



René Lehweß-Litzmann

Capability as a Yardstick for Flexicurity

Using the Senian Paradigm
to Evaluate a
European Policy Agenda



Universitätsverlag Göttingen

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*“[I]t is hard to escape the general conclusion that economic performance, social opportunity, political voice and public reasoning are all deeply interrelated”
(Amartya Sen)¹*

*“Une gouvernance intelligente du capitalisme n’est pas nécessairement synonyme de l’instrumentalisation la plus cynique du ‘capital humain’”
(Robert Castel)²*

*“In bestimmten Phasen der Entwicklung ist zwar zu beobachten, dass es auch unter reinen Verwertungskalkülen rational erscheint, Arbeitsbedingungen zu berücksichtigen und sich über Arbeitsverbesserungen ökonomische Vorteile zu verschaffen. Doch insgesamt wird deutlich, dass eine grundlegende Überwindung von Arbeitsleid [...] ohne dezidierte politische Intervention nicht zu erreichen sein wird”
(Michael Schumann)³*

¹ Sen 2009, 350.

² Castel 2009, 59.

³ Schumann 2013, 34.

Abstract

Flexicurity is a European policy agenda seeking to increase both flexibility and security in the national labour-markets. Though different from an approach centred solely on flexibility, flexicurity has been heavily contested right from the start. It is currently being reviewed in the light of new insights and altered conditions which have been brought about by the crisis after 2008. Far from dropping the agenda, the European Commission proclaimed a “second phase of flexicurity”. Yet, it is argued here that flexicurity needs a re-make independently of the crisis: Although it is set out to profoundly alter the way Europeans work and live, and even though it is being justified by workers’ needs, flexicurity lacks of a clear and democratically justified idea for its societal impact. This book contributes to the discussion by confronting flexicurity with the capability-approach, a paradigm of human well-being evaluation proposed by Amartya Sen. How is flexicurity related to a concept of employment as part of a way of life which people should have reason to value? How capability-friendly are established flexicurity-indicators? The book shows at the example of flexicurity how the CA can be applied in the field of labour-market and social policy.

Zusammenfassung

Flexicurity ist eine europäische politische Agenda, die in nationalen Arbeitsmärkten sowohl Flexibilität als auch Sicherheit erhöhen soll. Obwohl sich Flexicurity von einem Ansatz der bloßen Flexibilität unterscheidet, ist die Agenda von Beginn an heftig umstritten gewesen. Derzeit wird sie im Lichte der Einsichten und geänderten Bedingungen seit der Krise ab 2008 neu überdacht. Weit davon entfernt, die Agenda fallen zu lassen, rief die Europäische Kommission, eine „zweite Flexicurity-Phase“ aus. Es wird hier jedoch argumentiert, dass Flexicurity auch unabhängig von der Krise einer Überholung bedarf: Diese Agenda ist dazu ausgelegt, die Arbeits- und Lebensweisen von Europäern tiefgreifend zu ändern, und doch mangelt es ihr an einem klaren und demokratisch legitimierten gesellschaftlichen Leitbild. Das vorliegende Buch trägt zur Diskussion bei, indem es Flexicurity mit dem Ansatz der Verwirklichungschancen, einem von Amartya Sen vorgeschlagenen Paradigma der Wohlfahrtsmessung, konfrontiert. Wie verhält sich Flexicurity zu einer Vorstellung von Erwerbsarbeit als Teil einer Lebensweise, die Menschen mit guten Gründen wertschätzen können sollen? Wie capability-freundlich sind die gängigen Flexicurity-Indikatoren? Die Arbeit zeigt am Beispiel von Flexicurity, wie der Ansatz der Verwirklichungschancen im Bereich von Arbeitsmarkt- und Sozialpolitik einsetzbar ist.

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1 Introduction

Flexicurity can be considered as a European policy agenda (Auer und Gazier 2008) which seeks to increase both flexibility and security in the labour-market. According to the European Commission (EC) (cp. 2007a, 7), it can contribute to restoring the competitiveness of European economies and to maintaining the European Social Model, both of which are perceived as being under pressure. Yet, this reform approach has been criticised right from the beginning, and criticism has soared during the crises after 2008. The EC, the principal driver of flexicurity, has reconfirmed its determination to pursue the flexicurity agenda, but it has also proposed to jointly “re-think flexicurity” (Andor 2011, EU Commissioner) with consideration of the changed economic conditions in order to conceive the outlines of a “second phase of flexicurity” (EC 2010a). The present book contributes to the discussion on flexicurity by confronting it with the capability-approach (CA), an evaluation paradigm for human well-being proposed by the economist and philosopher Amartya Sen. Capability will be introduced as a yardstick for flexicurity.

As flexicurity is generally hard to grasp, two concrete sources have been chosen as focal points for the analysis: the *Common Principles of Flexicurity* (CPF) defined by the EC and ratified by the Council of the European Union (2007), and the *flexicurity indicators* proposed by the Employment Committee (EMCO). There are two main questions: Can the aims and procedures which are identified with flexicurity be endorsed from the point of view of capability? Would European employment systems become (more) capability-friendly if governments tried to score highly on EMCO indicators? It will be shown how the CA transforms the flexicurity agenda as a whole: the way it is formulated, the way it is legitimised, and the way it should be monitored.

This introductory chapter is organised in three parts. The first part puts flexicurity into context by recounting its historical background. Part two introduces flexicurity. Part three accounts for capability as the specific analytical perspective used here and closes with some remarks on the origin and structure of the present work.

1.1 The historical backdrop of flexicurity

Modern societies let markets organise the allocation of labour, but they also possess institutions which regulate labour-market transactions and limit the worker’s dependence on selling labour (“de-commodification”, Esping-Andersen 1990). These institutions vary historically. One particular period, lasting for about thirty years, was

characterised by particularly strong market limitation (not as strong as in non-capitalist systems, of course). It is useful to take this period as the starting point of a short overview on the historical backdrop of flexicurity. We will later see how in the era of flexibility, de-commodification was driven back in the quest for a more dynamic labour-market, and how in an era of flexicurity, it is being tried to pursue flexibility and to manage its risks.

1.1.1 Fordism

The term ‘Fordism’ was coined by the French school of regulation theory (Boyer und Saillard 1995; Aglietta 1987; see also recently Bartelheimer und Kädler 2012, 62). It describes a socio-economic system where mass production of standardised goods and domestic mass consumption of these goods form a ‘harmonious’ entity, mediated by wages which grow at the rhythm of productivity increases. This “accumulation regime” (ibid., 68), and the corresponding “mode of regulation” (ibid.), were in place between the end of the second world war and the middle of the 1970s. During those three decades, workers participated fully in the growing economic wealth (cp. Busch und Land 2012). Fordism has stayed in the collective memory as a sort of ‘Golden Age’.

The Fordist period was not only characterised by rising prosperity, but also by rising degrees of security. A continual enhancement of institutional protection increasingly sheltered workers against life-course risks. With regard to market risks, we can distinguish three institutions which protected the worker. Firstly, at the level of the welfare state, systems of social protection were installed or reinforced.⁴ Kind and degree of protection were often linked to the employment status or employment history of a person. The so-called standard employment contract and standard employment trajectory, which established as the Fordist ‘normality’ (cp. Lutz 2007)⁵, gave workers access to what Castel (2009, 26) calls “social property”⁶, e.g. rights to social transfers in cases like sickness and old age.

Apart from granting access to a number of de-commodification measures by the welfare state, employment contracts can be regarded as a means of de-commodification themselves. They ensure that the labour-market does not function like a spot market: rather, exchanges happen on a more regular basis in more or less

⁴ On the one hand, this was done for functional reasons, in order to better balance the utilisation and the reproduction of labour. On the other hand, there were also normative reasons, connected to a perception of risks as caused by the market, not by the worker himself. As risks were interpreted as being supra-individual (Lessenich 2008, 16), they were to be mastered collectively. This shows, by the way, how the shape and legitimation of the welfare state hinges on societal norms and modes of perception (cp. ibid., 11); the evolution of norms and perceptions can be considered as an important driver of the political changes which will be treated in this text.

⁵ The present difficulty in finding a contemporary way of insuring against labour-market risks is part of the difficulty of finding a new adequate form of regulation after Fordism.

⁶ (in contrast to private property, which can equally make the worker independent from the value of his labour, but which is only possessed in sufficient quantity by a small group of persons)

continuous employment *relationships*.⁷ Employment contracts assure continuity by formalising labour-market transactions (though not completely). They stipulate the kind of labour to be provided by the worker and the reward which is granted by the employer in return, as well as the duration of the relationship. In consequence, contracts buffer the impact of market volatility: In a period of slack, the worker is not immediately dismissed, and neither can he change employer instantaneously if there is a better offer. The standard employment contract constitutes a particularly close relationship between workers and employers. This contractual form matched the internal labour-markets which dominated the Fordist period.⁸

Thirdly, the fact that workers live in households has some implications for their need and ability to sell labour on the market. Most of the time, an employment relationship is not exclusively a matter between an employer and an employee, but requires a second exchange relationship between the employee and other members of his or her household (Brose, Diewald, und Goedicke 2004, 287). A worker's employment participation is thus part of a household's earner model, or, more generally spoken, of the household's strategy of reproduction. The household is the central economic unit which combines resources to a specific 'welfare mix' (cp. Glatzer 1994, 243). Among personal networks, it constitutes a particularly strong solidary community (even though this is not necessarily so, cp. Sen 1993a, 463) with structures of mutual support and mutual claims. It can de-commodify the worker by partly or entirely exempting him or her from the obligation to sell labour. During the Fordist era, the male breadwinner model was the rule, which means that women were largely exempted from offering labour outside of the household. The existence of 'family wages'⁹ and the low share of single households allowed this model to be the societal standard. It is therefore clear that in the Fordist period, the labour-market was firmly 'embedded' (Polanyi 1990) by societal institutions like the state, the firm, and the family. Its formative impact on people's lives was thus cushioned and contained.

What all the above-mentioned sources of de-commodification have in common is that they require regulation, or are at least influenced by it. The way a welfare state operates, the conditions under which firms can employ workers, even the earner models which a household can choose – they are subject to regulation by the state¹⁰, but also by other regulatory bodies, like for example social partner's agreements. As has been highlighted in the field of economic sociology, markets are

⁷ (an exception is day labour, which still exists, but which is incapable of organising qualified work)

⁸ Employers were prepared to grant favourable conditions due to a growing scarcity of labour during the post-war economic boom and to a growing sophistication of tasks which required a well-trained and loyal work-force (above all if the required knowledge was firm-specific).

⁹ Wages high enough to sustain a whole family (with children) by the income of one single earner.

¹⁰ Lutz (2007) argues that historically, the institutions of the welfare state adapted to the increasingly dominant standard employment, thus creating a feedback mechanism which reinforced it. Societal institutions were thus shaped according to the worker's new 'normal biography', which emerged as a kind of blueprint for people's life-courses. It was organised around work, comprised an initial phase of education and qualification, an economically active phase (characterised by long tenure and above all, few unemployment), and subsequent retirement.

not natural phenomena, but have to be created and maintained in order to function.¹¹ In the case of the labour-market, regulation therefore pre-structures the field on which employers and employees meet.

An important proposition of regulation theory is that modes of production evolve, e.g. due to technological change, and that a situation can occur where an existing and hitherto successful mode of regulation starts to hinder accumulation. In this case, reforms become necessary in order to regain economic momentum. Yet, such institutional change is not easily accomplished:

“[E]xisting employment systems, once in place, prove to be stable. Such systems serve the interests of important groups and are usually transformed only when they are in severe crisis. One source of crisis that may affect stable employment systems in advanced capitalist countries is the internationalization of the world’s economy” (Fligstein 2002, 119).

Apart from veto players, an obstacle to change also lies, in the complexity of the regulatory task. For instance, the Fordist ‘virtuous circle’ had not been brought about intentionally as a political project after the end of WW2, but it had appeared as a historical find. Similarly, economic sociology provides evidence that the “social structures, social relations, and institutions” (Fligstein 2002, 4) that govern markets “have been long-run historical projects ongoing in all of the industrial societies that have worked through waves of crisis (sometimes violent). Solutions that have been crafted required social experimentation”. We will see in the following how Fordism enters into decline after the mid 1970s and how governments have been struggling since then to find suitable new forms of regulation.

1.1.2 Post-Fordism

The “dream of never-ending prosperity” (Lutz 1984) did not last long. Change became palpable with the first ‘oil shock’ in the early 1970s, which seemed to threaten the basis of industrial mass production. Yet, it has been argued that the reasons for change were *not* predominantly external¹², and that they unfolded gradually since the late 1960s.¹³ There is no consensus whether the demise of the Fordist socio-economic model was dominantly due to (automatic) economic reasons (like the saturation of domestic markets, or limits to internal capitalist ‘land grabbing’¹⁴) or to political reasons (capital owners dissatisfied with their rents (cp. Streeck 2013), lobbying policies into deregulating e.g. the world’s financial system), or also to societal transformations (changing life-styles and rising expectations of the working population (cp. Doering-Manteuffel und Raphael 2008)). But either way, a central

¹¹ “One cannot overestimate the importance of governments to modern markets. Without stable, more or less non-rent-seeking states, modern production markets would not exist” (Fligstein 2002, 3).

¹² For example, Wolfgang Streeck (2009, 126 et seqq.) holds that Fordism slowly ceased to function because it had undermined itself by its own success.

¹³ Heavy industry, as well as textile and then also chemical industry, already entered into decline before the oil shock (Doering-Manteuffel und Raphael 2008, 35), laying off many industrial workers.

¹⁴ German: “Landnahme” (Lutz 1984). Cp. also Dörre (2009).

element of the story is the end of the national framing which had been characteristic for Fordist economies¹⁵ in favour of a growing integration of the world economy.

International economic integration destroyed the Fordist unity of production and consumption. This had implications for the economic role of the state: Keynesian demand side politics became less effective, as the extra purchasing power provided to the domestic population no longer necessarily lead to an extra consumption of *domestic* products (and thus to the creation of local jobs). Inversely, the people who produced were no longer the people who had to be equipped with enough purchasing power to maintain product demand. This second aspect affects the relative bargaining positions of labour and capital and thus the conditions of employment. An implication was that wages became perceived by employers less in terms of creating markets for goods, but exclusively as labour costs. Putting pressure on wages was facilitated by the fact that trade unions lost their powerful stance in the course of the same process: Local workers were not only less important than before as consumers, but also as suppliers of labour. In theory and in practice, they could increasingly be replaced by foreign labour, which deteriorated their bargaining power.

In part, wage moderation just served to raise profits, but it also helped firms survive in an international environment which became increasingly competitive. Firms struggled to become more efficient, which implied not only economising on spending for input factors, but also rationalising production processes and externalising cost where possible. Apart from lowering wages, the increasingly complex and thus less predictable product markets, the lower profit margins and a growing exposure to capital markets due to new financing models also made it advantageous for firms to adapt their production capacity more *flexibly* to the business cycle.

Flexibility was not a wholly new phenomenon: internal forms of flexibility had been used in the Fordist period, like short-time work, but this was no longer deemed sufficient. Barriers to external flexibility – which social partners had once found it in their interest to agree upon – were lowered. Employment protection was now perceived as a reason for Europe's perceived lack of economic dynamism (cp. Auer und Chatani 2011, 2 et seq.) and it was retrenched in some countries. Also, and in part as a substitute, flexible forms of employment contracts were introduced or became more widely accepted legally, like for example fixed-term employment. A pluralisation of legal forms of employment (Doering-Manteuffel und Raphael 2008, 40) provided firms with new strategic possibilities. Firms started to brace for market fluctuations in advance by giving flexible contracts to some of their staff (cp. H. Holst 2012). However, as far as employment flexibility is concerned, it would be false to claim that a change from the Fordist mode of work organisation was exclusively in the interest of employers. It will be argued below that also some groups of workers had good reasons to favour certain new forms of flexibility.¹⁶ In consequence, the Fordist employment system made room for something more – or at least *differently* – flexible.

¹⁵ (notwithstanding economic links between Fordist countries, expressing among others in the strong export orientation of the German industry)

¹⁶ E.g. Ebert, Kühnel, und Ostner (2005, 320) speak of an "alliance" of women and employers.

1.1.2.1 Flexibility in the Post-Fordist labour-market

It is indeed debatable whether there is today more flexibility in comparison to the Fordist labour-market. On the one hand, Mayer et al. (2010) argue that the assumption of rising flexibility is rather a “myth”, at least as long as different forms of flexibility are not carefully distinguished and researched separately. For Germany, their research results indicate that professional mobility has remained stable on average. This finding is in line with the results of Erlinghagen (2004), who shows that the incidence of job changes have not generally increased and no broad de-structuring of the labour-market has taken place. On the other hand, one could observe over the last couple of decades an overarching trend in European labour-markets away from standard employment contracts.¹⁷ Yet, this trend does not apply to all countries (Allmendinger u. a. 2012), and also it does not necessarily mean that the number of standard employment contracts has decreased. The overall number of jobs tended to rise during this period, and while the number of standard employment positions may have decreased in some countries, it increased in others, yet at a slower pace than other contractual forms (*ibid.*).

‘A-typical’ employment is a residual category used for everything that deviates from the standard form of employment. There are several types, depending on the degree to which they deviate from the norm: fixed-term, temporary, part-time and lone self-employment are all forms of a-typical employment. If the rise of a-typical employment continued, there could be a moment in the future when the majority of employment relationships would be ‘a-typical’ or ‘non-standard’. At that point, the terminology deriving from a relatively short period in history (Fordism) would have finally become paradoxical and would probably give way to a new wording, reflecting a new idea of what is normal. For the time being, however, there is no indication of an ongoing and general de-standardisation of labour in Europe. Evidence from different countries is mixed (*ibid.*).¹⁸

It can thus be argued that the main difference between today and the ‘Golden Age’ of Fordism is not the existence of flexibility itself, but the forms and conditions under which it occurs. During Fordism, there was less contractual variety, and a change of employer often led to a better job, without going through significant unemployment. Changes were thus often voluntary. Freedom – or the lack thereof – is an important aspect which is hidden behind superficially static figures of labour-market flexibility. As will later be shown, it is also an important dimension of inequality.

¹⁷ Tangian (2004, 11) discerns five major factors which contribute to explaining this trend.

¹⁸ “Some large countries, like Germany and Italy, register an increase in flexible forms of employment, while in Spain, France and the UK, it is the classical forms of employment which progress most” (Cazes in Auer, Cazes, und Nesporova 2006, 69, my transl.).

1.1.2.2 Insecurity in the Post-Fordist labour-market

In current Post-Fordism, there are workers who do not reach stable employment during their whole lives, and those workers who do reach this state tend not to stay there as long as before. On the one hand, the “transition phase” (Gautié 2006, 22) leading to stable employment – which has become a phase in its own right – has become longer. On the other hand, the state of stable employment integration often does not last until retirement. It has been shown that the proportion of workers with a direct transition into retirement from a job which is subject to social insurance contributions is shrinking. Flexible employment is thus becoming more frequent at both ends of the working life. These developments have an impact on workers’ security, both during and after the active phase.

Thinking about employment and poverty together is still relatively recent in some industrialised countries, respectively it was rediscovered. It started with a debate on “in work poverty”, which had previously been an issue in liberal countries like the USA (cp. Strengmann-Kuhn 2003, 8). In the ‘Golden Age’, economic activity and poverty had increasingly become mutually exclusive. When the issue of structural unemployment appeared at the end of the 1960s, the problem of poverty was discussed together with exclusion from employment in some countries. Unemployment or inactivity were situations that were institutionally covered. In contrast, recent forms of employment flexibility like part-time or fixed-term employment, or also lone self-employment, are alien to this institutional framework. Today, apart from some minor changes, institutions designed to provide security remain geared to historical conditions which existed at the time when these institutions were conceived.

The amount of rights gained by a worker depends on the characteristics and the durations of employment periods in her professional trajectory. The institutional status quo makes it so that the more similar an employment trajectory is to a Fordist normal biography, the better it is sheltered from life-course risks. “Social property” (Castel 2009, 26), for example in the form of rights to pension payments, is still most easily acquired by continuous standard employment (Struck 2008). This mode of appropriation becomes questionable as soon as a certain number of people do not have access to it. The bigger the share of a-typical employment, the more the “grey areas” (Supiot 2001) grow which are insufficiently regulated and protected (cp. Castel 2009, 440). The rights acquired in workers’ centuries-long struggle for more security, which have become codified by law, are thus undermined by flexible employment. Employment flexibility seems to contribute to the reversal of what Castel (2009, 20) describes as a major transformation: the historical development of employment to a secure social status, which had happened in Europe during the 19th and the 20th century. In his point of view, this means that the basis of the worker’s status as an integrated member of society is worn away. Still according to Castel, this leads, in the aggregate, to a crumbling of the structure of the working society (ibid., 53). Castel goes even further, claiming a close link between employment relationships and social relationships. This is why he speaks (ibid., 46 et seq., my transl.) about a “shock wave

which is born at the epicentre of labour and passed through to the different spheres of the social existence”.

One could inquire why social protection was not soon enlarged to cover the new risks. Besides institutional inertia, and possibly the veto of insiders (*supra*), one important reason was an emerging mind-set of decision makers which was more compatible with a reduction of responsibilities of the welfare state than with the addition of new responsibilities. This *cognitive framework*, which has been dubbed ‘neo-liberal’, succeeded the period of state expansion and regulation, which stood for a politically motivated correction of market results. From the mid 1970s onwards in Europe, and in Germany beginning in 1982 with the Kohl government, the pendulum swung back in favour of a free play of the market.

This had to do with a decreasing fiscal capacity of the nation state. For fiscal reasons, it had become more and more difficult for the welfare state to de-commodify wage-dependent people (Streeck 2011). It was exactly at the moment when workers became more vulnerable to labour-market risks that the state started to run out of resources necessary to compensate these risks. This is not a mere coincidence: Parts of the social security system are financed by contributions based on labour. This means that at the moment where aggregate wages decrease, aggregate receipts of those systems which compensate for insufficient earnings decrease accordingly. In addition, states have lost some of their power to impose taxes on corporations (Streeck 2000, 246 et seq.). The same mechanism which empowers companies to negotiate more flexible contracts with their employees also enables them to negotiate lower corporate taxes, which leads to fiscal competition between states. De-location and foreign direct investment became increasingly contingent on offers made to private business in each country. States therefore began to hesitate about any action which would make employment less attractive or weigh down on the business climate. Rather, to avoid a vicious circle of increasing indebtedness, they have been struggling to disburden themselves from costly responsibilities. Large-scale de-commodification, which was once used as a strategy to discharge the labour-market in the face of rising unemployment, was no longer an option¹⁹ for a welfare state perceived as overstrained.²⁰

¹⁹ Streeck (2009, 70): “At the end of the 1990s, [the German State’s] ability to absorb the costs of the corporatist class compromise by underwriting ever-rising social security entitlements was exhausted, if not forever, at least for a future long enough to require more than just temporary adjustments”.

²⁰ As important as budgetary limitations may be, however, there are hardly any clear thresholds (6.3.1). Unless there is a legal limit (e.g. the Maastricht criteria in the Eurozone after 1992 or national balanced-budget amendments) or an imminent credit default, the urgency of fiscal discipline remains partly subjective. The shift to austerity – at least as an ideal (cp. Merkel 2000, 267) – which came with the neo-liberal era, and the emphasis on de-regulation and flexibility altogether, had been motivated not only by hard economic facts, but also by the perception that society should take a different path. In contrast to those who considered Fordism as ‘worker’s paradise’, there were others who pointed not only to its conservative side in terms of gender (Morel, Palier, und Palme 2012a, 6), but also to its alleged effects of creating dependency and passivity among those who benefited from its high standards of social protection (cp. Merkel 2000, 275).

1.2 *From flexibility to flexicurity*

It is not the intention here to give a one-sided and horrific image of flexibility. Flexibility is a solution to a number of problems which actors in the labour-market confront: For firms, employment flexibility facilitates surviving in increasingly unpredictable markets; it helps them to adapt the amount and type of labour they purchase to their momentary needs. Also for workers, against the backdrop of an individualisation of life styles and the evolution of expectations²¹, it is clear that the pluralisation of forms of work and employment is not necessarily something which is suffered, but sometimes also welcomed. It facilitates different patterns of employment participation, which involve, above all, female employment. Finally, from the perspective of the welfare state, flexible employment can help reduce unemployment and inactivity, and thus diminish welfare spending.

Instead of claiming that flexibility is “unavoidable” (Supiot 1999), it is therefore advocated here that it is beneficial in many respects. Instead of fighting flexibility, it may be better to reform the institutional framework in a way that flexible labour is made secure. Because if insecurity stems from the way our economic and social model is organised, then it is in the institutions that we can look for the remedy.

There are good economic and political arguments to pursue a regulatory flexibility-and-security strategy: Since the apogee of the neo-liberal cognitive framework in the 1980s and 1990s, it has become clear to most decision-makers that today’s flexible capitalism requires a kind of labour which cannot be offered without some social protection and other forms of support.²² Vobruba (2009, 20) even argues that there is now an economic necessity to grant workers security beyond what is offered by the market. According to this position, the new condition is due to a shift in the relationship between efficiency and security, rooted in increasingly flexible production processes. Standardisation has become inefficient as the demands of the workplace change constantly and unforeseeably. It is assumed that the degree of control which employers can exercise over workers shrinks as soon as the production process gets more complex and sophisticated (principle-agent theory).²³ Under these circumstances, raising flexibility any further without giving workers something in

²¹ There are not only good memories of Fordist employment: Fordism was not exclusively a recipe for prosperity, but also for mass production, organised by Taylorist means. The uniformity of Fordist work and the predictability of Fordist employment trajectories are rejected by the (self-proclaimed) protagonists of today’s creative class (Friebe u. a. 2008; Friebe und Lobo 2006). Many young people seem to identify with their views.

²² “S’il est vrai que les nouvelles règles du jeu du capitalisme exigent toujours plus de mobilité, de flexibilité, de compétitivité, elles pourraient aussi exiger de nouveaux modes de protection et de sécurisation” (Castel 2009, 58).

²³ Yet, as shown for the case of India by Feuerstein (2011), the limits of control are now being stretched further into the realm of complex and creative production. This does not imply (and is not claimed by Feuerstein) that in Europe, the same is possible: “Der politische Hinweis, dass es anderswo anders geht, besagt nicht viel [...] was in einer Weltregion selbstverständlich akzeptierte Arbeitsanforderung ist, kann in einer anderen eine inakzeptable Zumutung und somit unpraktikabel sein” (Vobruba 2009, 21).

return would be economically suboptimal. Using the core idea of regulation theory, it would thus be necessary to find a new form of regulation which fits with the contemporary mode of production. On the political side, more flexibility without security would meet the opposition of trade unions: The neo-classical assumption that flexibility would automatically generate sufficient economic growth to bring security and prosperity to all workers ('trickle down effect') has not held true in the past – why should it now?

In this context, flexicurity can be considered as the new cognitive framework succeeding flexibility. It integrates elements of flexibility, but also adds insights which have crystallised during the broad societal debate on it. The cognitive aspect is quite relevant in the characterisation of flexicurity as a "European policy agenda" by Auer and Gazier (2008). Such agendas "may be seen as a deliberate intervention aimed at transforming existing systems of references in a given field and pointing them in a new direction. They provide a form of cognitive evidence using concepts, values and evaluations" (ibid., 4). From changed modes of perception, a new policy agenda leads, if successful, also to more palpable changes, e.g. legal ones. Flexicurity ventures a reform of the institutional system which puts the interaction between firms and households on a new basis.²⁴

The subsequent second chapter will present flexicurity in more detail. It will also explain that a possible pitfall for flexicurity is its perception by a number of important actors as being too vague and incalculable. In principle, the impact of a cognitive framework is not necessarily hampered by vagueness or inconsistency. In the case of flexicurity, however, the collaboration and trust of stakeholders is crucial; if the cognitive aspect is too weighty in comparison to the more substantial aspects, which participants can rely on, this can be problematic. It is indeed hard to see beforehand what one has to expect from the flexicurity policy process, and there is thus disagreement: While Calmfors (2007, 2), commenting on a formulation of flexicurity by the EC, thinks that "it is very hard to see how anyone can be against flexicurity", critics consider flexicurity as a "Trojan horse" (Ségol 2011) threatening workers' interests.

The misgivings about flexicurity have soared with the crises after 2008 and their impacts on the labour-market. It was argued by some that flexicurity cannot work under conditions of "bad weather" (Tangian 2010). Against this, it was held that on the contrary, flexicurity had actually helped to get through the crisis. The EC, principal promoter of flexicurity in Europe, signals that it intends to stick to the flexicurity agenda, but that it is also willing to re-examine and improve flexicurity before the background of the lessons learned, and to adapt it to the new post-crisis circumstances (cp. Andor 2011). In this context, yet principally due to other shortcomings of the flexicurity agenda which will be exposed, the present book proposes a certain perspective on flexicurity which will be explained in the following.

²⁴ "Generally speaking, flexicurity options can be regarded as adapting exchange relationships between the employer and employee, and good practices emerge where this adaptation process leads to a synchronisation of interests" (Eurofound 2008a, 13).

1.3 The angle of the present work: capability

As flexicurity will effectively transform the conditions under which people work and live, it seems reasonable to confront it with a paradigm for the evaluation of human well-being. The angle of the present book is the capability-approach (CA) promoted by Amartya Sen. The CA is an evaluation paradigm which is currently being used by different disciplines in various fields of research. It can be thought of as a set of interrelated concepts, the core concept being capability, which stands for what people can be or do. Freedom, measured in terms of capability, is an important aspect of the informational basis (IB) which the CA suggests for the evaluation of policy. An IB circumscribes the empirical facts which are relevant for a judgement. Choosing an IB is a normative decision with many consequences for evaluation research. It is held here that reflecting on the adequate IB can bring important insights to the flexicurity debate. Capability, as a normative benchmark, can be held as a yardstick not just against the Common Principles of Flexicurity – which give a comprehensive yet diffuse overview on flexicurity as seen by the EC – but also against the established monitoring strategy of flexicurity as proposed by the EMCO.

Evaluation is crucial because by definition, policy is successful if it fulfils the criteria which have been set up to measure its success. This entails that policy is usually designed in a way that satisfies the indicators which are used to monitor it. As formulated by Salais and Villeneuve (2004, 15):

“Statistical benchmarking favours policies that manipulate statistical indicators to achieve a better score. It puts countries into competition to discover, not the truly best practices but strategies which improve their statistical profile”.

A means to reveal the current state of flexicurity is therefore to ask where it would lead to satisfy the relevant indicators. Among several monitoring approaches which have been proposed, the one of the EMCO is particularly prominent (the EMCO being an institution closely linked to the EC). The main question which will be explored in chapter four is: How well does this monitoring instrument consider capability, respectively how capability-friendly is a policy oriented at the criteria put up by the EMCO?

The present work is not the first to make the connection of flexicurity and the CA, though the theoretical depth which is aimed at here is probably new. Capability has recently been mentioned in (Auer und Gazier 2008; Walthery und Vielle 2004 already) or even been at the centre of (CEREQ 2011) a few publications on flexicurity. It is in particular the groundwork of Bonvin, Moachon and Vero (2011; see also Vero u. a. 2012) which the present work has benefited from, even though the scope and some conclusions are different. Flexicurity has also been a topic in the European integrated project CAPRIGHT (2006-2010). It is in the context of this project that the author began to write the present book as his doctoral thesis. The project was funded by the 6th Framework Programme of the EU and it was, according

to its title, “in search for social foundations for Europe”. The overall aim of the CAPRIGHT research network has been to explore the benefit of the CA for the analysis and evaluation of European policy. Motivated by this background, the present work is an example of how one can work with the CA for the purpose of evaluating labour-market and social policy.

The text is structured as follows: after the present introductory chapter, the second and third chapters outline and discuss the two main building blocks of this book, flexicurity and the CA. Both notions have diversified over time in the discussions so that there is a need to reconstruct them before putting them to use. The origins and the development, the concepts and the tools, as well as some criticism and possible extensions are therefore treated. In a fourth chapter, both notions are combined. The CA is used to re-think flexicurity, and the implications of making capability a yardstick for the evaluation of flexicurity are discussed. After these theoretical and conceptual parts, the fifth chapter presents an exploratory quantitative empirical investigation on flexibility and security in European labour-markets, implementing some of what has been elaborated in the preceding chapters. More concretely, it investigates who has the capability to live up to the ideal which is pursued by flexicurity, i.e. of successfully combining flexible employment and security in their trajectories. The investigation uses the European Statistics on Income and Living Conditions (EU-SILC) as its data source. The last chapter concludes, taking stock of the research results which have been gained and, on this basis, reflecting on the CA's suitability for informing critical policy research. Also, an outlook on flexicurity is provided which reflects on threats to workers' capability in the current (post-)crisis context.

2 Flexicurity: An agenda in (the) crisis?

The introductory chapter recalled how Europe had woken up from the “dream of never-ending prosperity” (Lutz 1984), suddenly confronted with economic problems which many had thought gone for good (Streeck 2013, 36). Whether or not this was due to an exhaustion of Fordist principles in the face of economic, political and societal change (“Eurosclerosis”) has been left open. It has been explained that many European countries had then turned to a new policy agenda of flexibility. This may have eased allocation problems which firms and also of some groups of workers had, while reducing the rents of labour-market insiders (Giesecke und Groß 2012) and increasing those of capital owners. The flexibility agenda was nonetheless suboptimal, not only for its poor outcomes in terms of social security, but also for its lack of suitability with flexible capitalism itself.

A core message of flexicurity, the successor of pure flexibility in the European policy arena, is that security should not be seen as an automatic consequence of flexibility, but as its prerequisite. Still, some have been doubtful about this new agenda right from the beginning.²⁵ Is flexicurity what we see after waking up from another dream, a nightmare in which economic success in Europe would have to be bought by eroding standards of social security? Or is it the calamity which is real, while flexicurity is the dream? Or is flexicurity just another monster in the aforementioned nightmare, and there is no waking up?

The aim of the present chapter is to give a comprehensive overview on the topic of flexicurity. The origin and the rise of the term will be traced, and its nature will be analysed as well as its role in the context of European policy-making. Disentangling the threads of the discussion, this chapter will also try to identify what kind of labour-market flexicurity aims for. Moreover, the current state of the art of conceiving and measuring flexicurity will be recapitulated. Related discussions and possible allies of flexicurity will be highlighted. The situation of flexicurity in the new circumstances after the crisis of 2008 will be sketched and the first signs for possible new directions of flexicurity will be named. In particular, it will be shown why an improved version of flexicurity would have to take on board the well-being of people as a normative reference point.

²⁵ For a review of the points of criticism raised against flexicurity, see Lehweiß-Litzmann (2012a).

2.1 *Origin, meaning(s) and reception of “flexicurity”*

Most sources trace flexicurity back to the Netherlands, others point to Denmark instead (cp. E. Voss und Dornelas 2011, 10; de la Porte und Jacobsson 2012, 129). The 1990s in the Netherlands were a decade in which several laws were passed (most prominently the ‘Wet Flexibiliteit en Zekerheid’ of 1999) which both facilitated atypical employment (namely temporary employment) and increased the rights of the concerned workers (stipulating a minimum protection and payment for non-standard work, introducing progressive accumulation of rights). The state conceded an important role to the social partners in the conception and implementation of the new laws. The latter holds also for Denmark, whereas the labour-market formula is different, as we will see below. Mandl and Celikel-Esser (2012, 7) do not take sides on the question of origin, they propose a particularly balanced narration of the birth of flexicurity:

“The appearance of flexicurity as a policy tool dates back to the 1990s and coincides with a series of labour-market reforms that took place primarily in two EU Member States: the Netherlands and Denmark. During his term of office from 1992 to 2001, Danish Prime Minister Poul Nyrup Rasmussen brought out the ‘magical cocktail flexicurity’ as a combination of easy hiring and firing (flexibility for employers) and high benefits for the unemployed (security for employees) [...]. Around the same time, the sociologist and member of the Dutch Scientific Council for Government Policy, Hans Adriaansens, launched a similar concept, defining it as a way of compensating for decreasing job security by improving employment opportunities and social security.”

It should not take long until flexicurity had become a catchword with a whole range of meanings. Barbier (2009, 10 et seq.), Madsen (2007, 526 et seq.) and Mandl and Celikel-Esser (2012) each try to list the different interpretations, but none of these lists is exhaustive, also because new meanings keep appearing as time goes by (cp. Gautié 2006, 14). Firstly, flexicurity has been used as a vague *political slogan*, promising that the contradictions nowadays facing European workers can be resolved. It has also been used as a *policy strategy* (also “integrated strategy”, cp. EC 2007a, 10), suggesting deliberate and coordinated steering on the political level, with the aim of reconciling the needs for flexibility and security. A variant of this view, still at the policy-level, includes the unintentional or inherited legal provisions. As remarked by Tros (2004, 12 et seq.): “Policy makers are not always aware that they intervene in the flexibility-security nexus“, but also, outcomes are the result of “a gradual process of political struggles, and compromises with a strong element of path dependency” (Madsen 2007, 527).

Not at the policy level, but at the level of labour-market facts, flexicurity can be “regarded more or less as *synonymous with a well-designed labour-market model providing both flexibility and security*” (Calmfors 2007, 1, my italics). At the same level, but without any judgement about its success, flexicurity can describe “a state of

affairs that captures the functioning of labour-markets by looking at the present degree of social security and flexibility in a country” (Mandl und Celikel-Esser 2012, 12, emphasis added).

Including both policy and labour-market characteristics, according to Duclos (2009, 42) flexicurity finally came to describe the “fonctionnement d’ensemble du système d’emploi”, the way the employment system works as a whole (cp. Jørgensen 2010). Similarly, according to Gautié’s (2006, 14) interpretation, flexicurity has acquired a very comprehensive status: “initially designating a reform aiming at both flexibility and security [...], the concept would soon be used to name not a reform or a specific policy but more generally a *social model*” (my transl. and emphasis).

Another notion is the “*analytical frame* that can be used to analyse developments in flexibility and security and compare national labour-market systems” (Madsen 2007, 527), that is to say, flexicurity as a tool used by research (cp. also Mandl und Celikel-Esser 2012, 12: “a general formulation to guide analysis of combinations of flexibility and security”). Thus, flexicurity is used as “a tool to classify different labour-markets” (EC 2006a, 4).

In the present work, flexicurity is located at the policy-level by definition, it is a form of input. In contrast, the configuration of flexibility and security in a given national employment system is an outcome. Following Auer and Gazier (2008), flexicurity is understood here as a *European policy agenda*, which influences the configuration of flexibility and security in European labour-markets.²⁶ A policy agenda is defined by these authors as an organised set of reasons and measurements, which is neither deduced from a precise theory nor simply induced from practical experience. It is “an *intermediate* body of more or less strictly interrelated arguments that point to one broad policy direction and classify priorities accordingly in a more or less strict hierarchical order” (ibid., 4, original emphasis). A policy agenda, according to the authors, has ends, means, targets and indicators, integrated into an “autonomous strategic approach” (ibid.).

What makes all the different ways of defining flexicurity fit under the same roof is the idea that high levels of flexibility and of security can be attained at the same time. The ‘good news’ propagated by flexicurity is that flexibility and security are not mutually exclusive, as had traditionally been thought. Of course, it would not be credible to pretend that a new regulatory idea would suffice to eradicate a long standing antagonism. Rather, as Vobruba (2009) has argued, the productive role of security has been altered by the evolution of the production process. Flexicurity is the framework which seeks to accommodate labour-market regulation to the new conditions.

²⁶ Below, I will also speak about “country profiles” of flexicurity. By this, I mean an imagined coherent national model, a specific mode of regulation accompanied by a compatible labour-market outcome.

2.1.1 Flexicurity and its policy context

One aspect which is part of the definition by Auer and Gazier is that flexicurity is not located just anywhere, but that it is a distinctly *European* notion. What flexicurity is and how it has evolved is related to its European backdrop, not only in terms of values (namely a European Social Model), as is often highlighted, but also in respect to the institutions and actors that have shaped flexicurity. A crucial actor is the EC, it has been described as the “most fervent promoter of flexicurity” (Keune und Jepsen 2007, 5). The ‘Mission for Flexicurity’, launched by the EC in 2008, “promotes flexicurity as the official European labour-market policy” (E. Voss und Dornelas 2011, 4).²⁷

The EC issued a Green Paper entitled “Modernising labour law to meet the challenges of the 21st century” in the year 2006 and the frequently cited communication “Towards Common Principles of Flexicurity” in 2007. It has recently reaffirmed the need for a flexicurity agenda. In its communication “Europe 2020”, the successor of the Lisbon Agenda, the EC (2011) speaks of launching a “second phase of the flexicurity agenda”. The development of flexicurity is thus actively pushed and influenced by the EC. Some authors draw attention to the fact that flexicurity had, in its outlines, been on the EC’s agenda “avant la lettre” (Keune und Jepsen 2007, 15). Voss and Dornelas (2011, 4) stress that the “notion of combining flexibility and security was introduced at the EU policy level already in the 1993 White Paper on ‘Growth, Competitiveness and Employment’ of the Delors Commission”. As will be argued, the current formulation of flexicurity fits in well with the overall labour-market and social policy of the EU. We will in the following take a closer look at the EC’s idea of flexicurity.

