

Flexicurity: A model for welfare reform in the UK?

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Summary

- Objectives
- What do we mean by “flexicurity”
- The trajectory of UK policy
- Flexibility and security in the UK and the EU
- The importance of “good work”
- What next?

Objectives

- *The foremost challenge we face is to avert that social ills become permanent, that citizens become entrapped in exclusion or inferior opportunities in such a way that their entire life chances are affected*

Gosta Esping-Andersen, *Why We Need a New Welfare State* (2002)

- Building capabilities to enhance life chances (Sen, 1995, 2000)
- A strategy of social investment

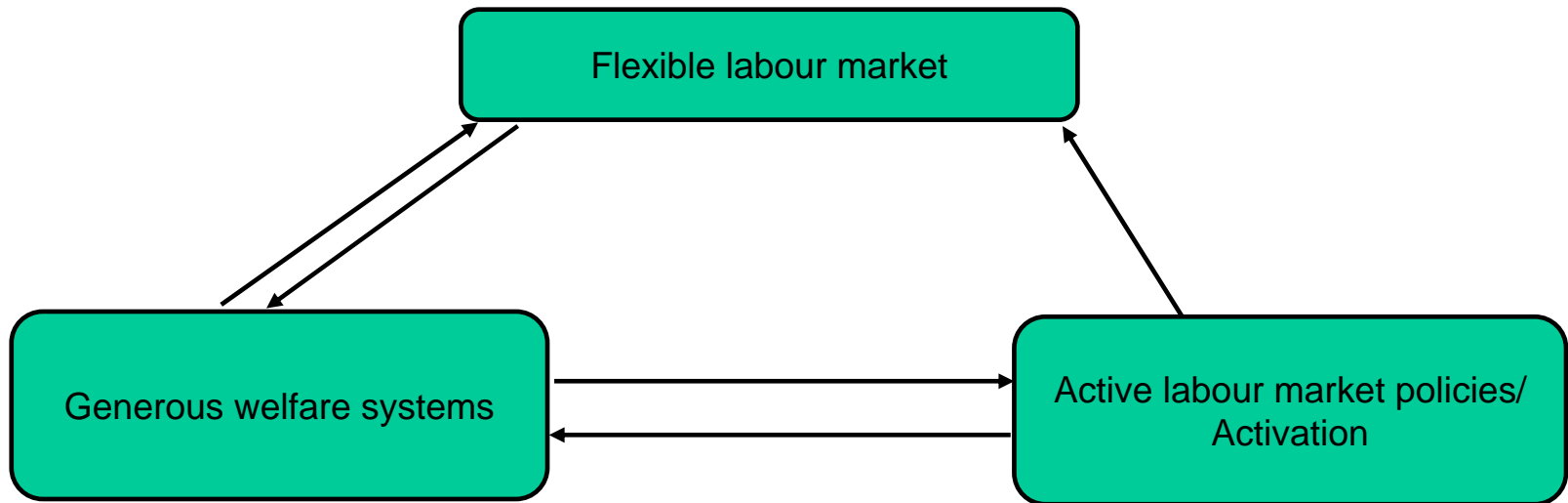


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What do we mean by “flexicurity”?

- Flexible labour market – “moderately strict employment protection legislation”
- High replacement rates
- High quality active labour market programmes – “activation” (and conditionality) rather than “passive” policy
- Link to macroeconomic policy?

The “Golden Triangle” of Flexicurity



The trajectory of UK policy

- Activation policies pre-date the election of New Labour in 1997
- But moderately coercive and the impression was created that “benefit dependency” was delinquent
- Undifferentiated policy – “one size fits all claimants”
- New Deal has a different inspiration – JobCentre Plus v. Unemployment Benefit Office
- Investment in ALMPs – learning by doing
- Employment rate target
- Freud review: *In Work, Better Off* and *No one written off*
- Private sector involvement and “work for your benefit”



Results

- High employment rate (75%) and low unemployment
- Higher employment rates for lone parents (up 12%) and the disabled (up 9%)
- Reduction in the number of workless households
- Progress towards child poverty target
- “Revolving door effect” – More than half claiming JSA are “repeat claims”
- Geographical concentrations of worklessness
- Some groups continue to be disadvantaged
- Progress on child poverty has stalled
- Social mobility v. improving the situation of those at the bottom of the social hierarchy?



