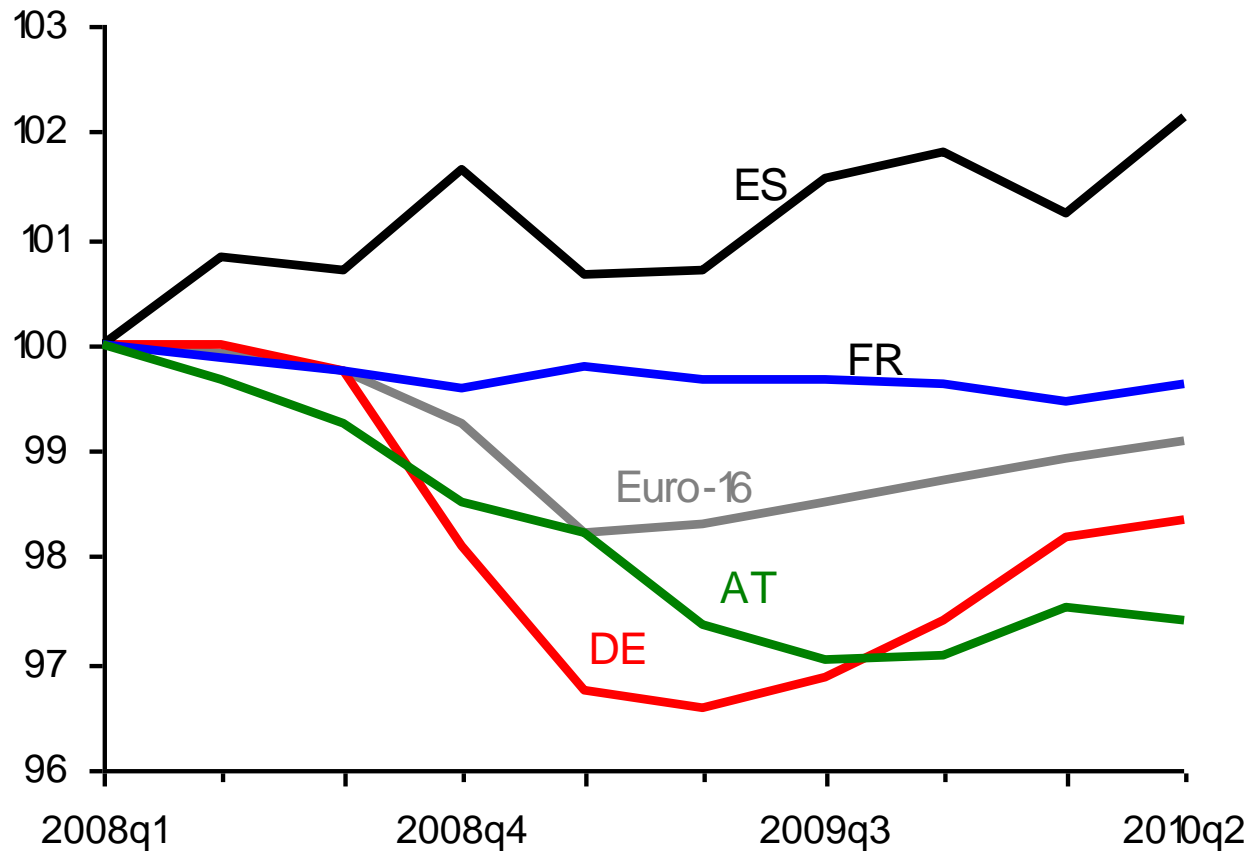
1 Index Business cycle peak = 100; seasonally and calendar adjusted.

AT = Austria, DE = Germany, Euro-16 = Euro area (16 Countries), ES = Spain, FR = France.

Source: Statistisches Bundesamt; Eurostat; authors own calculation.

The Great Recession¹

Working hours per employee



¹ Index Business cycle peak = 100; seasonally and calendar adjusted.

AT = Austria, DE = Germany, Euro-16 = Euro area (16 Countries), ES = Spain, FR = France.

Source: Statistisches Bundesamt; Eurostat; authors own calculation.