The EC has contributed the most frequently cited definition of flexicurity as “an integrated strategy to enhance, at the same time, flexibility and security in the labour-market” (EC 2007a, 11). This presents flexicurity as a deliberate action taken at the political level, namely in four different policy fields: “flexible and reliable contractual arrangements”, “comprehensive lifelong learning”, “effective active labour-market policies” and “modern social security systems”. These so-called “policy components” (ibid., 12) are fixed by the second of the eight Common Principles of Flexicurity (CPF) (ibid., 20), which have been adopted by the Council of the European Union (2007)²⁸ in December 2007. These principles explain what kind of labour-market shall be achieved by policy measures of the four policy components, respectively how measures should be enacted (cp. table 1). As explained by the EC (ibid.), the CPF reflect a consensus between the Member States (MS).²⁹

²⁷ Plus, one could add, as the *unofficial* social security policy (as far as the EU is concerned with such policy, it is still predominantly in the MS’s discretion). Compare below.

²⁸ Not the European Council, as is sometimes claimed (e.g. E. Voss und Dornelas 2011, 4): The European Council has no legislative power.

²⁹ Which does not automatically include all actors in each MS, of course.

Table 1: *The Common Principles of Flexicurity*

1	Flexicurity is a means to reinforce the implementation of the Lisbon Strategy, create more and better jobs, modernise labour-markets, and promote good work through new forms of flexibility and security to increase adaptability, employment and social cohesion.
2	Flexicurity involves the deliberate combination of flexible and reliable contractual arrangements, comprehensive lifelong learning strategies, effective active labour-market policies, and modern, adequate and sustainable social protection systems.
3	Flexicurity approaches are not about one single labour-market or working life model, nor about a single policy strategy: they should be tailored to the specific circumstances of each Member State. Flexicurity implies a balance between rights and responsibilities of all concerned. Based on the common principles, each Member State should develop its own flexicurity arrangements. Progress should be effectively monitored.
4	Flexicurity should promote more open, responsive and inclusive labour-markets overcoming segmentation. It concerns both those in work and those out of work. The inactive, the unemployed, those in undeclared work, in unstable employment, or at the margins of the labour-market need to be provided with better opportunities, economic incentives and supportive measures for easier access to work or stepping-stones to assist progress into stable and legally secure employment. Support should be available to all those in employment to remain employable, progress and manage transitions both in work and between jobs.
5	Internal (within the enterprise) as well as external flexicurity are equally important and should be promoted. Sufficient contractual flexibility must be accompanied by secure transitions from job to job. Upward mobility needs to be facilitated, as well as between unemployment or inactivity and work. High-quality and productive workplaces, good organisation of work, and continuous upgrading of skills are also essential. Social protection should provide incentives and support for job transitions and for access to new employment.
6	Flexicurity should support gender equality, by promoting equal access to quality employment for women and men and offering measures to reconcile work, family and private life.
7	Flexicurity requires a climate of trust and broadly-based dialogue among all stakeholders, where all are prepared to take the responsibility for change with a view to socially balanced policies. While public authorities retain an overall responsibility, the involvement of social partners in the design and implementation of flexicurity policies through social dialogue and collective bargaining is of crucial importance.
8	Flexicurity requires a cost effective allocation of resources and should remain fully compatible with sound and financially sustainable public budgets. It should also aim at a fair distribution of costs and benefits, especially between businesses, public authorities and individuals, with particular attention to the specific situation of SMEs.

Source: Council of the European Union (2007, 5 et seq.).

A consensus of all European governments cannot help but be imprecise, given the heterogeneity of countries. It has been remarked, therefore, that the Common Principles of Flexicurity read like a “wish list” (Auer und Chatani 2011, 4): the envisaged labour-market is characterised by a sufficient number of jobs, adaptability,

secure transitions between jobs and into employment, upward mobility, high-quality workplaces and gender equality. It is organised in a climate of trust and dialogue and by financially sustainable budgetary policies and by keeping a balance between rights and responsibilities for all. These aims are very broadly formulated, and it is even one of the Common Principles of Flexicurity that no one-size-fits-all policy or labour-market homogeneity is aimed at throughout Europe. Flexicurity policies should be adapted to the specific circumstances of the MS, and they can have diverse outcomes.

This being said, it is still possible to discern a common direction which goes beyond the enumerated principles. It is the direction which European labour-market and social policy has been taking in a more general manner. As stated by the Council of the European Union (2011, 2) “the basic principles behind the flexicurity approach are very much in line with the central elements of the EU strategy for growth and jobs”. This fit explains how flexicurity could rapidly become the centrepiece of the EES.³⁰ The envisaged labour-market is different from the Fordist one, which was characterised by male full-time employment on the one hand and female inactivity on the other, by long tenure and maintenance of one’s profession and maybe also one’s job for a whole lifetime, but also by the exclusion of parts of the labour-force, namely those who could not fulfil the requirement of high productivity.³¹

In contrast, the vision of a new labour-market includes high rates of employment participation for virtually all parts of the population in working age. This raises the labour supply and thus improves the chances of firms getting the right kind of labour at low cost. At the same time, employment participation is identified as a means for people’s inclusion in society, as paid work is thought of as the major societal cohesive mechanism.³² In addition, high employment participation means a lower dependency ratio, which allows for lower non-wage labour costs and a lesser burden on the welfare state. The Lisbon agenda fixed the overall employment rate target at 70 percent, with women attaining 60 and elderly workers attaining 50 percent. In the EC’s (2010a, 8) recent communication “Europe 2020”, which updates the Lisbon agenda, the target has been revised upwards, to 75 percent on average. This means that if the credo of labour-market policy had once been to fight unemployment by disburdening the labour-market and to cushion social tensions by large scale de-commodification of labour, it is now the inverse: In principle, everybody is eligible for employment, and long-term unemployment for workers as well as long-standing inactivity for parts of the population are not an option any more (cp. Annesley 2007, 200).

³⁰ “Since the adoption of the Common Principles flexicurity has become a key element of the European Employment Strategy (EES) and the wider Lisbon then Europe 2020 Strategy. The new Employment Guidelines urges Member States to integrate these principles into their labour-market policies and apply them” (EC 2011).

³¹ I.e. a temporary exclusion of persons in biographical phases which are usually characterised by a lower productivity of work (the time before completion of education; sickness; old age).

³² This aspect is very important also for Third Way thinking (Merkel 2000, 276), just like the following one.

It is well-understood that the labour-market will probably not absorb all workers at the conditions of standard employment. It is precisely for this reason that employment flexibility can increase employment participation, i.e. by means of non-standard employment relationships. Especially in the case of workers with responsibilities in the household, employment flexibility helps to combine paid with non-paid tasks. Also, it may help older workers to adapt working conditions to their needs. Flexibility is a tool which brings Europe closer to its new objective of a general adult worker model (ibid.). Still, the employment system targeted by flexicurity is different from the neo-liberal ideal³³: Instead of retiring, the state deploys its fiscal means in order to promote labour-market inclusion and growth.

This is done in a completely different manner compared to Fordist times, when the state was there to contain the market and to repair damage inflicted by it. The new role of the state is captured by the coordination of labour-market and social policy: “not only are economic and social objectives to be reconciled, but social policy is expected to play a role in achieving economic objectives” (Keune und Jepsen 2007, 12). If social policy in Fordist times was there to compensate market risks, this function is now complemented by the aim of adding to the dynamism of the market. In other words: Social policy is part of the answer to the question how a large share of the population can be incited to participate in employment. This is achieved by reforming ‘passive’ measures of the welfare state in a way of making them less generous and less easily available. Beyond this, passive measures are joined by active measures of social protection. They include institutional support for job-seekers like training vouchers offered by public employment services, but constraining measures are also possible, for example when courses are used to test the availability of a benefit-recipient. The four policy components of flexicurity work together for a labour-market where no-one is excluded from employment, and state funding is provided in order to achieve high productivity, so that Europe can keep its place in the sectors of high added value in the global division of labour (which is again necessary to refinance the socio-economic model). In turn, each worker must be prepared to take a non-standard job, to accept lower job security, to constantly renew knowledge also at an older age, to switch job, residence and even professional identity. Workers who would once have been de-commodified, thus taken out of the labour-market, are now retrained, lent out, obliged to move or to commute.

Auer and Chatani (2011, 3) have pointed out the affinity of flexicurity with the so-called Third Way, a middle way between liberal capitalism and socialism, and more concretely between Fordist capitalism and neo-liberalism: “more adaptive

³³ Flexicurity has encountered the accusation of being ‘neo-liberal’ (Keune und Jepsen 2007; along these lines: CEREQ 2011; Tangian 2007a), which makes it a “kind of a swear-word” (Auer 2010, 378) for many. Yet, it depends on the definition whether this is a valid accusation. If one sticks to the traditional definition used in economic theory (a minimalistic state, which does, however, interfere in market processes to facilitate and preserve competition) neo-liberalism is mutually exclusive with flexicurity, as will be shown. If, however, one opts for the more recent and more normative meaning of the term ‘neo-liberal’, which relates to putting markets first and conditioning people to function in market environments, there lies a real threat for and by flexicurity (cp. chapters 4 and 6).

capacities of both the economy and the labour-market” are aspired for at the same time as “labour-market security, equality and social justice” (ibid.). The spirit of uniting antipodes is thus older than the flexicurity agenda. Beyond this, the Third Way covers topics which are central to flexicurity, e.g. the respective “rights and duties” of governments and job-seekers, contractual possibilities at the labour-market, and social dialogue (cp. ibid., 4). In sum: “Flexicurity, as a labour-market reform paradigm adopted by the EU Commission, owes something to a ‘third way’” (ibid.).³⁴

Flexicurity shares this descent with another discourse which figures as the “social investment perspective” (cp. Morel, Palier, und Palme 2012a, 18). As stated by the first of the Common Principles of Flexicurity, flexicurity shall support the Lisbon Strategy, which in turn has been “very much inspired by the social investment perspective” (ibid., 20). Taking a much more critical view³⁵ on the Third Way as compared e.g. to Merkel (2000), Morel, Palier, and Palme (2012a) point out that the Social Investment perspective has several intellectual origins. Beside the Third Way, they mention sources considered by them as more “social-democratic” (ibid., 18), most importantly the writings of Esping-Andersen.³⁶ As pointed out by the authors, the existence of diverse and partly contradictory sources make the Social Investment perspective capable of winning broad support, but also, it makes it ambiguous (ibid., 19). This diagnosis is equally valid for flexicurity (infra). This is not a coincidence: flexicurity can be considered as the labour-market face of the Social Investment perspective (cp. Morel, Palier, und Palme 2012b, 366). As we will see, it remains a face which is hard to read: both an enabling and a constraining potential lies in the notions of flexicurity, Social Investment, and maybe even the Third Way.

2.1.2 A process with an open outcome

Flexicurity is something communicated like something which is ready-to-use. Such an impression is conveyed for example when the Council of the European Union (2011, 2, emph. added) states that “the common principles of flexicurity, as a means of implementing the European Employment Strategy, *provide a comprehensive policy strategy* to coordinate efforts to manage the employment effects and social impact of the crisis, and to prepare for the economic upturn”. The truth is, on the contrary, that flexicurity is not an elaborate strategy. Selling flexicurity as something which is ready means raising expectations which cannot be met. Flexicurity is rather open or even indeterminate, and this is not without a reason.

³⁴ Yet, Auer and Chatani (2011, 8) find that “German reforms do not typically fall under the “classical” flexicurity concept, which implies generous unemployment benefits to compensate for looser employment protection”. “However, in political discourse, Hartz policies are very often subsumed to be a German version of flexicurity and thus opposed by many unions and left parties like the ‘Left (die Linke)’” (ibid.).

³⁵ “Thus for Giddens and the Third Way, welfare state restructuring is about going from ‘passive’ social policies to ‘active’ social policies, whereas in the social-democratic approach put forward by Esping-Andersen et al. and Vandenbroucke, the new welfare state architecture must rest on both an ‘investment strategy’ and a ‘protection strategy’” (Morel, Palier, und Palme 2012a, 19).

³⁶ Sen is also presented by the authors as an inspiration for the Social Investment perspective (ibid.).

Flexicurity fits in with the role played by the EC as a “broker between interests” (Keune und Jepsen 2007, 9). Making flexicurity negotiable in a European policy process, the EC organises an arena³⁷ where different actors can try to voice and promote their concerns, hoping to coin the discourse in their sense and to prevent its monopolisation by others. This holds especially for employers’ and workers’ organisations. As pointed out by the ‘European Expert Group on Flexicurity’ (2007, 16) – close to the EC – it is not by chance that the concept first came up in countries with strong social partners, and the EC itself does not get tired of stressing the need to deliberate with the social partners in order to make flexicurity a success (cp. Monks 2007, European Trade Union Confederation).³⁸

For creating an attractive discursive arena, and in order not to anticipate on the result of the stakeholders’ struggle on the formulation of flexicurity measures, the EC’s definition of flexicurity needs to remain sufficiently abstract.³⁹ The price for this openness is the impression of an inherent vagueness of the notion: “As the definition stands, it is not exactly an operational guideline, but a rather broad and unspecific description of the issues that may be included in bargaining, showing also the difficulty of policy making in the EU, at least for soft law issues, where no legal framework exists” (Auer 2010, 374). Eurofound (2008b, 23) argues that “the broadening of the meaning of flexicurity, which has been realised within the European Employment Strategy, has probably increased the ambiguity of the concept and made it more ‘contestable’. While it allowed for the possibility to recognise different flexicurity models and different pathways to flexicurity, it has reduced the coherence of the reference framework”.⁴⁰ Similarly, Calmfors (2007, 2) criticises:

“There seems to be a tendency for everyone to have their own definition of flexicurity and then to subsume everything they like under that label. This tends to lead to very unproductive discussions on the proper definition of the concept that diverts interest away from the fundamental issues of the exact measures required to achieve a set of clearly defined objectives. It is as if you have first constructed a label and are subsequently struggling to fill it with contents.”

The outcome of the flexicurity policy process is thus open, and this is one of the reasons why flexicurity has remained contested (cp. Auer und Chatani 2011). It is hard to judge beforehand how flexicurity will affect one’s interests, once it will have been translated into the politics of a specific national setting. The way flexicurity is being communicated by the EC wants to make believe that no losers will emerge from the

³⁷ Keune and Jepsen (2007, 11) describe flexicurity as a “discursive tool” in the hands of the EC.

³⁸ For an empirical backing of this hypothesis, see Eurofound (2007a, 32 et seq.).

³⁹ Besides the political struggles within countries, the unequal situations between European countries (see below) is a second important reason for the EC to start with an abstract formulation of flexicurity.

⁴⁰ Eurofound (ibid.) goes on to argue that “flexicurity loses its potential for clearly guiding the social partners: almost any possible topics of negotiation can be interpreted in the framework of flexicurity, from working time to wages or collective dismissals”.

flexicurity reform project (critically: Bonvin, Moachon, und Vero 2011, 18). Behind the irritation with the vagueness which is often attested to flexicurity, there is an uncertainty about what a revision of the employment system's rules may lead to.

What is at stake? From a power-theoretical perspective, a market order is fixed in a power struggle between market actors. They try to influence market regulation because often a specific form of a market privileges certain actors over others. As observed by Fligstein (2002, 16) “[m]arket orders are governed by a general set of rules. [...] The dominance of different groups in society means that those rules tend to reflect one set of interests over another”. For example, “[c]ompetitive external labor markets with no minimum wage and few rules give firms the greatest leeway” (ibid.), while “worker-controlled labor markets contain rules of exchange that control the movements of workers for their benefit and restrict firms’ ability to hire, fire, pay or promote” (ibid.). A re-negotiation of current labour-market rules, which still bear the stamp of the Fordist period, jeopardises the chance of many workers to stay in internal labour-markets. At the same time, flexicurity may affect the balance of power between workers in general and employers, in other words labour and capital.

The indecisiveness in the EC's communication, politically necessary as it may be (2.3), bears uncertainty for some actors and forces them to deal in one way or the other with this uncertainty. Some may fear that the grey areas in the scheme may be filled in an unfavourable way from their point of view, and decide to refuse flexicurity. Others may be more optimistic about the further process, maybe also relying in their own capacity to influence it, and choose to actively give their desired meaning to the word. As Robert Castel⁴¹ explains in a similar context, the outcome of such a comprehensive reform process is open at best. This political process is not exclusively in the hands of those who have an interest in preserving workers' achievements in the realms of employment and social protection. Rather, the forces which have contributed to the erosion of these standards in the recent past may also influence what happens once acquired rights are put in question, even though the approach of the flexicurity agenda is quite different from its predecessor.

Against the backdrop of the current balance of powers, it is not surprising that employers' organisations are more positive on flexicurity than trade unions.⁴² This has been shown by a survey done by the European Social Partners organisation (E. Voss und Dornelas 2011). Asked whether the Common Principles of Flexicurity could lead to a win-win situation, both employers' representatives and trade unions agree that such a potential exists “if implemented under certain conditions [...] The majority of those responding see a win-win potential in the issue of flexicurity, although the employers are considerably more positive than the trade unions” (ibid.,

⁴¹ “[L]es processus et les acteurs qui sont à l'oeuvre derrière le démantèlement des régulations du travail paraissent bien plus puissants que ceux qui pourraient oeuvrer à leur recombinaison-renforcement. Il peut dès lors être très dangereux de céder sur les ‘droits acquis’, même si c'est dans l'intention d'en constituer des nouveaux, car les promoteurs des nouveaux droits n'ont bien évidemment pas seuls la maîtrise du processus” (Castel 2009, 132).

⁴² In some Eastern European countries, trade unions are currently so weak, that the ILO dis-advises engaging in further negotiations on flexicurity (Auer und Chatani 2011, 7).

16). More trade unions than employers' representatives judge that this is 'not yet proven'" (ibid., 17). This may still be too prudently formulated to reflect the preoccupations in the workers' camp, which become more tangible in the speeches of some high union representatives: John Monks (2007), as general secretary of the European Trade Union Confederation (ETUC), at the 2007 stakeholder conference on flexicurity:

"Often it seems the message to workers is 'give up job protection in return for employment security'. One is precise – the loss of your job – the other is imprecise. What is it? Lifelong learning – a concept that strikes fear into many a worker's heart especially if they were not stars at school. Withdraw your benefits if you won't take alternative work even when it is work of a lower standard with worse pay and conditions than those to which you were accustomed?"

The fear is thus that flexicurity may be a bad deal for workers, and the danger of a general erosion of stability gets palpable in a further citation from this speech: "I just want to recapture the debate from those who want to concentrate on reducing employment protection and unemployment benefit entitlements, and from those who are giving the impression that the way to tackle the issue of precarious work is to make regular work more precarious". Yet, Monks sounds prepared to consider flexicurity as long as it does not get reduced to the first part of the term. In contrast, four years later, at the occasion of a second stakeholder conference on flexicurity organised by the EC, Bernadette Ségol (2011), as the new general secretary of the ETUC, compares flexicurity to the "Trojan horse".⁴³

Notwithstanding, the joint report of the European Social Partners (E. Voss und Dornelas 2011) emphasises the willingness of both sides to cooperate. In this report, the ETUC and employers' organisations (BUSINESSEUROPE, UEAPME and CEEP) state in a joint analysis that if "[a]ppplied in the right way, the flexicurity approach can create a win-win situation and be equally beneficial for employers and employees" (ibid., 7) and the social partners also call upon their national members to "actively contribute to the design and implementation of policy measures addressing the flexibility and security dimensions" (ibid., 8). Of course, one would argue, nobody would reject the invitation to influence an upcoming policy agenda, failing which he would later have to come to terms with something which has been worked out by others. "Once a reform agenda has reached a certain level of institutionalization, it is difficult for major stakeholders, such as the social partners, not to join the reform game. This gives the term 'flexicurity' the character of an 'authorised language [...]" (Auer 2010, 373). A declaration of principal willingness to deliberate on flexicurity, therefore, does not equal a firm conviction that there is indeed something to gain, above all if it would be risky *not* to participate.

⁴³ "Les travailleurs et, plus généralement les citoyennes et citoyens se méfient de mots qui, une fois transformés en réalité apportent un moins et pas un plus. Le concept de flexicurité, sorti de son contexte national, s'est donc taillé une mauvaise réputation. On le considère avec méfiance, hostilité, un peu comme un cheval de Troie..." (ibid.).

2.2 *The concepts of flexicurity*

Even if the cognitive aspects are important, flexicurity is more than a mere discourse. Its abstraction and principal openness do not preclude the usage of a certain conceptual inventory. Flexicurity draws on received concepts of flexibility and security, which will be reviewed in the present section. It will be explained how different forms of flexibility and security allow for alternative profiles of flexicurity. The idea of alternative and functionally equivalent labour-market constitutions plays an important role in the flexicurity discussion, because it suggests countries' possibility to pursue the policy which fits best not only to their specific balance of political power, but also to their (possibly path-dependent) institutional trajectories and specific labour-market deficits. One can say that inter-country heterogeneity is one aspect of how Europe impacts on flexicurity. Its internal heterogeneity precludes homogeneous policy, which justifies the abstract formulation of flexicurity.

It will be argued that the idea of "varieties of flexicurity" (Wilthagen 2008, 5) profiles is useful, but also a bit misleading. It conveys the idea of nationally homogeneous solutions, while employment systems are internally diverse (4.3.2). Flexicurity profiles, such as figure in the debate, can serve as ideal-types. After discerning several forms of flexibility and security, the present section will present some ideal-typical images of flexicurity. On the basis of the different profiles, it will then be tried to draw conclusions about the scope of possible flexicurity solutions.

2.2.1 **Forms of flexibility and security, and the 'Wilthagen-matrix'**

Flexibility can take a host of different forms in the fields of work and employment, it can refer to the location, the time, the content, the employer, the income and still other things, as Mayer et al. (2010, 398) emphasise. It is thus not self-evident that the incidence of all these forms evolves in the same direction, in particular because some forms of flexibility may not always be substituted with another.

In his seminal book entitled "Global Labour Flexibility", Guy Standing (1999, 83 et seq.) covers the following types of flexibility: production or organisational flexibility, wage system flexibility, labour cost⁴⁴ flexibility, employment (numerical) flexibility, work process (functional) flexibility (including working-time flexibility), and job structure flexibility. In an attempt to systematise, Keller and Seifert (2008, 7) (drawing on Atkinson) classify flexibility measures according to whether they happen inside the firm or include the environment of the firm, and whether they concern the numerical, functional, monetary or temporal dimension. Wilthagen and Tros (2004) use a slightly simpler categorisation of flexibility for their flexicurity matrix (infra):

- *External-numerical flexibility* refers to the freedom of the employer to adapt the number of employees to current requirements, by using the reservoir of workers outside of the firm, either for recruitment or for disposal.

⁴⁴ (overhead costs, fiscal costs, training costs, co-ordination costs, protection costs, labour turnover costs, motivation costs, productivity costs, adaptability costs, bureaucratic behaviour costs)

- *Internal-numerical flexibility* is about varying the number of working hours.
- *Functional flexibility* is the freedom of the employer to allocate employees to other places or tasks than usual.
- *Labour cost/wage flexibility* means the adaptation of workers' wages to the current business situation.⁴⁵

Keller and Seifert (2008, 8) point out that the combination of 'flexibilities' depends on the kind of problem to be solved: the structure of staff, the segment of the labour-market and the balance of power in the firm. The costs and benefits which various forms of flexibility cause to different actors are not identical. "Each form of flexibility does not only impact on the costs of the firm, but also on the social security and income of the workers" (ibid., my transl.). Conventionally, employers emphasise the need for external-numerical flexibility, while trade-unions propose as an alternative internal flexibility, either numerical or functional.

High *external-numerical flexibility* allows employers to easily hire and dismiss staff. The lower the standards of employment protection, the better the payroll can be adjusted to the rhythm of the business cycle. From the viewpoint of employers, such flexibility grants cost efficiency, as employees do not need to be supported by the firm in times of slack. Also, costs for skills updating can be externalised, as the necessary qualification at each moment in time can be made a criterion for which workers to keep and which workers to hire. Yet, as argued by some, hiring and firing destroys social networks vital for the firm to function well, and the prospect of short tenure prevents investment by the workers (as well as the employers) in firm-specific skills. From a micro-economic perspective, the cost of hiring and firing thus rises with the importance of firm-specific knowledge. It has been held against this that firm-specific knowledge can be substituted by the existence of professions and the deliberate cutting of a firm's job profiles to the features of these professions.

Internal flexibility has the advantage of keeping the employment relationship intact. This continuity can be beneficial not only for workers, but also for employers, particularly when the sectoral labour-market is drained. An example for internal-numerical flexibility, which has become prominent again during the 2008 crisis, is short-time work. In a period of slack, it can substitute dismissals. This keeps the social networks inside the firm intact and saves costs and difficulties connected to subsequent hiring of new staff. If changes in the production process or product portfolio occur, retraining employees can substitute exchanging them. Besides continuity, there are also other possible benefits of internal flexibility for both employers and employees: Job rotation can contribute to the quality of work (less monotony) and therefore to productivity, as workers' motivation helps to diminish the "transformation problem" (Köhler und Loudovici 2008, 56). Part-time employment can contribute to the reconciliation of professional and private life, thus making more skilled labour available to employers and allowing workers to stay in employment in

⁴⁵ Leschke et al. (2006, 2 et seq.) propose an alternative typology which is more systematic but maybe less intuitive: they discern external- and internal-functional flexibility and consider labour cost/wage flexibility as functional flexibility.

spite of care responsibilities.

Yet, even if many qualities of internal flexibility seem superior to external flexibility, there is no consensus that it can generally replace it. As long as the shift in required qualifications and competences is incremental, internal flexibility will suffice. If change is more rapid or fundamental, however, there may be no alternative to exchanging part of the staff: “Internal flexibility is more likely to provide solutions for problems of cyclical adjustment, whereas in cases of permanent structural adjustment external flexibility may be unavoidable” (Keller und Seifert 2004, 228; cp. also Lutz 1998, 124).

2.2.1.1 Forms of security

Security in general refers to the chance of avoiding an adverse event. Depending on the kind of event, different forms of security can be distinguished. The International Labour Office (ILO) identifies seven kinds of security connected to work and employment.⁴⁶ Wilthagen and Tros (2004) retain three of them:

- *Job security* refers to the possibility of employees keeping their specific job,
- *employment security* denotes their chance to be employed at all, be it in a continuous employment relationship or in a succession of different jobs.
- *Income security* refers to workers’ possibility to maintain an adequate income.
- (Beyond these, *combination security* is added. It stands for the chance to reconcile professional and private tasks)

The present work sticks to this established classification, even though it is not concealed here that it has been challenged in some respects: Auer (2010, 380 et seq.) points out that by the correct definition, as used in industrial relations and labour economics, “job security is related to the probability of workers retaining employment in their current job, and employment security to retaining a job with their current employer”. In this logic, Wilthagen’s and Tros’ ‘employment security’ should rather be called “labour-market security” (ibid.). Keller and Seifert (2008, 8) point to the two phases of necessary income security, both in the employment and in the post-employment phase. Leschke et al. (2006, 3) formulate a slightly extended and more concrete version of the notion of combination security, which they name “option security”. It stresses the “certainty of having various employment options”, and embraces among others the “entitlement to continuous education or training” (ibid.). Gazier (2008, 122 et seq.) argues that functional flexibility should be distinguished in an external (subcontracting) and an internal form (e.g. versatility of workers). Despite these well-justified points of criticism, the above classification remains the dominant one in the flexicurity discussion.

⁴⁶ See the [website](#) of the ILO, or also Standing (1999, 52).

2.2.1.2 The ‘Wilthagen-matrix’

Wilthagen and Tros (2004) have combined the selected aspects of flexibility and security in a matrix (table 2) which is often referred to as the “Wilthagen-matrix” (e.g. Gazier 2008, 121). One function of this matrix is to give an overview on alternative flexibility-security combinations. All forms of flexibility and security do not have to be granted at the same time. One form of flexibility can potentially replace another form of flexibility, the same applies to some forms of security. Much of the debate around flexicurity is on whether employment security can substitute job security.⁴⁷ If – and only if – this is the case, workers can accept a substitution of internal forms by external forms of flexibility. Another function of this matrix is that it can classify policy measures according to which flexibility-security combination they apply to.

Table 2: The ‘Wilthagen-matrix’

	Job security (JS)	Employment security (ES)	Income security (IS)	Combination security (CS)
External-numerical flexibility (ENF)				
Internal-numerical flexibility (INF)				
Functional flexibility (FF)				
Wage flexibility (WF)				

Adapted from Wilthagen and Tros (2004, 171; cp. also Eurofound 2007b, 4).

Although this matrix is useful for an overview, there are also some purposes for which it is not helpful: it enforces a two-dimensional view (Tangian 2005, 14), is silent about the modalities of exchange between flexibility and security (Tangian 2007a, 557), and it is not able to retain measures that relate only to flexibility or only to security.⁴⁸ The latter weakness can be healed by introducing external columns or lines.

2.2.2 Ideal-typical country profiles in the debate

The idea of different types of flexibility and security which can be mutually substitutive allows conceiving of different labour-markets, which would each in their own way combine flexibility and security. Wilthagen (2008, 5) addresses them as “functional equivalents”. This leeway can be a space for political discretion, because

⁴⁷ In Auer’s terminology: whether “labour-market security” can replace “employment security”.

⁴⁸ Mandl and Celikel-Esser (2012, 24) identify flexicurity measures and observe that they “serve several types of flexibility and security simultaneously. Indeed, only a small minority of the compiled measures show a combination of a single flexibility dimension with a single security dimension, and hence can be classified into a single cell of the flexicurity matrix”.

the kind of regulation which should be enacted depends on the labour-market configuration which is sought. It is also an opportunity for countries to implement comparable degrees of flexibility and security while respecting their own path-dependent trajectories.

Different ideal-typical profiles of flexicurity figure in the discussion. The present subsection presents and discusses the most common ones. By the term *profile*, it is referred here to a combination of a specific policy input and a compatible labour-market outcome. An important weakness of this concept is precisely the idea of a match between input and outcome, which is often fictional. In the debate on national flexicurity solutions, however, the claim that governments could choose and implement a certain ‘flexicurity model’ is frequent. I speak of *ideal-typical* profiles because we have to deal here with imagined country-cases: profiles are being associated with real countries, no matter the distance between the ideal and the empirical facts.

Some authors hold that “the [Wilthagen-]matrix could serve as a building block for creating a typology of national (or sectoral) flexicurity profiles” (Viebrock und Clasen 2009, 309). It will be used here to illustrate the dominant kind of flexibility and security in each profile and the policy measures which supposedly lead to this configuration. In the tables, (brackets) stand for an ambivalent effect of a policy measure on flexibility and security (either indefinite, or positive on one aspect and negative on another) or an indefinite state of a specific aspect of flexibility or security. ~~Struck out letters~~ indicate a negative effect of the measure on the respective flexibility or security aspect or a deficient state of a specific aspect of flexibility or security.⁴⁹ For each profile, necessary or at least favourable conditions such as country size, financing of measures, and the production model will be discussed.

2.2.2.1 Profile I: Employment protection and internal flexibility

In a first profile, flexibility requirements of firms are covered by internal-functional and some forms of internal-numerical flexibility, i.e. the ones which are compatible with standard contracts (including part-time contracts as a ‘new normality’ (Schmid 2010) for parts of the work-force). For full-time contracts, a short-term variability of the amount of working time – as a response to cyclical variations of the workload – can be organised by working-time accounts. In exceptional situations, continuity can be supported by short-time work schemes. As for functional flexibility, fluctuations on specific product markets are buffered by assigning the workforce to different tasks according to product demand. This also allows adapting a firm’s production to gradual changes in product markets. A strenuous form of functional flexibility consists in

⁴⁹ Several cases of the matrix will be highlighted for each country profile. Doing otherwise would imply that a country could do with just one kind of flexibility and one kind of security. This would mean that all forms of flexibility, respectively security, are perfect substitutes. It is more plausible to assume that every flexicurity model has to provide a certain degree of income security. If double-earner households are the norm, then there is no alternative to granting also a minimum of combination security. A country-profile is therefore depicted by a specific pattern of cases in the matrix.

shift-work. In contrast, workers' motivation can be raised by a diversity of activities, organised by group work, job rotation, job enrichment (several integrated tasks) and multi-skilling. A forward-looking task and skills management is necessary here.

This profile grants job security to workers. Sabbaticals are an interesting option in workers' life-courses, yet on the employers' side, they may also cause bottlenecks, especially if the firm is small and if the worker is hard to replace. From a macro-economic point of view, the virtue of this model is that it suggests a high-productivity path. A high sophistication of production can be reached and maintained: As workers generally stay with their employer for a long time, skills upgrading within the firm is lucrative for both (even for firm-specific knowledge). Another advantage is the relative cost neutrality for public budgets. Costs for training and frictional unemployment are mostly not externalised by firms. An exception is made in deep economic crises; short-time work can be co-financed by the state to avoid an increase of unemployment.

Table 3: Profile featuring numerical and functional internal flexibility

	JS	ES	(IS)	(CS)
ENF				
INF	Working-time accounts Short-time work Overtime work	Employer-pool Part-time work	Phased retirement schemes (Part-time empl.)	Part-time work (Working-time accounts) (Sabbaticals) (Flexi-time)
Int. FF	Group work Job rotation Multi-skilling Re-training			(Shift work)
WF				

What are the conditions which suggest this flexicurity model for a country? Large firms are advantageous, as they are associated with more possibilities of internal reallocation of the staff to different tasks. This condition can be substituted, however, by pools of employers, which jointly offers standard contracts to workers and shares their time (cp. Zimmermann 2006, 98). Lutz (2007) has shown that a gap at the supply side of the labour-market can make employers opt for internal solutions. An environment of slow (technological and product) change is equally favourable. Rapid change cannot be mastered by incremental innovation of products and production, it suggests radical innovation and a change of staff. Demographic change is a challenge for the described model: If high costs for de-commodification (e.g. early retirement) are to be avoided, firms need to develop suitable job profiles so that ageing workers can keep up.

The described model comes near to what has become known as the German ‘diversified quality production’ (Sorge und Streeck 1988). Keune and Pochet (2009, 108) detected this model as a possible kind of ‘flexicurity’. It is the solution traditionally favoured by trade-unions. Thinking about the gaps in the German labour-market, it seems a rather idealising picture, however: Köhler and Krause (2011) speak of a “dynamic coexistence” of different subsystems of German the labour-market, only some of which are internal labour-markets (4.3.2). Today, and also in the past, internal labour-markets are stabilised by external ones. Internal markets work for a specific but particularly visible (industrial, highly qualified) part of the labour force, while less qualified, young, migrant and female workers are often used by firms as a disposable quantity to cushion the ups and downs of the business cycle. This means that the described profile can be considered a building block of a national flexicurity system rather than the system itself.

2.2.2.2 Profile II: Equivalent protection for non-standard workers

In the second profile, standard and a-typical employment (not confined to part-time) coexists and substantiates equal rights. The security of flexible workers is raised to the level of workers with standard employment (Viebrock und Clasen 2009, 314). Moreover, transitions between flexible and non-flexible contracts are facilitated, e.g. by legal measures. A-typical contracts include part-time, temporary and fixed-term employment. External and internal forms of numerical flexibility, job and employment security, are thus mixed. Part-time workers are fully integrated into the social security system, and their hourly wages and further training opportunities are equivalent to those of full-timers. Temporary and fixed-term workers can assert rights to training, supplementary pensions and wage guarantees (*ibid.*, 315). Employees have the possibility to save a part of their salary in order to finance different kinds of leave periods: sabbaticals, parental, care or educational leaves.

External-numerical flexibility does not tend to produce outsiders: firstly it is partly regulated, and fixed-term employees still benefit from social protection, articulated by passive and active measures. In addition, the availability of a-typical contracts makes the barrier for re-entry lower. Fixed-term employment can be regulated in such a way that it automatically leads to a standard contract after a certain time. Income security is supported by equal-pay agreements for a-typical workers. The problem that total earnings of part-timers tend to be modest is partly offset by the fact that an adult worker model is facilitated by high combination security; dual earner households are the rule.⁵⁰

The macro-economic and societal effects of this profile can be expected to be favourable: life-long-learning is in principle accessible to the whole workforce, and long tenure with one employer is not excluded in domains where this is beneficial. Consequently, there is no barrier to increases in productivity. The overall employment rate is also high, the total amount of paid work is thus relatively evenly distributed.

⁵⁰ (this means also that households with only one potential earner, but presence of dependent persons, probably needs further income support by the state)

The variety of contractual options includes workers in the labour-market according to the demands of the personal situation. Working time flexibility facilitates reproductive tasks in the household, and it also grants a high degree of freedom to choose a way of life adapted to the situation and to individual preferences.

Table 4: Profile featuring external and internal numerical flexibility⁵¹

			Generous social protection	
	(JS)	ES	IS	CS
ENF		Contractual variety: Temporary and fixed-term empl.		Support for transitions
INF		Part-time empl.		Part-time empl.
Ext. FF		Temporary and fixed-term empl.		
(WF)				

One requirement for installing such a profile is equally strong and cooperative social partners: Both excessive liberalisation and excessive privileges to insiders need to be avoided. A climate of trust facilitates institutional reform. Considerable budgetary effort by the state may be needed; still employers bear a share of the costs.

The profile described here is often associated with the Netherlands (Barbier 2007, 5). This is not the most recent version of flexicurity which is being discussed, but it is still a widely accepted positive example. Most concisely “the approach can be described as ‘normalising non-standard work’” (Viebrock und Clasen 2009, 315, citing Wilthagen and Visser). The description of the Netherlands as a “part-time economy” thus refers rather to the high share of part-time employment, it does not mirror the actual diversity of contractual situations.

2.2.2.3 Profile III: Low EPL, but strong investment in LMP

Profile number three is the more recent trend in the flexicurity-debate – at least before the 2008 crisis. It is often referred to as the “magic” or “golden” *triangle* (Viebrock und Clasen 2009, 313). In contrast to the former version, the notion of the a-typical contract does not play a role here. The treatment of workers is equal rather than equivalent, as (1) EPL is generally lax. All workers, however, benefit from (2) generous wage replacement payments and – completing the “triangle” – are supported by an (3) effective active labour-market policy (ALMP). The latter comprises support in job search, but also has a strong focus on skill improvement and professional mobility.

⁵¹ Measures which do not have a simultaneous effect but affect only either flexibility or security can be displayed in a line/column outside of the matrix. This increases the scope of measures which can work as elements of a flexicurity strategy.

The ALMP, though following first and foremost a capacitating philosophy, also has activation or “disciplinary” elements (cp. Duclos 2009, 42) to counter the disincentive effects which high benefits may potentially have. Job security is not targeted by this profile⁵², it is substituted by employment security. Income security is warranted due to transfer payments, also in periods of further training. Combination security is facilitated by the chance of re-entry into the labour-market after leave, but a parallel combination of work and care responsibilities is not explicitly promoted.

Table 5: Profile featuring numerical and external functional flexibility

			Generous income replacement	
	JS	ES	IS	(CS)
ENF	(Weak EPL)			
(INF)				
FF		Re-training measures		
(WF)				

A number of conditions are necessary for the model to function well. It works both with small companies and with big companies, but it encounters some difficulties if the geographical extension of the labour-market becomes too vast (4.3.1.2). Changing employers frequently is not a problem as long as distances are compatible with commuting. Moving house with an economically active partner is not as easy, however, even if the labour-market permits finding a new job for him/her as well. The second prerequisite is economic dynamism: ALMP cannot succeed if too few vacancies are on offer. Some authors hold that macro-economic success follows from such a labour-market, but to many this mono-causal explication is not credible (cp. Duclos 2009, 42). A third prerequisite is the funding capacity of the state. The profile implies a huge externalisation of costs by firms. Not all countries have the fiscal basis allowing such heavy investment, and imposing too much tax load on business or labour may have adverse effects on labour demand. A fourth condition is a well-functioning social dialogue. With reference to Denmark, the country which has given rise to this understanding of flexicurity, Wilthagen suggests that “this system could not have developed as it has without the very highly developed industrial relations and social dialogue” (cp. also Jørgensen 2010).

As explained by Viebrock and Clasen (2009), in Denmark a combination of weak employment and strong social protection could be agreed on because trade-unions considered high replacement rates as a sufficient source of security, while employer’s associations did not fear high unemployment benefits because they

⁵² In real life, however, it may be granted to many employees nevertheless: As long as it is beneficial, why should an employer cease offering an employment position to an employee?

“facilitate responses to shifting market demands in the form of laying workers off” (ibid., 314). Jørgensen (2010) argues that this well-functioning system has started to be undermined by a “right wing government” (ibid., 3) which came to power after 2001: co-decision by trade-unions has been cut back, replacement rates have been lowered and replacement periods shortened to a duration of two years only. All in all, the author describes it as a move towards a “mainstreamed European ‘work first’ approach” (ibid.). In return, trade-unions enforced the introduction of a severance payment after an employment relationship of at least three years. Jørgensen (ibid., 9) considers this as a “step away from the Danish flexicurity principles”.

2.2.2.4 The above profiles: too simple, too selective?

The three profiles are landmarks in the flexicurity discussion. They show that – as far as different forms of flexibility or of security are substitutes for each other – the task of providing some flexibility or security can be solved in different ways. The kind of employment system which is sought depends on the political balance of power and the actors’ perceptions and expectations, e.g. concerning the niche which a territorial community seeks to fill in the global division of labour (Streeck 2000, 257 et seq.). Following Wilthagen (2008, 5), “Europe is and will remain characterized by varieties of capitalism and welfare states, it will feature and require varieties of flexicurity”.

Abstractions like the described profiles must be used prudently, as they can gain a life of their own, partly independently from an empirical basis. The profiles which have been shown are more or less backed by empirical cases. “More or less” means that they are schematic models reflecting real-types only in a very abstract form. It is argued here that the profiles play a role in the discussion, that they give some orientation – but that they cannot be the blueprints for true flexicurity policy.

Why are such descriptions too simple for describing a real employment system? Firstly, the presented cases are not very detailed: many institutional prerequisites have not been explicitly named, measures have been presented selectively. Also, the absolute and relative degrees of flexibility and security have not been spelled out.