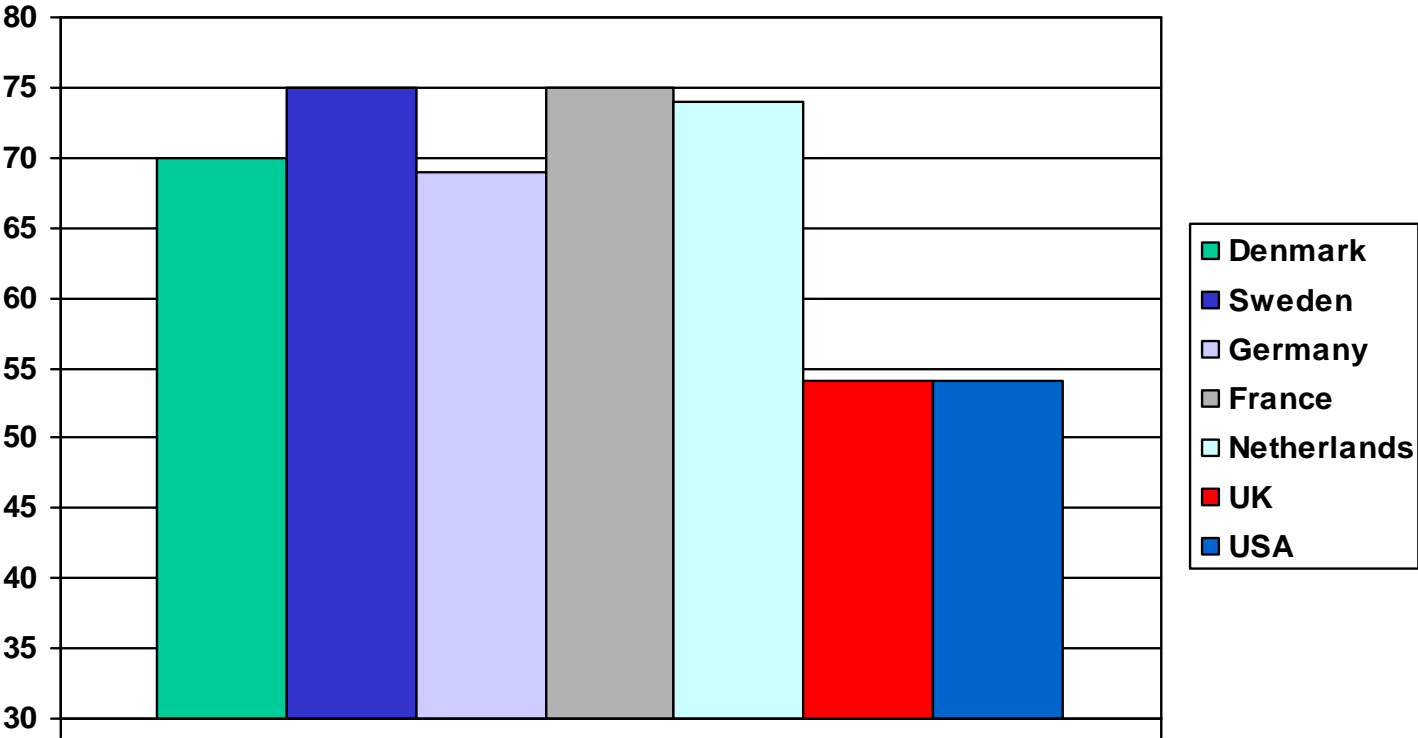
Critique

- Trying to achieve a Rolls Royce outcome on a Lada budget?
- Activation polices not a substitute for income maintenance guarantees
- Minimising poverty and insecurity is a *precondition* for an effective social investment strategy
- UK policy is too oriented to *remedial* programmes. Only effective if they build on pre-existing capabilities and motivations