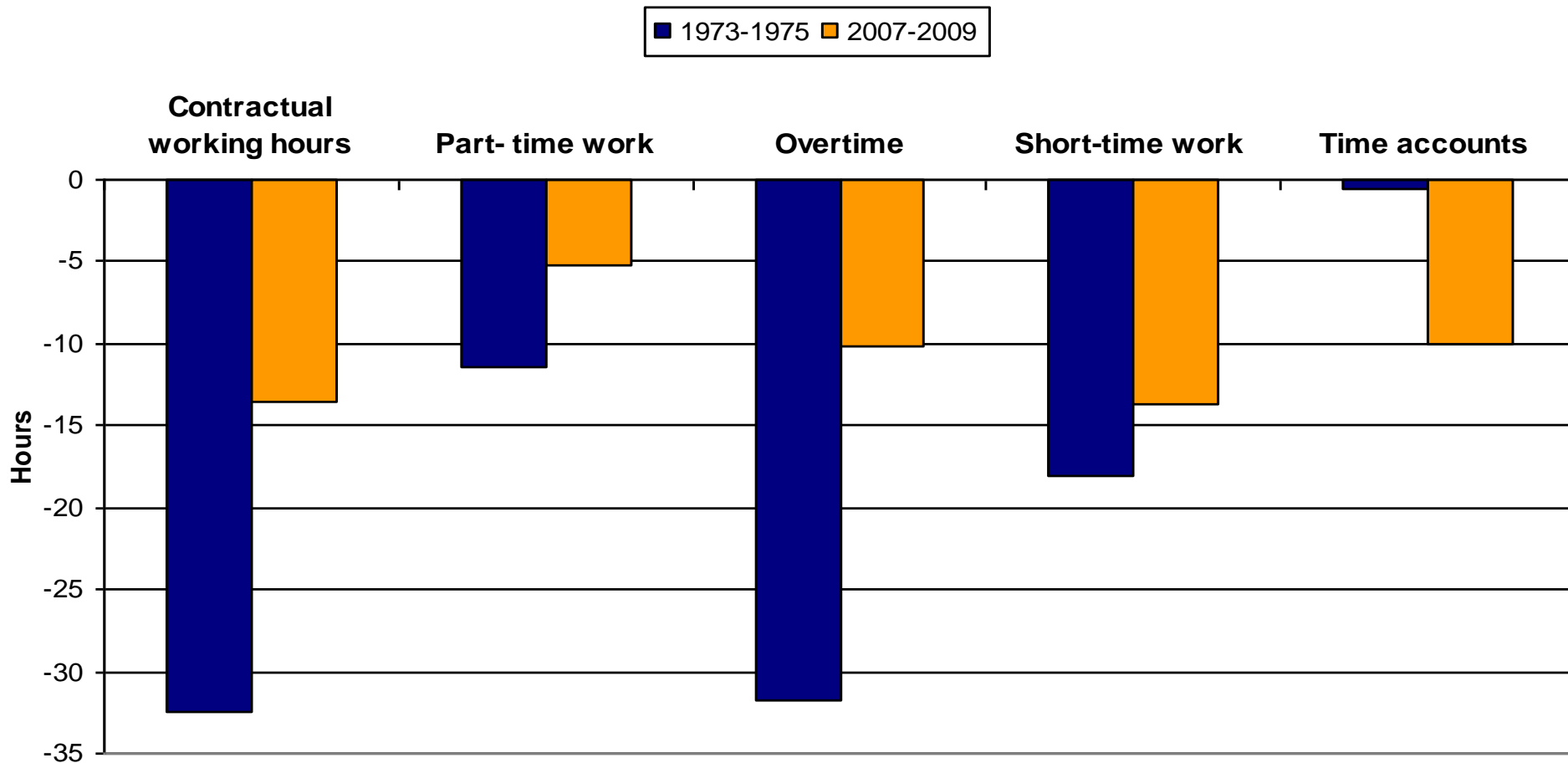
Pacts for employment

- So-called pacts for employment usually imply that workers agree to working time reductions, wage restraints or even wage shortages. In exchange they are guaranteed job stability = **flexicurity**.
- 70% of establishments hit by recession (with works councils and more than 20 employees) concluded pacts.

Working time reductions during recessions

- Traditional measures
 - reducing overtime
 - short-time work schemes (publicly subsidised)
- New measures based on collective agreements
 - reducing time credits on working time accounts
 - accumulating time debts on working time accounts
 - using working time corridors