Secondly, the description is based on legal and managerial institutions. In contrast, Keune and Pochet (2009) claim that it is not (the complementarity of) institutions of flexibility and security which explain the good labour-market performance of some countries, but the way that people work and live together in firms, i.e. the organisational culture and the working culture. The institutions which these authors emphasise are more ‘soft’ than the ones that were mentioned above. In his description of the Danish case, Barbier (2007) generalises the ascribed climate of trust between the social partners to the society at large: a “cohérence societale” (ibid., 7) has grown over centuries⁵³ and reflects the values of the Danish. Following the French observer, “everything proceeds as if the members of the Danish society acted, all in all, corresponding to the trust they have – much more than elsewhere – in the

⁵³ Cp. also Jørgensen (2010, 12): “The Danish flexicurity system has been developed during more than 100 years”.

economic, social and political results of a societal community” (Barbier 2007, 8, my transl.). In its effect, such a comprehensive explanation is a criticism of the ‘golden triangle’ recipe. It implies that the transferability to other countries is necessarily limited. It also questions the corresponding causal explanation of the Danish labour-market success.⁵⁴

A third and more systematic point is that the profiles allege coherence between a certain regulation and a certain labour-market outcome. However, countries do not only differ in the aspired configuration of flexibility and security, but also in the policy which would lead them to a specific configuration. Even if targeted states are similar, the form of regulation has to be adapted to the status quo of the national employment system, including the activities of its actors, the institutional heritage, and of course the labour-market problems which shall be tackled. To this end, Wilthagen (2008) sketches different “flexicurity pathways”, according to which is (or are) the most pressing labour-market problem(s) that a country seeks to address: segmentation, lack of turnover, skills gap, or low employment participation. These pathways are not linked, however, to a variety of targeted employment systems, to various end points which may be aspired to by different countries. It is rather implied that there is something like an ideal labour-market, with different countries facing different obstacles on their way towards this goal.

A fourth and major shortcoming hides in the question about the sections of the working population which the presented profiles apply to. Doubts about generalisability of the first profile have already revealed that the whole working population probably cannot be covered by one single flexicurity profile. In the discussion about flexicurity, everybody agrees that a ‘one-size-fits-all solution’ does not exist. The point to stress here is that it neither exists *between* countries, nor *within* countries. This is also why it is questionable to speak about ‘regimes’ of flexicurity, as is sometimes done.⁵⁵ The great advantage of the notion of regimes is the reduction of complexity. They are imagined to reflect a certain logic to which all institutions in a country obey. Yet, the great disadvantage is the monolithic assertion, which often misses the point. Empirically, labour-market segmentation is not an anomaly of employment systems, but the usual case. Also, segmentation does not require specific institutional preconditions: it just emerges from the economic behaviour of market actors (Krause und Köhler 2012, 19). The description, conception and the monitoring of flexicurity will thus have to heed the internal heterogeneity of employment systems (mixed approach).

Notwithstanding, different profiles have been presented here for two reasons: they determine the imagination and discussion of flexicurity, and they constitute solutions which can serve – if not as recipes for labour-markets as a whole – still for

⁵⁴ Gazier (2008) adds some desiderata beyond the three corners of the ‘golden triangle’: the participation of trade-unions in the management of firms and of the labour-market (a form of economic democracy), and the high level of qualification of the Danish labour-force are also part of the Danish success story.

⁵⁵ For example, the EC (2006a, 4) suggests that flexicurity has “become a tool to classify different labour-markets. EU Member States can be grouped into several flexicurity regimes [...]”.

specific segments of these labour-markets. The following subsection will discuss the logic behind the profiles presented, and sketch the limits within which flexicurity profiles can possibly be conceived.

2.2.3 Two families of flexicurity

What are the basic alternatives of conceiving flexicurity, what is the menu of options from which a flexicurity strategy can basically be chosen? It is proposed here to reflect on the aforementioned ideal-typical profiles according to the distinction between ‘prevention’ and ‘repair’. The difference is whether market mechanisms are controlled in a way that risks get minimised at their origin, or whether intervention aspires to make the risks tolerable which are caused by the market. Bevort et al. (2006, 8 et seq.) take this difference as so fundamental as to speak of two “families” of flexicurity concepts.

The first alternative is a way of “domesticating the market” (ibid., 9), which is done either by ruling out some forms of flexibility or by internalising their cost. The former means allowing only forms and degrees of flexibility which do not cause insecurity. External-numerical and wage flexibility are often considered as the more risky kinds of flexibility. EPL and a minimum wage can limit their availability as strategic options for employers, which makes it more difficult for firms to externalise cost. Whether or not this keeps economic growth below its potential is an open question. Some argue that firms need maximum flexibility, others say that it is beneficial for productivity to enforce long tenure and high wages, which force employers to engage in a quality instead of a price competition. A problem here is that the question which kinds of flexibility are to be curtailed in order to grant security depends on the individual situation of the worker, just as the question whether an employer can do without a certain kind of flexibility also depends on the case. An alternative to strictly forbidding certain forms of flexibility is estimating their costs and charging them to firms which make use of them. For example, Blanchard and Tirole (2006, 40 et seq.) consider involving employers in the costs that society incurs by unemployment. In the same vein, Tangian (2008a, 8) advocates an additional taxation on atypical contracts, proposing “to implement flexicurity in the form of flexinsurance which assumes that the employer’s contribution to social security should be proportional to the flexibility (precariousness) of the contract”. If potentially harmful kinds of flexibility are more expensive or less convenient to use, employers will tend to substitute them.

The second alternative is to not limit flexibility at the disposition of firms, but to compensate *ex post* the damages caused. Both low and high risk flexibility measures can be used by firms, but unlike in a scenario of mere flexibility, flexicurity is granted by a state prepared to support the ‘victims of market forces’. This implies that the state operates with its fiscal arm, as opposed to the legal arm which is more important in the first ‘family’. As an example one can refer to the idealised ‘Danish model’. A more radical proposition of this second family – but still different from a universal basic income – is attaching rights to persons instead of jobs (see Supiot below).

Systematising the above ideal-typical profiles (2.2.2), it seems that profile I belongs to the first family, while profile III belongs to the second. Profile II seems halfway between the two poles. Interestingly enough, the scenario where firms have a maximum of freedom and can externalise much of their costs to the tax payer is the one which has become most prominent in the debate: Denmark – which comes closest to profile III – has become almost a synonym for flexicurity).

While the basic distinction made by the two families is useful for understanding who bears the cost of flexibility, there are also aspects which escape it. The diction of “families” of flexicurity profiles implies some internal heterogeneity. The second family – which stands for the compensation of market risks by the state – comprises both a version of commodification and of de-commodification of labour. Schmid (2008, 4) argues that “the range of existing proposals can be illustrated by two schools of thought marking opposite ends of a continuum: the ‘neo-voluntary’ universal basic income and the ‘neo-liberal’ job subsidy”. The first solution corresponds to a disconnection of labour and income; it allows for unlimited wage flexibility without putting income security at risk (at least not at the risk of undercutting a fixed basic standard). The second solution means an even stronger coupling of labour and income, the idea is to allow full wage flexibility, with the difference to the median wage being bridged by a state subsidy.

Both solutions allow combining full external-numerical flexibility not only with income, but also with employment security, as full employment is quite probable when labour-cost incurred by employers tends towards zero.⁵⁶ In contrast, the security of firms to recruit a sufficient number of workers would be at risk in the basic income alternative, while in the job subsidy alternative the firms’ availability problem would be diminished. On the workers’ side, the first solution would mean a large gain in freedom: combination security would be established in its utmost form, participation in employment becoming a voluntary option (provided the basic income is sufficiently high). The second solution would prohibit abstention from employment and thus drastically reduce combination security. The top-up payment based on the German social security code is a current example for a job subsidy, though this characterises only a measure in a specific low-wage segment of the labour-market and not a general orientation of policy. Both the guaranteed income alternative and the job-subsidy alternative are imaginable flexicurity profiles. They have not been introduced above because they do not constitute prominent suggestions in the flexicurity debate.

A feature which is shared by all imaginable flexicurity profiles is their being no pure ‘market solutions’. None of them can function without intervention into market mechanisms, be it by law or by fiscal means. State intervention does not prevent the market from functioning, on the contrary: economic sociology has shown that no market could exist without institutions enabling market transactions (cp. e.g. Fligstein 2005). Among these, not all institutions are there to free market forces, some

⁵⁶ This is the extreme case where the employer has to pay almost nothing whereas the public bears the brunt of the cost of labour.

institutions also contain market forces or correct their results. Containing or “embedding” (Polanyi 1978) the market contributes to stabilising it. It is the degree and the type of intervention which makes the difference between the flexicurity agenda and the preceding flexibility agenda. Keller and Seifert therefore consider flexicurity as an alternative to a pure de-regulation strategy, viz. as a possible “post-deregulation strategy” (Keller und Seifert 2000, 293). Instead of limiting state intervention to a minimum, flexicurity rhymes with a strong and interventionist state. Instead of leaving the economy alone, the state assumes a complementary or even symbiotic role vis-à-vis the market. It is for this fact, also, that the accusation against flexicurity of being ‘neo-liberal’ does not make much sense: At least as long as we stick to the definition used in economic theory (a minimalistic state, which does, however, interfere in market processes to facilitate and preserve competition), neo-liberalism is mutually exclusive with flexicurity.⁵⁷

2.3 The monitoring of flexicurity and its challenges

While ideal-types were dealt with in the previous section, policy agendas like flexicurity cannot do without empirical information, if only so for the purpose of legitimation. A reality check also helps to solve contentious issues⁵⁸: This section is on the measurement of flexicurity and the methodological challenges which need to be mastered. It starts with an introduction to the EU’s official monitoring device in the field of labour-market and social policy. Subsequently, several propositions for monitoring flexicurity will be presented.

In order to deal with the heterogeneity of its MS, the EU uses in the field of labour-market and social policy a ‘management by objectives’ approach: the Open Method of Coordination (OMC). This is a *soft* alternative to regulations, directives and sanctions in that it leaves it up to MS to achieve common objectives by their own national way. Objectives are defined, translated into indicators, and the indicators are used to monitor each country’s performance on a regular basis. This form of governance is soft because the means to achieve good indicator values are up to each country’s own discretion. This makes it so that the OMC can also deal with another problem of European policy-making, which is the lack of political competence and sovereignty of the European institutions. The European labour-market and social policy is the main field of application of the OMC, precisely because social policy has remained a prerogative of national governments, and issues are quite different from country to country.

⁵⁷ Yet, there are more recent – though less precise and more normative – ways of using the term *neo-liberal* which may be more pertinent with regard to flexicurity (cp. 6.3.2).

⁵⁸ “In a purely theoretical or ideal world, there might be no trade-offs. But in reality there are always winners and losers when the aim is to create a better balance between flexibility and income and employment security. Whether the theoretical presumptions of either the trade-off or the flexicurity theses therefore hold ground in day-to-day reality should be the subject of empirical study” (Eurofound 2008a, 10).

Flexicurity is part of the EES, of which guideline 21 asks MS “to promote flexibility combined with employment security” (cp. EMCO 2006, 1). It is noticeable that this concise formulation does not cover the broader notion of flexicurity which has later been exposed in the EC’s communication of 2007, which makes explicit reference e.g. to internal flexibility. The latter, more general formulation has emerged from a discussion with different stakeholders, in particular trade-unions. The broadening of the notion of flexicurity gave rise to a gap between the eight Common Principles of Flexicurity, as they figure in the 2007 Communication, and the narrow formulation of flexicurity in the EES.

One may wonder whether the monitoring instrument for flexicurity, which the Employment Committee (EMCO)⁵⁹ has been developing after 2006 in collaboration with the Social Protection Committee, does justice to this larger and more recent vision of flexicurity. Its indicators have been chosen – mostly out of the set of existing indicators of the European Employment Strategy (EES) – according to the four policy components mentioned (p. 17, CPF no. 2). Within these four categories, they are classified as input, process or output indicators (table 6).

The input indicators are “quantitative assessments of rules and regulations” (EMCO 2009a, 3), they contain rankings of laws and amounts of spending. Process indicators “show and measure the extent to which policies are being implemented” (ibid.), they comprise coverage ratios, respectively the incidence of participation. Output indicators describe labour-market states or events, like different kinds of levels reached or not by the working population, or transitions in people’s trajectories. Data sources are various, but the surveys EU-SILC and European Labour-Force Survey (EU-LFS) are the most important.

⁵⁹ The EMCO has been created upon the Treaty on the Functioning of the European Union. Each MS nominates two members and two replacements. The EMCO has two sub-groups, one of which is the “indicators group”. This group “helps EMCO select and develop indicators to monitor the [European] employment strategy” ([website](#) of the EC, last accessed 2014-03-13). The indicators group are helped by an “Employment Committee Support Team”, made up of members of EC’s DG EMPL (see the list of EMCO members, [internet source](#) last accessed 2014-03-13).

Table 6: Flexicurity indicators as suggested by the EMCO⁶⁰

Policy field	Input	Process	Outcome
<i>Contractual arrangements</i>	Access to flexitime	Diversity and reasons for contractual and working arrangements Employees with overtime work	Transitions by type of contract Over-time hours
<i>Lifelong learning systems</i>	Public spending on human resources Investment by enterprises in the training of adults	Lifelong learning (age 25-64) Participation in continuous vocational training	Transitions (labour status, pay level) Educational attainment of adults, E-skills
<i>Active labour-market Policies</i>	Expenditure on LMP-measures per person wanting to work Expenditure on LMP-measures as % of GDP	Activation/Support (regular and assisted activation) New start/Prevention Activation of registered unemployed	Follow up of participants in regular activation measures PES follow up indicator on training measures
<i>Social Security Systems incl. reconciliation of work and private life</i>	LMP expenditure on supports per person wanting to work LMP expenditure on supports as % of GDP Unemployment trap Low wage trap Child care ⁶¹ Care of dependant elderly Inactivity trap after child care cost	Activation/Support Employment impact of parenthood	At-risk of poverty of the unemployed Lack of care for children and other dependants Drop in theoretical replacement rates due to career interruptions

Source: EMCO (2009b, 5 et seqq.).

This monitoring instrument has been endorsed by the EMCO on the 24th of June 2009. It is worth mentioning that it does not have the same status as the Common Principles of Flexicurity, which have been adopted by the Council of the European Union. The link between the flexicurity agenda and this specific monitoring instrument is not inscribed in the European Employment Strategy, even though the indicators used are mostly taken from the latter. It has not been part of any Communication by the EC either. This way of operationalising flexicurity thus remains nothing more or less than a suggestion by the EMCO. This does not preclude its policy relevance. As expressed by Jørgensen (2010, 2), “[e]ach country still has a right to choose its own road map, but no one can escape flexicurity initiatives and assessments”. The EMCO monitoring instrument has been the subject of critical

⁶⁰ This is a more structured version of the list already presented in EC (2007a, 39).

⁶¹ Share of under-three-year-old children in day care (cp. Bonvin, Moachon, und Vero 2011, 20).

analysis (Bonvin, Moachon, und Vero 2011; Vero u. a. 2012), and it will be given a central place in the present text. The fact that these indicators are not yet definitive, but still work-in-progress⁶², rather adds to the importance of scrutinising them, as it will be done in chapter four.

In the remainder of this subsection, the aim is not yet to evaluate the EMCO propositions, but to show the challenges which flexicurity monitoring has to master and the variety of monitoring approaches which have been developed. It is perfectly possible to conceive a monitoring strategy which is different from the one proposed by the EMCO: different authors use different approaches according to their idea of how to deal with measurement challenges. The latter have their origin in the complexity of the socio-economic model, and in the indirect link between policy input and labour-market outcome. In addition, different authors start from different understandings about the nature of flexicurity, e.g. whether flexicurity is located at the institutional level or at the level of labour-market outcomes. Of course, the data at hand also has an impact on the choice of indicators.

2.3.1 The institutional level (policy input)

Starting with monitoring attempts of flexicurity which are situated at the policy level, we can distinguish a variety of variants. In the face of a number of measurement challenges, a part of their differences lies in some preliminary choices which have to be made.

- One can choose to consider only the *deliberate* modifications of how flexibility- and security-provisions are combined in the institutional system, e.g. the flexicurity strategy of a government. This, however, means to ignore the government's unintended interferences with the flexibility-security nexus. An alternative approach is therefore to look at all policy changes from a flexicurity perspective.
- Apart from policy changes, there is also a case for taking the institutional status quo into account. By their presence, established institutions condition actors' behaviour in the employment system. If, by contrast, one looks only at policy change, it is not clear whether newly implemented measures stand for the specific logic of regulation in a country, or whether – quite on the contrary – they mark a path-change, induced for example by developments at the supra-national level (Mandl und Celikel-Esser 2012).
- Some authors have used a *narrow* dimensioning of flexicurity, because it is more easy to handle and limits the necessary data input. However, this comes at the price of treating flexibility and security as rather one-dimensional, which means that different but potentially equivalent configurations can not

⁶² “Although this report should be seen as a final report, further development of the assessment of flexicurity policies should be done as new indicators and data become available” (EMCO 2009a, 2). For example, the OECD's EPL index could also be included once it will sufficiently cover social partners' bargaining agreements (ibid., 5).

be depicted. Observing the latter is not unimportant, as it reveals a variety which is independent from the question about more or less flexicurity.

- Different elements of regulation can *interact*, creating joint effects which are to some degree unforeseeable (for example, one element can exacerbate the effect of another element, just as it can nullify it). On the topic of flexibility, Keller and Seifert (2008, 8) insist that an overall degree can only be judged by looking at the interplay of different forms of flexibility, not by a single flexibility measure, e.g. when flexicurity is reduced to dismissal protection (EPL) and social protection (cp. Bertozzi und Bonoli 2009, 24). Defining the relevant elements of policy input and working out their interplay is a research challenge which monitoring can tackle.
- Quite similarly, research at the policy level also has to confront the fact that various actors on different *regulatory levels* are involved in building the institutional set-up which is relevant under the topic of flexicurity. The respective weight of actors and levels of policy-making, and the relationships between them, differ between countries. In one country, it may be the government which enacts rules which would be negotiated by social partners in another country, and which in a third country would depend on decisions taken at the company level.⁶³ The division of tasks between regulatory levels does not preclude collaboration. For example, a general principle can be defined by law at national level (or supranational, as is the case for parental leave with the 1996 EU directive), while the conditions of enforcement and implementation are defined at sectoral and/or company level.

From this overview on basic monitoring alternatives, we get to a selection of examples which figure in the literature on flexicurity.

2.3.1.1 Bertozzi and Bonoli 2009

Bertozzi and Bonoli (2009), in their summary paper entitled “Measuring Flexicurity at the Macro Level”, advocate a narrow definition of flexicurity (ibid., 11), much more narrow than the one of the EMCO: “Quite simply, we understand flexicurity as the combination of high levels of labour-market flexibility in terms of hiring and firing with high levels of economic security for wage earners. Labour-market flexibility is understood in terms of absence of regulatory constraints with regard to hiring and firing and wage determination. In other words, essential elements of the labour contract are determined by market mechanisms with no state interference. We understand economic security as the inverse of the risk of being poor (1 - poverty

⁶³ Taking the example of working time options, Anxo and O’Reilly (cited in Eurofound 2006, 21) name “five levels at which the regulation of working time can be initiated and implemented: supranational level, through the implementation of international regulations, such as EU directives; national level, through the application of statutory legislation or collective agreements at national level; sectoral level, through collective bargaining applied to a range of companies or sectors; company level, through company collective agreements; individual level, through the employment contract concluded between an employer and an employee”.

risk)". The authors discuss the weaknesses of the EPL indicator of the OECD⁶⁴ (ibid., 16) and mention alternatives based on survey or legal data, but also the fact that such data is only available for a very limited number of countries. There seems to be no satisfactory solution yet. At the level of "economic security", the authors argue for privileging the outcome level over the policy level: "measurements of security should be based on outcomes, and not on the policies that are in place" (ibid., 17). This measurement attempt therefore does not exclusively remain at the institutional level, but mixes it with outcome indicators, without however suggesting any causal connection.

2.3.1.2 Tangian 2004 and 2007

Andranik Tangian (e.g. 2007b; 2004; 2005; 2007a; 2007c; 2008a; 2008b) is probably the most prolific author of empirical studies on flexicurity. In an early paper on flexicurity, Tangian (2004) compares the security of workers with standard employment to the security of atypical workers in 16 countries in the period from 1990 to 2003. The following operational definition is used: "Flexicurity is the employment and social security of atypically employed, that is, other than permanent full-time" (ibid., 12). This approach of intra-country comparison lets the internal distribution decide over a country's flexicurity rating, not the performance in comparison with other countries.⁶⁵ Tangian uses the EPL measure to trace the evolution of security, but he also composes a second indicator from the following criteria: "the eligibility to public pensions, to unemployment insurance, to paid sick leave, to paid maternity leave and to paid holidays" (ibid., 14). The security index is calculated separately for eight employment categories (ibid., 22), a weighting is done according to their quantitative importance in the country, and to the importance of different aspects of security. A result of the paper is that the normally employed are generally more secure in comparison with atypically employed workers.⁶⁶ In a number of countries, increasing levels of flexicurity can be observed in the reference period (e.g. IT, ES, BE, FR; ibid., 17).

This moderately positive impression of the development of security is countered by a later work. Tangian (2007a) monitors the development of flexibility and security for the larger period from the 1990s until the year 2007. Like in the former paper, Tangian acts on the assumption of a trade-off between flexibility and security: "Flexicurity is a flexibilisation (= deregulation) of labour-markets with 'a human face', that is to say, it is compensated by some social advantages" (ibid., 554). The methodology is different this time: flexibility is measured by the general protection of employment contracts, while it was captured by the type of contract itself (regardless of the more liberal or more restraining rules which may accompany them in different countries) in the earlier work. EPL, in this paper, is used to measure

⁶⁴ Organisation for Economic Co-operation and Development.

⁶⁵ In principle, countries with very low overall standards of security could thus emerge as 'flexicure'.

⁶⁶ This finding on regulation is confirmed, also, in the empirical investigation of outcomes in chapter five.

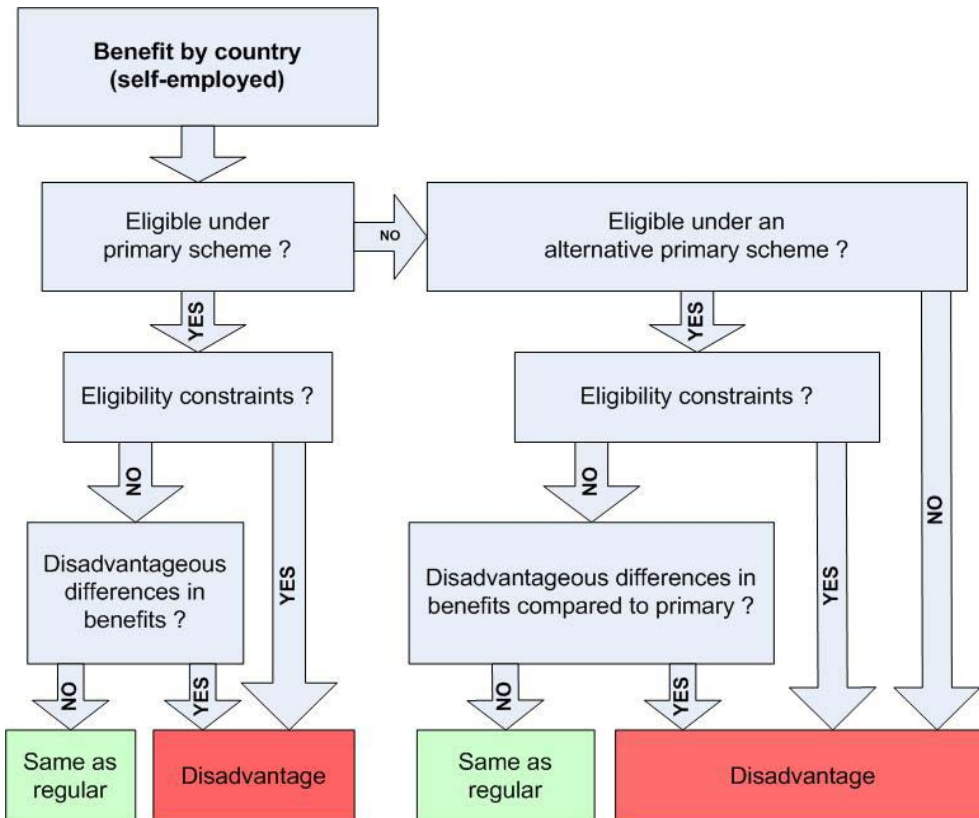
not security but flexibility (!), while security is measured by the level of unemployment insurance benefits (*ibid.*, 559). These two measures are taken as two dimensions opening a “policy space” (*ibid.*, 559), which is used by Tangian in two different ways. In a static way, countries are grouped by their flexibility and security policy. Tangian (*ibid.*, 562) categorises the sample countries as “flexicure” (FI, DK)⁶⁷, “inflexicure” (SE, NL), “flex-insecure” (UK) or “inflex-insecure” (ES, PT, CZ). This information applies in relation to the mean of the sample countries. A second, dynamic way of using the two-dimensional space mentioned is to look at the pathways of national regulation during the observed period. It shows that apart from some minor and temporary exceptions, all countries have recently undergone what could be termed a pareto-worsening: flexibility was increased without compensation by security provisions. It is revealed that at least in the years before 2007, policy has not followed the flexicurity path in the observed countries, at least not in the way Tangian measures it here.

2.3.1.3 Alphametrics 2009

A report which shall also be presented here at some length is entitled “Flexicurity: Indicators on the coverage of certain social protection benefits for persons in flexible employment in the European Union” (Alphametrics 2009). It chooses to monitor flexicurity by assessing only security, but not the extent of flexibility. Like Tangian (2004), it implements an understanding of flexicurity as the equal treatment of flexible workers as compared to workers with standard contracts. Concretely, the report takes interest in the social protection of the self-employed, the part-time and the fixed-term contract workers. Both coverage and value of benefits are analysed. The report classifies protection schemes as primary or secondary schemes: while the former works like insurance, the latter is a fall-back for those not eligible or having exhausted their entitlements (Alphametrics 2009, 12). It is also possible to not be eligible for either scheme. In some cases, an alternative primary scheme for self-employed workers exists. There are several reasons why flexible workers may not be eligible, e.g. when they work too few hours to be liable to pay social insurance contribution, or if their job does not last long enough to fill a certain minimal contribution period for an insurance scheme. Also, the value of benefits may be reduced due to a longer waiting period, a shorter maximum duration of benefits, fixed rates instead of wage-related benefits, etc. (*ibid.*, 5 and 10). The following diagram illustrates how the authors proceed in order to detect disadvantages of flexible workers.

⁶⁷ Country acronyms in the annex.

Diagram 1: Disadvantage assessment for the case of the self-employed



Source: Alphametrics (2009, 11).

The methodology used in the report features several stages which build upon each other. A qualitative groundwork (by questionnaire) is supplemented with quantitative data, after which the authors come back to a simplified qualitative questionnaire which is practical enough for repeated monitoring. Each of the three stages brings new insights into social protection in European countries. The first qualitative stage, which aims at getting an overview, relies on the MISSOC⁶⁸ database on benefits and eligibility criteria and on questionnaires submitted to national experts. It shows that the self-employed are often the worst off in terms of eligibility.⁶⁹ If not only a complete loss, but also a mere reduction of the amount of benefit is taken into

⁶⁸ Mutual Information System on Social Protection/Social Security (www.missoc.org).

⁶⁹ They are “fully covered by the primary scheme or an alternative primary scheme in just less than one third of cases, whilst part-time and temporary employees are fully covered in more than two thirds of cases. Access to secondary schemes is also restricted for self-employed with full coverage available in less than 60% of cases compared to nearer to 80% of cases for part-time employees and approaching 90% of cases for temporary employees” (ibid., 13).

account, part-time and temporary workers also suffer substantial disadvantages (*ibid.*, 14 et seq.).

The second stage of research uses those findings together with data of the EU-LFS for 27 countries, so as to find out the number of workers in each employment situation. Two indicators are calculated for each of the following domains: unemployment, maternity and paternity benefits, and sickness benefits. One indicator describes the proportion of flexible workers eligible for full coverage, the other considers also partial coverage. The latter is weighted by the extent of disadvantage and the size of the disadvantaged group. In the case of unemployment, it reports that across the EU, 11.7 percent of the self-employed get full coverage, while the weighted coverage value is of 38.1 percent (this one is more like an index value than a real share of workers). For part-time workers the values are 77.8 percent respectively 85.6 percent, and for temporary workers they are 85.7 percent, respectively 89.8 percent (*ibid.*, 22). Values are also broken down by country. Furthermore, an inter-temporal comparison is tried: It seems as if social protection has improved for flexible workers in European countries between 2004 and 2007. However, it is not certain that these effects are not due to changes in the structure of employment or to changes in methodology (*ibid.*, 25 et seq.). Despite the pertinence of the calculated figures, the authors conclude that routine monitoring by the presented methodology is impeded by a “significant burden in compiling the indicators” (*ibid.*, 29).

In a third methodological step, a simplified qualitative indicator is proposed. It is developed from the main issues that have been found in the two former steps: means testing, voluntary insurance, restrictive eligibility conditions, reduced benefit rates and reduced benefit durations (*ibid.*, 30). The data is gained again by a questionnaire. The drawback of qualitative data, as remarked in the report, is that it is necessarily subjective. The results, however, are “broadly in line” (*ibid.*, 39) with those of the more complicated quantitative indicator. Still, the report concludes that the quantitative indicator is preferable for monitoring purposes (*ibid.*, 45).

2.3.1.4 Various policy overviews

The approaches presented so far have been introduced for the fact that they are interesting on a methodological level. Beyond these works, there are many sources listing flexicurity-relevant policy measures or policy changes. Particularly interesting is the joint report of the European Social partners authored by Voss and Dornelas (2011). The document provides an overview on indicators from various sources, such as countries’ net replacement rates (*ibid.*, 25), but also anecdotal country examples which can serve as input for policy learning in the EU. For example, a restriction of the share of atypical workers per company (like in Italy, *ibid.*, 27), or the introduction of some responsiveness of rules to the development of the economic situation (like in Czech Republic, *ibid.*, 35). The European Social Partners also make 29 ‘national fiches’ available on the [internet](#) (ETUC 2012), which have been elaborated by national experts, and which summarise “the implementation of flexicurity principles and the

role of the social partners” (ibid.). Country fiches on a limited number of (five) countries are also offered by the EC (2009) in its report on “The role of the Public Employment Services related to ‘Flexicurity’ in the European labour-markets”. More generally, the report is informative about the place that Public Employment Services have in the implementation of flexicurity policy and gives some empirical information on their competencies and services in different European countries. Similarly, Eurofound’s (2008b) paper “Flexicurity and industrial relations” provides country information on recent flexicurity measures in the four policy fields (ibid., 25 et seq.), on recent trends in flexicurity policies in the domains of flexibility, activation and security (ibid., 38 et seq.), and on the role of social partners in flexicurity concerning social dialogue, collective bargaining and service provision (ibid., 49 et seq.). Recently, Mandl and Celikel-Esser (2012) have compiled 230 policy measures enacted in European MS which they consider as examples of flexicurity and which have not been qualified as such before.

2.3.2 The state of affairs (outcomes)

Defining flexicurity at the policy level does not preclude *monitoring* it at the level of the labour-market. In the following, we will look at approaches which do not target policy measures, but the labour-market outcome, often referred to as a “state of affairs” (cp. Muffels u. a. 2010, 3). There has been a growing number of such endeavours in recent years. Most of them follow a certain pattern of choosing variables, reducing complexity by statistical methods, and then building country clusters. A basic difference is that some approaches monitor the attained levels of flexibility and security, while others measure the relationship of flexibility and security.⁷⁰ Out of the many existing studies (for an overview, see Mandl and Celikel-Esser 2012, 16 et seq.), I will again present a selection.

2.3.2.1 Tangian 2008

In his paper “On the European Readiness for Flexicurity: Empirical Evidence with OECD/HBS Methodologies and Reform Proposals”, Tangian (2008a) aggregates micro-data from Eurofound’s fourth EWCS to indices of flexibility and precariousness (as well as decency of work). Following the example of the OECD from 1989, flexibility is split into five categories similar to the ones of Wilthagen and Tros seen above. Precariousness, in contrast, is split into the categories of income, employment stability and employability, following the example of Keller and Seifert (2008). The various items of the EWCS are assigned to these categories. Two levels of aggregation are subsequently used: partial indices on the level of sub-categories (e.g. income), and aggregate indices (like “precariousness”).

⁷⁰ The empirical analysis which will be proposed in chapter five is of the latter kind.

Tangian works with two alternative scaling approaches (*ibid.*, 11): “standardisation” (where a relative value is defined in comparison to the maximum and minimum assumed by the variable in the whole sample) and “normalisation” (where a value is measured in relation to standard deviations of the variable calculated over the sample); they yield similar results.

Aggregation at country level leads to values for each sub-dimension for the 31 countries in the sample (*ibid.*, 14). The results are used to back some statements which are made on flexicurity. Tangian actually draws rather bleak and far-reaching conclusions on flexicurity: “the indices of flexibility and precariousness of work correlate with statistical certainty, meaning that flexibility has the opposite effect to the EC's expectations” (*ibid.*, 8). Moreover, in contrast to the analyses at the policy-level presented above, he concludes that “no country combines high flexibility with low precariousness” (*ibid.*), that flexibility has a negative impact on employability, that learning has a negative impact on job satisfaction, and that working conditions of flexibly employed are worse than these of the normally employed: “flexible jobs are in no case ‘better jobs’” (*ibid.*).

2.3.2.2 European Commission 2007

Going beyond the calculation of country values, the EC (2006b; EC 2007b) in its Employment Reports has formed country groups on the basis of their performance in flexicurity matters (reference period: 2005). The EC (2007b, 169) uses 7 indicators on 22 countries.⁷¹ These variables are again gauged to the four policy fields habitually addressed by the EC (*supra*). A principal components analysis (PCA) leads to the following components, in decreasing order of explained variance: “advanced forms of internal flexibility and security”, “external flexibility”, “basic forms of functional flexibility” (*ibid.*, 170 *et seq.*). The following table presents the variables which have been used, ordered by the components with which they are positively correlated.

⁷¹ (indicators already used in the report of 2006, supplemented by some on internal flexibility, *cp. ibid.*, 171)

Table 7: Factors and variables in EC (2007b, 166 et seq.)⁷²

Employment Report 2007	
<i>Component</i>	<i>Variables positively correlated with the component</i>
1. advanced forms of internal flexibility and security	An indicator on the degree of autonomy and complexity of tasks to measure aspects of functional flexibility
	An indicator on the existence or not of flexible working-time arrangements and forms of a-typical work to measure aspects of internal flexibility
	Percentage of participants in education or training programmes
	Expenditure on labour-market policies as a percentage of GDP (i.e. the sum of passive/unemployment benefits and ALMPs)
2. external flexibility	Work intensity and the irregularity of working schedules to measure aspects of internal flexibility
	EPL (negative loading on factor)
3. basic forms of functional flexibility	An indicator on rotation and teamwork to measure aspects of functional flexibility
	Work intensity and the irregularity of working schedules to measure aspects of internal flexibility

A clustering analysis renders country groups (ibid., 172). Neighbouring countries in Europe seem to feature rather similar employment systems with respect to the criteria used here (an impression which will be confirmed by other studies, see infra), such that geographical terms can be used to describe the country-clusters:

- Continental (AT, BE, DE, FR) do well on the first component (internal flexibility and security), but range slightly below average on the second (external flexibility) and third (functional flexibility) one.
- Central, Eastern and Greece (BG, CZ, EE, EL, HU, LT, PO, SK, SI) show very poor results in terms of internal flexibility and security, medium-grade results on average for external flexibility and above-average results for functional flexibility.
- Nordic and Holland (DK, FI, NL, SE) score highest on internal flexibility and security, and moderately positive on external and functional flexibility.
- Mediterranean (ES, IT, PT) countries range below average on all components.
- Anglo-Saxon (IE, UK) are at the country-average for internal flexibility and security, at the top for external flexibility and below average for functional flexibility.

⁷² Not all of the variables are at the outcome level. In the classification of EMCO, some would be input (e.g. total expenditure on social protection), and some would also be process (e.g. participation in life long learning). We should think of these variables as proxies which are chosen due to a lack of better-suited comparative data.

It is noticeable that the components on which clusters are based tend to describe flexibility instead of security. Yet, security is not missing from the report. It is not treated as a phenomenon simultaneous to flexibility, but is assumed (!) to be a consequence of flexibility. A correlation indicates a negative association between external flexibility and ‘segmentation’, measured by the importance of contractual arrangements of temporary work.⁷³ Beyond this, “advanced internal flexibility goes together with increased income security” (ibid., 172) and “is associated with high levels of job satisfaction, and better (perceived) work-life balance and health outcomes” (ibid., 176), as well as high productivity and better working conditions. “[H]ence it may represent a win-win solution for both workers and firms” (ibid., 174).

Based on its empirical findings, the EC proposes an audacious reduction of complexity (like the profiles presented in 2.2.2), leading to two basic alternatives: “two flexicurity regimes are found to be associated with relatively ‘good’ socio-economic outcomes. The first is characterised by high external flexibility, high rates of secondary education attainment, moderate intensity of vocational training and low spending on activation policies. The second is characterised by a high incidence of advanced forms of flexible work organisation and by moderate levels of external flexibility, complemented by a large role for lifelong learning policies, vocational training and spending in R&D, as well as labour-market policies within activation strategies”. According to the report, the first one features lower spending on public transfers, low distortions in the tax system, and low segmentation. The second has a better overall socio-economic outcome, better working conditions, significant reduction in inequality and poverty. The text remains unclear on the question whether those two models can be regarded as a choice which is up to societal preferences, or whether path-dependence strongly favours one of the two (if at all) in each country.

2.3.2.3 Eurofound 2007

A similar analysis is performed by Eurofound (2007b), using factor analysis and subsequent clustering of countries (reference period: 2005). The main difference as compared to the above lies in the number of countries and the variables included in the analysis. While the EC builds its components mostly on flexibility variables, Eurofound includes both flexibility and security variables in the factor analysis. The analysis starts out with 60 variables, but eventually only 14 variables on 25 countries remain (ibid., 27 et seq.), some are left out for reasons like data availability for all countries, sampling adequacy and interpretability (ibid., 27), and two variables are eliminated by a statistical test. The authors observe that “indicators for which values are available for all EU25 Member States are relatively scarce” (ibid., 27). The factors which result from the analysis are called “adaptability/flexibility”, “social security” and “social cohesion”. In comparison to the components seen above, the factors are thus much more focused on security.

⁷³ This result is expectable, as low EPL reduces the advantages which fixed-term contracts hold for employers. If EPL were zero, every employee would easily get an unlimited contract.

Table 8: Factors and strongly correlated variables in Eurofound (2007b)

Eurofound: Flexicurity models	
<i>Factor</i>	<i>Variable</i>
1. adaptability/ flexibility	Ease of finding a new job
	Mobility between employers
	Participation of respondents in training courses, including on-the-job training
	Participation of the population in lifelong learning
	Share of part-time workers
	Long-term unemployment rate (negative loading on factor)
	Youth unemployment rate (negative loading on factor)
2. social security	Total expenditure on social protection (% of GDP)
	Total expenditure on social protection per head of population (purchasing power standards)
	Job tenure: share of workers staying more than 11 years with their employer
	Generosity of transfers by unemployment insurance
3. social cohesion	Gini coefficient (on equivalised income)
	At-risk-of-poverty rates
	Share of early school-leavers

Source: Eurofound (2007b, 46 et seq.)

The authors opt for a six-cluster solution. They conclude that their findings are “similar to the results presented in the European Commission study” (ibid., 31) of 2006, which again “largely coincide” (EC 2007b, 170) with the EC’s country taxonomy of 2007 seen above. Geography again seems a good predictor for similarity.

- The “old EU Member States” (AU, BE FR, DE, LU) cluster together because of high social protection, high average tenure, and low mobility. Their labour-markets are interpreted as “rigid” (ibid., 30).
- NL and UK feature high flexibility, low unemployment and high mobility.
- DK, FI and SE are presented as the model cases of flexicurity; they have top scores for most indicators.
- EE, LV, LT, IE and CY show high flexibility, while on the security side, there is low social and low income protection. High heterogeneity within the group is stressed: countries differ substantially in terms of youth unemployment, long-term unemployment and job tenure.
- The Mediterranean states EL, IT, MT, PT and ES are striking with poor labour-market adaptability, low income protection, few training and

education. High unemployment rates go together with low employment rates.

- The remaining new MS (CZ, HU, PL, SK, SI) perform very similarly to the Mediterranean countries: low mobility, much long-term unemployment and a low employment rate.

2.3.2.4 Auer and Chatani 2011

More recently, Auer and Chatani (2011) have proposed a “statistical analysis of flexicurity” for 27 European MS, using PCA and clustering like the EC in its employment report.⁷⁴ As for the choice of variables, “since there is no universally agreed definition of labour-market flexibility and security”, the study “operates pragmatically with variables associated with the dimensions of flexicurity in the scientific debate” (ibid.). The variables⁷⁵ chosen for the considered aspects include:

- Income security: expenditure on social protection, unemployment benefits replacement rates and social transfer poverty reduction effectiveness.
- Employability security: expenditure for ALMP measures, vocational training, life-long learning.
- Employment security: average tenure.
- Representation security: cooperation in employment relations, collective bargaining coverage.
- External numerical flexibility: share of temporary jobs, workers with less than one year of tenure, Employment protection scores (low value=flexible).
- Internal numerical flexibility: flexibility and autonomy in hours of work, share of part-time jobs.
- Functional flexibility: modern work organisation.