UK Replacement Rates Remain Low

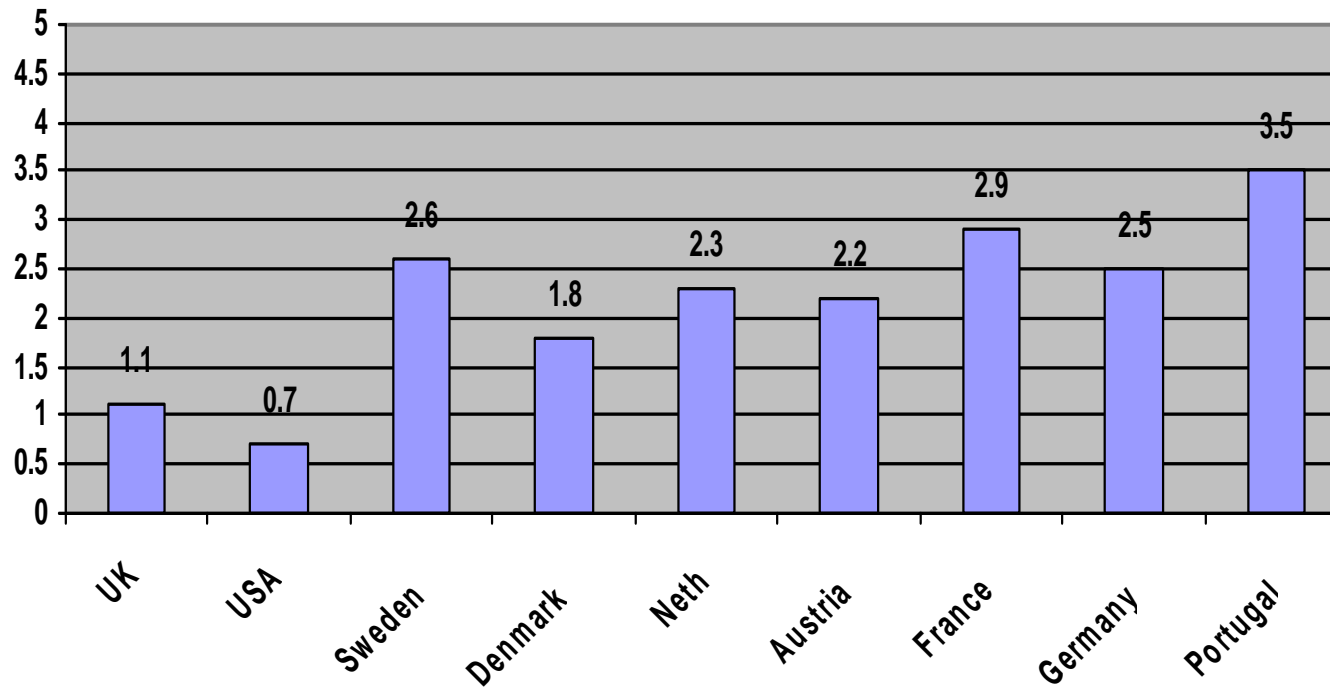
Initial net replacement rate (% of net earnings in work) (Source: OECD 2004)