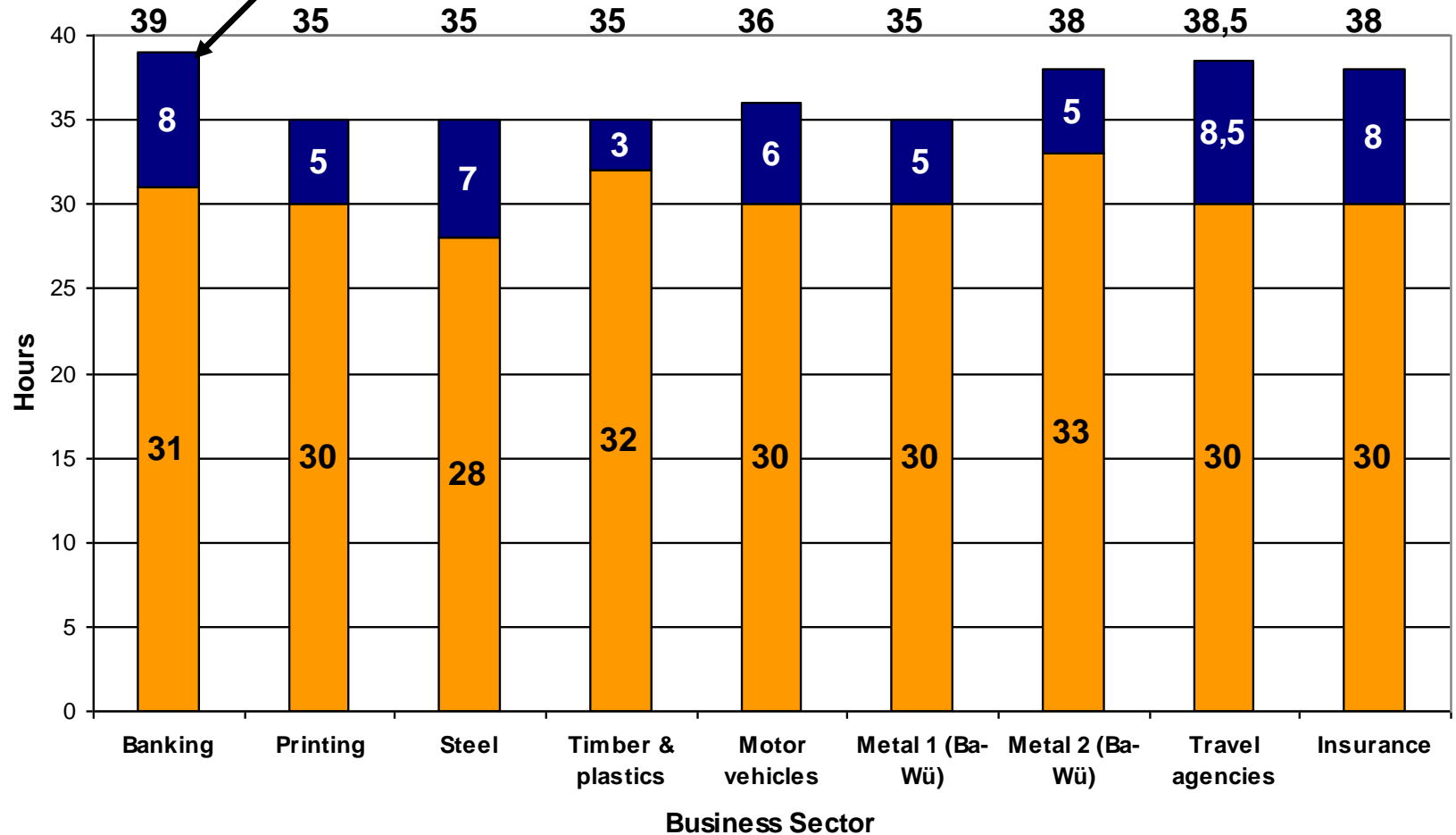
Change of working hours in recessions (per employee)



Scope to reduce contractual working hours

Contractual working time

Max. possible deviation of contractual working hours



Range to adjust contractual working time

Industry	Contractual hours	range (hours)
Chemicals	37,5	35 - 40
Pulp & paper	38	35 – 40
Earth & stone	38	34 - 42
Volkswagen		25 - 33
Housing	37	34,5 – 39,5
Cement	38	35 - 40
Metal	35	30 - 40

Assessment of working time reductions & time accounts

Employer perspective

- Working time reductions (time corridors)
 - avoid redundancy costs
 - maintain human capital
 - maintain team productivity
- Working time accounts
 - cost neutral

Assessment of working time reductions & time accounts

Employee perspective

- maintaining employment
- maintaining company specific skills
- maintaining seniority requirements
- losses in income
- working time accounts = income neutral
- time conflicts: use of time credits for employment stability vs. time sovereignty

Conclusions

- Internal flexibility secures employment
- Precondition: consensus of social partners
- Limits of internal flexibility:
 - Structural change
 - Low income sectors and nonstandard employees
- Problem:
 - Deepening segmentation, growing instability for nonstandard employees