All variables are transformed into z-scores and summed up in order to have an indicator for each aspect and each country. The two components which then emerge from the PCA are, firstly, one which is generally termed “flexicurity” by the authors because it features a positive correlation with all variables used. Secondly, the authors obtain a component named “employment stability” (ibid.). The latter component correlates positively with employment security and negatively with external flexibility and employability security. Based on these two components, country clusters are calculated.

- Northern European countries (DK, FI, NL, SE) “have high scores for both security and flexibility indicators”.
- Anglo-Saxon countries (UK, IE) combine average security with high external flexibility. The authors highlight that the low performance in internal

⁷⁴ (reference period: no information provided)

⁷⁵ Not all variables are clearly at the outcome level; variables measuring policy input (e.g. expenditure for ALMPs) are mixed with outcome indicators (e.g. average tenure). This makes that this work cannot entirely be classified as belonging to the state of affairs interpretation of flexicurity.

flexibility makes that the overall flexibility here is much lower than in Scandinavian countries.

- Continental Europe (AT, BE, FR, DE, LU): moderately high security and average to moderately low flexibility. All of them feature high income and employment security but low external flexibility. This cluster includes Slovenia.
- Mediterranean countries (EL, IT, PT, MT): high employment stability, but a lack of social security and of modern work organisation. Due to its high external flexibility, Spain is not part of this country-group. Instead, Romania is in the cluster.
- The new MS find themselves in three different clusters, yet they are neighbours in the two-dimensional space created by the two components. They all more or less (cp. 5.3.2) share low levels of security and of flexibility (extreme cases: Bulgaria and Lithuania). Poland features employment stability almost at the German level, however.

An interesting additional result of this study is a high correlation which is found between countries' overall flexicurity performance and the collective bargaining coverage, respectively the cooperation in labour relations. This finding empirically underlines the claim that the participation of social partners is crucial for the success of flexicurity.

2.3.2.5 Lehweß-Litzmann 2012

The author of the present book has also measured flexicurity at the outcome-level (Lehweß-Litzmann 2012b). The reference period is again the year 2005, except from deviations due to a lack of data. The major difference compared to the approaches above lies in the methodology. Indicators of flexibility and security are not results of any kind of factor analysis, but gauged to the dimensions of the Wiltshagen-matrix. This has the advantage of allowing a better connection between the flexicurity discussion and the results of empirical research. Furthermore, the weaknesses of factor analysis are avoided: A factor or components solution depends on the variables used; subjectivity is involved in the decision on the number of factors to retain, which rotation method to use, and how to name the factors or components (cp. Eurofound 2007b, 27). Also, "variables weakly correlated (with other data in the set) might be wrongly discarded" (EC 2007b, 168). The difficulty about the alternative method chosen here is that variables have to be assigned manually to the different aspects, which means relying on theory and on common sense.

My analysis uses a greater number of variables compared to the work seen above, although some of the variables are the same. The attribution of variables to the eight aspects of flexicurity – even if it is not systematic – follows a number of guidelines. Firstly, where possible, I use variables that point not at the level of policy input, but at labour-market outcomes. In practice, it is not always easy to tell the difference, because regulation sometimes translates directly into working conditions.

The policy-input is, in this case, a good proxy for what actually happens on the ground. Secondly, different sides of each aspect and different groups in the labour-market are being considered. Thirdly, data quality is an important issue. Preferably, the chosen variables cover the year 2005 and are complete for the whole country sample. Fourthly, I have tried to cover each flexicurity aspect with a variety of different variables. The number of variables does not necessarily have to be the same for the purpose of the analysis. The data infrastructure on the concerned topics is relatively good, but still, the availability of harmonised data for the countries analysed remains limited (cp. supra). The most yielding data sources in this respect are Eurostat, Eurofound, and the OECD. Table 9 shows the eight aspects of flexicurity together with the variables they have been attributed.

The “effect”-column indicates the relationship of a variable to the respective aspect: If high scores of the variable, e.g. job tenure, make the value of the indicator (job security) rise, then the sign is positive. In contrast, as high shares of fixed-term contracts mean insecure jobs, the sign in the second line of the table is negative.

Table 9: Indicators of flexibility and security in Lehweß-Litzmann (2012b)

Aspect	Variable	Effect
JS	Job tenure ten years or more	+
	Share of fixed-term contracts	-
	Subjective job security	+
	Involuntary job loss	-
	Able to do the same job when 60 (subjective)	+
ES	Long-term unemployment rate	-
	Unemployment rate	-
	Confidence in finding a new job in case of job loss (subjective)	+
	Share of involuntary part-timers	-
	Incidence of life-long learning	+
	Stable inclusion in the labour-market	+
	Expenditure on active labour-market policy	+
	Employment rate of elderly workers	+
IS	In-work at risk of poverty rate	-
	Average of net replacement rates over 60 months of unemployment	+
	Aggregate replacement ratio after retirement	+
	Unfavourable personal financial prospects (subjective)	-
	Distrust towards the system of social protection	-

(table continues on following page)

CS	Difference of activity rates (men-women)	-
	Difference of incidence of part-time employment (men-women)	+
	Usual weekly working time over 40 hours	-
	Incidence of work during night time	-
	Interruptions outside of usual working hours	-
	Possibility of teleworking	+
	Child care facilities at work-place	+
	Share of employed mothers of children 3-5 years old	+
	Working time arrangements according to workers' wishes (men)	+
	Possibility of carrying over holidays to the next year	+
	Possibility of working more or fewer hours if needed	+
	Possibility of saving up over-time to take as extra time off	+
	Possibility of taking unpaid leave	+
	Possibility of taking a sabbatical, career break	+
Possibility of taking extra paid time off to look after relatives	+	
ENF	Share of workers with fixed-term contract	+
	Strictness of employment protection legislation (EPL)	-
	Difficulty of firing index	-
	Redundancy costs	-
	Share of fixed-term workers	+
INF	Fixed number of working hours every day	-
	Fixed number of working days every week	-
	Near-term working time planning	+
	Workers in firms which use unusual working hours	+
	Incidence of overwork	+
FF	Switching to unforeseen tasks	+
	Rotation of tasks between colleagues	+
	Solving unforeseen problems by oneself	+
	Necessity of different skills in rotating tasks	+
	Occurrence of monotonous tasks	+
WF	Wage spread	+
	Fixed basic salary	-
	Payment by productivity	+
	Other extra payments	+
	Payments dependent on the overall firm performance	+
	Payments based on the overall performance of the team/group	+

Adapted from Lehwelt-Litzmann (2012b).

Based on this collection of variables, a procedure of data-treatment is performed which has been adapted from Tangian (2008a, 11; 2007a, 18 et seq.).⁷⁶ Eight index values are calculated for each country, corresponding to the eight aspects of flexibility and security according to Wilthagen and Tros. On the basis of these synthetic values, each national labour-market can be characterised. The 28 countries in the sample are then grouped by a clustering analysis.

Table 10 shows the results of the described exercise. For each aspect of flexicurity the respective country values are indicated. They figure as z-scores, thus the deviation from the European mean value (where the value 100 stands for one standard deviation from this mean value). To give an interpretation example: in the field of job security, Austria does better than the European mean by 45, i.e. almost half a standard deviation.

Table 10: Country index values for each aspect of flexibility and security, year 2005⁷⁷

Country	JS	ES	IS	CS	ENF	INF	FF	WF
AT	45	39	67	6	-36	38	40	-17
BE	54	-33	48	-46	30	-7	64	-46
BG	-107	-88	-16	5	109	-44	-54	13
CY	35	43	-97	36	18	-88	-42	-123
CZ	-7	-17	-7	25	45	119	-57	55
DK	74	143	48	66	39	49	118	-53
EE	21	29	-2	54	-18	62	-18	114
FI	58	43	100	54	9	54	47	44
FR	-1	-46	42	3	-23	46	-4	24
DE	49	-46	-13	-72	-56	33	5	-33
EL	-12	-77	-99	-71	-21	-65	-53	-29
HU	-47	-32	-97	-25	45	-53	-80	-23
IE	-3	75	44	-20	48	-20	-9	-7
IT	-26	-68	-49	-27	-3	-38	-27	36
LV	2	11	5	54	-62	36	-43	34
LT	-20	-9	-55	70	-18	29	-86	45
LU	89	42	76	-35	-84	-2	8	46
MT	-21	-49	40	-103	(-12)	-120	34	-67
NL	33	84	43	-13	24	-34	158	-23

(table continues on following page)

⁷⁶ It is an aggregation procedure which resorts to a z-standardisation of the variables. This is necessary to make variables of different scaling comparable. The values which each variable takes across countries are transformed in a way that the expected value is zero, thus the deviation from zero indicates the relative discrepancy between the country and the European mean value. For each country and each aspect, the mean value of z-scores then calculated by subtracting the European mean and dividing by a standard deviation. The mean of the z-scores for each aspect and each country is then calculated (these are the index values in table 10). Like in the work of Auer and Chatani (2011, 10), no judgement about the relative importance of variables is made, they all enter the respective indicator with an equal weight.

⁷⁷ Or chronologically close.

NO	63	117	(44) ⁷⁸	-15	-14	8	127	-48
PL	-61	-156	-26	35	60	21	-66	3
PT	-14	-29	-13	-44	-94	-123	-70	-85
RO	-25	-30	(-147)	-15	-129	128	-9	31
SK	-123	-152	-59	14	34	41	-30	183
SI	-18	2	3	39	-39	1	13	74
ES	-100	-37	-1	-57	21	-76	-91	-21
SE	47	95	75	53	-4	17	129	-43
UK	22	114	-13	-14	106	10	-6	-50

Adapted from Lehwesß-Litzmann (2012b).

Most of the data refers, as mentioned, to the year 2005. Some indicators are based on other years around the middle of this decade.⁷⁹ The object of the analysis is thus not national labour-markets as such, but just a transitory historical situation: The observation period is a short phase of macro-economic stability, which will be superseded by crises after the middle of 2008. Some phenomena, like technical unemployment, will appear in a totally different light only a short time later.

As expected – as soon as a large number of variables and countries are involved – it is very difficult to obtain a data-set without gaps. This situation makes a difficult choice necessary: either, eliminating valuable information by throwing out the variables which are not complete for all countries, or accepting some statistical noise caused by the missing values. Unlike in the studies presented above, it is opted here for the second alternative. The technique used offers a way of dealing with the data gaps, at the price of having to be careful with the interpretation of the results.⁸⁰ The results obtained cannot be more than approximate, which is acceptable for some ways of using the results, but not for others. Producing a country-ranking would certainly be a memorable strategy of presenting the results in table 10, but is much more adequate to use the data just for giving an approximate overview by grouping similar countries and characterising the created groups. This is done in the following by means of a cluster analysis.⁸¹ I chose a six-cluster solution, excluding Romania and Slovakia as outliers.

⁷⁸ The index values in brackets are based on less than four indicator values.

⁷⁹ For a detailed documentation on the variables see the chapter's [download](#) space on www.soeb.de.

⁸⁰ As the expected value of every standardised indicator is zero, it is possible to base an index value just on the values which are known. So, not all the country index values are based on the same sub-selection of indicators. Moreover, the calculated 'European mean value' can only include the known values.

⁸¹ Hierarchical clustering with the Ward-method. The software used is STATA.

Table 11: Mean of flexibility and security aspects, by cluster⁸²

	Cluster					
	1	2	3	4	5	6
Aspects	Greece, Spain, Italy, Hungary, Bulgaria, Poland	Malta, Portugal	Cyprus, Ireland, Great Britain	Norway, Denmark, Sweden, Netherland s	Belgium, Germany, Luxembour g France, Austria	Slovenia, Czech Republic, Lithuania, Latvia, Finland, Estonia
JS	-59	-18	18	54	59	-4
ES	-76	-39	77	109	9	-5
IS	-48	14	-22	53	56	-2
CS	-23	-73	1	23	-19	41
ENF	35	-53	57	11	-27	-19
INF	-43	-121	-33	10	23	49
FF	-62	-18	-19	133	33	-32
WF	-4	-76	-60	-42	-1	58

Adapted from Lehwesß-Litzmann (2012b, 275).

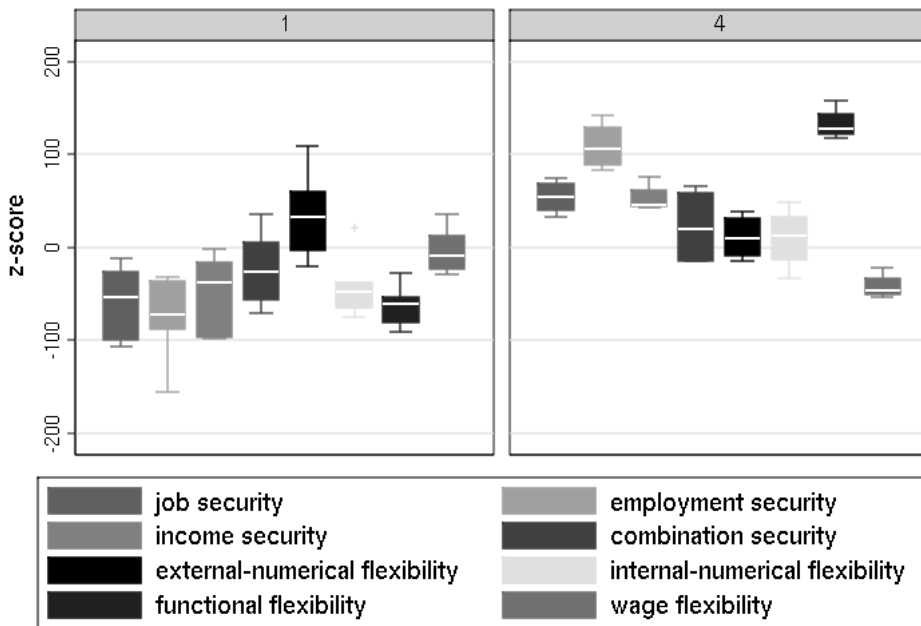
Clusters can be characterised by their scores on each indicator of flexibility or security. In *Cluster 1*, the dimension of security is very weak in all its aspects. Indeed there is no cluster, where job, employment and income security are poorer. Accordingly, flexibility is realised in its external rather than its internal form in these countries. Especially the functional flexibility reaches an overall minimum in this cluster. *Cluster 2* also shows a security profile which is below the European mean, with an overall minimum in the field of combination security. At the same time, the employment system seems to be very inflexible: both external-numerical and internal-numerical flexibility are at an overall minimum among the clusters, as is wage flexibility. The remaining four clusters are marked rather by positive index values. *Cluster 3* has got an average job security, but quite a high employment security. Combination security is exactly at the average. Like in cluster 1, flexibility is above all external flexibility, while internal forms rank low, especially wage flexibility. *Cluster 4* performs well in all aspects of security, with an absolute maximum in employment security. Numerical flexibility is rather average, but functional flexibility is remarkably high. The only negative value in this cluster is wage flexibility. *Cluster 5* has two maxima among its security aspects, viz. job security and income security. Besides, it is a cluster with rather moderate index values, with little tendency to low combination security and a dominance of internal over external flexibility. *Cluster 6* is at the European mean with all security aspects but combination

⁸² Bold values indicate that the information is more reliable since heterogeneity inside the cluster is small: Standard deviation in the cluster is less than 60% of the variable's standard deviation over all countries.

security, which is considerably above average. Internal forms of flexibility dominate, with the exception of functional flexibility.

Reading cluster profiles, one has to keep in mind that the values in table 11 are mean values. They do not tell anything about the internal heterogeneity of the cluster, which persists even with clusters being formed in a way that this dispersion is minimised. To make the clusters' profiles more clear, those average values have been printed in bold which are built on relatively homogeneous country values. We can see that the aspects of job security, employment security and functional flexibility have clearer profiles in the clusters than the aspects combination security and external-numerical flexibility. To illustrate this, the mean values and dispersions of the flexicurity aspects are presented graphically in diagram 2 for clusters 1 and 4.

Diagram 2: Box plot of aspects in clusters 1 and 4



Graphs by fxc6clusters

It is obvious that even if there is intra-cluster heterogeneity, the profiles of clusters can be quite clear in the comparison. For example, while combination security is dispersed in both clusters 1 and 4, the definitely ranges on a higher level in cluster 4.

How does the last cluster solution compare with those seen above, knowing that methods and variables used have been more or less different in all studies? It is confirmed that geographical proximity seems to matter. In some respects, the above grouping corresponds to Esping-Andersen's (1990, 2) "worlds of welfare"-typology, an observation made also by Eurofound (2008a, 10). Countries known as 'liberal'

gather in cluster 3, the Scandinavian countries meet the Netherlands in cluster 4, while all the ‘continental’ countries around the Rhine are united in cluster 5. With regard to the regularity by which country groups are reproduced across different studies, the interesting thing is rather the exceptions. Like in the works of the EC (2007b, 172) and of Auer and Chatani (2011), outlier-countries mingle with the habitual ‘neighbourhoods’: While Mediterranean countries concentrate in cluster one, there are also some countries of the EU 2004 accession in it. However, the majority of countries from Eastern Europe form a group of their own, cluster 6, surprisingly together with Finland. Finally, two Mediterranean countries are secluded in a group apart from the others, cluster 2.

The characterisation of country groups which emerges from my own analysis are broadly in line with preceding ones. Due to the variety of aspects monitored as compared to a low number of two or three factors or components, however, a more fine-grained picture emerges, which may also contain unexpected features.⁸³ With regard to the Scandinavian countries, a good performance in terms of security is confirmed here. They reach maximum results most of the time, except in the area of combination security. Among forms of flexibility, it is especially the functional flexibility which stands out positively. For other forms, moderate values are attained, a particularly high external- or internal-numerical flexibility is not found (though they are above the European average), and wage flexibility is particularly low. The usual impression that Nordic countries “show top scores for most of the indicators” (Eurofound 2007b, 30) is not entirely supported by the above results.

In contrast, the impression of the remarkably stable block of Continental MS is the usual one in all respects. The corresponding cluster number 5 stands out for high job and income security, but below-average combination security. Internal (numerical and functional) flexibility is above average, external flexibility rather low.

Whereas the Anglo-Saxon countries are described as “fairly liberal and flexible labour-markets” in Eurofound (2007b, 30), Auer’s and Chatani’s observation is confirmed here that the good record on external-numerical is spoilt by low score on internal-numerical flexibility. Basic functional flexibility is judged as average, with the somewhat surprising supplementary finding of low wage flexibility. Employment security outreaches job security. While the Eurofound groups the UK and Ireland together with the Netherlands, my cluster solution adds Cyprus, which can be explained with the fact that Cyprus seems to combine external-numerical flexibility with employment security as well. Heterogeneity is high in the cluster, however.

My cluster solution corresponds to the above findings saying that Southern European and some new MS are very close: some (HU, BG, PL) appear in the same cluster (number 1). What holds this cluster together seems to be the low achievements in flexibility, with the exception of external-numerical flexibility where there is some heterogeneity. On average, security features particularly the lowest scores of all clusters.

⁸³ The disadvantage of sticking with eight aspects is the difficulty of creating an overview on the results. For example, a synoptic graphical presentation is hardly possible in a two-dimensional space.

Another cluster (number 6) contains the remaining accession countries. It is noticeable that medium levels of security are reached here, plus a relatively good score on combination security. The flexibility pattern is diversified: external-numerical and functional flexibility seem less pronounced than internal-numerical and wage flexibility. Here is a partial disagreement with the results of the EC, which sees internal forms of flexibility as rather low, while basic functional forms are judged rather high. The disagreement on internal-numerical flexibility is explained by the fact that in my cluster solution, Hungary, Bulgaria and Poland have been filed in cluster 1. Moreover, a vagueness in the delimitation between internal and functional flexibility plays a role.⁸⁴ In any case, the heterogeneity of Eastern MS seems to merit a closer look (cp. Eurofound 2008a, 11). Some countries seem to combine their need for flexibility with insider protection, others do not.

Another recent overview on comparative empirical analyses on flexicurity is provided by Mandl and Celikel-Esser (2012, 13 et seqq. and 55 et seqq.). Thinking back of what has been said about labour-market segmentation, a problem which all analyses share is that information at the country-level is not representative for the situation of sub-groups of the working population. It would be helpful to distinguish between types of employment trajectories and compare their degrees of flexibility and security. The analysis proposed in chapter five goes in this direction.

2.3.3 Connecting input and outcome

The most ambitious approach to flexicurity monitoring does not confine itself to analysing either the policy or the labour-market level, but covers both and establishes links. The question answered by such kinds of research is “what kind of regulation leads to which degrees of flexibility and security?”. This is crucial, because it bridges the gap between a policy perspective which cannot say anything about the real-life outcomes, and a labour-market research which fails to explain where the measured phenomena come from and how they can be influenced.

However, many authors have pointed to the absence of an automatic and foreseeable link between both levels. Bertozzi and Bonoli (2009, 17) remark that the effect of regulatory intervention on actual situations of labour-market actors is not necessarily linear. One reason is the aforementioned interaction of regulatory elements. There is always a mixture of policies at work. In addition – ‘paper doesn’t blush’ – rules may possibly cover only a small fraction of cases, or even remain unapplied altogether. Tangian (2008a, 13) gives the example of Turkey, where statutory employment protection legislation is very high, while many workers⁸⁵ are without any contract and thus not protected at all. He concludes that “factual

⁸⁴ I operate with the category of internal-numerical flexibility and use the indicator on autonomy at the workplace in the field of functional flexibility, whereas the EC puts this indicator into the “advanced forms of internal flexibility”, while its indicator on functional flexibility just contains “basic forms of functional flexibility”. It seems a bit arbitrary to discern like this between basic and advanced forms of functional flexibility.

⁸⁵ 302 out of 454 cases in Tangian’s sample, that is 67%.

flexibility (as it is practised) radically differs from institutional flexibility (prescribed by employment protection legislation)” (ibid., 3). The reasons for this can, but need not be activities outside of law: The ups and downs of the business cycle have an influence on labour-market security which is completely independent of a regulatory setting. Institutions may remain unchanged over booms and depressions. Beyond this, Muffels et al. (2010, 13) stress that “outcomes in terms of flexibility and security (state of affairs) are not only associated with the impact of policies but also with the impact of ‘agency’ and individual behaviour in society”. (The notion of agency will come up again later.)

For reasons like these, few research attempts have been made in the causal direction, and authors rather tend to confute causal links (e.g., in respect to Denmark’s success: Keune und Jepsen 2007, 6; Viebrock und Clasen 2009, 326). The EMCO, even though remaining suggestive of a causal link (simply by combining input, process and output indicators in one monitoring approach), considers that “general outcomes of flexicurity” cannot be measured at all (EMCO 2009b, 4). This must not mean, however, that the effects of policy measures are not evaluated at all, because this would free policy from accountability.

2.3.3.1 Muffels, Wilthagen, Chung and Dekker 2010

In their report entitled “Towards a methodology to monitor and analyse flexicurity (FLC) and work-life balance (WLB) policies in the member states of the EU”, Muffels et al. (2010, 13) present an “efforts-states-challenges [ESC] approach” which “is meant to deal with that [causality] problem, at least partially”. The ESC model is combined with a second model which distinguishes between “input”, “output” and “impact”/“outcome” – a ‘classic’ in the domain of policy evaluation. The “efforts” made by regulators contain not only measures freshly enacted, but the whole stock of institutions which have been created in history. Efforts lead to a “state” which reflects the “effects of flexicurity”. This is the “output” stage, referred to as the “product of the programme” (ibid., 15). This “state of flexicurity” (ibid., 16) can be observed by indicators.⁸⁶ It leads – together with external factors – to an “outcome” (the “effect of policies on the participants and their positions”, ibid.) which corresponds to the “challenges” (ibid., 16) stage. These socio-economic challenges again trigger “new efforts” at the policy-level and thus a new round of the efforts-states-challenges cycle.

Unfortunately it seems that the complicatedness of this approach makes the subject of flexicurity rather *less* understandable. The way both models are entwined, it is not clear how the idea presented could serve flexicurity monitoring. The authors seem to propose a kind of trial-and-error policy-approach: “The model is not causal, it enumerates the elements of the policy chain that need to be addressed in defining flexicurity indicators for monitoring policies in this domain” (ibid., 15). It may seem a bit too prudent not to claim any causality even for such an abstract model.

⁸⁶ To be found in “Table 1.1” (Muffels u. a. 2010, 15), a table which does not exist in this document. Probably, table 2.1 is meant. One wonders why this table also contains institutional indicators.

2.3.3.2 Eurofound 2008

It seems, however, that the authors of the above report did succeed in identifying effects of policy *before* they formulated the model just described above. The report “Flexibility and security over the life-course” by Eurofound (2008a), written among others by Muffels, Wilthagen and Chung, is by its own account the “first endeavour to systematically explore the dynamic long-term effects of new concept of work and more flexible working time arrangements over the life course in some European countries” (ibid., 45). The great advantage of the paper is its limited scope: by focussing on a sub-question of the flexicurity universe, the analyses can be more in-depth. A second strength of the analysis is using three different levels in the concept: the national regulatory institutions (macro), the companies (meso), and individuals with their households and life-courses (micro). As for the methodology, instruments of quantitative life-course research are being applied. The central finding is that “institutional support systems” and “flexible employment contracts and working time arrangements” have an effect on worker’s life-courses: “policies to encourage the creation of part-time jobs in the Netherlands and the UK result in fewer spells of economic inactivity and more employment spells [...] hence greater employment security over the life course” (ibid.). The authors take this as a hint that

“trade-offs between flexibility and income and employment security can be avoided if appropriate income and employment-sustaining policies and institutional support mechanisms are established on the basis of widespread cultural support in society.” (ibid.)

Although welfare regimes are introduced in the theoretical part of the paper, it turns out the notion of regimes is not actually used to explain differences in life-course patterns across countries; the paper sticks to concrete policy instruments.

2.3.3.3 Muffels 2008

In an earlier contribution, Muffels (2008) examines the impacts both of regimes and three isolated policy variables on male and female transition patterns in the labour-market and on security levels. The patterns analysed include occupational mobility and contract mobility, defined as the “mobility between permanent jobs, flexible contracts and self-employment” (ibid., 103). Security is specified as dynamic employment security (“transitions between permanent contract, flexible contract, self-employed, unemployed, inactive”, ibid., 103) and income security (transitions between poverty and non-poverty). At the level of independent variables, the regimes comprise the Continental, Anglo-Saxon, Nordic and Southern types. The policy variables used are ALMP expenditure as percentage of GDP, the share of companies with working time options made available to employees, unemployment benefits (net replacement rate over 5 years) and EPL. Impacts are estimated by logistic regression for 14 countries using European Community Household Panel (ECHP) data of the years 1994 to 2001.

The results point at very dissimilar mobility patterns for men and women (ibid., 121), “mobility and security levels attained are generally lower for females than for males” (ibid.). Among the specific labour-market institutions, mobility patterns seem affected by EPL (reducing effect), and in a rather contradictory way also by unemployment benefits and working time options. As for regimes: “The more tightly regulated labour markets of the Continental and Southern regimes perform worse for males and females with respect to maintaining the balance between flexibility and income and employment security” (ibid., 123). The Continental countries especially lack mobility, but not so much security.

In this subsection, we have seen several attempts to tackle the causality-challenge. Looking closely, the first one was already treated in the precedent subsection: In its Employment Report, the EC (2007b, 172) causally interprets statistical correlations. New forms of work organisation, for example (cp. ibid., 176), are said to be associated with positive labour-market outcomes. The problem is that there are not only indicators on work organisation in the factor but also education/training and active/passive LMP, so that it is not quite clear which of the factor’s elements really leads to the positive outcome. It may be useful to focus the scope of the analysis much more (without neglecting intervening variables) when seeking to detect policy effects on the labour-market, as it has been in the study by Eurofound just discussed. What may also help to overcome the limited value of legal information is to look for a different kind of information on rules and the enforcement of rules: Bertozzi and Bonoli (2009, 15) suggest measuring not statutory EPL, but asking employers how difficult it is to terminate an employment relationship in their country, or also to analyse the frequency of dismissals that are rejected by the courts as illegal. Such supplementary information may add to the explanatory value of written law.

2.3.4 What do we learn from the monitoring examples?

The above synopsis on the monitoring of flexicurity started with an official instrument suggested by the EMCO, but it was also shown that a variety of other empirical approaches exist, reflecting different understandings one can have of flexicurity. The most fundamental difference is the question of the level of monitoring: input or outcome, or both and possibly also their causal link. An important question is also the scope of flexicurity: if it applies to all wage-earners, it includes also workers in standard employment, and thus makes the flexibility of their contracts a topic. If flexicurity concentrates on those who are a-typically employed, then the question is more about equal treatment of a growing fraction of workers outside of the channels by which protection is normally acquired.

What can we take home about the empirical facts of flexicurity? There have been several comparative dimensions in the above sections: the comparison between workers with standard employment and workers with a-typical contracts, between different countries and between periods in time, i.e. the direction which flexicurity has taken. In the first comparative dimension, it has clearly been shown that the flexibly

employed are at a disadvantage, although there are differences between kinds of flexible workers (cp. Alphametrics 2009). Chapter five will take up this topic from an angle of capability.

In the second dimension, findings were more heterogeneous. The general question of whether there are 'flexicurity countries' at all has been answered differently by different authors (and sometimes even by one and the same author, if one considers that Tangian (2004) finds "flexicure" countries, while Tangian (2008a, 8) claims that no country combines high flexibility with low precariousness. The answer depends on the approach). Overall, studies tend to corroborate the hypothesis that flexibility and security are not mutually exclusive. This can be observed especially in the Nordic countries, emerging as a group in most cluster solutions. They often rank as veritable 'flexicurity countries'. Beyond this, the absence of one side does not necessarily entail a high score on the other: Some countries are both inflexible and insecure. Studies agree that this applies to Mediterranean countries. Then, looking at countries lying in-between demands a finer shading of flexibility and security, i.e. a differentiation between flexibility internal or external to the firm, and between security in terms of the job, employment, income or work-life balance. The Continental countries seem to favour internal flexibility and provide income security both to insiders and outsiders of the labour-market, if necessary by means of social transfers. They do not feature job or employment security for all, and combination security is an issue. Anglo-Saxon countries, commonly dubbed liberal countries, do better on the issues of segmentation and work-life balance, but employment and income security depend strongly on the business cycle. Many Eastern European countries lean towards insider protection, but security is weak on average due to large sections of the workforce who are disadvantaged.

Contradictions and points of disagreement are even more visible when looking at the third comparative dimension addressed here, the diachronic perspective. While in Tangian (2004) an upward trend of flexicurity is found for a number of countries, the opposite is claimed as a general trend in Tangian (2007a). Again in contrast to this, Alphametrics (2009) cautiously indicate a trend to increasing flexicurity from 2004 to 2007 in most countries researched, although there are some exceptions. EMCO (2009a) tries a comparison of two subsequent years, the findings are mixed but there is no evidence for a negative trend. The relevance of both latter analyses is diminished, however, by serious methodological issues. At the institutional level, Voss and Dornelas (2011, 24) conclude that it is "impossible to find out a common pattern on the evolution of labour law amongst all European countries [...] the evolution of change in some countries runs in different directions".

Apart from the absence of a clear general trend, what could be the reason for the contradictions? Firstly, when judgements on flexicurity are involved, the level of expectation certainly influences whether or not one would speak of a success. Secondly, methodology plays a role, as well as the data at hand. This is a field where more work must be done on the trends in flexicurity. A third reason, however, is that maybe some of the contradictions are not actually contradictions, but results on

different subjects which are all connected to flexicurity. The definition of flexicurity is abstract enough to mean that findings on flexicurity are not always comparable. It may be partly due to these empirical difficulties that the state of empirical knowledge about flexicurity could up to now neither calm the criticism which flexicurity continues to face, nor lead to an abandoning of the agenda.

2.4 Related discussions: Competition or complements?

The perceived need for a remake of labour-market institutions triggered not only the debate around flexicurity. Around the midst of the 1990s, independent but similar discussions began in different academic circles (Gautié 2006, 13 et seq.). Two of the resulting approaches shall be shortly introduced here, both in order to put flexicurity into the context of its ‘peers’ and for highlighting possible alliances (cp. also Eurofound 2003, 26).

One of these peers is the proposition of a *sécurité sociale professionnelle* which came up in the French discussion in the field of law. It has been prominently advocated in a report to the EC, chaired by Alain Supiot, which was entitled “Beyond Employment. Changes in Work and the Future of Labour Law in Europe” (Supiot 2001). This report acknowledges the firms’ need for more flexibility in their relationship with workers, but it also observes the problems in the fields of “labour law, collective bargaining and social insurance, because they have all based themselves on the standard employment relationship” (Marsden und Stephenson 2001, 3). The report’s policy proposal is a far reaching reform of labour law, of which the quintessence is the attaching of rights not to employment positions, but to workers.

Two kinds of access to rights are discerned (Walthery und Vielle 2004, 269). The “professional status” of a person depends on the current economic activity. Instead of a multitude of different contracts, it is a unique scheme applying to everybody. The catalogue of rights granted is tied to the kind of activity of the person. With an activity closer to full-time employment, more claims are generated, but also without any current work, some minimum rights exist.⁸⁷ The second access to rights, called “social drawing rights”, is accumulated in the course of a career. It is proportional to the investment of the worker over time. In case of a change of employer, these rights are portable. Méda and Minault (2006, 113) argue that this requires a third party apart from employer and employee, a kind of bank where capitalised rights are stored.⁸⁸ Supiot’s proposition is confined to a legal perspective, and it leaves many questions open, in particular economic questions related to financing and redistribution (see Castel 2009, 121 et seq. for a review). In principle, the proposition is not mutually exclusive with flexicurity, on the contrary, it is one possible formulation of flexicurity.

⁸⁷ The idea is well illustrated graphically by concentric circles.

⁸⁸ Gazier (2006a, 103) enumerates rights which would help to secure transitions of workers between employment statuses or between employment and forms of inactivity: the right to switch between full-time and part-time, flexible and generous holidays for parents, sabbaticals,...

A second discussion which began in Germany in the mid-1990s led to the concept⁸⁹ of *transitional labour-markets* (TLM). Promoted by the economist Günther Schmid, it springs from the question of how to restore full employment. TLM advocates a particular understanding of full employment. In the face of structural unemployment in Europe and of contemporary ways of living, Schmid and Gazier (2002, xi) hold that “a return to full employment in the traditional sense is highly unlikely or only at unacceptable social costs.” Full employment in the future would therefore not mean continuous full-time employment during people’s working age, but it would correspond to “an average of 30 hours per week throughout the working lives of individuals” (Walthery und Vielle 2004, 267). This average results from a mix of paid and unpaid work over the life-course, which could be considered “a new type of work (‘flexible mixed work’ as a combination of gainful employment, care work, community work, and personal interest activities)” (Keller und Seifert 2004, 231). TLM assumes productive tasks outside of paid employment as a part of normality. Switching between paid and unpaid tasks according to one’s life phase is also a matter of course. It follows from this that people need to have the chance to safely surpass boundaries between different activity statuses, without running the risk of social exclusion (cp. Schmid 2008, 13). TLM can thus be “defined as legitimate, negotiated and politically supported sets of mobility options” (Schmid und Gazier 2002, 1). Slogans which occur in connection with TLM are “making transitions pay” (Schmid 2008, 6), and more generally, “making the market fit for workers” (ibid., 14).

What is the relationship between TLM and flexicurity? In the literature, different opinions can be found. What most of them have in common is that they do not see TLM and flexicurity as competing notions. An exception are Conter and Oriane (2011, 59), who consider that on an ethical level, both approaches are on opposing sides. The view presented by these authors is that unlike TLM, flexicurity means that the individual shall be made fit for the market. In contrast, Auer (2010, 372; see also Auer und Chatani 2011, 4) argues that flexicurity and TLM are two terms for more or less the same thing:

“The term flexicurity became, after a long incubation period and in competition with other words describing more or less the same policies, such as ‘transitional labour-markets’ or ‘protected mobility’, the word used for describing the major European labour-market reform agenda.”

In other words, the substance is identical, the terms are competing just as labels. In an earlier paper, Auer and Gazier (2008, 6) hold that TLM are a European policy agenda, just like flexicurity. They suggest a temporal ordering of these agendas, implying that TLM succeeds flexicurity just like flexicurity succeeded flexibility. They consider that the needs of persons in the context of their household and of their life courses are reflected much better by TLM than by flexicurity.⁹⁰

⁸⁹ (sometimes also prudently referred to as a “theory” by Schmid)

⁹⁰ Chapter four will get back to this interesting paper.

A second way of relating flexicurity and TLM does not aim at contradiction or agreement, but at complementarity. Disagreement pertains to the question of which one is the overarching concept: Keller and Seifert (2004, 230) identify TLM as one out of four concepts which is at the basis of flexicurity. Flexicurity would thus be the overarching notion and TLM more like a conceptual tool for implementing flexicurity, at the same level as, for example, life-long learning. In spite of some critique they formulate vis-à-vis TLM, the authors adopt some of its principles for flexicurity: “the creation and support of transitions between different forms of paid and unpaid employment [...]; socially protected redistribution of available jobs; and the improvement of ‘employability’ and ‘adaptability’” (ibid., 233). Inversely, Wilthagen (1998, 23) thinks of flexicurity as an “implementation strategy” for TLM. Günther Schmid himself criticises flexicurity for a lack of “empirical and conceptual rigour” (Schmid 2010, 27) and tries “to contribute to conceptual clarity by using the theory of transitional labour-markets” (ibid.).

The present text sticks to the latter position (and thus also to Keller and Seifert’s): both notions are regarded not as competitive in their substance, but as complementary. There is no need to choose between flexicurity and TLM, as both share a common ground: Gazier (2006b, 89) holds that TLM is an alternative social model as compared to the liberal model. Just this has been said about flexicurity. Moreover, like for flexicurity, flexibility and security have a double meaning to the TLM concept: flexibility is not just seen as a threat, and security has not only the status of an end.

“In terms of TLMs, flexibility and security enter into a mutually reinforcing win-win relationship. Flexibility is not only a problem of uncertainty to be balanced by proper security, but also part of the solution to guarantee employment security over the life course. By the same token, security is not only a problem of restricting the range of actions, but also part of the solution to ensure creative adjustment to turbulent environments. Thus, the thrust of TLMs is to make flexibility and security both compatible and complementary.” (Schmid 2008, 13)

This sounds very much like flexicurity. Both approaches are based on similar assumptions and search for solutions in a similar direction: Walthéry and Vielle (2004, 267) consider the mentioned Dutch reform ‘Flexibiliteit en Zekerheid’ of the 1990s – also at the origin of flexicurity – as “close to the underlying principles of TLMs”. Yet, flexicurity is seen here as the overarching notion. By taking the point of view of workers, and neglecting the perspective of firms, TLM covers only a part of what flexicurity is about (even if it also enlarges it: the longitudinal perspective is worked out much better in TLM than in flexicurity). It therefore makes sense to consider TLM as one of the building block of flexicurity.

2.5 Chapter conclusion: The need to re-think flexicurity

Flexicurity has been presented as a reform approach to European employment systems which shall improve the performance of the labour-market in matching the needs of both employers and workers. The assumptions are that either side needs more flexibility and security, and that it is possible to fulfil this request. It has been argued that flexicurity is neither a fully developed concept nor a mere discourse. Auer and Gazier (2008) have proposed an encompassing definition of flexicurity as a policy agenda, thus an “organised set of reasons and measurements” (ibid., 4) which follows a broadly defined policy direction.

Flexicurity is a European notion, not only in its aims (related to a European Social Model), but also in the way it develops in the political process. European actors, especially the EC, have raised flexicurity to the top of the agenda, mindful of the specifically European institutional circumstances. Only an approach which garners the consent of some key actors (the different national governments in power, and maybe trade-unions), and which fits to a vast heterogeneity of institutional and economic situations in the MS has a chance. The peculiarities of the political settings thus have an impact on the formulation of flexicurity. The EC does not possess the power to impose a concrete plan on the MS, this would surpass its political competency. Flexicurity, planning to coordinate labour-market and social policy, reaches into the domain of social protection, still largely at the discretion of national actors. But even if it were not for this lack of power, it would be hard to formulate flexicurity in more detail. It is also due to the ineffectiveness of a one-size-fits-all approach that flexicurity has remained and had to remain quite abstract.

The lack of a binding and concrete political reform strategy (“vagueness”) had some detrimental consequences, first and foremost a lack of trust on the side of trade unions (cp. E. Voss und Dornelas 2011): how much employment protection will be maintained? Will the means of social policy be used in a constraining manner? At the empirical level, as could be seen, the multitude of ways how one could understand flexicurity leads to an inconsistency of research findings: some see a decline of flexicurity, some see it on the rise. For some authors there are countries which can serve as flexicurity role-models, for other authors no such countries exist yet.

The conclusions drawn by different authors on the political nature of flexicurity are just as heterogeneous: authors such as Méda (2011), Tangian (2008a) and Keune and Jepsen (2007) consider flexicurity as part of a neo-liberal approach which should be overcome. The head of the ETUC (Ségol 2011) has again recently compared flexicurity to a Trojan horse, a vehicle which would bring insecurity into the lives of workers instead of contributing to the European Social Model. This perturbing mythical image is not brand new: De Nanteuil-Miribel and Nachi (2004, 303) have been criticising this view as early as 2004, arguing that “the criticism according to which the concept of ‘flexicurity’ is nothing more than a Trojan horse erected by the proponents of all-out deregulation appears to us to be inaccurate, not

to say inappropriate”. Bertozzi and Bonoli (2009, 31) agree that “flexicurity is more than a political gadget [...] Flexicurity is a phenomenon which is certainly worth studying, and measuring”, and for Auer and Chatani (2011), flexicurity has evolved from a buzzword to a serious, institutionalised way of reforming labour-markets in the EU. Ute Klammer (cited in Bertozzi und Bonoli 2009, 5) sees flexicurity as an “alternative to deregulation-only policies on the one side and to rigid labour-markets and social regulations on the other side”. The ILO (2009) notes that “ILO analysis has proven the good labour-market performance of those countries, which have gone the flexicurity route. It has also confirmed the relevance of the flexicurity approach for the new EU Member States and non-EU countries, where high levels of flexibility are currently combined with low employment and income security.”