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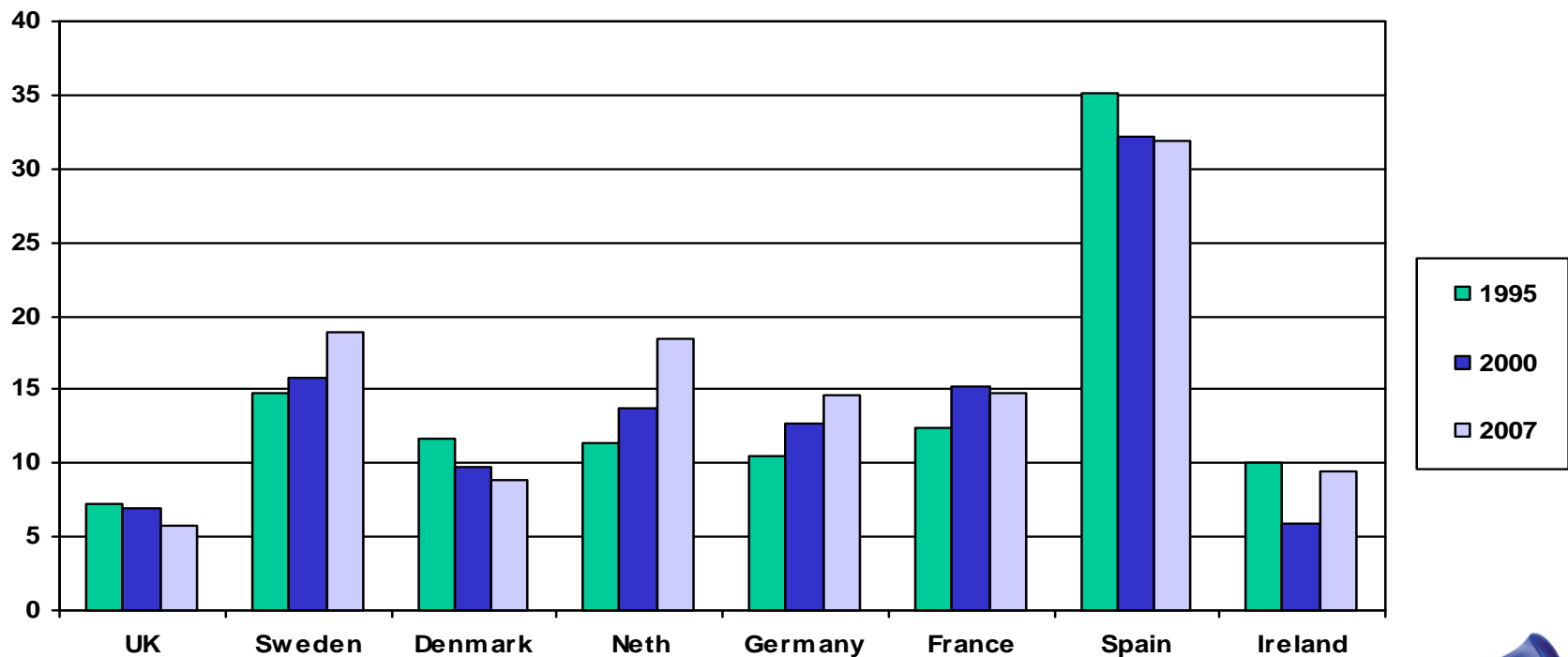
...and in one sense the labour market is flexible...

EPL Strength (0-5 scale) (Source: OECD 2004)



...and the UK has very little contingent work...