2.5.1.1 Flexicurity after the crisis?

The ongoing financial, economic, budgetary and democratic crisis has caused a shift in the flexicurity discussion. The discussion had always drawn on the examples of concrete country cases (even if they were stylised) to prove or to disprove the usefulness of a specific approach to flexicurity, or of flexicurity altogether. The crisis has provoked new and maybe surprising perspectives on the most exemplary countries. While a major question had always been the transferability of flexicurity from its ‘home countries’, particularly Denmark, to other countries, this question is now superseded by doubts about the viability of flexicurity even on its home turf (cp. Jørgensen 2010, 2). It is true that the Danish employment system did not do very well in the wake of the 2008 turmoil. The effects on the real economy hit especially hard on this classical ‘flexicurity-country’. Auer (2010, 382) thus observes that “at least some of the countries that are associated with flexicurity have experienced worse unemployment increases than other non-flexicurity countries”.

This evidence has once again widened the gap between the adversary and the supportive camps of flexicurity. For the former, acceptance of flexicurity has further deteriorated, it is argued that flexicurity is just for times of economic prosperity (“good weather”, cp. Tangian 2010). Contradicting the critical voices, the EC holds that flexicurity policies have helped to “weather the crisis” (EC 2011), and the Flexicurity Mission even argues that “the implementation of flexicurity is even more appropriate in a difficult economic context” (cp. Council of the European Union 2011, 2).

In parallel to the debate on flexicurity as such, the debate on how to design flexicurity has also gained new momentum. The Danish record has certainly tarnished the ‘golden triangle’. Yet, recovery came soon, and Jørgensen (2010, 10) argues that “[i]t is not the relative increase in unemployment and short-time changes that counts but the bottom level over a longer period of time when adaptations have been made”. He thus concludes: “Despite crisis, employment problems, and political conflicts, the Danish system still works” (ibid.). Independently of these facts, however, the Danish experience has pointed to the attractiveness of alternative approaches, even of those that have only recently been regarded as old-fashioned (profile I, 2.2.2). The short-

time work measure which was successfully deployed in Germany to protect the core staff of the industrial sector has left a lasting impression, and it makes a case for internal flexibility:

“Bad performance in times of crisis may not mean the end of flexicurity altogether, but will certainly be the end of the dominance of a particular flexicurity model that relies strongly on external adjustment, albeit protected by good social protection and active labour-market policies. Indeed, the massive use of work-sharing instead of lay-offs in the bigger European countries like Germany, France [...] gives credit to those who prefer rather strict employment protection for ensuring employment security, combined with subsidized internal adjustment for ensuring flexibility” (Auer 2010, 378).

A second aspect which has been changed by the crisis is the economic and budgetary situation of European MS.⁹¹ The conditions of the deployment of flexicurity are not the same as before. While the need for security has increased, the capacity to intervene financially has decreased. As stated by the EC (2011, 1), the “EU flexicurity framework was conceived in a time of relatively healthy economic conditions”, while the post-crisis context is characterised “by higher level of unemployment and tighter budgetary constraints” (ibid., 2). Commissioner László Andor (2011) remarks in his opening speech of a recent stakeholder conference on flexicurity, “the intervention capacity by public budgets has been reduced by the crisis”. The problem of squeezed public budgets is not new. The difference is that by now, the problem of public debt has entered the front stage, it has become a crisis in its own right.

The real problem with Danish flexicurity, it can be argued, is not the dip in employment during 2008 and 2009, but the fiscal cost incurred by the public.⁹² This kind of policy may work in Denmark, at least a couple of times, but it is probably not on the menu for other European states on the verge of credit default. Indebted states have to rely on the financial markets to refinance their debt. They can easily enter a vicious circle: Interest rates rise with the probability of default, and default becomes more probable the higher the interest rates. To escape this trap, Europe has taken a direction of increased fiscal discipline, which may transform it into what Streeck and Beckert (2012) call an “austerity community”. Does this imply that flexicurity now changes sides, from the doctor to the patient? Has flexicurity itself entered into a crisis?

In any event, there are new questions which need an answer. The mentioned stakeholder conference held at November 14th in Brussels was opened by Commissioner Andor (2011) with some open questions revealing both the determination to continue, and the openness to “rethink flexicurity”: how, if at all, has

⁹¹ A further reason why, henceforth, Denmark will probably be less in the focus of the flexicurity discourse.

⁹² Jørgensen (2010, 6) notes that a “dramatic change from a surplus of 3.4 per cent (60 billion DKK in 2008) has been turned into a deficit of 2.7 per cent in 2009. In 2010 a deficit of 5.5 per cent is expected”.

flexicurity been implemented? Is flexicurity, as it was conceived in a period of economic prosperity, still appropriate given the new conditions after the crisis? How can flexicurity be governed? Can flexicurity be the only answer, or does it need to be supplemented by other elements?

2.5.1.2 The “second phase” of flexicurity

A harbinger of change has already materialised in the proclamation of a “second phase of the flexicurity agenda” by the EC (2011, 1). What could be meant by this, what is new compared to the first phase? First of all, it does not seem probable that the flexicurity propagated by the EC in the future will be *radically* different. This is what can be derived from the new official publications which appeared in the midst of the recent turbulence. In its Communication “An Agenda for new skills and jobs: A European contribution towards full employment” of 2010, the EC (2010b, 4) signals that the chosen path will be continued. It considers that the “Common Principles for flexicurity are well-balanced and comprehensive; they remain valid today”. As regards the four components of flexicurity, however, they “must be strengthened to ensure that, in the post-crisis context, countries focus on the most cost-effective reforms” (ibid.). What does “strengthening” mean, in this context? There are a number of “key priorities” (ibid.) proposed by the EC for each policy component, complemented by suggestions on concrete measures. Even though many elements have already been there before, some suggestions do sound new or have at least not been communicated as prominently before.

First of all, in the field of *flexible and reliable contractual arrangements*, the EC speaks of “[p]utting greater weight on internal flexibility in times of economic downturn” (ibid., 5). It is true that unlike what some critics had claimed⁹³, internal flexibility has always been part of the solution propagated by the EC. But it is also true that in practice it was the “Danish model” which was the most celebrated example of flexicurity. While the EC’s report ‘Employment in Europe 2007’ had improved on the precedent one by integrating the dimension of internal flexibility, the general discussion had focussed on external flexibility and the question whether its risks could be insured against. After the crisis, internal flexibility has gained more attention.⁹⁴ Empirical cases of success (like the German example) are an important resource of legitimacy, and it is thus probable that “combining internal and external flexibility” (ibid., 7) will be taken more seriously in the future.

⁹³ E.g. Caillaud and Zimmermann (2011, 34), who insist that “la flexibilité externe est la principale cible des politiques européennes”.

⁹⁴ This is particularly highlighted in the beginning of the Communication: “evidence shows that flexicurity policies have helped weather the crisis. Many Member States have temporarily introduced new publicly sponsored short-time working arrangements, or have increased their level, coverage and duration, and made their use more manageable. By increasing internal flexibility, Member States countered the fall in the growth of employment in 2008-09 by 0.7 percentage points on average on an annual basis. They helped companies avoid the loss of firm-specific human capital and re-hiring costs, and contributed to mitigate hardship for workers” (ibid., 3).

A further suggestion in this domain is the “single contract” (ibid., 7), which shall prevent labour-market segmentation caused by employment contracts. The single contract is marked by a progressive increase of rights during the duration of the employment relationship. The advocacy of this proposition is not firm, however. In the same Communication, the contrary proposition of a “greater contractual variety” is made as well.

At the level of *active labour-market policies*, “career guidance” (ibid., 5) by Public Employment Services is made a topic: “While their main role currently is to address the needs of the unemployed, employment services can play a more comprehensive role as lifelong service providers” (ibid., 7). This point could mean a major leap forward for the flexicurity agenda, as it introduces the implementation of a life-course perspective. It is striking that in the Communication discussed here, the need to “make transitions pay” is repeatedly mentioned.⁹⁵ The copyright for this slogan is with Günther Schmid. It seems that some criticism, as raised e.g. by Klammer (2004) and Auer (2010)⁹⁶, has been considered.⁹⁷

The issue of unemployment provides an example of the EC’s general idea of “a new balance within and between the four components of flexicurity, and in the time sequence of different policies” (EC 2010b, 4). In the field of *life-long learning*, “the conditionality of unemployment benefits with the participation in ALMPs are also two areas requiring further attention” (ibid., 6), while in the field of *modern social security systems*, there is the idea of “[r]eforming unemployment benefit systems to make their level and coverage easier to adjust over the business cycle” (ibid.). The suggested sensitiveness of policy to the business cycle is a striking aspect, which had also appeared in the idea that internal flexibility should be favoured in times of economic downturn.

Still in the field of modern social security systems, there are two further aspects having to do with the issue of acquiring social property (raised by Castel 2009, supra): “Improving benefits coverage for those most at risk of unemployment, such as fixed-term workers, young people in their first jobs and the self-employed” (ibid., 6) and “[r]eviewing the pension system to ensure adequate and sustainable pensions for those with gaps in pension-saving contributions” (ibid.). Yet, there is the question to what degree this will be implemented, given the circumstances after the crisis. The reaction to this new situation put forward several times by the EC (2010b, 6; 2011, 2) is “cost-effectiveness”.⁹⁸

⁹⁵ “[L]abour-market institutions also need to be strengthened, to ensure that workers benefit from transitions between jobs, occupations, sectors or employment statuses. Making transitions pay is essential to provide workers with the necessary security to accept and cope adequately with mobility” (ibid., 4).

⁹⁶ Auer’s claim: proceeding from employment security to protected mobility, enabling secure transitions.

⁹⁷ In the publication “New skills and jobs in Europe: Pathways towards full employment” of the EC (2012a), another slogan about the need to “make the market fit for workers” appears even twice (pp. 48 and 75).

⁹⁸ A recent and surprising move by the EC (2012b) is a recommendation to introduce an employment

2.5.1.3 Flexicurity needs a normative reference point

It shall be argued here that an overhaul of the flexicurity agenda is necessary not just because of the recent developments and insights described above. The crisis has drawn attention to the necessity of re-thinking flexicurity, yet this reflection should be of a larger scope, because flexicurity's problems run deeper than questions of financing or which kind of flexibility should be chosen (even if those topics are also very important).

Flexicurity stands for a major reform of European labour-markets and social protection systems, and of the link between both. The labour-market is, for members of modern societies, a major source of well-being.⁹⁹ It is a dominant allocation mechanism for opportunities of taking part in society, and even more so in the recent decades. Similarly, the systems of social protection are one of the most distinctive features of European societies in comparison to the rest of the world. Beyond their economic function, they also shape the very social relationships lived in Europe, e.g. between employers and employees, and between members of families. Flexicurity therefore is a reform project which is about to alter the worlds of most (wage-dependent) Europeans. Such a project does not only have to proceed very cautiously, as it can turn out (almost irreversibly) wrong, given the complexity of modern societies. Due to its ambition and its prospect of changing society, it also needs an idea of what kind of society one seeks to construct. Such an idea is necessarily normative. So, what is the normative reference point of the current flexicurity agenda?

Firstly, as far as workers are concerned, flexicurity presumes that what they want and need is flexibility and security in the employment system. This is often said in order to justify flexicurity, but strictly speaking, it corresponds to a precocious idea. Even though flexicurity is being justified with the needs of individuals, it does not possess any worked out concept of what participation in contemporary societies actually means and requires. Do all workers need the same kind of flexibility and security, and if not, what does it depend on? How do flexibility and security relate to other imaginable determinants of the well-being of workers: Income? Leisure time? Stability? Self-determination?

Secondly, what does flexicurity have to say about the distribution of well-being, which it will inevitably affect? Flexicurity is being presented as a win-win deal, as a reform project from which everybody will finally benefit. Yet, it is not uncommon for reforms to generate not only winners but also losers.¹⁰⁰ This obvious fact is

guarantee for young workers. Persons up to the age of 25 should be granted a job, a training position or at least an internship within the first four months of being unemployed. Yet, as the EC is not competent in this policy domain, its suggestions are not detailed, and no sanctions are scheduled for MS which do not stick to the recommendation.

⁹⁹ Rivalled only by the household (resp. family), but impacting on well-being also *through* the household.

¹⁰⁰ Fligstein (2002) suggests not only that markets have to be made, but that how they are made is decided by a power struggle between market actors, mainly between capital and labour. The specific form which emerges from this struggle privileges a certain actor: "Market orders are governed by a general set of rules. [...] The dominance of different groups in society means that those rules tend to reflect one set of interests over another" (ibid., 16). For example, "[c]ompetitive external labor

currently swept under the rug by the official rhetoric. As Bonvin, Moachon and Vero (2011, 18, my transl.) express it, “all normative tensions are being camouflaged although they are inherent to this concept”. This applies to tensions between groups of workers, between workers and those outside of the employment system, and last but not least between workers and firms, respectively employers. It is comprehensible that a political project like flexicurity is forced to use a certain rhetoric in order to garner the necessary support by a sufficient number of stakeholders. Still, the topic of inequality should be on the agenda, including new inequality created by flexicurity itself (e.g. referring to the unequal capacity of different groups to deal with flexibility).

There is no unanimity on the prospects of the flexicurity agenda under current crisis conditions, but both its adversaries and its proponents stress the need for reform: while Méda (2011, 107) suggests dropping the agenda or changing it in a most radical way (which may amount to the same thing), the EC claims that “[f]lexicurity policies are the best instrument to modernise labour-markets: they must be revisited and adapted to the post-crisis context” (EC 2010b, 2). Auer (2010, 382) proposes to rename flexicurity into “labour-market security” and keep its core content with some improvements. This position is very telling, it conveys two messages: on the one hand, flexicurity has an image-problem, but on the other hand, some kind of flexicurity will be needed anyway.

The marketing of flexicurity is not what shall concern us in the remainder of the present work, but the evolution of its content. Given that this seems to be a moment of reflection on flexicurity, and where the future orientation of the flexicurity agenda is still negotiable¹⁰¹, the present work tests a new perspective on this policy agenda, namely a capability-perspective. It will be introduced in the following third chapter.

markets with no minimum wage and few rules give firms the greatest leeway” (ibid.), while “worker-controlled labor markets contain rules of exchange that control the movements of workers for their benefit and restrict firms’ ability to hire, fire, pay or promote” (ibid.).

¹⁰¹ Addressing the participants of the 2011 flexicurity stakeholder conference, Andor (2011) closes his speech by ensuring: “We will listen carefully to your views. They will help us nourish our own thinking so as to come with a policy proposal early next year”.

3 Sen's capability-approach: a measurement paradigm for human freedom

The capability-approach (CA) is a paradigm for the measurement of human well-being. The term capability, eponymous for the approach, marks a particular emphasis on freedom.

There are different strands of the CA, at variance in several respects, but what they share is this twofold emphasis (cp. Robeyns 2011): Firstly, it is the concern with human freedom as such, i.e. the general view that it is a valuable good. Secondly, it is a more specific conception of human freedom as “the real opportunity to achieve valuable functionings” (Sen 2009, 371), in other words valuable things that the person can be and do. By definition, capability refers only to things which are held valuable by the individual person and which are also considered as valuable by society.

Sen's motivation to develop a capability-approach to well-being measurement stems from a discontent with existing approaches, namely resource-based and utilitarian approaches. Why were these conventional approaches deemed inadequate by Sen (and other researchers before him, cp. 4.1.1)?¹⁰² The problem with resource based metrics, even if they do not use the monetary dimension (which they often do), is that the endowments' contribution to personal well-being remains variable and hard to determine. The same set of goods may lead to two different well-being outcomes depending both on the individual characteristics of the person who consumes them and on the features of the situation in which they are used. Inversely, the same level of well-being may be reached with unequal resource endowments. The things which make crucial inequalities between people are less clearly reflected by unequal distributions of resources, the wealthier a society is.¹⁰³

The utilitarian approach¹⁰⁴ avoids this problem by directly targeting what is considered as the essence of well-being, i.e. utility. At the same time, it creates new

¹⁰² “The framework is motivated by dissatisfaction with dominant traditions in twentieth century philosophical and economic thought [...] rooted in the failure of standard theories to take adequate account of forms of deprivation and inequality associated with poverty, hunger and starvation; with entrenched disadvantage and discrimination; and with health related conditions such as chronic illness and disability” (Burchardt und Vizard 2007a, 15).

¹⁰³ Rawls' (2005) famous Theory of Justice, on which Sen draws in many aspects, is counted among the resource-based approaches.

¹⁰⁴ Called “welfarism” by Sen (1979, 205), of which “utilitarianism” is just one extreme form, where the utility of a group would be the sum total of the individual utilities (ibid).

problems (Sen 1979). Whether one compares total or marginal utilities: they are hard to observe, their distance cannot be reasonably assessed for two people, they rise and fall with a person's expectation, and they can succumb to adaptive preference, i.e. a situational mental state characterised by the incapacity of a person to adequately determine his own preferences, or to perceive an apparent lack of his own well-being.¹⁰⁵ Moreover, Sen (1985, 12) argues that utility is not even identical with well-being: a person may get the feeling of satisfaction from something which he does not even value, i.e. consider as good after reflection (cp. also Sen 1979, 12 et seq.).

Against this backdrop, Sen looked for a metric which heeds the heterogeneity of individuals and situations and which focusses on what really counts. It is not the aim of the CA, however, to supplant competing approaches. The CA does not exclude any perspective or method. The instruments which have been elaborated in the framework of other approaches can be used, and their results can be taken into account as approximations of capability. Sen's intention is first and foremost not to confuse proxies with what is essentially important.

Measurement paradigm or theory of justice?

It has already been hinted that the CA is not a homogeneous entity. Many scholars from different backgrounds have engaged in the lively debate, and it is not surprising that this has not only led to a more detailed articulation and broad usage, but also to some discord about how we should think about the nature of the approach. There are two main strands which have become famous in the capability-literature and beyond, which are respectively associated with Amartya Sen and Martha Nussbaum. Beyond these two, Robeyns (2011) argues that the CA can also be "the basis for (or part of) social criticism, ethnographic studies, policy design in the area of family policies in welfare states, or even –potentially– [as] part of the design of a revolutionary blueprint of a post-capitalist economic system". According to Robeyns, all these possible directions are part of an overarching "capabilitarianism" (ibid.). The present text mostly sticks to a Senian version of the CA. Nussbaum's positions will be referred to cursorily because her arguments are often valuable also for making Sen's position clearer.

The two strands promoted by Sen and Nussbaum reflect the CA's twofold roots in economic theory and moral philosophy. The first strand – also in a chronological sense – seeks to position the CA as a measurement paradigm, while the

¹⁰⁵ According to Sen, this should not be confused with the normal and even necessary process of getting accustomed to a wider or more limited scope of possibilities. It is a general fact that a person tends to seek what which they can possibly aspire to. "Considerations of 'feasibility' and of 'practical possibility' enter into what we dare to desire and what we are pained not to get" (Sen 1985, 21). Yet, Sen stresses that at some point, deprivation makes people lose their judgement about what they would value if they possessed it. Such a condition can occur as a psychological defence (dissonance reduction) to adverse living conditions. "The practical merit of such adjustments for people in chronically adverse positions is easy to understand: this is one way of being able to live peacefully with persistent deprivation" (Sen 2009, 283). In contrast, a person in a healthy state, who is not able to be or do a certain thing, would still see the benefit of overcoming this limitation.

second strand considers it more as a “political doctrine” (Nussbaum 2011a, 35) and even a “(partial) theory of justice” (Walker 2008, 742). While it is the conceptual innovation which is at the centre of the first line of research, the second one puts the political dimension to the fore. Yet, this distinction is not a strict one. The Senian approach may be stronger in the field of concept and method, but it has always been addressing philosophical questions, increasingly over time also political ones. Putnam (2002, 48 et seq.) has even argued that the great merit of Sen is to have brought facts and values together again. Nussbaum's approach delves more in the question of what exactly constitutes the good life, but it confronts methodological issues as well. We will see in the present chapter that it is impossible to measure human well-being without a prior definition of what constitutes a good life. In part, this normative task is delegated by Sen's CA to a democratic process, but in part, norms are also integrated in the framework of the approach (cp. 3.1.1 and 3.1.3). The CA can thus be thought of as a normative paradigm which includes methodological suggestions.¹⁰⁶

The aim of this chapter is to prepare the reflection on flexicurity from a capability-perspective. A first section reviews the basic concepts of the CA and discusses them in some detail. It is followed by a section which sheds light on the normative positions of the CA, giving special attention to the field of the political economy: what are people entitled to, and who is in charge of delivering it? A third section goes down to the empirical level, it reviews some challenges of working with the CA, giving examples of how they have been tackled by research on the topic of working lives. The last section concludes on the main implications of this chapter for working with the CA.

3.1 The elements of the Senian CA and how they fit together

The CA is built of a number of interrelated concepts. In this section, an inventory of its elements will be made (see also Robeyns 2005; Goerne 2010; Bartelheimer, Büttner, und Kädtler 2008). Most of the vocabulary used in the ‘CA school’ is not self-explanatory. Also, some of the terms are contested, so the relevant discussions will also be treated. The presentation will focus on the notions used by Sen, but of course, some of them are also used by authors whose understanding of the CA diverges from Sen's. In order to remain coherent, those notions which are used by other authors but not by Sen will not be covered.¹⁰⁷ Subsection 3.1.4 will provide an overview and point out the interconnections between the described elements. At the end of the section, a dynamic extension of the CA-model will be presented.

¹⁰⁶ In any case, it is not a theory: as such, it would make statements which could be empirically proven or unproven (cp. Deneulin und McGregor 2010, 504). Similarly, the CA as such cannot be proven or disproved. It can just either be accepted or rejected as an appropriate guideline for the definition and measurement of human well-being.

¹⁰⁷ (e.g. Nussbaum's ‘internal capabilities’)

3.1.1 The informational basis of evaluation

An “informational basis” (IB) (Sen 1999, 56) reflects a decision of what information to include in an evaluational exercise. By analogy, an IB also limits the information which is allowed to affect a judgement, it thus excludes some information. Metaphorically spoken, the IB circumscribes a picture, and only the things shown in it can make an impression on the observer. The things which are not shown do not exist.¹⁰⁸ When deciding on an IB, two types of error can be made: firstly, irrelevant information can be included, and secondly, relevant information can be left out (cp. also Sen 1992, 73). Both cases make it more difficult to reach a reasonable judgement.¹⁰⁹ The distinctive feature of the CA is the choice of its IB: it leaves things out which have been central to evaluation, and takes things in which have hitherto been largely neglected. In the following, we shall explore a bit further what exactly the IB of the CA looks like. We know now that capability figures in it, but this does not yet tell us how it is counted, which kind of capability is counted, and whether something other than capability can also count.

Prior to this, however, I shall draw attention to the fact that in the context of the CA we are always dealing with the well-being of individuals. Inequality always refers to a relationship between individuals, not between groups of people. This perspective is often referred to as “ethical individualism” (Robeyns 2005, 107).¹¹⁰ Considering well-being strictly at the level of individuals signifies that the well-being of one person cannot be traded against the well-being of other persons. If this claim is hurt, then it is possible, for example, to evaluate the potential well-being of a family by the mean value over its members without looking at the internal distribution. The reason why this is not accepted by the CA is that this way of measuring can conceal manifest inequalities (Sen 1993a). We can take ethical individualism as one of the few examples for a norm *inherent* to the CA. In contrast, most norms draw on external sources, as we will see: They can vary across time and place, according to the evolution of people’s values.

3.1.1.1 How can capability be grasped?

Sen does not give any guidance for the selection of the things to consider in evaluation, except from his emphasis on people’s freedom “to lead the kind of lives they value – and have reason to value” (Sen 1999, 18 or also 285).¹¹¹ The valuation-clause signifies that in order to grant real freedom, things need to be considered

¹⁰⁸ The special importance of the decision on included and excluded information becomes clearer if real-life consequences follow from evaluation. If for example a society considers employment as relevant but not the subjective valuation of a job, then has immediate consequences for the way Public Employment Services operate.

¹⁰⁹ Though, what is ‘relevant’, ‘reasonable’ or an ‘error’ evidently depends on the standpoint.

¹¹⁰ Also called normative individualism.

¹¹¹ This claim is already present in one of Sen’s sources: Isaiah Berlin (in Sen 1992, 67) speaks of “a man’s, or a people’s, liberty to choose to live as they desire”. The “liberty to choose” refers to freedom, while “as they desire” applies to the subjective goodness of the options, which is what makes them relevant.

important for leading a good life. Adding the freedom to do or be something which is not valuable, because it is meaningless or even detrimental, does not make a person better off, even though the number of things she can be or do has been augmented. Yet, besides ignoring valuation ("valuation neglect"), Sen (1985, 20 et seq.) also warns of the overemphasis on valuation, which he calls the "physical condition neglect": a visually miserable state of a person should not be accepted simply because the person does not object to this condition.

As can be seen from the difference between *valuing* and *having reason to value*, valuation in Sen's writings has a subjective and an inter-subjective component. There may be a tension between both of them, but their simultaneousness assures that the self-determination of an individual is respected. Sen proposes two strategies of detecting what is objectively valuable: critical reflection by a person, and a democratic process of discussion. Backing up the reflection of the individual person by a discussion between several individuals can be important because different people may not a priori come to similar conclusions even if each one's thinking is perfectly reasonable (Sen 1993b), and it is also necessary precaution against adaptive preference. Deliberation complements the subjective preference with an inter-subjective notion of what is 'normal'.

It goes without saying that a huge number of functionings can result from reflection and deliberation. As features of different ways of life they can all be relevant for capability. The ways of life which a person can choose can be described as specific combination of achievable functionings. Achievable functionings cluster together, they cannot be combined at will. A useful way of imagining the Senian situation of choice is to speak of packages or *bundles* of achievable functionings. Most of the time alternative ways of life do not just differ in one single aspect. They figure as complex alternatives, each one with a certain internal coherence. This also means that each way of life a person can choose may include a specific combination of advantages and disadvantages. To make an example with just two elements: somebody may have the alternatives of going to a nice party in the evening and feeling tired and grumpy at the office the next morning, or rather staying home alone in the evening but going for a nice early walk at the shore after waking up. The person may have the real choice between both scenarios, but not between any combination of their elements.¹¹²

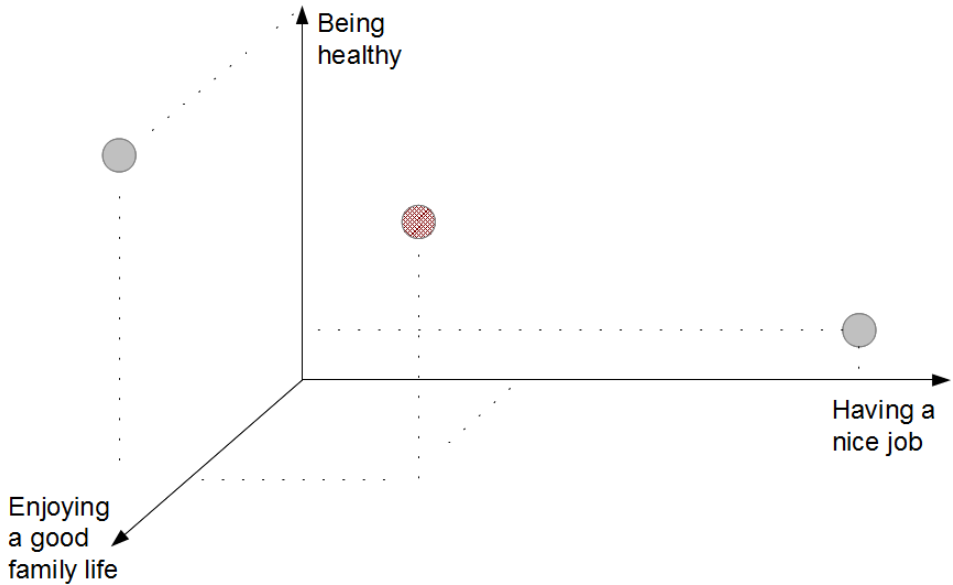
¹¹² This may seem trivial, but it marks an important difference between Sen's and Nussbaum's perspective. The IB used by Nussbaum is much smaller, focussing on a manageable list of ten "capabilities" (cp. Nussbaum 2011b, 18). Differences between ways of life are of interest to Nussbaum only inasmuch as they score differently according to the criteria included in the check-list. If an individual does not have the possibility to lead a life which grants all the ten capabilities, this is not acceptable from Nussbaum's stance. Each and every element corresponds to an absolute right, and they cannot be traded against one another, because they serve fundamentally different needs ("incommensurability"). There is no prioritisation in Nussbaum's list, but all capabilities are seen as mutually supportive and centrally relevant to social justice (cp. C. Holst 2010, 6). In contrast, for Sen it is perfectly admissible that not all valuable functionings may be simultaneously realisable. For Sen, ways of life are rather looked at as an entity than as a list to tick. This is why Sen usually speaks about "capability" (Sen 1999, 75) in the singular.

Having introduced the bundle of achievable functionings, we can also define the “capability-set” (Sen 1999, 75) or also ‘capability-space’.¹¹³ It stands for the menu which is at the disposition of a person, containing all the alternative ways for him to lead his life. There are three perspectives in which capability-sets can differ from each other. The quantity of elements (ways of life), the quality of elements (valuation), and the distance between elements (i.e. the relevance of the difference). All differences can be expressions of inequality. Generally, an increase in the number of options means more freedom. But even a great number of alternatives does not count much, if they are not valuable: Several acceptable options are necessary in order to speak of real freedom: “A set of three alternatives we see as 'bad', 'awful' and 'dismal' cannot, we think, give us as much real freedom as a set of three others we prefer a great deal more and see as 'great', 'terrific' and 'wonderful' [...] The idea of effective freedom cannot be dissociated from our preferences” (Sen 1990, 470). As for the distance between the elements, the argument is that as long as several options are not fundamentally different from each other, they do not open up real choice, like proximate vector points in a multidimensional space (cp. Farvaque 2005, 170). This means that the (marginal) importance of a certain being and doing for a person’s capability depends on what is already in the capability-set. Therefore, having the choice between, for example, Pepsi Cola and Coca-Cola, is rather unimportant.¹¹⁴

Diagram 3 illustrates how we can imagine functioning-bundles in a three-dimensional vector space. Each point corresponds to a bundle of functionings, the quality of each element of the bundle being measured by one axis. In this schematic example, only one of the functioning-bundles has positive values for all three dimensions, while the other two bundles lack capability in one of the dimensions. One of the functioning-bundles is presented in a different colour from the others. This is to illustrate the *achieved functionings*, respectively realised functionings, thus the way of life actually led by the person. In the example, it is the one marked by good achievements in all three dimensions, but the person could instead have chosen one of the two other functioning-bundles.

¹¹³ We note that the capability-set or capability-space, which stands for the extent of capability, is built of ‘functionings’, not of ‘capabilities’ as the term seems to imply. Even though Sen sometimes casually speaks of “capabilities” himself, the more customary formulation is to speak either of capability as a whole, or – if singular hypothetical beings or doings shall be addressed – of “achievable functionings”.

¹¹⁴ Even though Coca-Cola may be symbolically important in some regions of the world (Schokkaert 2008, 19).

Diagram 3: Functioning-bundles in a multi-dimensional vector space

Let me introduce, at this occasion, a rather subtle distinction which is not unimportant from a systematic point-of-view: A person's capability-set is not necessarily equivalent to the IB of evaluation. A person can lack some capability which figures as a criterion of well-being measurement in an IB; in this case, a lack of freedom is registered. In contrast, a person can also possess some capability which is not part of the IB which is used for evaluation. In this case, the respective being and doing which the person can reach is irrelevant for evaluation. Similarly, a person can possess a degree of freedom in a dimension relevant for evaluation which is much larger than what is being required by the IB used. In this case, it is just noted that a certain functioning of interest is achievable, even though it is actually significantly outranged. Freedom – in the IB – exists in an absolute manner: it either exist or does not exist. It does not exist more or less. Diagram 3 thus shows a capability-set, not an IB.

3.1.1.2 What about achieved functionings?

Is it only capability which can be relevant for evaluation? Let us put aside the case where other information – e.g. on resources – is used due to a lack of data on capability. This is often the case in empirical research, but it is not the question here because such information could have the exclusive value of being a proxy for capability.¹¹⁵ Several authors have pointed out an important weakness which would

¹¹⁵ “A shift in attention from achievement to resources (e.g. from the chosen commodity bundle to the income with which such bundles could be bought) can indeed be seen [...] as a move in the direction

reside in making evaluation *exclusively* dependent on capability. Achievable functionings are located in the realm of possible achievements, and in consequence, they are *counter-factual*. Only one single bundle of functionings is not counter-factual, that is the one which has been selected and realised by the person (“realized functionings”, Sen 1999, 75). According to Sen, achievable and achieved functionings can be combined in the IB¹¹⁶, and it will be argued in this text that this is a decisive advantage of the CA.

Not everybody agrees with this view: Fleurbaey (cp. Farvaque 2005, 179 et seq.) considers that one could have stuck to realised functionings, as they have all the advantages of capability, but are easier to handle.¹¹⁷ He presumes, firstly, that “generally, a greater freedom transforms into better functionings” (in Farvaque 2005, 181, my transl.). Against Sen’s famous example of the fasting and the starving person (e.g. Sen 1999, 75), which one could introduce in defence of capability measurement, Fleurbaey argues secondly that the faster and the starver most probably differ also in other observable aspects than their nutritional facts, because different functionings belonging to a certain way of life are correlated with each other. In other words, the starving person will probably be less well dressed, housed, etc. than the fasting person. In Fleurbaey’s view, functionings are thus a sufficient source of information, as long as they are not analysed in isolation.¹¹⁸ A third argument he advances is that observing functionings is the only way of detecting capability anyway: “if the capability approach is meant to capture individuals’ current freedom and possibilities, it has to rely on current achievements, actual functionings. Not only may functionings possibly capture the relevant aspects of freedom, but there is no other proxy through which freedom may be observed” (in Farvaque 2005, 182, my transl.).

Fleurbaey marks important methodological points here. His first argument, that capability and realised functionings are mostly congruent, holds as long as the achievements in question are so basic that virtually everybody would like to have them. Let us take, for example, the dimension of health: “Sometimes the nature of counter-factual choices are very easy to guess, e.g. that people would choose to avoid

of paying greater attention to freedom, since resources tell us about the set of commodity bundles from which we can choose. The strategy of judging individual advantage by the person’s command over resources, as opposed to what the individual actually achieves, is to refocus our vision from achievement to means of freedom, and that is, in an obvious sense, a homage to freedom” (Sen 2002, 36).

¹¹⁶ “The evaluative focus of this “capability approach” can be either on the *realized* functionings (what a person is actually able to do) or on the *capability set* of alternatives she has (her real opportunities). The two give different types of information – the former about the things a person does and the latter about the things a person is substantively free to do. Both versions of the capability approach have been used in the literature, and sometimes they have been combined” (Sen 1999, 75).

¹¹⁷ “Une approche en termes d’égalité des résultats parvient tout aussi bien qu’une approche centrée sur les capacités à répondre à certaines exigences égalitaristes, comme celles de la liberté, de la prise en compte de la responsabilité et du respect d’une neutralité par rapport aux conceptions individuelles du bien. Mais surtout, une réflexion en termes d’opportunités peut très bien se fonder sur la base des fonctionnements réalisés sans qu’il soit nécessaire de faire entrer en jeu un concept – et sa mesure – de capacité” (Farvaque 2005, 179, explaining Fleurbaey’s point).

¹¹⁸ Sen (1999, 132) concedes this and acknowledges that functionings are already a much better source of information as compared to income.

epidemics, pestilence, famines, chronic hunger” (Sen 1992, 66). However, one can oppose Fleurbaey that the advantage which capability has over realised functionings gets greater the more people disagree on which functioning is superior. In some dimensions, e.g. educational choices, preferences may be quite different (university studies are widely considered as valuable, but many people opt for other alternatives and may have good reasons to do so). As for the second argument, it does not hold as soon as people do not just choose in one dimension, but in a multitude of dimensions at once, i.e. when they opt for a way of life. Precisely because two individuals' lives differ in many respects (possibly with advantages and disadvantages on either side), it is hard to judge who is better off. Thirdly, the argument that information on capability can exclusively be derived from functionings is only half true, as will be explained below (3.3.2).

An additional argument for measuring capability is the mentioned intrinsic value of the freedom to choose. This is not considered in a purely consequentialist approach, i.e. an approach only interested in observable outcomes, called by Sen “culmination outcome” (Sen 2002, 159), as opposed to the more refined “comprehensive outcome” (ibid.). To give an example, a consequentialist approach does not distinguish whether someone was obliged by her ambitious parents to study law or if she chose it according to her own interests. The CA is “outcome-oriented” (Nussbaum 2011b, 95; Nussbaum 2011a, 34), but it looks at states in the light of their past. The CA considers that the way in which a situation came about is an important part of the story. It will be argued (in 4.1.1) that it is precisely the CA's reference to the counter-factual which makes it valuable in the context of modern societies, where a large variety of preferences and ways of life exist, but where the freedom of choosing between alternatives is quite unequally distributed.

An issue which is affected here is responsibility (see also 3.2.2), a topic which is important to Sen's thought.¹¹⁹ An approach focussing exclusively on outcomes pretends that people have no responsibility whatsoever, which would be paternalistic. It is a fact that individuals reflect and take their own decisions. This must be conceded to them, so as not to treat adults like children. A limited yet existing self-determination of persons speaks against a pure outcome-orientation as advocated by Fleurbaey. The right of individuals to choose their own way of life is a major motivation of the CA. Yet, the CA also takes circumstances into account which can take away from the possibility of free choice:¹²⁰ “choice functions and preference relations may be parametrically influenced by specific features of the act of choice (including the identity of the chooser, the menu over which choice is being made, and the relation of the particular act to behavioural social norms that constrain particular social actions)” (Sen 2002, 159). An evaluation approach which exclusively considered capability

¹¹⁹ “Understanding the agency role is thus central to recognizing people as responsible persons: not only are we well or ill, but also we act or refuse to act, and can choose to act one way rather than another. And thus we – women and men – must take responsibility for doing things or not doing them” (Sen 1999, 190, see also 283 et seqq.).

¹²⁰ At least, these have a systematic place in the CA, even though existing structures of constraint may not be very well explored.

would ignore that well-being outcomes need not be the result of an informed choice of a person. A “pure ex ante-evaluation on the basis of opportunity sets may be a very harsh position, given the well-documented limitations of individual decision-making capacities” (Schokkaert 2008, 12). As formulated by Nussbaum: “If people never functioned at all, in any way, it would seem odd to say that the society was a good one because it had given them lots of capabilities” (Nussbaum 2011b, 25). The more responsible people are for their choices, the more the focus of evaluation can shift from functionings to capability (cp. Farvaque 2005, 133).¹²¹

It is thus reasonable and realistic for evaluation to opt for a middle way between achievable and achieved functionings (see also Robeyns 2006, 354 et seq.). In practice, there are two solutions offered by Sen: evaluating the actual ability to achieve (which includes decision-making capacities), or including both capabilities and functionings in the IB. It is often argued that the ambition to heed counter-factuals poses insurmountable empirical problems to CA. It will be explored in section 3.3 whether and how one can do empirical work with comprehensive outcomes.

3.1.1.3 What about happiness?

Is happiness a functioning, does it play a role in the CA's IB? The CA had been deployed by Sen as an alternative paradigm to the utilitarian approach which was and still is dominant in welfare economics. Following Sen, utilitarianism “gave happiness the status of being uniquely important in assessing human well-being and advantage, and thus serving as the basis for social evaluation and the making of public policy” (2009, 272). As in many other cases, however, Sen would not go so far as to completely dismiss the subject of his criticism, his goal is rather to put things in perspective. Sen does not take issue with considering happiness as such, but only with giving it too much importance: “The central issue is not the significance of happiness, but the alleged insignificance of everything else” (ibid., 273). Happiness is not necessarily part of inter-personal well-being comparison, but it can be if it is defined as valuable functioning. And indeed, “[t]he capability to be happy is, similarly, a major aspect of the freedom that we have good reason to value” (ibid., 276). Yet, the statement “‘I value only happiness’ is a substantive claim (a highly disputable one [...]) and is not a tautological truth” (Sen 1985, 12).

Conceptually, including happiness does not require any extension of the IB described above. Just as the capability not to stay hungry, the capability to be happy can figure in a person's capability-set. There are two reasons, however, why one could opt for leaving happiness out of the IB.

Firstly, there is some difficulty of measurement. Happiness has no real metric, as was shown by the critique of utilitarianism, and also it may succumb to ‘excessive subjectivity’, getting too detached from the objective circumstances. Sen names two categories for this, which stand for opposite phenomena: “adaptive preference” (supra) and “expensive tastes” (cp. Sen 1979, 214 et seq.). While the former refers to

¹²¹ In personal well-being assessment, the relative weighting of non-factual and factual elements would *ideally* correspond to the degree of responsibility that a person has in a particular context.

situations where people lose their faculty of judgement due to persistent deprivation, the latter applies to a situation where privileged individuals (“who are hard to please and who have to be deluged in champagne and buried in caviar to bring them to a normal level of utility, which you and I get from a sandwich and beer”, *ibid.*) develop needs which would seem exaggerated to most people in their society.

Secondly, happiness or ‘desire-fulfilment’ is, in Sen’s writings, rather like a second best behind the more dignified “valuation” (Sen 1985, 30 et seq.). This is due to Sen’s emphasis on “reasoned scrutiny of psychological attitudes” (Sen 2009, 49 et seq.). He argues that for his approach, it is ultimately valuation which is important, and he sometimes goes so far as to consider happiness or desire-fulfilment only as important in their usefulness for inferring valuation (Sen 1985, 32). In this early writings, Sen carries his questioning of the use of happiness for well-being measurement quite far. This can be read as an attempt to illustrate his distance from utilitarianism.

We can take home from the inspection of the CA’s IB that the evaluation of a specific way of life crucially depends on whether it is the outcome of a reflected act of choice. Combining factual and counter-factual information in the IB of evaluation allows us to distinguish between plurality and inequality. While plurality is given when people with similar chances chose to lead different ways of life, inequality refers to a situation where different ways of life stem from substantially different capability. In a strict sense, even similar outcomes can be an example for inequality, if the underlying capability-space is significantly different.

3.1.2 The ‘production’ of capability

This sub-section examines how capability comes about. Concretely, it speaks of resources and their usage. The CA is an alternative to resource-focussed perspectives, but resources have a systematic place in the CA. They figure as ‘commodities’ and ‘rights’. The former, also termed ‘goods’, can have different forms: material or immaterial, marketed or from outside of the market-sphere. Rights can be, for example, constitutional rights, or also acquired claims for social security benefits. The sum of commodities and rights possessed by an individual is his ‘resource endowment’, or also his “entitlements” (Sen 1985, 13).¹²²

The peculiarity of the CA is that it gives a *relative* role to resources. Firstly, it is not the resources themselves which are important, but their characteristics (*ibid.*, 9). Secondly, the amount of resources which are necessary to grant a certain capability differ from case to case. This means that two persons may each necessitate different resource endowments in order to reach the same freedom, and that they may derive different freedom from identical resource endowments. As mentioned, a person’s capability can be modelled as the variety of bundles of achievable functionings in that

¹²² Some distinguish between the two terms according to whether they speak of the goods and rights a person *presently has* (endowment) or of the goods and rights a person *could have* if he used all his legal possibilities (entitlements).

person's capability-set. Each of these bundles corresponds to one specific way of how she can use her resources. More precisely: one specific way of using the characteristics of her resources.¹²³

The transformation of resources into achieved functionings is called conversion. The contingencies which make that a conversion can be easy, difficult, or even impossible, are called "*conversion conditions*" (Sen 1985, 27). Sen (2009, 255 et seq.) classifies these conditions by a number of types. One type concerns the individuality of the person (personal features), other types refer to the context (physical environment, social climate, relational perspectives).¹²⁴ More well-known than these types are the "*conversion factors*" which have been proposed by Robeyns (2005, 99). She distinguishes personal, social and environmental ones. Personal conversion factors can be imagined as those features which are attached to the person, so that she would take them with her to another place. Social conversion factors can be 'soft' ones like norms, but also 'hard' ones like the infrastructure in a region. Speaking of "factors" is slightly misleading, because it directs attention to isolated factors and their impact. Yet, it is always the combined effect of the given factors which determines conversion possibilities. A personal conversion factor may be influential only when combined with certain social conversion factors. Ethnically motivated discrimination in a labour-market, for example, is only an obstacle for a person of the ethnic origin which is being discriminated against, and being of this origin is only an obstacle in a labour-market in which such discrimination occurs.

The joint impact of factors is captured by a "utilization function" (Sen 1985, 26). This function captures how an individual can use her resource endowment. Sen (1985, 13 et seq. and 23 et seq.) and also Kuklys and Robeyns (2004, 11) present a formalised notation of this idea. It is not particularly figurative, a graphical version is provided below. Person i achieves a functioning bundle \mathbf{b}_i ¹²⁵ as follows:

$$\mathbf{b}_i = f_i(c(\mathbf{x}_i)),$$

where \mathbf{x}_i is a vector of resources, chosen from the total of available resources \mathbf{X}_i , $c(\cdot)$ is a function that maps resources into the space of their characteristics, and $f_i(\cdot)$ is a utilisation function which is specific to individual i and to one specific way in which this individual uses the characteristics of the applied resources. The function f_i is element of the total F_i of utilisation functions available to person i . The sum of achievable functioning-bundles \mathbf{Q}_i given the resource endowment \mathbf{X}_i is presented as follows:

$$\mathbf{Q}_i(\mathbf{X}_i) = [\mathbf{b}_i \mid \mathbf{b}_i = f_i(c(\mathbf{x}_i)), \text{ for an } f_i \in F_i \text{ and an } \mathbf{x}_i \in \mathbf{X}_i]$$

¹²³ Characteristics are properties of the resources, not of the usage of these resources. They are independent from what they are used for and from what they mean to their owner (cp. Sen 1985, 10).

¹²⁴ A similar classification appears already in Sen (1999, 70 et seq.). An additional type, "distribution within the family", is left aside later.

¹²⁵ Vectors printed in bold letters.

\mathbf{Q}_i can be called the capability of person i (Sen 1985, 14). If the terminology of conversion factors is chosen, then their impact on the utilisation function can be notated as

$$\mathbf{b}_i = f_i(c(\mathbf{x}_i) | \mathbf{z}_i, \mathbf{z}_e, \mathbf{z}_s),$$

where \mathbf{z}_i stands for individual conversion factors, \mathbf{z}_s for social and \mathbf{z}_e for environmental ones. The way it is notated in Sen (1985, 13), it is possible to attach a scalar value to each functioning vector \mathbf{b}_i to reflect the valuation that a person has for the way of life described by it. Valuation can thus be noted as

$$v_i = v_i(\mathbf{b}_i)$$

Equally, the happiness derived from a functioning bundle can be noted

$$u_i = u_i(\mathbf{b}_i)$$

There are two issues related to this notation, however. Firstly, it is only correct if valuation, resp. happiness is not part of the functionings (cp. Sen 1985, 15). Secondly, as Sen also remarks (ibid.), valuation and happiness are not independent of the functioning-bundles which have not been chosen (compare above: the intrinsic value of freedom). It is thus suggested here that valuation should instead be noted in the following way:

$$v_i = v_i(\mathbf{Q}_i, \mathbf{b}_i),$$

where \mathbf{Q}_i are the achievable functioning-bundles and \mathbf{b}_i is the functioning-bundle which have been realised. It would be more exact even to add indexes relating to time, such that \mathbf{Q}_i is dated $t-1$ and \mathbf{b}_i is dated t .

Resource or conversion factor?

The merit of formal notation is to bring some more clarity where verbal formulations are sometimes vague. I would, however, like to address one such vague point which is not clarified in this manner, namely the distinction between resources and conversion conditions. Implementing the Senian approach, one question is bound to turn up: "Is ABC a resource or is it a conversion factor"?

Often, there are good arguments for both views, and each one will soon have eager advocates. It is also possible that there is an agreement, but that in a later situation, the contrary will seem correct. For example, is an educational certificate a resource or a conversion factor? On the one hand, the lack of it may prevent a person from using her labour force in order to work in a job, it thus seems a conversion factor. On the other hand, the certificate stands for an acquired right, and goods and

rights are, by the definition provided by Sen, part of the resource endowment. Also, it has been gained by investing resources, the certificate could thus be seen as a these resources in a new form. Conversion factors would be the circumstances which make it possible or not to use the acquired right. One could opt for the idea of declaring as a resource what gets used up in the process of building a functioning. Yet, some important functionings do not actually require any clearly definable resources which could be converted (e.g. friendship).

Sen has not contributed to this problem of practical application. In Bartelheimer et al. (2008), we try to solve the dilemma by distinguishing between a narrow understanding of resources in a welfare-theoretical perspective, asking strictly about entitlements, and an action-theoretical one, where resources can basically embrace everything that a person can deploy to reach her goals. In this paper, we opt for the narrow understanding, justifying our choice with Sen's intention to go beyond resource-based approaches to welfare. Resources are everything that interests conventional resource-approaches (income, education, social insurance claims), while conversion factors are a residual category for things which would be ignored by a resource-approach, but which do play a role. This proposition has the advantage of following a clear logic. Yet, it remains limited to research where the welfare state is in the centre of interest.

The importance of clarifying *what is what* should not be overestimated, however. The distinction between resources and conversion conditions has a didactic value, and it is helpful to focus on Sen's intention rather than on the wording. What Sen seeks to show is just that we must go beyond resources-based approaches, thus beyond counting things which can be quantified in money or money equivalents. In a more abstract formulation, this means that a plural number of conditions must be met in order for a person to achieve a certain functioning. First and foremost, Sen points to the consequences of individuality with this thought (not every person can use a resource in a given way), but the argument can also point in the opposite sense: it is not *exclusively* features of the individual that account for some outcomes, but also societal and environmental ones, as well as a given set of endowments.¹²⁶

In my opinion still, it does not matter whether conditions are classified in one, two or three categories or whether these categories are named "resources", "conversion factors" or anything else. It seems that the duality of resources and conversion conditions has not been conceived in order to be applied to specific cases and specific matters, which the CA as an abstract framework of thought is not specialised in. Applying this duality to specific questions therefore risks over-straining the categories.

¹²⁶ This argument against mono-causal views seems trivial, yet it is a methodological foundation which could change the track of a debate on employability which risks getting lost in an individualising dead-end ("individual employability" vs. "interactive employability", see Gazier (2001, 26 et seq.)).

3.1.3 Process-freedom and public discussion

Up to this point, the concepts which have been presented cover the more 'materialistic' side of the CA. However, there is also has a more 'idealistic' side. This dualism is reflected in Sen's distinction between "well-being freedom" and "agency freedom":

"Well-being freedom concentrates on 'a person's capability to have various functioning vectors and to enjoy the corresponding well-being achievements', while, in contrast, *agency freedom* 'refers to what the person is free to do and achieve in pursuit of whatever goals and values he or she regards as important, which need not be confined to the person's own welfare'" (Sen 2006, 91)

Unlike the neo-classical 'homo oeconomicus', people are considered by the CA as "agents" (Sen 1999, 190)¹²⁷ who have their "own values and objectives" (Sen 1999, 19), which they pursue in a way defined by themselves. Sen insists that these aims are not limited to the creation of personal well-being. People may even be ready to make choices which reduce their well-being.¹²⁸ This is the case when a person opts for a bundle of functionings which is, from a well-being point of view, inferior to another bundle in the capability-set. This possible incongruence is why the notions of "well-being" and "well-being freedom" (Sen 2006, 91) need to be distinguished: a person might not go for the highest well-being which he is free to achieve. A reason for such a choice can be the wish to help others.¹²⁹ Agency need not be altruistic, however. It also includes political activity with the aim to influence society in a way which corresponds to one's own interests and values.

To illustrate the twofold notion of freedom, Sen also speaks of "opportunity and process aspects of freedom" (Sen 1999, 370). Each group of aspects cannot replace the other, both have an *intrinsic* value, and both represent a "constitutive component" (Sen 1999, 5) of development. Before the backdrop of political philosophy, Sen's insistence on both aspects of freedom is his Solomonic answer to the discord between libertarians and consequentialists on whether it is the correct procedure or the good outcome that counts: "Both processes and opportunities have importance of their own" (Sen 1999, 17).

Both kinds of freedom also have *instrumental* value, i.e. they can help to achieve something else. It can also be argued that each aspect of freedom supports the other. Sen points to the "empirical linkages that tie distinct types of freedoms together" (ibid., 10). He observes that there is a "two-way-relationship" (ibid., 18) which is mediated by social arrangements. People can use their agency-freedom to

¹²⁷ The terminology is reminiscent of a principal-agent theory, but Sen uses the terms "agent" and "agency" not in the sense of acting on someone else's behalf, as done by the neo-institutionalist school (Sen 1999, 19).

¹²⁸ (More on the relationship between agency and well-being: Sen 1999, 170 et seqq.)

¹²⁹ This is an additional reason for combining achieved and achievable functionings in the IB.

affect politics, and the resulting policies may expand people's well-being freedom (cp. *ibid.*, 31).¹³⁰ Inversely, the freedom to achieve well-being facilitates active participation in deliberative processes: A person's "voice option" and "exit option" (Hirschman 1970) are contingent on the security that his needs will be catered for one way or the other,¹³¹ which boosts his possibility to take risks in conflict situations.

The role of public discussion

The main arena to exercise agency-freedom is called "public discussion" (PD) (Sen 1992, 79), or also "public reasoning" (Sen 2006, 88). The role of PD in the framework of Sen's CA is a central one: most normative questions are delegated to it. Most importantly, PD defines what individuals have "reason to value", it warrants an inter-subjective account of the good, acting as a second instance beyond individual reasoning. Sen argues that people and societies should actually define what is valuable for them by themselves, and according to their own preferences. If this task were fulfilled by a third party, even if it was a commission of renowned and widely trusted experts, this would constitute an infringement against process-freedom. Even if the outcome of the experts' work were substantial, the vital self-determination would be lost.

The structural importance of PD contrasts with the parsimony of specification in Sen's writings. Even though he lays great emphasis on the democratic procedure, Sen does not give much guidance on how legitimate PD should be structured. He just requires that all those concerned be actively involved in the decision making process. This means that PD cannot consist, for example, in some crude majority rule by which a bigger group could dominate over a weaker group. Sen's writings evoke unanimity, but he does not explicitly say this. Sen (2009, 324) seems to support the view that PD is the newer and better form of democracy: "There is, of course, the older – and more formal – view of democracy which characterizes it mainly in terms of elections and ballots, rather than in the broader perspective of government by discussion". The idea of deliberation is not peculiar to the CA, of course. It is generally used to describe a political process in which a good argument is recognised, and reasonable solutions tend to prevail over particular interests. Sen (*ibid.*) considers that "[i]n contemporary political philosophy the view that democracy is best seen as 'government by discussion' has gained widespread support". He especially highlights the names of Rawls and Habermas, who have triggered this "shift" (*ibid.*). Abstracting from the differences which may exist between their positions, their most important message for Sen's is the "intimate connection between justice and democracy" (*ibid.*, 326).

¹³⁰ Apart from the intrinsic (or "direct") and the instrumental value of political rights, Sen (1999, 148 et seqq.) names a third one: the *constructive* value of agency-freedom lies in its contribution for the development and discovery of a person's own preferences.

¹³¹ Cp. Heinrichs (*infra*).

It is probably due to the emphasis on reason, at the detriment of formalism, which explains the lack of specifications for the structure of PD. Sen expresses some doubt about the reduction of democracy to formal structures and institutions.¹³² Leaving PD unspecified¹³³ has also the advantage of granting any society a maximum freedom to structure their PD according to their own culture. The problem about this lack of specification is that one is left in dark about what claims *can* legitimately be connected to the CA, or even more, which claims *need* to be raised when taking a capability perspective. Even though the CA would not lend itself to whatever claim which could be formulated in a 'capability wording' (Goerne 2010), the lack of clarity concerning its major source of legitimacy introduces this very possibility by the back-door (cp. 3.2).

Sen's reliance on the good functioning of PD may be a major Achilles' heel of his approach.¹³⁴ In general, Sen sees the use of the CA more in the realm of opportunity measurement than in the evaluation of processes: "Capabilities and the opportunity aspect of freedom, important as they are, have to be supplemented by considerations of fair processes and the lack of violation of the individual's right to involve and utilize them" (Sen 2004, 338), but the CA can "hardly serve as the sole informational basis for the other considerations, related to processes, that must also be accommodated in normative collective choice theory" (ibid., 337). Robeyns (2005, 110) is even more explicit: "The capability approach can only account for the opportunity aspect of freedom and justice, and not for the procedural aspect. In other words, institutions and structures need also [be] procedurally just, apart from the outcomes they generate [...]. These procedural aspects of justice and freedom are very important, and the capability approach is not equipped to account for them".

3.1.4 Synopsis: The connection between the elements

In order to point out the connections between central notions which have been introduced above, I shall now make a second and quicker tour of the CA. We had started from the assertion that the CA is mostly concerned with freedom. Societal development is defined by Sen as an extension of (opportunity- and process-) freedom, and inequality is viewed predominantly as an inequality of freedom. Freedom is operationalised by the CA as *capability*, which is defined as the things which people can be or do.

¹³² For example he argues that "the history of democracy is often recounted, even now, in rather narrowly organizational terms" (Sen 2009, 326), while "balloting alone can be thoroughly inadequate on its own, as is abundantly illustrated by the astounding electoral victories of ruling tyrannies in authoritarian regimes" (ibid., 327).

¹³³ "[I]t is not at all clear how these processes of public reasoning and democracy are going to take place, and how we can make sure that minimal conditions of fair representation are guaranteed" (Robeyns 2005, 106).

¹³⁴ In a forthcoming book contribution, I argue that ("Rationality and freedom? Sen's CA and critical policy evaluation") that to make matters worse, Sen's idea of PD is not only underspecified but also unrealistic.

In order to grant real (“substantial”) opportunity-freedom, beings and doings must be *valuable* to the concerned person. The valuation should be of a reflected kind. As a corrective for wrongly perceived subjective preferences, it is proposed by Sen that beings and doings must be considered as valuable also by society at large in order to count as capability.

Though freedom is crucial, it is not exclusively freedom which counts: *realised states* (“achieved functionings”) are also part of the IB in inter-personal well-being comparison. This makes sense because there are a number of reasons why people may not choose in their own best interest; a lack of information or altruistic behaviour can be the reason for low well-being outcomes.

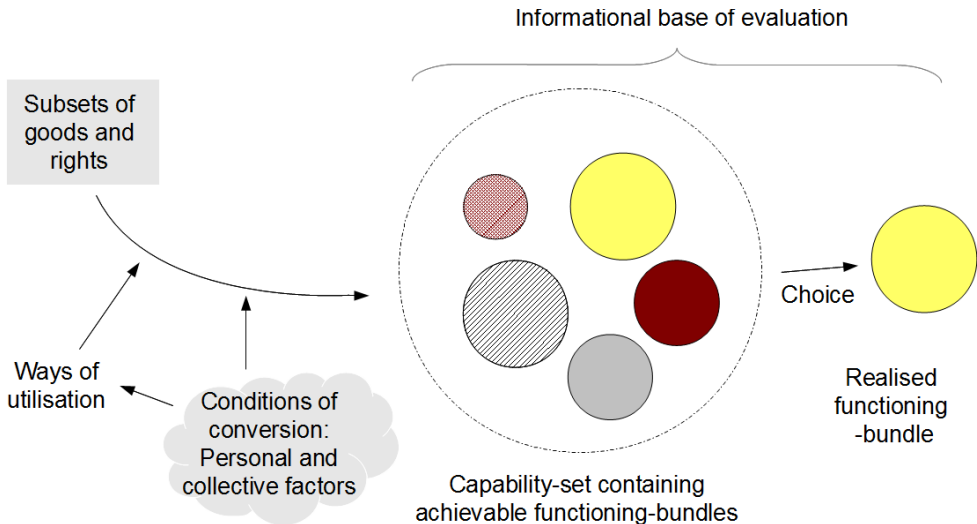
Functionings do not appear in isolation from each other but as *bundles* which can be thought of as different ways of leading one’s life. The coherence of a way of life makes it so that functionings cannot be combined arbitrarily. Two alternative ways of life may each have their specific advantages and disadvantages.

A person’s *capability-set* contains the eligible bundles of achievable functionings. They jointly constitute (by their number, quality and variety) a person’s well-being freedom (or well-being potential).¹³⁵ Well-being freedom is the pre-condition of *well-being*. Well-being is drawn only from achieved functionings, thus from a specific way of life. Well-being is not the same as the happiness which a person draws from a chosen way of life. Happiness is not necessarily part of well-being measurement, but it can if it is defined as a valuable functioning.

The elements of a capability-set can be thought of as the potential outcomes of alternative ways of using available resources under the given *conversion conditions*. An achieved functioning-bundle is the real outcome of taking (all or part of) one’s resources and treating them in a certain way (chosen among the different treatments one could potentially perform). This excludes all other conversions of resources which one could alternatively have performed: one cannot lead two ways of life at the same time.

Concerning conversion conditions, it is intuitive to discern between *personal and collective conversion factors*, but one should not forget that they affect the conversion process in an interrelated and joint manner. As a complement to the formalised presentation (3.1.2), diagram 4 visualises the way from resource endowment to functioning-bundle, i.e. chosen way of life.

¹³⁵ It is sometimes called “advantage” by Sen, the term is not frequently used, however.

Diagram 4: From resource endowment to way of life

The elements in diagram 4 relate more to the opportunity-aspect than to the process-aspect of freedom. Agency, for example as acts which bring change to society (e.g. in the realm of PD), are not presented. Yet, such agency indirectly affects the capability-set, even if it should take a long time: people's well-being freedom depends on the societal resource distribution and collective conversion conditions (social and environmental conversion factors), which are in turn conditioned by political behaviour.

The dynamic perspective is not depicted either, the diagram shares with the Senian model the weakness of the static perspective. To improve this, it would be necessary to model a feedback effect of the chosen functionings on the future resource endowment and conversion conditions (this time personal rather than collective conversion factors, as we are at the micro level). The following subsection will focus on the topic of capability and the life-course.

3.1.5 The dynamic perspective: a necessary extension

In a draft paper entitled "Capability dynamics: the importance of time to capability assessments", Comim (2003)¹³⁶ notes that even though time-related phenomena like adaptive preference or decision-making processes play a prominent role, the time dimension has not really been integrated into the theoretical model of the CA. The beings and doings which are referred to in the CA literature remain intriguingly static:

¹³⁶ The text was followed by another draft version in 2004, and the topic of time has been taken up again by Comim, Qizilbash and Alkire (2008). Unfortunately, not all the interesting lines of thought of the drafts have been continued.

Functionings are chosen and lived in the present. Neither is the topic of the life-course adequately covered: Resources and conversion conditions are instead treated as given.

There are many reasons why there is a need for dynamic extension of the CA in order to adequately capture well-being and take questions of justice into account. Firstly, the CA takes interest in the subjective experience. The impact which some states have on subjective well-being cannot be estimated without knowledge of their duration or frequency. Some forms of deprivation, for example, rise only as a consequence of the accumulation of penury. While it may be normal to have the experience of unemployment in one's life, it is the perpetuity or recurrence of unemployment which has a particularly demoralising effect and a real impact on the poverty risk (cp. Comim 2003, 7).

Secondly, subjective well-being is not entirely determined by the present situation; it is influenced by memories of the past and by anticipations of the future. For example, the valuation that somebody has for a low-paid job may be relatively high when he has just experienced a lengthy period of unemployment. This phenomenon should not be confused with adaptive preference. It would not be adequate if others told him that there is no reason to value the job. Also, an uncomfortable state may be more easy to bear if there is reason to hope for quick improvement, and inversely a favourable situation may feel subjectively threatening if a decline is in store. What someone has reason to value can thus not be decided without taking the context into account, among other things the temporal one.

Thirdly, resources correlate with age and personal conversion factors develop over time. A 20-year-old does not have the same capability as a person of 65 years. This is in the nature of things, and it is not a sufficient reason for policy intervention. Nevertheless, age needs to be considered where intervention takes place.

Fourthly, a trajectory is generated by the choices a person makes from her set of options at each moment in time. The richer the consecutive capability sets, the more the trajectory is an expression of free choice instead of constraint.

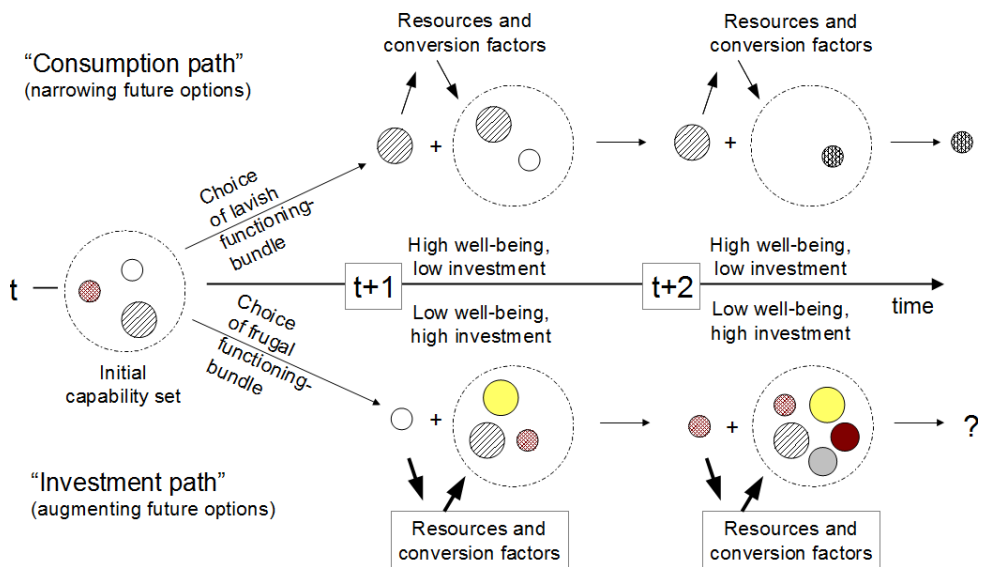
Fifthly, as has been argued, responsibility is central for considerations of justice, which inevitably arise in the field of social policy. Time is a relevant factor here, it limits individual responsibility: "if one takes the view that [...] individuals should be allowed to move on, after a given period, from decisions made in the past [...] then it makes sense to regard people as less responsible for decisions made a long time ago [...] – a sort of backwards discounting" (Burchardt und Le Grand 2002, 7).

In order to include time in the capability-model, one needs to implement the idea that not only resources and conversion conditions have an influence on achievable functionings, but achieved functionings also condition resources and conversion factors available in the subsequent period. By choosing of a functioning-bundle from one's capability-set, a person thus influences both the immediate well-being and the conditions of the following period. Economically speaking, there is both an element of consumption and investment in this choice, or in other words, there is an intrinsic and an instrumental value of the chosen state. A person can

deliberately expand future options by accumulating a greater resource endowment or by positively transforming conversion conditions (potentially also in by political means in collaboration with others). But he can also make a decision which will narrow his future capability-set – possibly after a phase of living like a lord.¹³⁷ There can thus be a trade-off between short-term and long-term freedom.

Diagram 5 illustrates this. The coloured dots stand for functioning-bundles, they are placed in dashed circles which signify capability-sets. From one and the same initial capability-set, there is the “consumption path”, which leads – by repeated choice of a luxurious way of life – to an impoverished capability-set and even probably a lock-in situation in time t+2. There is also an alternative path, the “investment path”, which results in high degrees of freedom in t+2. This is paid, however, by living very modestly during t+1 and t+2.¹³⁸

Diagram 5: *Self-referentiality: from present way of life to future capability*



Adapted from Bartelheimer, Büttner and Schmidt (2011).

There is thus a path-dependence contained in the successive stages of the persons' (self-referential) life-course. At time t+1, the person is confronted with a situation resulting from what has happened before, a change of path is not feasible. At time

¹³⁷ (see sub-section 3.3.2 for the example of the expensive winter holiday)

¹³⁸ The contrasting paths are chosen in order to display the trade-off between the short run and the long run, not actually to make a case for a frugal life-style. Possibly also, choosing a third alternative at time t would have meant a sustainable life-style with medium consumption and medium investment.

t+3, the realised functioning of the “consumption path” is even entirely determined: the capability-set of time t+2 does not allow any alternative. As pointed out by Bartelheimer and Kädtler (2012, 59), drawing on Lutz Leisering, capability is both “life-course sensitive” and “life-course relevant”. This means that it both depends on the past and impacts on the future.

Various questions follow from this perspective: to what degree has an observable life-course been chosen? What were transitions which augmented or impoverished subsequent decision menus?¹³⁹ How does regulation alter the degrees of freedom at specific decision nodes, and is there a difference between intention and factual impact of regulation? Does regulation attempt and achieve to correct disadvantage cumulating along the life-course?¹⁴⁰

3.2 What is the normative content of the CA?

Recalling that the main purpose of presenting the CA, in the context of this book, is to prepare an evaluation of policy, it is clear that not only the conceptual inventory, but also the normative positions of the CA need to be elucidated. It does not seem quite clear in the literature what exactly this normative content is. One position, advocated among others by Ingrid Robeyns (2013)¹⁴¹, is that there is virtually none, but that the CA merely offers an evaluative space. The latter can be filled with whatever norms the user of the CA may choose (provided that a precise documentation of these normative sources is given). This position clashes with a lot of research works professing to derive political claims – for example for equality¹⁴² – from the CA. Goerne (2010, 10) observes that a “common rhetoric is to present results or recommendations ‘from a capability perspective’, suggesting that the use of the CA [...] itself would make certain conclusions necessary – although the findings depend as much on the chosen normative reference point”. The argument here is not

¹³⁹ The selection of functioning-bundles is modelled here as free choice. If this assumption is relaxed, the diagram may also display the outcome of chance. Comim (2003) gives the example of disability, which generates greater disability in the course of time: a forced lack of participation makes future lack of participation more probable (cp. also Yaqub 2008). This can possibly be prevented if external intervention compensates by augmenting the resources or improving the conversion factors of the disabled person (cp. Bartelheimer, Büttner, und Schmidt 2011).

¹⁴⁰ “Die neuere Lebenslaufforschung hat gezeigt, dass nicht alles kumulativ ist (Mayer 2009). Damit ist gemeint, dass die Lebensverläufe nicht durch die Ressourcen in frühen Lebensphasen determiniert werden, sondern auch in späteren Lebensphasen korrigiert werden können. So zeigen etwa Erfahrungen aus unterschiedlichen Ländern, dass es mit geeigneter Unterstützung auch in späteren Lebensphasen gute Erfolgchancen gibt, Bildungsabschlüsse nachzuholen und ein erfolgreiches Berufsleben zu beginnen. Offene Gesellschaften zeichnen sich dadurch aus, dass sie nicht an rigiden Altersnormen festhalten und auch eine zweite und dritte Chance bieten” (BMFSFJ 2011, 46).

¹⁴¹ Cp. also Robeyns (cited in Andresen, Otto, und Ziegler 2010, 178): “the capability approach only specifies an evaluative space, and therefore can be used with widely divergent views on social realities and interpersonal relations”.

¹⁴² Cp. Schokkaert (2008, 6): “The capabilities approach is not a complete theory of justice. Although the writings of people using it have an outspoken egalitarian flavor, in principle it can be integrated in many different theories”.

that the CA should not be used in an emancipatory way. It is just that certain values, which may appeal to the researcher or a certain community of readers, cannot be treated as if they were part of the CA. Nothing speaks against adapting an approach. But if it is used as a source of legitimacy, then this approach should be taken seriously.

As mentioned above, it is impossible to measure well-being without preliminary normative choices. In particular, the choice of an evaluative space is not normatively neutral. For example, saying that inequality should be observed both in terms of achievable and achieved functionings is not an analytical, but a normative statement (one can agree or not agree for good reasons, but there is way of proving or disproving it). In particular, the decision on an IB is not without consequences on the outcome of an evaluative exercise. Therefore, the CA is not normatively neutral. No approach to well-being measurement has ever been, and a peculiarity of the CA is to make this explicit. One can actually consider it a merit of Sen to have given normative questions a central place in his evaluative paradigm. Putnam (2002, 48 et seq.) sees in this quality of Sen's work the determinant of "Sen's place in history, the reintroduction of ethical concerns and concepts into economic discourse [...] the Senian program [...] involves introducing ethical concerns and concepts without sacrificing the rigorous tools contributed by 'first phase' [classical] theory".

Researching people's values and the results of PD is a special case, and probably the ideal case, of what Goerne means by drawing on external normative sources. However, it is not easy to obtain an exact idea of what the valuable doings and beings are in a given context, and whether and how they are ordered. This puts the empirical researcher in a dilemma: in order to measure well-being correctly, the object of measurement must be known. Using the CA as a measurement guideline, the researcher needs exact information on valued being and doings. Yet, if it is subjective valuation and PD which define what people value and have reason to value, the researcher is left with an unclear notion about what his IB is concretely. This is a dilemma which follows from the deliberate openness of Sen's CA to different societal contexts.

It is not an option, however, to not measure well-being at all, just because one cannot be absolutely sure about the correct criteria. Giving up would probably be the least useful solution to the dilemma described. It is not an option either to define once and for all the valuable doings and beings. The pragmatic solution, and the first task of the researcher, is to infer as well as possible what people value and have reason to value, just as one can only approximate the measurement of the counter-factual. This line of thought leads into questions of practical work with the CA, which will be addressed in section 3.3.

The remainder of the present section will stay at the theoretical level, delving deeper into the question of the normative content of the CA. Still in view of preparing a confrontation with the flexicurity agenda, we will discuss whether and how Sen's CA is positioned in a field that could be circumscribed as the normative side of social policy. Concretely, the two issues of distributional equality and of responsibility for creating capability will be addressed.

3.2.1 The distribution of capability in society

The question of distribution and redistribution is often raised in the field of social policy, where decisions have to be made in the face of resources which are *per se* limited.¹⁴³ In the context of the CA, this translates into the question of how capability should be distributed in society. There are two subquestions to this: firstly, which doings and beings are relevant in a given society? Secondly, who should have how much of these relevant beings and doings? These questions are related to but not identical: knowing in which direction improvement of well-being lies (i.e. what the valuable freedoms are) is not the same as knowing how far we should go in this direction, especially not in a situation of trade-offs (both between different achievements of one and the same person, and between the achievements of different people).

As for the identification of valuable beings and doings, observing personal values and the results of PD has been described as the one and only legitimate way. It was argued that Sen would neither specify a catalogue nor the relative importance of different functionings. He sometimes speaks about “basic capabilities”, which are so important that everybody should possess them, but the ones he names (like moving freely, not being hungry, participating in the life of the community) merely have the status of suggestions. Being at home in two different cultures, Sen is well aware that “the notion of the basic capabilities is a very general one, but any application of it must be rather culture-dependent, especially in the weighting of different capabilities” (Sen 1979, 219). In contrast to Sen, Nussbaum proposes a *universal*¹⁴⁴ list of minimal capabilities.¹⁴⁵ Her claim is that this list is not the expression of a specific culture, but of all cultures.¹⁴⁶ The list has not resulted from a discussion between people adhering to all different normative doctrines which exist, but it does claim to be able to hold up under scrutiny from all these view-points in the future, i.e. of forming an “overlapping consensus in a pluralistic society” (*ibid.*, 92). Intuition and theory (cp. C. Holst 2010, 3 et seq.) play an important role for Nussbaum’s list: Everybody is supposed to be able

¹⁴³ And the more resources are (perceived as) limited, the more crucial gets the discussion on distribution.

¹⁴⁴ Universal means that everybody should possess the capabilities contained in this list, no matter in which society she lives, what her status in this society is and even no matter whether she would spontaneously accept them.

¹⁴⁵ This list comprises ten domains (Nussbaum 2011a, 33 et seq.): Life, bodily health, bodily integrity, “senses, imagination and thought”, emotions, practical reason, affiliation (to engage in relations with others; to be respected), the relationship with other species, play, control over one’s environment (political and material).

¹⁴⁶ Such a consensus is also assumed in the “Stiglitz report” (Stiglitz, Sen, und Fitoussi 2009, 15): “The choice of relevant functionings and capabilities for any quality of life measure is a value judgment, rather than a technical exercise. But while the precise list of the features affecting quality of life inevitably rests on value judgments, there is a consensus that quality of life depends on people’s health and education, their everyday activities (which include the right to a decent job and housing), their participation in the political process, the social and natural environment in which they live, and the factors shaping their personal and economic security”. Strangely, the formulation implies that the consensus reached was not based on value judgements, but only its further concretisation would be.

to spontaneously agree to its content, and it is in line with a universal philosophical conception of what is “truly human” that is distilled from Aristotle’s and Marx’ writings (ibid.).

In principle, there is a clear contrast between Sen and Nussbaum, as “Sen has not committed himself philosophically to a conception of goodness” (ibid., 8) but to a procedural justification, while for Nussbaum, outcome is more important than process (ibid., 4). *In practice*, it has been argued, both are closer than expected: Schokkaert (2008, 16) suspects that the apparent agreement on a universal list is only made possible by a high degree of abstraction: “Consensus seems to be within reach when one remains at the level of abstract formulations, but soon crumbles down when one turns to more specific problems”.¹⁴⁷ Nussbaum in fact acknowledges¹⁴⁸ that the list needs to be adapted to situational circumstances.¹⁴⁹ This brings a certain fuzziness to her argumentation: on the one hand, the list is universal, on the other, it is negotiable (cp. C. Holst 2010, 2). It is possible that the latter task is more than just fine-tuning, but rather a fully-fledged PD with all of its calamities. Robeyns (2005, 106) thus remarks that the problems “intrinsically related to democratic decision-making” (ibid.) apply both to Sen and Nussbaum. In both cases “undemocratic local decision-making can lead to problematic lists” (ibid.). While the list needs PD to be correctly applied, Sen’s PD in pure form is probably impossible as well. Probably, it does not start from scratch, but with “some first a-priori proposal” (Schokkaert 2008, 17).¹⁵⁰

What is the position of the CA on the quantitative side of the distribution of freedoms? The concern both with kind and degree of inequality stands at the beginning of the CA. In one of its first signs, the lecture “Equality of What?”, Sen (1979) does not only position himself with regard to the space in which inequality should be addressed, but also to the extent of inequality itself: He speaks of “basic capability *equality*” (p. 220, emphasis added) as a “partial guide to the part of moral goodness” (ibid.). In the same way, one has to think of Nussbaum’s list in terms of *minimal* capabilities, in the sense of a lower boundary underneath which no person should be forced to live.

¹⁴⁷ This definitely reminds of flexicurity.

¹⁴⁸ “Throughout my own work on the CA, I have always emphasized this specificity, saying that what is universal in the approach is only a starting point: each nation must and should describe the capabilities it pursues more concretely, using their own history and traditions as a guide” (Nussbaum 2011a, 29)

¹⁴⁹ We can thus conclude that Nussbaum only partly achieves her goal of providing the CA with a greater impact by making it more tangible: “Citizens, governments and courts cannot act as justice requires if they only know “hopelessly vague” things about the “content” of justice” (C. Holst 2010, 3, paraphrasing Nussbaum).

¹⁵⁰ Cp. the practical example of Burchardt and Vizard (2007b, 13).

A minimalist approach

Contrary to how he has often been understood, Sen is not an egalitarian: “it should have been clear from what I had said about the capability perspective from its first presentation that I am arguing neither for equality of welfare nor for equality of capability to achieve welfare” (Sen 2009, 265). Also, the CA is not, as some may think, an egalitarian approach. Carpenter (2009, 358) points to the fact that this applies both to Sen’s and Nussbaum’s version: “It is important to realize that neither Sen nor Nussbaum propose extensive equality rather the minimum thresholds necessary to enable all humans to flourish”. Therefore, Arneson (in C. Holst 2010, 6) calls both versions of the CA variants of “sufficientarianism” (cp. also Robeyns 2013).

Carpenter’s observation that the CA is a minimalist approach to social justice is quite important for questions of policy evaluation. Carpenter sounds disappointed by the modesty of the claims made by Sen and Nussbaum, and he implicitly accuses them of not being consistent with their own approach, when he states that “mainstream CA is not as interventionist and egalitarian as at first sight appears, and as a fuller practical realization of CA principles might require” (Carpenter 2009, 359). Do the principles of the CA really ask for more than claimed in the writings of Sen and Nussbaum?

Nussbaum (2011a, 23) describes her ten central capabilities as “inherent in the idea of *basic* social justice” (emph. added), but not of fully-fledged social justice. Why does the CA not ask for more than what is absolutely necessary for leading “a life worthy of human dignity” (ibid.)? Why does the CA leave people to their own devices once they have reached or been lifted to this minimum? I presume on the basis of their writings that neither Sen nor Nussbaum object to the idea of solidarity. Yet, the CA, as also Nussbaum (e.g. 2011a, 34) does not get tired of emphasising, is “only a *partial* view of the social good”. That means that one can always choose to supplement the CA with other, more exacting claims. Both Sen’s and Nussbaum’s CA, however, tries to form an “overlapping consensus in a pluralistic society” (Nussbaum 2011b, 92). It is just normal for a broad consensus to stay minimal.¹⁵¹

In principle, however, nothing speaks against an ‘ambitious consensus’. A minimum does not necessarily have to be at a low level. The need for substantial minimum thresholds of capability also corresponds to the prerequisites of PD (cp. Heinrichs 2004, 184 et seq.): A certain capability is needed even before such discussion can decide which freedoms are considered as crucial. PD cannot function unless participants are enabled to act as citizens, i.e. they are well-informed, their basic needs are catered for, they are free from (manipulative or coercive) pressure by other

¹⁵¹ Nussbaum (2011a, 34 et seq.) illustrates this point at the example of cosmopolitanism, which is a certain normative world-view. If the CA adhered to cosmopolitan values, which is a comprehensive doctrine, then all people with other value sets could not subscribe to the CA. But even though “the CA is not a form of cosmopolitanism” (Nussbaum 2011a, 34), it is something which somebody who adheres to this moral doctrine can agree to. This is so because the CA does not make not an opposite claim, but only a weaker claim.

participants, etc. Heinrichs (*ibid.*, 207) suggests that in order for PD to work out well, all participants need to have the chance not to consent. This chance can be regarded as a criteria for the legitimacy of its results (*ibid.*, 206). One could interpret this as a requirement for a substantial minimum, a requirement which would be built in to the CA.