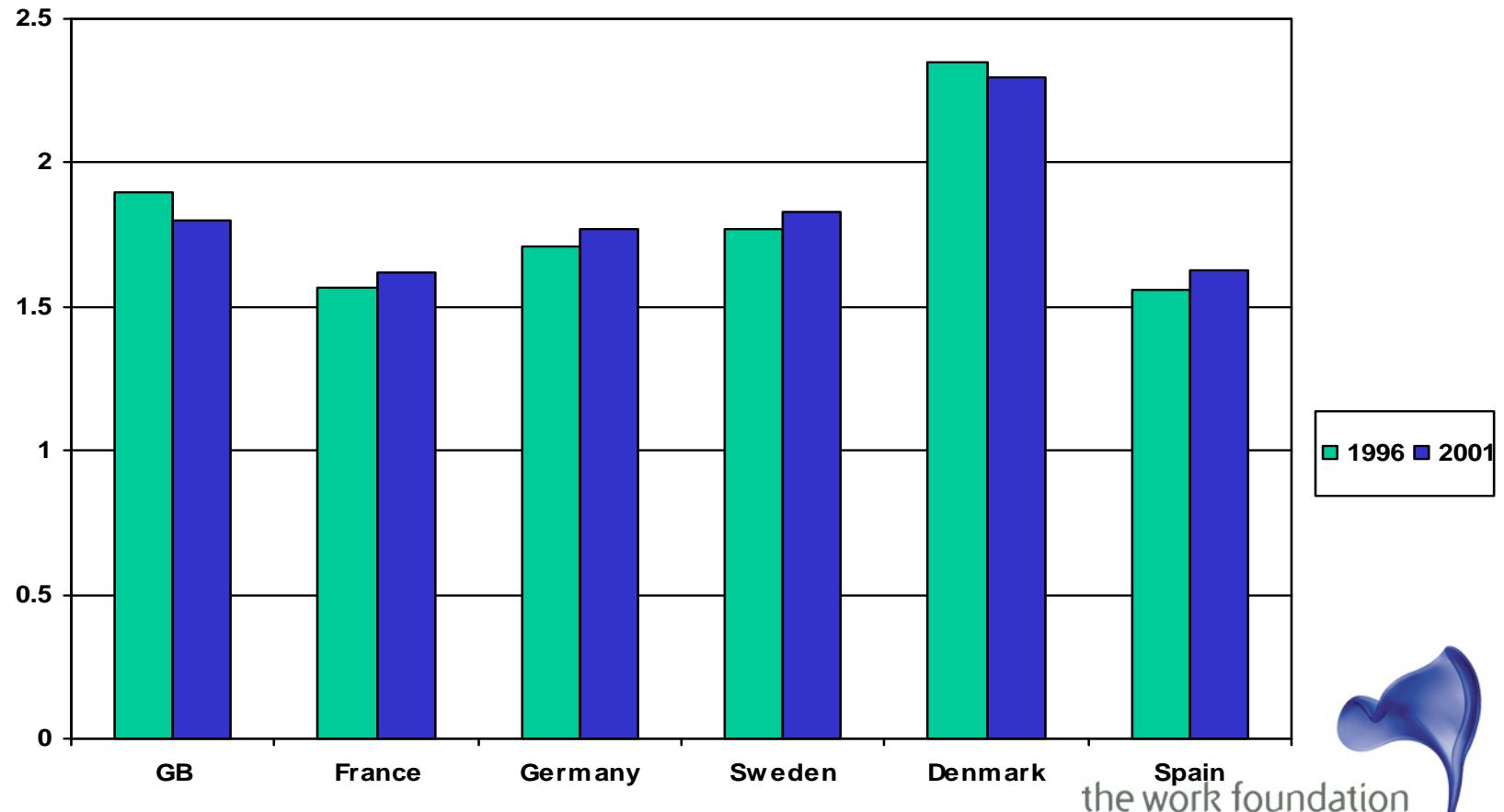
Temporary Work 1997-2007 (% of total employment) (Source: EU LFS)



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..and performance on the employment security measure is good...

"My job is secure" (0-3 scale) (Source: Paugam and Zhou 2007)



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Assessment

- Inverse relationship between level of labour market regulation and the extent of temporary work
- High replacement rates enhance security
- Strict EPL raises level of anxiety
- Golden mean: moderately strict EPL, high benefits (with conditions), big investments in ALMPs
- Where does the UK fall short?

High quality employment is essential to achieve the employment rate target

“Re-entry” Factors	“Sustainability” Factors
Financial gain	Financial gain
Better standard of living	Better standard of living
Psychological and emotional benefits	Psychological and emotional benefits
Strong motivation to work and escape benefits	Strong motivation to work and escape benefits
Childcare arrangements	Childcare arrangements
Support from family and friends	Support from family and friends
	Nature of the job and work activities
	Relationship with employer
	Relationship with colleagues
	Progression at work
	Fit of job with other commitments and aspirations
Source: Graham et al (2005)	

And other “employment regimes” offer higher quality employment

(% of employees in job categories by welfare state regimes) (Source: Paugam and Zhou 2007, Eurobarometer)

	High Quality Secure	High quality insecure	Low Quality Secure	Low Quality Insecure
Nordic/Inclusive	48.3	11.9	25.9	13.9
Liberal	34.4	7.6	32.2	25.8
Continental	38.9	10.2	24.6	26.2
Southern	30.3	9.9	27.3	27.3

What next?

- *Either* an unrewarding discussion about workfare and “privatisation” or a serious exchange about how to improve the life chances of the workless and those in the revolving door
- The level of benefits matters
- ...and there is a link between the vocational training system and the effectiveness of activation policies...
- Conditionality must be based on the “something for something” principle
- Need a “whole systems” approach – integrated set of mutually reinforcing policies; including tougher EPL?
- Learn from experience elsewhere, but avoid the seductions of “regime change”
- Judge diversity and contestability by results – piloting, testing and evaluation