Moreover, the CA's distributional claims are particularly favourable from the view-point of those with special needs (who have some difficulty in using their resources): for them, the CA is more demanding than other approaches, including the Rawlsian (cp. C. Holst 2010), because it speaks of freedom in an absolute manner. It is the resources which are relative: No matter what quantity is necessary in order to possess the freedoms which have been promised to each member of society, the CA claims that this quantity of resources should be provided to those concerned.¹⁵²

3.2.2 Individual and collective responsibility for capability

Saying what kind and degree of capability people should have in a just society does not yet answer the question of who is in charge of creating and providing capability. The present subsection discusses the respective responsibility of the individual and society, and it investigates who is meant with the abstract term 'society'.

"The problem of responsibility for choices is a very tricky one from a philosophical point of view, but cannot be neglected from a policy perspective" (Schokkaert 2008, 21). Is there a shared of responsibility between the individual and society? As argued above, the CA's IB is twofold. It is not based exclusively on capability, which would imply that the differences between the lives people actually lead are not relevant. Any mistake of a person in using personal freedom (like dropping out from school, etc.) would come at his or her own cost – even if it stems from a lack of information, an imprudent decision in difficult emotional circumstances, or an act of solidarity improving the well-being of others, but not one's own (altruistic behaviour). To avoid this, it has been argued above that the CA suggests taking both achievable and achieved states into account. It can thus strike the right balance between too much and too little responsibility of the individual.

Politically this can be seen as a compromise between left- and right-wing positions: judging only by achieved functionings would disregard the responsibility of the person: no matter how many chances the person has wasted, or no matter the effort the person has made to make the best out of her limited chances, the indicator informing political action would always have the same value, and suggest an ex-post equalisation of outcomes. In contrast, judging only by capability would pretend that the responsibility of the person was unlimited: that she could know the result of all her actions in advance, that she would always act rationally, etc. Those neo-classical assumptions evidently miss the point of everyday life: Taking a subject for university studies, the chooser does of course not know about the labour-market situation which

¹⁵² "The lack of a capability indicates a failure on the part of society to provide real freedom for people; it does not indicate anything deficient about the individuals themselves". (Burchardt und Vizard 2007b, 8)

this kind of qualification will bring at the time of leaving university. There are many reasons why a person may make the best for herself out of her chances.

The morally intriguing question remains of how to deal with capability-failure which is due to a person's deliberate behaviour. Holst (2010, 7) argues as follows: "Burdens due to individual differences that are caused by circumstances beyond our control are *prima facie* unjust. However, our individual differences might also be something we could be held responsible for. We may, for example, be different in the sense that we have particular 'offensive and expensive tastes'". Given what was said above about the CA being minimal but universal (at least within any specific society), one can argue that the set of agreed freedoms should be restored in all these cases: society would invest no matter what it takes to provide freedom. Holst seeks to show that for this very reason, the Rawlsian approach is more just and indeed superior to the CA, as it holds people responsible for their actions. Sen would object that ignoring conversion conditions, as Rawls does, means also holding people responsible for things they did *not* do.

How does the CA thus deal with the case of a self-inflicted lack of capability? Farvaque (2005, 133 et seq.) broadly discusses this issue, and – without going into detail on a number of interesting philosophical thoughts – we can summarise: Sen clearly argues that individuals do carry some responsibility.¹⁵³ Having freedoms always entails a responsibility for their usage.¹⁵⁴ What this means concretely and how infractions are dealt with can be the subject of deliberation. inversely: "Without the substantive freedom and capability to do something, a person cannot be responsible for doing it (Sen 1999, 284)". The CA is concerned with the structures that create inequality. This includes structures that hinder a person's faculty for making responsible decisions (Farvaque 2005, 136). As highlighted by Bonvin and Galster (2010, 82), "collective responsibility [...] is the very condition of individual responsibility".

The role of the state

When Aristotle asks that society provide the external conditions under which its members can achieve human flourishing, he does not just claim that people not be *impeded* by others from doing certain things, but that they be *enabled* by others. But who exactly are those others who are supposed to actively provide people with what it takes to achieve the promised freedom? In Aristotle's thinking, it is the city which is responsible, which would translate under modern conditions into a responsibility of the state. What are the positions that the authors of the CA take on this issue?

Both Sen and Nussbaum join Aristotle by assigning a major role to the state.

¹⁵³ "Si le mode d'organisation sociale est tel qu'un adulte responsable ne reçoit pas moins de liberté (en termes de comparaisons d'ensembles) que les autres, mais que malgré tout il gâche ses chances et se retrouve à la fin plus indigent que les autres, on peut soutenir qu'il n'y a là aucune inégalité injuste" (Sen in Farvaque 2005, 133).

¹⁵⁴ Schokkaert (2008, 21): "some responsibility for choice is unavoidably linked to the introduction of freedom".

The difference is that Nussbaum seeks to connect every valuable capability with an enforceable right. Her position is that “if a capability really belongs on the list [...], then governments have the obligation to protect and secure it, using law and public policy to achieve this end.” (Nussbaum 2011a, 26) She criticises Sen for avoiding clarity on this point. Sen is indeed more prudent. He agrees that the *raison d'être* of governments is to improve the lives of people, and that institutions are necessary for securing certain freedoms. Yet, as a liberal thinker, Sen is also hesitant about state interference (Andresen, Otto, und Ziegler 2010, 178). More than Nussbaum, also, he stresses influences of external conditions not mainly controlled by the state.

The problem with a fixation on the state's duties arises in the situation where there is no state or at least none capable of acting. This happens not only in developing, but in the wake of globalisation also increasingly often in industrialised countries. As Carpenter (2009, 360) criticises, Sen and Nussbaum “tend to presume the existence of a world in which the state basically has sovereignty over its affairs and there are few external constraints upon it”. In the case where there is no powerful state, Nussbaum (2011a, 26) refers to “morally binding” ethical duties, which can also apply to “non-governmental organizations, to corporations, to international organizations, and to individuals” (ibid.). She argues that “the whole world is under a collective obligation to secure the capabilities to all world citizens, even if there is no worldwide political organization” (ibid.). The critique that Nussbaum did “not give sufficient support to mass movements from below of workers and citizens, but encourages reliance on a paternalistic state” (Menon in Carpenter 2009, 361) thus has to be put in brackets. The idea that human rights “can be seen as primarily ethical demands” is shared by Sen (2004, 319).¹⁵⁵

Sen and Nussbaum also agree that even in a situation where a certain right cannot be exercised, this right is nonetheless valid: “The current unrealizability of any accepted human right, which can be promoted through institutional or political change, does not, by itself, convert that claim into a non-right” (Sen 2004, 320). In the words of Nussbaum (2011a, 26), this is “a tragic situation in which minimal justice cannot be done”. The pressing task in this case is to establish the institutional conditions which allow exercising the right (ibid., cp. also Schokkaert 2008, 21 et seq.).

This section has highlighted that an approach to social justice which is, like the CA, based on the principle of political liberalism necessarily remains a minimalist approach to justice. However, this minimum can be substantial, and granting it to each and every member of society (e.g. by providing the right conversion factors) chimes with a social-democratic rather than a neo-liberal view of the state. I have insisted on the above points because clarifying the implications of the CA in the field of political economy is necessary for the later policy evaluation. Namely, flexicurity is also about principles of distribution, e.g. the distribution of insecurity, or of the cost of security.

¹⁵⁵ For a discussion on the relationship between rights and capabilities, see Nussbaum (2011).

3.3 *Empirical implementation: challenges and some solutions*

The CA is often described as a “framework of thought” (Robeyns 2005, 96) or a “sensitising concept” (Bartelheimer u. a. 2009, 35). This characterisation is less ambitious at an empirical level compared to an understanding of the CA as a measurement paradigm. It is true that the expectation of using the CA for concrete empirical work may seem high: easy applicability is not an asset of the CA and some authors have even gone so far as to claim that it cannot be implemented at all (cp. Comim 2001, 2). Research works have to put up with a number of challenges, for which there is no recipe delivered by Sen: “It should be clear that the perspective of functionings and capabilities specifies a space in which evaluation is to take place, rather than proposing one particular formula for evaluation” (Sen in Farvaque 2005, 144). However, in order for capability to really inform evaluation and policy, it needs to be empirically operational, so it does make sense to explore the CA’s possibilities of practical application. As a matter of fact, the body of empirical capability-research has been growing. The present section outlines challenges of empirical research and discusses how one can deal with them. It draws on reflections by various authors (e.g. Comim 2001; Burchardt und Vizard 2007a and b; Schokkaert 2008; Bartelheimer 2012), in particular on the synthesis which Leßmann (2011; 2012) has produced on the topic.¹⁵⁶

According to Leßmann (2012, 99), the two major challenges lie in the CA’s “multidimensionality and its conception of freedom as contributing to human wellbeing”. In turn, Comim (2001, 8) identifies four challenges, having to do with valuation, objectivity, counter-factuality and diversity.¹⁵⁷ I have chosen in this section to stick to the two issues highlighted by Leßmann plus one which is close to Comim’s points on valuation and objectivity: it has to do with the task of processing the gathered information for evaluative and comparative purposes.

Sen (1999, 81 et seq.) distinguishes three alternatives for using the CA: the direct approach, the supplementary approach, and the indirect approach.¹⁵⁸ The first one deals with “vectors of functionings and capabilities” (ibid.), it is the most “full-blooded way of going about incorporating capability considerations in evaluation” (ibid.). The second one supplements traditional income-related measures of wellbeing with capability considerations. The most prominent example is the Human Development Index (HDI), combining national income per capita with education and

¹⁵⁶ An earlier overview on existing research has been produced by Kuklys and Robeyns (2004, 25 et seq.).

¹⁵⁷ They imply that the measured item should be one that is held *valuable* by the concerned person, but that it should exist in an *objective* (as opposed to a merely subjective) way. Existence, in turn, does not preclude the *counter-factual* nature: in order for freedom to exist, it is not necessary that all one’s possibilities be used to the fullest. Finally, human *diversity*, also referred to as individuality, plays a role for the CA.

¹⁵⁸ (for some practical examples, see Comim, Qizilbash, und Alkire 2008, 11–13)

life expectancy at birth.¹⁵⁹ The third approach is again more complex, it consists of adjusting income measures upwards or downwards according to further information on other determinants of capabilities. To my knowledge, this latter approach is hardly used. This section deals primarily with the first approach, the second approach being implicitly covered, as it does not cause any additional measurement challenges (on top of the first one).

3.3.1 What to include in the IB?

The problem of deciding on what to include in evaluation stems from the CA's multi-dimensional perspective on human well-being. Sen (1999, 82) does not generally advise reporting on all of the relevant dimensions at once. He has pointed out that "total comparison" – though very ambitious – is not necessary most of the time. Alternatively, "distinguished capability comparison" can be done, one can thus deal with a limited range of dimensions, or even just with one dimension of a person's well-being. Sen suggests the field of employment as one which can be picked out as a singular research topic (*ibid.*). The optimal construction of the IB follows from the question and purpose of a research project. For example, for research which aims at informing social policy, it is reasonable to concentrate on aspects which are politically relevant, i.e. which can be influenced by policy (Leßmann 2007, 552:279).

It has become clear in the above discussions that Sen's approach (in contrast to Nussbaum's) does not provide the researcher with a list of valuable functionings which would just have to be checked. The relevant subjects of capability research emerge from the research field, they need to be derived in some way from the reflected values of those concerned.¹⁶⁰ Only if the requirement of subjective and inter-subjective valuation is fulfilled, then the results of research are significant from a capability-perspective. At the same time, empirical research is limited to the information which can be made available. Sen has often expressed his readiness to accept a gap between the theoretical ambition and the empirical implementation of the CA where it is necessary:

"[W]e must distinguish between what becomes acceptable on grounds of practical difficulties of data availability, and what would be the right procedure had one not been so limited in terms of information [...] Practical compromises have to be based with an eye both to (1) the range of our ultimate interests, and (2) the contingent circumstances of informational availability" (Sen 1992, 52 et seq.).

¹⁵⁹ Although influenced by Sen, it does not conform to ethical individualism (cp. Schokkaert 2008, 8).

¹⁶⁰ "Sen's refusal to 'fill in all of the blanks', his decision to leave the prioritization of basic capabilities to others who are engaged directly with a problem, demonstrates respect for the agency of those who will use the approach. If researchers apply the capability approach in a way that is consistent with its won tenets, then its operationalization depends upon the thoughtful participation of many users and much public debate" (Alkire 2005, 128).

Alkire (cited in Leßmann 2012, 101) distinguishes five sources of justification used in the literature. They contour the field of conflict between subjective valuation, democratically ‘objectivised’ valuation, and the data constraint:

1. *‘Existing Data or Convention* to select dimensions (or capabilities) mostly because of convenience or a convention that is taken to be authoritative, or because these are the only data available that have the required characteristics.
2. *Assumptions* – to select dimensions based on implicit or explicit assumptions about what people do value or should value. These are commonly the informed guesses of the researcher; they may also draw on convention, social or psychological theory, philosophy, religion and so on.
3. *Public ‘Consensus’* – to select dimensions that relate to a list that has achieved a degree of legitimacy due to public consensus. [...] universal human rights [...]
4. *Ongoing Deliberative Participatory Process* – to select dimensions on the basis of ongoing purposive participatory exercises that periodically elicit the values and perspectives of stakeholders.
5. *Empirical Evidence Regarding People’s Values* – to select dimensions on the basis of empirical data or values, or data on consumer preferences and behaviors, or studies of which values are most conducive to mental health or social benefit”.

It is of course possible for a research project to draw on several of these sources at once: Klasen (2000), for example, complements a pre-selected list of functionings he deems fundamental with the preferences expressed in a questionnaire by his sample population. Another example for a two-stage procedure is the work of Burchardt and Vizard (2007b): In a first step, a core list of functionings is derived from the international human rights framework (ibid., 13). The second stage supplements and refines (ibid., 20) this list through democratic deliberation.¹⁶¹ The latter project fulfils Robeyns’ claim particularly well (cp. Leßmann 2012, 101) that the choice of dimensions should above all be well-documented and well-justified.

Alkire’s sources of justification can be distinguished by a top-down and bottom-up logic. Drawing on an existing reference, like a list or a theory, and deriving dimensions is a top-down approach. Anand et al. (2005) use survey information: They test the items of the British Household Panel Survey for their potential to inform Nussbaum’s universal list of capabilities, and conclude that there is quite a lot of information which can be used in this sense. A lack of some relevant items remains, but missing items, once they are detected, can still be filled by supplementary surveys.¹⁶² The disadvantage of using the top-down method is that nothing comes up which had not been included in the theory. This is especially critical as relevant

¹⁶¹ The project organised “a deliberative consultation on the selection of central and basic capabilities with the general public and individuals and groups at high risk of discrimination and disadvantage. [...] The exercise was constrained by the time scale and resources available, but nevertheless incorporated a programme of interviews with around a hundred participants, including both the general public and individuals and groups at high risk of discrimination and disadvantage” (Burchardt und Vizard 2007a, 47).

¹⁶² Cp. Alkire’s project of measuring neglected aspects of poverty (Leßmann 2012, 110).

functionings cannot be defined once and for all, but have to be updated according to the cultural context, the historical situation, and also with respect to the group of people who are researched. What is valuable to them cannot be completely anticipated, it depends on many factors. "It is not surprising that a list of functionings relevant for the long-term unemployed is very different from a list of functionings used to describe the well-being of children in different countries" (Schokkaert 2008, 18).¹⁶³

As an alternative strategy, a bottom-up approach gains dimensions from empirical data. This has been done by Schokkaert and van Ootegem (1990): in order to detect hidden dimensions, they apply factor analysis to a set of questionnaire items. A drawback of their study is that only the items which are contained in the questionnaire can lead to dimensions (Farvaque 2005, 208). This is a common problem: "In the empirical work based on surveys, the definition of the dimensions is largely data-driven" (Schokkaert 2008, 18). Unlike the top-down approach, where a lack of data becomes clearly evident when implementing a list or a theory, the bottom-up approach tends to preserve an illusion of completeness based on the data. A possible solution is to perform the bottom-up approach more openly, i.e. without predefining the items on which respondents can express their feelings and thoughts (e.g. grounded theory).

Indicators and data

In order to be made measurable, each chosen dimension has to be attributed one or several *indicators*. For example Sehnbruch (2004), in her capability-inspired research on the Chilean labour-market, uses income, social security coverage, contractual status, employment stability, professional training received (*ibid.*, 25) to draw a complex picture of the *quality* of work. Just like in the dimensioning question, both reflections on what is substantially important and data limitations influence the choice of indicators. Yet, even though the availability of data can influence research, it should not influence one's idea of what is substantially important (cp. Burchardt und Vizard 2007a, 44; Burchardt und Vizard 2007b, 35).¹⁶⁴

In addition to the drawbacks mentioned above, Burchardt and Vizard name some additional problems of using surveys: "questions about some important aspects of inequality are not asked in surveys; some population groups are not included, or not identified, in most surveys; even where relevant questions are asked of the relevant population, some important forms of inequality are by their nature likely to be under-estimated by survey data, for example, domestic violence or homophobic

¹⁶³ Cp. also Sen (1992, 45): "In the context of some types of welfare analysis, e.g. in dealing with extreme poverty in developing economies, we may be able to go a fairly long distance in terms of a relatively small number of centrally important functionings [...] In other contexts, including more general problems of economic development, the list may have to be much longer and much more diverse".

¹⁶⁴ "Data limitations relating to domestic violence should not be taken to limit the nature or scope of a 'first-order' capability list" (*ibid.*).

bullying” (ibid., 33). Still, the authors stress the usefulness of quantitative data for continuous monitoring (ibid.). Their recommendation is to combine (fixed) “spotlight” and (variable) “roving spotlight” indicators (Burchardt und Vizard 2007b, 21), such that developments can be continually observed over time, while a multitude of aspects is also being covered.

3.3.2 Taking counter-factuals into account

As argued above, one and the same situation appears in a different light according to the alternatives which have existed, which exist now, and which are being opened up or foreclosed by it:

“A properly described social state need not be seen merely in terms of who did what, but can also be seen as telling us what options each person had. [...] The rejection of alternatives that were available but not chosen is part of “what happened” and is thus a part of the appropriately described social state” (Sen 2002, 593).¹⁶⁵

Counter-factuality does not signify that something is not objectively there (cp. Comim 2001, 6 et seq.). A certain freedom either exists or does not exist, has existed or has not existed. Yet, many researchers have experienced that “it is much more challenging to measure capabilities than functionings” (Kuklys und Robeyns 2004, 29). In part, this is due to the fact that there are often (opportunity-)costs involved in choosing an alternative from a given menu. It is a matter of definition up to which cost a certain option can still be considered accessible for a person (cp. 3.3.3: The ‘framing of freedom’ dilemma). In addition, in order for an option to exist, a person must have knowledge of it. If a person does not know that there is the possibility to take a certain action, this amounts to the same as if this action could not be taken at all. The same applies to a situation where the person is too insecure about the consequences which a certain move would have. This can be considered a variant of the cost example, where the cost is not necessarily too high, but too incalculable. The information problem is also one of the obstacles more close to the practical problems of empirical research. A person who does not know her options can hardly give a detailed account of her capability-set in an interview. In general, it is reasonable to assume that persons know less about their unrealised possibilities than about the lives they actually live.¹⁶⁶

It is probably these issues which explain the paradox that the majority of studies referring to the CA rely on achieved rather than achievable functionings.¹⁶⁷ As remarked by Farvaque (2005), this simplification was first made by Sen (1985) himself, comparing countries by their achievements in the domains of education and health. In

¹⁶⁵ A discussion of this thought in logical terms can be found in Farvaque (2005, 178).

¹⁶⁶ In addition, the aforementioned psychological phenomenon of dissonance reduction makes that persons may tend to understate the quality of options they missed.

¹⁶⁷ “Il n'aura échappé à personne que, dans la plupart des enquêtes, les données portent sur les faits survenus plutôt que sur les faits qui seraient survenus ou qui auraient pu survenir” (Vero 2002, 223).

his writings, Sen justifies approaches of this kind as a compromise:

“[I]n practice, one might have to settle often enough for relating well-being to the achieved – and observed – functionings, rather than trying to bring in the capability set (when the presumptive basis of such a construction would be empirically dubious).” (Sen 1992, 52)¹⁶⁸

A somewhat sophistic, yet still insightful argument for not looking down on the measurement of achieved functionings is that an achieved functioning is *by definition* also an achievable functioning (simply the one that happens to have been chosen), it thus says something about freedom. One could counter with Comim (2008, 176; see also Leßmann 2012) that research which heralds the CA should also take on the challenge of the CA's conceptual difficulties.¹⁶⁹ If freedom is so important, this should make a difference for the implementation of capability-research. In any case, there is no need to describe all the alternatives which a person has. This requirement would be too exacting and it would thwart empirical capability-research without any apparent reason.¹⁷⁰ A complete picture of a person's capability has never been rendered by a research project. What can be done instead is to complement knowledge about the achieved functionings with some background information on how this state has been achieved. This combination of information has been referred to as “refined functionings” (Farvaque 2005, 175 et seqq.).

This makes it clear again that the CA does not seek to replace factual by counter-factual information, but to combine both. The type and scope of the additional information, i.e. the degree of refinement of an observed functioning, can be various: the crudest kind of information would be whether or not there has been an alternative option or not. More refinement would be to know about the nature of this alternative/these alternatives. Even better would be to know more about the process by which a certain state was realised, possibly an estimation of the subjective degree of voluntariness (or “autonomy”, cp. Burchardt und Vizard 2007b, 30) by which a person came to do or be something.

How then can the added-value of the capability-perspective be realised not only at a conceptual, but also at a practical level? How can the researcher know about possibilities which exist for a person, even if they are not used but remain in the hypothetical realm? Capability-research has developed some strategies for exploring the counter-factual. Comim et al. (2008, 13) speak about “a rich menu of options, or at least a starting point and set of challenges, for further work”. The choice of seeing

¹⁶⁸ Sen continues: “In arguing for the importance of the capability set in the analysis of achieved well-being, we are not closing our eyes to the practical problems of informational availability, nor to the value of the second-best analysis that we can do even with limited data. But it is also important to be quite clear as to what data, in principle, can be relevant and useful, even though in many cases we might not be able to get them” (Sen 1992, 53, see also 135).

¹⁶⁹ Cp. Bénicourt (in Farvaque 2005, 149), commenting on Sen: “son utilisation d'indicateurs courants (sur la santé, l'éducation, etc.) ne réclament en rien l'élaboration de tout ce « fatras » théorique que représentent les notions de capacité et de fonctionnement”.

¹⁷⁰ “La difficulté intrinsèque qu'il y a à vouloir évaluer des ensembles de liberté ou d'opportunité est le principal facteur d'élargissement de la distance entre théorie et pratique” (Farvaque 2005, 167).

the glass half-full or half-empty seems well captured by this slightly contradictory formulation. In the following, techniques of finding out about counter-factuals will be discussed. The different tools which have been developed by capability-research are rather independent of the degree of detail which is sought. No matter the approach, a more basic or more complete uncovering of capability can be aspired to. There are two basic alternatives here: Either, to go directly for capability-information by asking people questions, or to derive it from observable information.

3.3.2.1 Asking about capability

Anand, Santos and Smith (see Leßmann 2012, 109) distinguish categories of questions that can be asked about capability. For example, one can ask a person about perceived options, i.e. other social states which seem in reach. One can also ask about the constraints which prevent somebody from doing or being something. A third possibility is to ask whether the person has the impression to have chosen the situation he finds himself in. Burchardt and Vizard (2007b, 30) propose an autonomy index based on a person's motivation (or mixture of motivations). They suggest four categories of motives, ranging from external pressure to free choice of the person.¹⁷¹

This kind of information can inform both qualitative and quantitative research. Yet, quantitative research often suffers from the scarcity of available data. The gap could be filled with primary data, which is rarely done due to the costs involved concerning time, effort and money. One example is the work of Anand and van Hees (2006), who use questionnaires sent by post to inquire about perceived freedoms in different domains of life and about people's personal satisfaction with their capability. Research with secondary data is possible where existing surveys contain items asking about counter-factuals. For example, items of this kind have been proposed for future waves of the German Socio-economic Panel (SOEP) by the project GeNECA¹⁷². The EU-SILC also contain information of the counter-factual kind, though very little.¹⁷³

Answers often cannot be interpreted in terms of freedom in a technical manner: if someone left a job in order "to seek a better job" (EU-SILC) or to "care for relatives" (ibid.), it requires value judgements to estimate whether the person actually had a choice (between several acceptable alternatives). The same holds for the idea of asking young unemployed people whether they have had the possibility of turning down a job offer (Farvaque 2005) in order to identify voluntary

¹⁷¹ (i) External pressure. Because of external pressures, for example, someone insists on my doing this, or in order to get rewards or avoid punishments. (ii) Others' opinions. To gain approval or to avoid guilt, shame or anxiety. (iii) Importance. Because it is important and worthwhile to do this. (iv) Considered and free support. Because I have fully considered the alternatives and it makes good sense to me to act in this way. I feel free in choosing and doing it and I value the outcome" (ibid.).

¹⁷² Acronym for "Gerechte Nachhaltige Entwicklung auf der Grundlage des Capability-Ansatzes" ([link](#)).

¹⁷³ In the longitudinal part, the variable "change of job since last year" is accompanied by the item "reason for change". Thus, it can be concluded whether at the moment when the employment relationship ended, a continuation would also have been possible or not. In the cross-sectional part, one learns about the reason for working in part-time.

(un)employment: without good knowledge of the decision's circumstances, one runs the risk of unrealistic conclusions: Why exactly was the job offer turned down? What did the person have to expect from the job? And if the job was taken: what real chance did the person have of declining the offer? This is not to say that such kinds of information did not already make some headway as compared to pure functionings; we can think of this already as an example of "refined functionings", i.e. functionings plus some information of how they were achieved.¹⁷⁴ However, the information it provides remains of a partly subjective kind.¹⁷⁵

Freedom seems to need some *framing*, i.e. an estimation of the (material and psychological) cost of an option, and a definition of the justifiable cost, up to which the option would still be considered as eligible to the person.¹⁷⁶ This requires some knowledge of the specific case. Freedom also needs framing with respect to the degree of potentiality which is aimed at:¹⁷⁷ "Actually, what we understand by counterfactual possibility can refer to completely different horizons: be it to a capability 'here and now', be it to real potentials in a much wider sense" (Farvaque 2005, 174). For getting more valid and comparable answers, it would be useful to reach some common understanding about what exactly is meant by 'being free to do or be something'.

Qualitative research does not escape the framing-problem, but it has better chances to deal with it than quantitative research: the smaller number of cases and possibly the face-to-face contact allows diving into a specific personal situation. Both external and internal resources of and barriers to free personal choice can possibly be detected:

"As SEN himself has acknowledged, considering how the actors would have acted in situations of "real freedom" [...] involves a counterfactual analysis [...]. Qualitative approaches provide the kind of intensive information that is necessary for this type of reasoning. The analysis of counterfactual situations requires knowledge of as many details as possible of the contexts of action, which means in practice performing a thorough analysis of the internal and external reasons that have led the actor to make a particular choice" (Verd und López Andreu 2011).

¹⁷⁴ "Parmi les diverses réalisations qu'accomplissent les personnes, certaines sont qualifiées ou décrites de telle façon qu'elles offrent à l'évaluateur une connaissance sur leurs possibilités de choix" (Farvaque 2005, 175).

¹⁷⁵ A similar way to refined functionings is taken by Vero (2002), who complements the information on whether teenagers still live with their parents by information for the personal reason for it. Accordingly, the functioning is attributed a numerical measure of voluntariness, which does not come without a certain arbitrariness, however (Farvaque 2005, 220).

¹⁷⁶ It will be argued more in detail below (see p. 118), that the question if a certain being and doing is *really* within someone's reach looks different if we think not about isolated freedoms, but about ways of life.

¹⁷⁷ "Les statisticiens disent qu'une question hypothétique ne peut déboucher que sur une réponse hypothétique, remarquent Brandolini et D'Alessio" (cp. Farvaque 2005, 174).

Qualitative research thus even has a good chance do deal with adaptive preference, a phenomenon which requires mistrusting a person's self-reported preferences to a certain degree. In questionnaires, it is much more difficult to control for adaptive preference. What can still be done is testing the internal consistency of subjective with objective information. Also, it is imaginable to integrate subjective items in longitudinal surveys, so that the development of preferences can be observed over time and be compared with the transformation of actual living conditions.

3.3.2.2 Deriving information on capability from observable facts

It has just been proposed to complement subjective information with information on observable facts. There are several categories of such information (p. 93) which can be used: resources, conversion conditions, and realised functionings. All these kinds of information figure in quantitative secondary data. In the following, it will first be discussed what can be done exclusively using information on achieved functionings. Then, possibilities of using all kinds of information at the same time will be shown.

The most immediate way of finding out about capability using achieved functionings is to consider them as proxies for freedom. This is possible with observable beings and doings which are so *elementary* that all or most people would want them realised all or most of the time (cp. Burchardt und Vizard 2007b, 22). An intuitive example is chronic hunger (Sen 1992, 66). Would it make sense to observe that a person is hungry and then ask whether he has the possibility of not being hungry? It is reasonable to assume that – *ceteris paribus* – the person is already as well-nourished as he can be under the existing conditions.¹⁷⁸ The more elementary the problem, the clearer the case: If we deal with “epidemics, pestilence, famines, chronic hunger” (*ibid.*), elementary functionings are quite telling: virtually nobody would accept serious illness if they had a choice.¹⁷⁹

One can object that this approach may work in some cases, but basically, at least for less serious, or less immediate perils e.g. to health, people actually make choices which affect their well-being, and that empirically, many lead their lives in a way (e.g. concerning the habit of smoking) which results in sub-optimal health outcomes. This is due to the fact that functionings cannot be chosen individually, but cluster together, such that the choice of a way of life can entail a poor outcome in one dimension, e.g. in the domain of health. Here again, the evaluative judgement on the person's capability depends on the framing (*infra*, p. 118). For example, opting for a different, healthier way of life could require some sacrifice in some dimension. Whether a different way of live is considered as part of the person's capability-set

¹⁷⁸ At the same time, it would be senseless to ask whether the person has the chance of being more hungry, because the value of her capability-set would not grow from this.

¹⁷⁹ See also Sen (1999, 131): “The assessment of capabilities has to proceed primarily on the basis of observing a person's actual functionings, to be supplemented by other information. There is a jump here (from functionings to capabilities), but it need not be a big jump [...] If a person dies prematurely or suffers from a painful and threatening disease, it would be, in most cases, legitimate to conclude that she did have a capability problem?”

depends, therefore, on the cost which is considered as tolerable by the evaluator. If the cost is too high, then the alternative way of life cannot be judged as valuable, and is therefore not part of the capability-set. There is clearly also an inter-temporal issue here: what is the weight attributed to decisions which lie in the past?

Another limit to this approach is that it only works with elementary beings and doings. As long as research examines contexts in which a very limited capability-space is to be expected, functionings contain the relevant information. Strictly speaking, an achieved functioning-vector is the only one which we can be sure was eligible for a person. In other words: the smaller the number of alternative capability-vectors, the better a capability-space is described by the vector which we can observe. Yet, with rising sophistication of functionings, behaviour is less dictated by basic necessities (4.1.1). Differences between individuals in matters of taste and values come into play. At a conceptual level, this is where the CA comes into its own, but at the empirical level, this is also where the real difficulty begins: discerning plurality and inequality. If there is no general rule which can predict a person's decision (like a universal desire to maximise income), then it is not evident to derive from the realised state (e.g. current earnings) the best state which would have been achievable (e.g. the maximum earning capacity). Beyond this, freedom is not expressed by the value of the best option, but rather by the variety of valuable options.

An alternative way of deriving insights about the capability-space uses the idea that functioning-bundles follow from transforming one's resources under the given conversion conditions. Sen often argues that it is due to differences in conversion conditions that different people can attain different things, although starting from similar resource endowments. By analogy, those with similar resources can attain similar functioning-bundles if conversion conditions are controlled for, i.e. held constant. The empirical approach made possible by this idea consists of classifying persons by groups, so that within each group, conversion conditions are sufficiently homogeneous. If two members of the same group possess similar resource endowments, it follows that they have similar capability-sets. Consequently, if one looks at the different achievements of several people who possess similar resources and belong to the same group, one can conclude that in principle, each of the observed ways of life would have been achievable for each of these people. The observed variety is thus an approximation of the capability-sets of people from this group. Thus, if a person leads a way of life which is different from the one led by another person in this group, this is a matter of choice and not of constraint. In other words, the distance between the realised functioning-vector of a person and a possible superior functioning-vector realised by others of the same group is assumed to be voluntarily accepted by the person. We can call this method the *peer-group approach*. Several authors have used it empirically, for an overview see Burchardt (2002, 5 et seq.) and Leßmann (2012).¹⁸⁰ It is also an approach of refined functionings as it

¹⁸⁰ Drawing on an idea by John Roemer, Burchardt and Le Grand (2002) have contributed an interesting extension: they classify conversion conditions by the degree at which they can be altered by the individual, i.e. devolve to individual responsibility.

complements information on the actual achievement by some information on what would in principle have been achievable. The ways of life of other members of the peer group provide the information on the common capability-space.

The described approach may be quite ingenious, but it encounters major difficulties in practice. Firstly, it demands awkward causality assumptions made by the researcher on which are the relevant conversion factors accounting for differences in people's capacity to transform resources into achieved functionings.¹⁸¹ This is complicated by interactions which are can be expected, but hardly overlooked. Secondly, even if the researcher has an adequate theory of the effects of conversion factors, she still needs to have information on all the relevant factors. Even large sets of survey data are in some way limited. A possible solution is to combine several sources of data, e.g. to use macro-data for information on social conversion factors. Here again, qualitative research has an advantage of being able to collect better data; yet, the quantity of cases also plays a role for the reliability of the results of the peer group approach, which makes a case for quantitative work.

It is perfectly possible to combine both types of approaches. Burchardt (2002) and Burchardt and Le Grand (2002) have tested the congruence of capability-information on the basis of a persons' own statements and on the basis of the peer-group approach. Although a certain intersection was found, it turned out that the result depended a lot on the method used. It is not possible to say which of the methods has been the more reliable one. In conclusion, while this method can give a hint about capability, it is hardly an exact method.

This subsection has highlighted an important difficulty of applying the CA. The unobservability of counter-factuals may be a drawback of the CA compared to the competing resource-based measurement paradigm. Some solutions have been discussed, namely the inquiry into a person's perceived freedom and the deduction from observable facts. These approaches remain laborious and potentially unsatisfactory. Yet, there are many reasons why counter-factuals are important, and also, the CA is not alone with this measurement issue: utilitarian approaches, the most important alternative next to resource-based approaches, also feature a central notion which is unobservable.¹⁸²

3.3.2.3 Fuzzy sets

Let us briefly consider a concept from mathematics which has been proposed for the work with capability-sets, namely the *fuzzy set* (Chiappero-Martinetti 1994; Cheli und Lemmi 1995; Lelli 2001). It is not a technique of detecting counter-factuals, but it is a way of working with counter-factual information. Beyond non-membership and full membership of an element to a (capability-)set, fuzzy sets can also account for

¹⁸¹ It is required here to think of resources and conversion conditions as independent variables, and about capabilities as dependent variables.

¹⁸² Even worse: utility has no scaling, and it is assumed to be incomparable across individuals because it is purely subjective. In contrast, capability can be counted, it has a metric.

intermediate states: each element of the set is attributed a membership function which translates circumstances into a coefficient (e.g. μ), which stands for the degree to which a functioning belongs to a capability-set. There are several reasons why this can be useful in the framework of the CA, even though in principle, the freedom to be or do something is either fully there or not there in a person's capability-set.¹⁸³

Firstly, there is a difference between a capability-set and what the researcher knows about it. We just saw that it is not straight-forward to observe counter-factual phenomena. Depending on the data, the observer may be more or less convinced that a certain element is part of the set. Secondly, people do not necessarily possess complete information on their own freedom. The job-seeker does not know all his potential employers (and vice versa), and a student may learn about a scholarship possibility only after the application deadline. In this case, one might agree that the respective doings and beings are not in the person's capability-set. But what if the person does have some vague idea? The option is then characterised by uncertainty or risk, which relates to the costs which have been discussed above. High costs can ensure that a certain option, which remains eligible in principle, should not be counted as a full member of a capability-set. There are different forms of cost: apart from disadvantageous elements of a specific way of life, they can also dwell in the very process of the realisation, like a necessary effort.¹⁸⁴

Fuzzy sets permit a middle way between declaring a functioning as achievable by a person or declaring it as out of reach. As a form of modelling capability, they in no way discharge the user from decisions which require knowledge and judgements. Fuzziness is not more than a way of formalising probabilistic and normative assumptions. Contingency is expressed by the way of defining the membership function (which attributes a certain value to μ , with $0 \leq \mu \leq 1$). The linear function is just one possibility,¹⁸⁵ and thresholds can also be fixed in different ways. E.g., the number of working hours beyond which an employment would be considered as full-time could be set at different levels. When it comes to attaching a numerical value of well-being potential to a whole (fuzzy) set, one again faces the weighting issue.¹⁸⁶

¹⁸³ Sen speaks of capability as things which people have the "actual ability to achieve" (cp. Schokkaert 2008, 12).

¹⁸⁴ Leßmann (2004, 12) gives an example for psychological cost: "There may exist functioning vectors well apart from the one achieved that are feasible but with courage".

¹⁸⁵ For further ones see Lelli (2001, 7 et seqq.). Graphical examples in Chiappero-Martinetti (2000, 28).

¹⁸⁶ "While undoubtedly more attractive than the simple ad hoc-approaches, the fuzzy sets approach is less general than it may look at first. At the end, it boils down to applying specific hypotheses about (more or less attractive) functional forms for the membership functions and for the aggregation operators. The questions raised by this procedure are then very similar to the questions analysed in the literature on multidimensional poverty measurement" (Schokkaert 2008, 27).

3.3.3 Weighting and ‘framing’ issues of evaluation

The following subsection sheds some light on decisions of weighting and limitation which are necessary in order to judge a person’s overall well-being. It will be shown that the number of such necessary decisions tends to be high. It is not intended here to complicate the task of evaluation, but to create some sensitivity for the normative decisions which are made in practical research, which often remain implicit and without any justification.

Starting with a simple bundle of functionings, the first weighting issues dwell in the dimensioning and operationalisation: In a strict sense, decisions on this level have already been treated in 3.1.1, as leaving out a dimension or an indicator implies giving it a zero-weighting. Staying in the logic of the fuzzy set, however, it is also possible to attach weights other than zero or one. Any vector can be chosen to specify the relative importance of dimensions or indicators. To give an example, there must be some understanding of the relative importance of the quality of employment as compared to the importance of health, or any other pair of dimensions. Evaluating a functioning-bundle, there is no alternative to a weighting decision: not specifying any weights means attributing equal weights to all dimensions or indicators used.

Evaluating the well-being of a person means concentrating on the chosen way of life, thus on one multidimensional functioning bundle. Evaluating opportunity-freedom, in other words the well-being potential of a person, is more difficult: not only because of the unobservability of counter-factual which was discussed above, but also because capability-sets are usually constituted of several achievable functioning-bundles, each bundle being an element of the set. In order to evaluate a capability-set, there thus needs to be an adequate aggregation strategy. Treating the values which are attributed to different functioning-bundles in an additive way is probably not a good choice: it was argued above (3.1.1.1) that sets can differ in three respects: the number of elements, the quality of the elements, and the distance between them. All these aspects can play a role in the assessment of a person’s opportunity-freedom, and need to be given some relative importance.

Strictly speaking, it is not possible to skip the step of estimating capability-sets if one ‘just’ seeks to evaluate well-being. It was argued that the well-being potential has an influence on experienced well-being because people usually value having a choice. The assessment of a person’s well-being thus does not just require making a statement about a person’s achieved functionings, but also about the value of her capability-set. Finally, evaluating comprehensive outcomes requires a statement on the relative importance of an achieved functioning-vector and the accompanying capability-set. There are several factors to be taken into account for determining the relative importance of the factual and the counter-factual: responsibility, as has been highlighted, but also the intrinsic value conceded to freedom. The latter may differ according to whether the most basic needs of the person still lack fulfilment or whether she is already doing relatively well and thus has the potential to think about more sublime needs.

From the CA's point of view, it is of course the outcome of PD which has the highest legitimacy in matters of "social evaluation" (Sen 1992, 78). Sen argues that a "choice procedure that relies on a democratic search for agreement or a consensus can be extremely messy, and many technocrats are sufficiently disgusted by its messiness to pine for some wonderful formula that would simply give us ready-made weights that are 'just right'. However, naturally no such magic formula exists, since the issue of weighting is one of valuation and judgement, and not one of some impersonal technology" (ibid., 79).

Indeed, the necessity of making value judgements in evaluation procedures has been somewhat obscured by an upsurge of statistical methods (cp. Leßmann 2012, 105 et seq. for an overview). For example, weights are being extracted from the data by frequency-based weighting instead of being imposed on the data by normative choice (cp. Schokkaert 2008, 27). We can think of this as a normative choice to delegate the weighting task to statistical methods. This decision can be well motivated, see for example Cheli and Lemmi (1995, 124), who – following an idea by Townsend – take the frequency of an element in their data-base as an indicator for the importance it has.¹⁸⁷ However, statistical and thus seemingly objective methods are not always justified, and they can be a way of pushing decisions aside; yet, decisions are implicitly taken by letting the algorithm work, and the result may not be reasonable.

It is suggested here to keep evaluation as simple as possible, to orient normative choices at the outcomes of PD and to document them in a transparent way. Simple patterns serve their purpose in many cases, and evaluation has more impact if it is easily comprehensible (this argument speaks for the HDI, which is, in other respects, not a good implementation of the CA¹⁸⁸). One thing that simplifies evaluative tasks is the fact that orderings do not necessarily have to be complete (Sen 1992, 78). For determining the more valuable of two capability-vectors, it is not necessary to develop a formula which can rank any number of possible capability-vectors. The multitude of individual preferences, the intricacy of public choice (e.g. "non-transitivity"), and the lack (respectively the abundance) of data make it advantageous or even necessary to leave some questions open (cp. Schokkaert 2008, 24 et seq.). Just as for functioning-bundles, incomplete ordering can also be done for whole capability-sets. There are cases where ranking is rather easy: the most trivial case

¹⁸⁷ The higher the share of observation people who possess it as part of their living standard, the more poverty-relevance is attributed to this element. The argument is that it is the more difficult for a person to renounce something, the more often other people have it, thus the more it is self-evident in a society to have it (a telephone is an intuitive example, caused by network effect).

¹⁸⁸ Cp. Schokkaert (2008, 28 et seq.): Firstly, the HDI aggregates on a level above the individual. On the one hand, instead of aggregating over the well-being of individuals, it aggregates for each domain over the whole population and than summarises. Substitutive and complementary relationships of the domains are therefore ignored. On the other hand, it does not consider distributional qualities. Both clashes with the CA's ethical individualism. Group capabilities can in principle be a valuable kind of information, but only if it allows to derive insights about how the individual members of a group are doing. Large inequalities within the group preclude this (cp. Comim 2001, 11). Secondly, the HDI lacks any emphasis on the counter-factual, but this is a minor flaw as explained above, because the functionings observed are rather elementary and can therefore serve as proxies for capability.

is that a capability-set A contains all the functioning-vectors of capability-set B. A is then at least as good as B. If A contains some additional valuable vector, then it is better than B (provided that freedom of choice is considered as valuable). Most of the time, however, the evaluation is done between overlapping capability-sets, of which none is a sub-set of the other one. Therefore, “[t]he need to admit incompleteness in inequality evaluation is inescapable” (Sen 1999, 134). *Incomplete orderings* can be useful also when it comes to comparing the comprehensive well-being outcomes of different people.

The guidelines of capability-research (e.g. decisions on thresholds and scaling of indicators) should be in line with what society considers as desirable. In research practice, decisions are often taken intuitively, cp. Klasen (2000, 39), who uses an ordinal scale on his indicators which he describes as “fair”, “intuitive” and “unlikely to stir much debate” (cp. above for Nussbaum’s justification of her capability-list). Intuition can be correct, provided that the researcher has a good knowledge of people’s attitudes in the researched setting. Assumptions on preferences can sometimes be empirically verified: Even if the researcher cannot directly draw on results of PD, the latter can at least be proxied by opinion polls like e.g. Eurobarometer (cp. 4.4.1). A documentation of normative choices made in evaluation (weighting) is easier if there is some sensitivity to implicit value judgements; as this subsection has tried to create.

The ‘framing of freedom’ dilemma

There is an additional difficulty of evaluating freedom which has not received much attention in the capability literature¹⁸⁹ although it concerns empirical research no less than the limited availability of counter-factual data. Above, I have already addressed this obstacle as the *framing of freedom* dilemma and connected it to the cost incurred by a person when choosing a specific option from her capability-set. Another way of putting it is the following: Saying that a certain decision is voluntary always requires limiting the observed horizon, thus considering part of the circumstances as given. The problem lies in legitimately fixing the scope of observation.

To give an example: asking a person whether she has declined a job offer (indicator used by Farvaque 2005) could lead us to think – if the answer is positive – that the current employment status of the person is freely chosen. But what if we included information on the quality of the job which was not taken? If it turned out to be a ‘bad job’, would we still consider it as relevant for judging the voluntariness of the worker’s current situation? To give a second example: Asking a person whether she has freely chosen part-time employment, how should we deal with the response that ‘no, part-time was only taken up in order to combine employment with child-rearing’? Either, one could consider that given the presence of dependent children (combined with the absence of sufficient public child-care facilities), part-time employment was *not* taken up voluntarily because the person would have chosen full-time employment

¹⁸⁹ (An exception is Burchardt und Le Grand 2002)

if she were not burdened with domestic chores. The fact of having children would thus be external to the scope of the research question. Alternatively, one could consider having children as a self-imposed constraint, which would lead to considering part-time as freely chosen. Or, one could also argue that the choice of a form of employment should be independent from private decisions like having children.¹⁹⁰

This reflection can be extended into psychological and also philosophical realms, but these examples suffice to show that the topic of freedom remains difficult even if have concepts like the capability-set. What does this mean for empirical research? Firstly, it seems that certain omissions are necessary for limiting the observed horizon to a workable scope (which corresponds to the excluding logic of an IB, cp. 3.1.1). If research makes statements about freedom, it should make clear which facts it has assumed as given, i.e. independent from a person's own influence. Secondly, it is helpful to know the individual case in detail. Even if this does not replace value judgements about how to cut the observed horizon, it makes these judgements easier. In this respect, qualitative has an advantage over quantitative research. Yet, quantitative data often contains much information on an individual case, if it comes in the form of rich micro-level data. Apart from this, quantitative data benefits, as always, from the high number of cases: false classifications in a few cases¹⁹¹ may even themselves out, producing some 'statistical noise', which is admissible though not desirable.

3.4 Chapter conclusion: Working with the CA

Working with the CA requires some understanding of the approach: its nature, its assumptions, its methodology, its strengths and weaknesses. The present chapter has attempted to provide an overview. The CA was presented as a sensitising approach which can spark new insights in different domains of research, but also as an evaluative paradigm offering some methodological inventory. The normative side of the CA was also highlighted: some norms are woven into its structure, like ethical individualism or democracy. It follows from the latter, however, that the function of setting norms is mostly delegated to individual and collective reasoning.

This openness (or "deliberate incompleteness", Sen cited in Comim 2001, 7) has the advantage of making the CA adaptable to many different research fields, research questions and geographical settings. The downside is that the CA might be used somewhat arbitrarily. Being a measurement approach which partly leaves the very object of measurement 'to be filled in', it may even become something like a self-service store (Goerne 2010): In extreme cases, opposing sides can both draw on the CA to justify their opposing claims. A sign of research quality is therefore that the limits of what can be derived from the CA are respected, and that normative input from external sources is made transparent.

¹⁹⁰ Cp. Ebert, Kühnel and Ostner (2005, 326, my transl.): "Feminists discuss whether part-time employment can actually be voluntary. This questions depends on the assumptions made".

¹⁹¹ ('voluntary', where 'involuntary' would have been more correct, and vice versa)

The CA is fundamentally different from a scientific theory. A theory has *explanatory value*, it extends our knowledge about how things work in some well-confined part of reality. The CA, in contrast, does not tell us *why* things are as they are, but it brings us a different view on *how* things are. The CA contributes not to a causal, but to a ‘positive’ analysis by setting criteria for what should be observed in order to adequately describe a state of human well-being. A scientific theory does not have such a normative function. In consequence, however, capability can not be the only background when researching e.g. social policy, children’s development, or working-life trajectories. The CA should be complemented by field-specific theory and concepts. One challenge of deploying the CA in a thematic field lies in connecting it to the existing notions in this field. According to Alkire (2005, 128 et seq.), one can

“think of the application fields of the capability approach [...] as a set of boxes, each consisting of the related technical disciplinary tools, whether of gender analysis or nutritional science or econometrics or decision theory or policy making. The ‘things’ inside the boxes are relatively well worked out. [...] One problem is that the tools inside the boxes are not connected to the capability approach [...]. The other problem is that the tools inside the boxes are not easy for those outside to use.”

An implication of this is that many concepts and methods used in capability-research are not specific to the CA, but to the respective thematic fields: the CA just gives them a new purpose. The CA thus does not replace any existing research inventory.

The following chapter will deal with the question of what the CA can contribute to flexicurity analysis and evaluation. Looking at it from a capability-perspective, do we have to change flexicurity, or do we even have to refute it altogether? Can we be satisfied with the way in which success or failure of flexicurity is currently being evaluated? Does the concept of capability provide anything which could be instructive for a “second phase of the flexicurity agenda” (EC 2011, 1)?

4 Capability as a yardstick for flexicurity

The preceding chapters have introduced the research question of the present work and reconstructed its two main building blocks, flexicurity and capability. This chapter will bring them together. In particular, it will discuss the implications of making capability the yardstick for the evaluation of flexicurity.

As expressed in a citation by Alkire (*supra*), we cannot restrict the tools of our analysis exclusively to CA concepts. This would mean ignoring relevant research outside of the CA, and it would also mean taking the CA for what it is not: a concept on the labour market and social protection. As remarked by Auer and Gazier (2008, 7), “[i]n the capabilities approach, the way labour markets are understood and managed is something like a black box”.¹⁹² The CA does in no way preclude the use of other concepts – taking on board for example the theory of labour-market segmentation, it can contribute its original perspective just as well.

The chapter begins with a reflection on the commonalities of flexicurity and the CA. It will be argued that there are some shared attributes which make both notions highly compatible. The second section of this chapter will deal with the normative orientations which the CA gives to flexicurity. Beyond the aims of policy, it will be shown in a third section that this also has some implications for how policy should be conceived. A fourth section will begin by reviewing research results on workers’ preferences on flexicurity-related topics. Clarifying the aims and the means of flexicurity is a research aim in itself, but in the case of this work, it is also a pre-condition for the more tangible target which is pursued in the second part of section four: the monitoring of the monitoring of flexicurity. The proposition of the EMCO on how flexicurity should be monitored will be re-analysed against the backdrop of what has been found out about the aims and means which seem appropriate for flexicurity from a capability perspective.

4.1 *Paradigms for modern societies*

How do flexicurity and the CA relate to each other? Some commonalities may have struck the reader of the two precedent chapters. Both notions are present both in the realm of politics and social sciences, though their directions are opposed: While

¹⁹² The citation continues: “even though Sen’s concepts are easily applied to salaried work and take into account the need to focus on such basics as health and livelihood in a global context”. I agree more with the first than with the second half of the phrase, see below.

flexicurity has its origin in a political process and became an object of research, the CA was conceived and applied at the intersection of economics and philosophy, has subsequently spread to other disciplines and is also being used as a guideline for policy making. Both flexicurity and capability are terms which are not commonly used in everyday language, but which have gained the status of a “buzzword” (Keune und Jepsen 2007, 16) in their domains. Both notions have been inciting a lot of criticism, and of a quite similar kind, e.g. of being vague and hardly innovative. Part of the criticism has also addressed the threat of political instrumentalisation.¹⁹³ Yet, both flexicurity and capability have also been acknowledged for their supposedly vast potential.

There is a further shared quality of the two notions, which is much more relevant in the present context. It has been mentioned in chapter two that Auer and Gazier (2008, 4) think of flexicurity as a “policy agenda” in the domain of European labour-market and social policy. Interestingly, the authors propose in the same paper that there is more than one European policy agenda, and they hold that capability is one, too. In fact, the authors identify four of these agendas, namely flexibility, flexicurity, TLM and capability. It is not, however, the feature of being a European policy agenda which I shall suggest here as a commonality of flexicurity and capability. It will be explained in a minute why not, but before, let us follow Auer and Gazier a bit further. In addition to just seeing a link between flexicurity and capability, the authors detect a “continuum” (ibid.):

“If we start with flexibility, flexicurity can be seen as an agenda that accepts some of the priorities of the former while relying on negotiations between social partners for enriching, implementing and compensating them. The concerns of flexicurity are largely shared by the TLM agenda, which, however, insists on the deliberate management of non-paid work and of all the interdependent spheres of activity. This leads to the “capability” agenda, which focuses on the deliberate management of the preconditions and consequences of work, either salaried or not.” (Auer und Gazier 2008, 4)

Even if the picture which Auer and Gazier draw of capability does not coincide with my own interpretation, I would like to underline their idea of a continuum. What kind of continuum can be meant? Certainly not a chronological one. The flexicurity agenda may have superseded the flexibility agenda, but it is not replaced by TLM, which in turn is not replaced by capability. The continuum constitutes a logical rather than a chrono-logical order. Flexicurity adds security to flexibility. TLM concretises flexicurity (cp. section 2.5.). Capability, for its part, brings again more refinement. The direction of refinement is a continual approximation to people’s needs and wants.

¹⁹³ For flexicurity: “it could be the case that the security part of flexicurity only goes to sell the message of further flexibilization and deregulation in the interest of certain socio-political interest groups” (Tros 2004, 3). In the case of the CA: “As an informational basis for evaluation, the approach presently rather offers a repertory of good rhetoric than hard facts; this opens the door to political instrumentalisation” (Bartelheimer, Büttner, und Kädler 2008, 41, my transl. cp. also Andresen, Otto, und Ziegler 2010).

Yet, capability is on a different level to flexibility, flexicurity, and TLM. Capability is not specific to labour-market and social policy, and it is not an approach to resolve a given labour-market or social issue. This is also noted by Auer and Gazier (*ibid.*, 5). My disagreement with the position of Auer and Gazier is about the classification of capability as a European policy agenda. I suggest that this proposition in Auer's and Gazier's very insightful paper is based on a misunderstanding of the CA, or at least on a different understanding than entertained in this book. The reason why this misunderstanding occupies us here is that it leads the way to finding a more deeply-rooted similarity of flexicurity and capability.

Auer and Gazier concede that the different agendas "have reached very different stages of development" (*ibid.*, 4), and it actually seems that at least capability does not fulfil the criteria which they establish for a policy agenda:¹⁹⁴ Europe is not politically active in the field of capability *yet*, there is not the "deliberate intervention" (*ibid.*) which is required by the definition. The reason why the authors think that capability was already policy-relevant is that they consider the human development index (HDI) as exemplary for the CA. However, as could be seen above (3.3.3), the HDI is actually not a good example for what the CA is all about, even though it has been co-developed by Sen. The crucial issue of the CA is freedom, not basic achievements. The latter could also be covered by other approaches, e.g. the standard of living approach.

The association of capability with the HDI – which is prominently used as a policy indicator, but not especially in Europe, but rather in the world as a whole – accounts for Auer's and Gazier's mistaken view that capability were "oriented towards developing countries" (*ibid.*, 5). This is a common misunderstanding which follows from ignoring the crucial difference between achievable functionings and achieved functionings (a difference which the authors do not mention in their short description of the CA). I would like to make the opposite proposal: Capability can be thought of as a paradigm for *modern* societies, societies in developed countries. I will try to show in the following that this quality of the CA, which is often ignored, is exactly what qualifies it for sensitising flexicurity.

4.1.1 Modernity, contingency and capability

People in industrialised societies live in relative wealth, at least the standard of living of most of them is relatively far beyond the coverage of the most basic¹⁹⁵ needs. Basic needs are more homogeneous across different people than more elaborate needs. Results from the disciplines of psychology and anthropology even show that the development of elaborate needs has the coverage of basic needs as a necessary condition. Once having fulfilled the basic necessities of eating, sheltering, clothing, etc., people use their remaining leeway in rather heterogeneous ways. This is what happened in Western societies of the 20th century, especially in its second half (*cp.*

¹⁹⁴ Cp. chapter one.

¹⁹⁵ I use this adjective here in its general sense, without reference to any theory.

Busch und Land 2012). Increasing wealth led to increasing complexity, heterogeneity and individualisation, thus features of modern societies. Complexity stands for a great variety of relationships between elements of society, which can be hard to overlook. Heterogeneity describes a society with pronounced contrasts of preferences and social positions. Individualisation can be understood as the increasing attention to people as the relevant units which constitute society, and who deserve some leeway for cultivating and acting out their singularity. Modern societies conjure the expectation of autonomy, in other words: ‘freedom’.

Among all the consequences which this has for society, one is for the scientific measurement of well-being. The extension of capability-sets in ‘multi-option societies’ leads to a decreasing congruence between achievable and achieved functionings. For being informed about people’s opportunities, it is not sufficient any more to look at people’s ways of life. This is all the more important as freedom itself becomes an increasingly crucial category for well-being (in the course of a general move towards the top of the hierarchy of needs). This is where the CA comes into its own: The CA responds to the growing contingency by expanding its IB from the factual to the possible.

The contention that the CA is for modern societies may get some additional backing by the fact that the CA is not the first approach pointing to the central importance of freedom and thus of the counter-factual dimension. Even though the central idea of capability became widespread in research only through the CA, it dates back further. It is not only that Lancaster introduced the helpful distinction between a commodity and the characteristics of this commodity already in 1966, which Amartya Sen subsequently extended, distinguishing once more between the characteristics of a commodity and the things which a person is able to do with them (cp. Browne, Deakin, und Wilkinson 2004, 207). In her doctoral thesis, Leßmann (2007) explores the analogies between Sen’s CA and the so-called “Lebenslagenansatz”, which is internationally almost unknown today (Bartelheimer und Kädtler 2012, 55). The older approach borrows its name from the term “Lebenslage”, which could be translated as “life-situation”. In 1952, Weisser (cp. Leßmann 2007, 552:95, my transl.) defines this term in the following way:

“Lebenslage is the leeway which external conditions grant somebody in order to fulfil his basic concerns, which by uninhibited and profound reflection he considers as paramount for the purpose of his life.” (Gerhard Weisser)

Both the aspect of potentiality and of subjective valuation are already present in this definition. Therefore, even if the idea had its breakthrough only with the CA, it is a recurrent idea in science.¹⁹⁶ One can wonder about the reason why it is not in the 1950s, but only in the 1980s that many scholars – but also policy makers and actors from civil society – took up the idea of capability and made it an influential paradigm. The answer may lie in the societal change which had happened in the meantime. The

¹⁹⁶ (there are even more examples, cp. Schokkaert 2008, 2)

CA provided a possibility for dealing with the new methodological challenges entailed by the rise of complexity, heterogeneity and individualisation at the moment when these had reached a critical degree. It came when the time was ripe for such an approach, whereas other approaches had come too early. It was only when the named societal trends had made the two incumbent measurement paradigms¹⁹⁷ look increasingly deficient that there was room for a new approach.¹⁹⁸

4.1.2 Flexicurity and contingency

Flexicurity shares the CA's quality of referring as well to potentials as to realisations. Just like capability, flexibility and security can be related to the counter-factual, to something which is possible, which *could* happen. Flexibility can be seen as the capacity of reacting differently according to the contingency of circumstance. This requires holding a menu of different responses available, most of which will not be selected, because not all the situations which could occur happen to come in. Flexibility thus does not necessarily have to be exercised in order to exist. The potential, hence counter-factual actions are part of a flexible state: "The flexibility of actors is limited by the scope of their leeway for action [...] The flexibility discussion often lacks the distinction between potential and realised flexibility. Whereas *potential flexibility* describes the maximum of flexibility which firms can use according to general labour law, collective or individual agreements, *realised flexibility* counts merely the extent to which firms have actually used their possibilities" (Erlinghagen 2004, 89 et seq.).¹⁹⁹ Security also has a counter-factual component. While flexibility is about making alternative actions possible, security is about preventing some undesirable scenarios from happening. A state of security is not so much defined by what happens, but rather by what does not happen or is very unlikely to happen. A feeling of insecurity is triggered by a threat, i.e. the potential realisation of an adverse event.

As we will see later, the definition of what is an adverse event has not only to do with the nature of the event, but also with the person in question, her situation and preferences. Also, we will see that it is less the probability of realisation of an event which is crucial, but the control over its realisation. This will lead us to a re-definition of security which is close to capability. My contention is that both flexicurity and the CA derive part of their *raison d'être* from the grown heterogeneity in modern societies: Both deal with consequences of increasing contingency of situations. Both

¹⁹⁷ Resources (at the disposition of a person) and utility (perceived by a person).

¹⁹⁸ Another aspect of societal change concerned is globalisation. In its course, there has emerged a growing demand for international comparison. This requires a metric which takes the different and historically grown cultures into account. Bringing geographically remote places in contact with each other is a feature of the modern world.

¹⁹⁹ Erlinghagen proceeds with an example: "Bspw. beinhaltet ein befristetes gegenüber einem unbefristeten Beschäftigungsverhältnis eine größere mögliche numerische Flexibilität, da am Ende des befristeten Vertrages i. d. R. keine Kündigungsschutzregelungen bestehen. Diese erhöhten Flexibilitätsmöglichkeiten bedeuten jedoch nicht automatisch, dass sich die tatsächlich zu beobachtende numerische Flexibilität von unbefristet und befristet Beschäftigten zwangsläufig unterscheiden muss" (ibid.).

are busy with combining two “deep-seated trends of modernisation” (Zapf 1994, 44, my transl.): rising individualisation and a rising want for security.²⁰⁰ This is why they can be considered paradigms for modern societies, and this is what makes flexicurity and capability compatible.

4.2 *Aims of a capability-friendly flexicurity*

It is a fundamental message of Sen’s work that a yardstick, suggesting an IB of evaluation, presupposes value judgements. In Sen’s CA, normative claims are not as thoroughly spelled out as in Nussbaum’s. Much is left open, to be filled by PD in each specific context. In order to find out about people’s real expectations concerning the labour-market, surveys on preferences will be consulted in section four. It will be argued that such information is not unproblematic, because it is not clear whether the procedural criteria for legitimate PD has been satisfied. Surveys can only proxy the outcome of PD, they cannot be taken as the definitive expression of a democratic will. Before looking at empirical findings on preferences, I will therefore draw on values which are *inherent* to the CA. While the exact content of his IB is deliberately left open by Sen, he nevertheless provides it with a certain structure, as we have seen in the precedent chapter. This structure is in itself a basis from which some guidelines for flexicurity can be derived.

It will be argued in chapter six that all claims which can possibly draw on the CA as a source of legitimation do not only have to do justice to the *values* of the concerned persons, but they also need to satisfy the criterion of *feasibility* (6.1.4). The purpose of the following section is not to present such claims. It is to sketch some outlines of what a capability-friendly flexicurity would look like, independently of the exact design of its IB (which could only be known after an empirical investigation into people’s individual and collective values) and of the possibility of implementation (which would require an analysis of the conditions in a specific country). Three dimensions will be distinguished: the addressee (who?), the aspired content (what?), and the implementation (how?).

4.2.1 The “who”

Calmfors (2007, 2) finds that a “potential problem with the flexicurity concept is a tendency to confound instruments and objectives”. The CA can bring some clarity here. Its principle of ethical individualism makes an explicit normative statement on which policy goals are instrumental and which are ends in their own right. For example, the strategic options of firms have certainly been extended by the German Laws for Modern Services at the Labour-market, and there is nothing objectionable

²⁰⁰ “Flexibilisierung [gilt] als logische Folge eines Modernisierungsprozesses, der seit den achtziger Jahren in Kategorien der Individualisierung beschrieben worden ist. Mit „Individualisierung“ soll hier verkürzt auf die schwindende Integrationskraft und Legitimität überkommener gemeinschaftlicher Lebensformen und kollektiver Handlungsstrategien angespielt werden” (Ebert, Kühnel, and Ostner 2005, 318).

against this from a capability-perspective. However, the rise of the freedom of firms influences a capability-oriented policy evaluation only by its consequences for the freedom of people. Only to their freedom does a normative value pertain, not to the freedom of firms. The CA thus has a clear opinion on the *hierarchy of ends and means* of flexicurity, respectively its intermediate and final aims: the firms' benefit is of instrumental value for human benefit, just like the entire economy has this instrumental status. Its purpose is to contribute to people's levels of well-being (functionings) and potential well-being (capability).²⁰¹

I suggest keeping the distinction between ends and means in mind with regard to speaking of a "balance" between the needs of the economy and the needs of people. In the EC's statements the idea of a *balance* is quite important, which corresponds to its aforementioned role as a 'broker of interests'. A "balance between rights and responsibilities" is claimed for "employers, workers, job seekers and public authorities" (EC 2007a, 20). Similarly, the European Expert Group on Flexicurity (2007, 14) points to the common concerns of both sides at the labour-market: "Flexicurity could best be seen as a system of joint and mutual risk management for workers and employers". Mutual support is presented as rational, because "contributing to the risk management of the other party contributes to managing one's own risk" (ibid.). The Flexicurity Mission (2008, 3) joins in by characterising flexicurity as a strategy in favour of both²⁰² parties involved in the employment relationship. The quintessence is that flexicurity will benefit all stakeholders, creating a 'win-win' situation. However, from a capability perspective, it is evident that not all stakeholders are on the same footing. Equal treatment or mutual gains is not the relevant criterion for justice, but only the extension of human well-being.

If the economy is there for the people, then only the distribution of gains and losses between people can feel either just or unjust. Of course, as has been argued (3.2.1), the CA does not give a concrete recipe for how well-being should be distributed in society: It does not rule out inequality. But it clearly makes capability its informational base for well-being comparison. From this perspective, the rhetoric of balancing economic and social objectives doesn't make much sense. If a balance is sought, it should be sought in terms of the well-being of people; be it the well-being of owners of capital in comparison to the well-being of workers, or between different groups of workers,²⁰³ or between the well-being of today's generations in comparison to the well-being of future ones. It is up to public deliberation to determine whether or not this balance has been reached.

²⁰¹ The German translation of the book "Capability as freedom" is entitled "Ökonomie für den Menschen".

²⁰² Sometimes, it is even firms, and not people, which are said to deserve attention: "Flexicurity requires cost-effective allocation of resources and should remain fully compatible with sound and financially sustainable public budgets. It should also aim toward fair distribution of costs and benefits, especially between businesses, public authorities and individuals, with *particular attention to the specific situation of SMEs*" (Euroactiv, cited in Auer 2010, 374 emphasis added).

²⁰³ Chapter five will take up what Offe and Hinrichs (1984) have characterised as a secondary "power divide": not between capital and labour, but between different groups of the labour force.

4.2.2 The “what”

Still more precisely, the aim of policy as seen by the CA is not just the well-being of people, but also their *potential well-being*: capability. Flexicurity – like any other policy – should be conceived as a strategy to maintain or extend freedom.²⁰⁴ It is by its success in promoting this aim that flexicurity can be judged.

As has been explained, the CA’s metric for freedom corresponds to the things which people can do or be and which they value and have reason to value. This metric should replace the current mission statement of flexicurity. Currently, where flexicurity seeks to benefit workers, it presumes that what workers want is flexibility and security in the employment system. This is often said in order to justify flexicurity, but strictly speaking, it corresponds to a precocious idea about workers’ needs (4.4.1). Though being justified with these alleged needs, flexicurity actually has no concept of what participation in contemporary societies actually means and requires. From the viewpoint of the CA, what workers eventually need is not flexibility and security, but capability, in order to be able to do and be what they deem valuable.

This does not automatically imply that flexicurity, as it is currently conceived, does harm to human well-being. In fact we do not know, as long as it is unclear what people want for themselves and how it is linked to flexibility and security in the labour-market. Flexibility and security may or may not serve the “projects” (de Nanteuil-Miribel und Nachi 2004, 308) pursued by Individuals. Their importance and their optimal configuration can only be determined in relation to a desired way of life.

Without specifying at this point what exactly the desired freedoms are, we can state that flexicurity should ideally widen the (invisible) opportunity-structure which underlies a worker’s biography. According to the democratic will, this may possibly include granting second and third chances in order to limit the path-dependency of trajectories.

If capability is the goal of all policy, what then is the specificity of flexicurity? How can flexicurity be distinguished from other policy agendas? The answer is that even if flexicurity aims for human freedom as such, this does not mean that we should forget about flexibility and security in the labour-market. Re-formulating flexicurity with the CA transforms the aim of promoting workers’ and firms’ flexibility and security in the labour-market into promoting human freedom by means of raising flexibility and security in the labour-market.

4.2.3 The “how”

Workers who pursue their own projects exercise agency. It is an “agency within structure” (Bartelheimer u. a. 2009, 34), a structure partly created by policy. If workers need flexibility in their employment trajectories, this does not include random or imposed flexibility, but flexibility which adapts the demands of working life to the

²⁰⁴ Robert Salais (cited in Bonvin, Moachon, und Vero 2011, 23): “Pour Sen, la seule référence éthiquement légitime de l’action publique est la personne, précisément son état quant à l’étendue des libertés réelles dont elle dispose pour choisir et conduire la vie qu’elle entend mener”.

necessities of workers' trajectories. While the flexibility agenda has mostly improved the opportunity structure of employers, a capability-friendly flexicurity would seek to create an improved menu of strategic options for workers.

Flexicurity is well-positioned to enhance workers' freedom: its flexibility component stands for the labour-market *options* which are institutionally possible, while security can be read as the *control* which workers have over these options. These are two distinct aspects: the number and kinds of options created, and the discretion over the use of these options. For example, working-time accounts can increase the freedom of workers, if and only if they can decide about the way of using the saved working hours. Yet, working-time accounts can also decrease the freedom of workers, if their use is at the full discretion of the employer. Employers can deploy working-time accounts to save money on overtime work or to send workers on holiday at short notice in periods of slack. Freedom to choose means deciding over the realisation of alternatives. Introducing working-time accounts but not caring about the conditions of their use is flexibility without security. The CA rarely refers to issues of power, but the respective power of employers and employees is definitely relevant for the conditions of use of flexibility.

How can flexicurity provide workers with control over options? Control can be derived from legal protection of workers against the deployment of some forms of flexibility, for example a wage floor shelters against excessive wage flexibility. It can equally be given by co-decision of works-councils ("voice", cp. Hirschman 1970), as well as by a valuable exit-option (ibid.), e.g. unemployment benefits which are not conditional on the worker being dismissed by the employer. Granting the worker such an exit option means reinforcing their bargaining positions vis-à-vis the employer.

There is a famous distinction between two kinds of freedom, proposed by Isaiah Berlin (1969): Negative freedom refers to the absence of unwanted intervention by others. Positive freedom refers to the real capacity of a person to do something, which implies that the necessary conditions are met. Both figure in the example of working time accounts: Negative freedom allows workers to prevent a specific use of working time flexibility by their employer, while positive freedom means the more autonomous use of working time flexibility by workers. In principle, a complete standardisation of work and employment would suffice to fulfill the criterion of negative freedom. Flexicurity can only do better if it adds the positive freedom to use flexibility without eroding the negative freedom to prevent an abuse of flexibility. Deviating from standardisation is a risky venture, because the antonym of having options is not inflexibility, but flexibility directed by others. At this point, we have already entered the discussion of means of flexicurity, which is the topic of the following subsection.

We can retain from the present reflection that the requirement of capability is clearly more demanding than just making flexible work secure: Flexibility itself is a matter of negotiation. Choosing between different kinds of flexibility is more than just receiving some kind of compensation for having to work under flexible conditions.

4.3 Means of a capability-friendly flexicurity

After outlining the aims which would be pursued by a kind of flexicurity which aims at increasing capability, we will now look at the procedural aspects, i.e. at the means of flexicurity. Some hints can be distilled from the CA as to how policy should be conceived. They have to do mostly with two central notions: conversion conditions and PD. It has been mentioned that working with the CA in a specific thematic field, like flexicurity, requires using additional theoretical and empirical knowledge beyond the CA. In the present case, this includes insights from (labour-market) sociology, (household) economics and (political) philosophy.

4.3.1 The importance of personal conversion factors

As has been emphasised in chapter two, the question which policy measure can effectively promote a specific aim depends on the situation, e.g. the labour-market conditions, the existing institutional framework, and cultural aspects, among others. This is why it is generally acknowledged that different countries need to pursue different flexicurity strategies in order to create flexible and secure labour-markets. Such heterogeneity is captured, in the CA-model, by factors of conversion. As has been explained in chapter three, personal and collective ones can be distinguished. Traits of the labour-market, for example, can be considered as collective conversion factors. We will speak of such features in the next subsection. The present subsection is concerned with personal conversion factors; sensitivity for such contingency at the micro-level is key for creating capability.

In the domain of flexicurity, relevant personal conversion factors include the determinants of the working capacity, such as health, educational degree and specialisation, but also personal traits like tastes and needs. For example, depending on the person, work and employment may have a purely instrumental status for reaching valued functionings, but they may also be the desired functionings themselves.²⁰⁵ For some workers, the exercise of a specific profession may be crucial, while others just seek to be active or generate income for other purposes. In consequence, occupational flexibility is judged very differently by different workers.

How a person judges a specific job also crucially depends on his or her living situation. Speaking about workers, we deal with those who live in households. The importance of the (extended) household has been highlighted by Sen (1993a, 452):

“The family is a remarkable institution. And a complex one. Indeed, so complex that much of economic theory proceeds as if no such thing exists [...] The individual owns resources, sells them, earns an income, buys goods and services, and has utilities. The firm buys resources, makes commodities, sells them, makes profits, and gives incomes to individual owners. So the story runs, with no family in sight – and children neither heard nor seen.”

²⁰⁵ There are multiple benefits that people may draw from work and employment; they may include a feeling of usefulness, personal contacts, income and social upward mobility (cp. Sen 1999, 94).

What does it mean practically to take heed of the household, as proposed here by Sen? It is useful here to complement the CA by household economics.

4.3.1.1 Example: Heeding the household context

The household is the central economic unit, pooling its resources in a specific *welfare mix* (cp. Glatzer 1994, 243). The individual member of the household engages in paid or unpaid work as part of an allocation strategy of the household. This strategy need not maximise a single variable, rather it needs to respond to influences as diverse as the household members' preferences, financial and care needs, societal norms, possibly demands of the public employment administration, and the employability of each household member under the current labour-market conditions.

Lewis (2001, 157) refers to households' labour allocation patterns as "earner models". Most of the empirical variation between possible earner models in couple households²⁰⁶ has to do with female employment participation, which ranges from none ("male breadwinner model", supposing the partner is working full-time) to full-time employment ("dual career model"). Between these two poles, there are several shades of a "dual earner model", where the woman works in either short or substantial part-time. Of course, roles are not per se tied to gender, and all other combinations are experienced by some persons. The issue emphasised here is that a household's peculiarities influence the menu of employment options a person has, and that its effect is rather complex.

On the one hand, the household can restrict employment possibilities: the presence of others in the household can limit the availability or geographical mobility of a worker. It is possible that someone is not (or only partially) available for the labour-market at all for some time due to his household responsibilities. A person loaded with domestic tasks may require more working-time flexibility than usual in order to combine professional and private life. Moreover, while limiting a worker's availability for the labour-market, the household may simultaneously increase a worker's dependence on employment: A person sharing a household with economically dependent persons may particularly need a stable employment income. Single parents may thus be in the difficult position to require stability without being able to offer much flexibility to the employer.

On the other hand, there can also be a widening of employment possibilities through the household. A person may become less dependent on job and employment security if he is not the only economically active person in his household (cp. chapter five). A household can temporarily or permanently exempt a person from employment participation. It can also subsidise a person's (self-)employment in phases where less income is generated by the employment activity. Potentially, the emotional and practical backing by other household members may also permit a person to work even more intensively and with higher flexibility.

²⁰⁶ Quantitatively relevant is also the "single earner model", which Lewis (ibid.) defines as a household with one adult and one child or more, where the adult is not inactive.

There are thus many ways in which the household interferes with employment. The way that the household changes a person's relationship with the labour-market depends on the total amount of domestic work, including care work, on the financial needs of the household, as well as on the gender roles that household members are prepared to live.

For anticipating which kind of labour-market policy will have an effect, it is thus necessary to think about the household. Vice versa, the link between working life and the private sphere also means that policy directed at the household also potentially affects the labour-market: it has been theorised that the exchange relationship of a worker with an employer is linked to the exchange relationship(s) of the worker with other member of his or her household (Brose, Diewald, und Goedicke 2004, 287). A worker's job determines which responsibilities he can assume in the household, and the household responsibilities determine which kind of employment he can accept. The provision of ("public") goods and services can replace or facilitate household production, as shown by the often-cited example of childcare facilities.

The interconnection between labour-market policy and other policy domains has already been recognised by flexicurity, proposing to concert it with social policy. As is often said in the realm of flexicurity, the most effective approach is a coordinated approach of different policy domains. Policy can explicitly address the household, perceiving it not only as an obstacle to employment or as a reservoir for labour, but as a self-directed unit which needs options in order to meet its needs, given that requirements and constraints are different between household types.

4.3.1.2 Example: Protecting localised conversion factors

Personal conversion factors have been introduced as conditions which have to be heeded above all due to their effect on the relationships between resources, collective conversion factors and capability. This is the role they generally play in the CA-literature. Going beyond this, however, we can consider them as intentionally built up by people to serve a given purpose. Conversion factors do not only act as obstacles, but also as facilitators or catalysts of conversion. Economically speaking, people invest in conversion factors in order to create favourable conversion conditions for their resources. This is part of their agency. Building up social networks, campaigning for political causes etc. can be useful for improving one's living conditions.

The argument I want to develop here with regard to flexicurity is based on the observation that many conversion factors are tied to concrete geographical places, firstly, and secondly take time to be built up. This is true for social networks: the time a person spent at a place conditions trust by the local community. It also holds for practical knowledge about a place, vital for using the infrastructure. In some cases, the time a person has been staying has a formal impact on her local opportunity-structure: membership duration often serves as an allocation rule according to which residential co-ops offer housing to members. Even some institutions, like rules of behaviour, can be thought of as local conversion factors (reducing uncertainty in interactions with the local administration, for example) to be adopted in a learning process over time.

To the extent that conversion factors are fixed at a specific place,²⁰⁷ they add to the – subjective and objective (Gerstenberg 2012, 294) – costs of geographical mobility. External flexibility is associated with geographical mobility (*ibid.*, 296), and thus tends to be more detrimental for capability than internal flexibility. It takes time to rebuild favourable conversion conditions where one has gone for a new job (*idem* for accompanying people). Even if the same overall capability can be reached again, a person who moves probably experiences a gap in the meantime. This may even hold if moving is connected to an increase in resources, like a better salary. Probably, therefore, workers who are forced to stay on the move by an increasingly ‘dynamic labour-market’ stay behind their possibilities. Their lifestyle can adapt to mobility to some degree, but the benefits of stability cannot be reached: It is just impossible to enrol one’s child at day-care-centres in advance in all potential destinations. Not to mention social ties outside the household, even in times of video telephony via internet.²⁰⁸

Of course, it is also true that mobility can be a gainful experience. Schmid (2010, 12 et seqq.) observes that many (young) workers are inclined to it. This is why voluntariness is especially important in the case of external flexibility. Another approach is to compensate ‘conversion losses’ connected to mobility. In Germany, Public Employment Services cover moving expenses of unemployed persons who take up a job at another place, and firms have also begun to assist the quest for accommodation and a job for the partner (Gerstenberg 2012, 298). However, “one can assume that the use of such instruments varies with the significance which the staff management attaches to the candidate” (*ibid.*, 296, my transl.). Moreover, some kinds of losses can hardly be compensated.

The geographical stretch of the labour-market itself is an important factor here: quantitative variations of distances, measurable in kilometres, can make a qualitative difference. E.g. there is a geographical distance beyond which commuting becomes impossible and a secondary residence becomes necessary, or beyond which grandparents cannot be counted on any more for spontaneous child-care support. These very ‘down-to-earth’ difficulties seem to contain another limitation of transferring ‘Danish flexicurity’ to other countries.

²⁰⁷ (another example is the limited portability of certificates between countries, a problem which the EU has been tackling since the late 1980s)

²⁰⁸ Intriguingly, external flexibility can shrink capability even if it only stays a possibility, a potential event which could materialise at an unforeseeable moment (cp. Walthery und Vielle 2004, 275). This impedes investment in local resources and conversion factors, e.g. building a house to save the rent.

4.3.2 (Segmented) Labour-markets as collective conversion factor

While in the precedent subsection, personal conversion factors were dealt with, collective ones will now be made a topic, namely features of the labour-market.²⁰⁹ Whether or not a measure of labour-market policy is successful depends on its adaptation to the labour-market situation. Segmentation research has revealed that the labour-market is not as homogeneous as the influential neo-classical paradigm assumes. Rather, it is divided into several markets, and the borders between these subsystems of the greater labour-market can be difficult to cross for workers. As was argued already in the beginnings of segmentation theory (Doeringer und Piore 1971), partial labour-markets can differ in a vertical dimension, thus the quality of work, wages levels, and – in case of job loss – the probability of finding a new and equivalent job soon. In a horizontal dimension, according to the average tenure of a worker with the same employer, one can distinguish between internal or external markets.²¹⁰ What makes segmentation research relevant in the present context is that the incidence, the forms and the levels of flexibility and security differ between partial labour-markets. Segments are expressions of specific needs for flexibility and security and the strategies used to cover these needs. Segmentation emerges from interactions between labour-market actors, under given regulatory constraints and power relations.²¹¹ Moreover, the form of segmentation differs between countries and changes over time. Segmentation theory – complementing the CA by some technical knowledge about the labour-market – can therefore inform flexicurity. The aim of the present subsection is to point to some policy implications of segmentation.

A recent wave of segmentation research has revealed that partial labour-markets consist of *firm-employment systems* (FES), which “are defined as areas of jobs within the organisation, within which workers can be transferred and which operate under distinct rules of allocation (ports of entry, exit, internal mobility and selectivity), training (on the job, vocational training, further training) and gratification (wage and performance systems; monitoring and incentives)” (Köhler, Goetzelt, und Schröder 2006, 24). In part, the differences between types of FES consist of the kinds and degrees of flexibility and security which are asked from or granted to the worker (Pelizzari 2009, 15 lists flexibility strategies of firms according to the segment).

²⁰⁹ The fact that the labour-market is a collective conversion factor can be illustrated by the notion of “interactive employability” (Gazier 2001, 26), which means that a person’s chance to find a job depends not only on his own features and behaviour as a job-seeker, but also on the demand side of the labour-market, namely the existence of potential employers, their needs and expectations. The employers’ recruiting behaviour is in turn influenced by a great number of factors, not least the number and features of the competing job-seekers on the market.

²¹⁰ Internal markets consist of positions in firms which are characterised by long tenure. Upward or downward mobility of the worker thus takes place within the firm instead of between firms.

²¹¹ A scheme which can help to explain the evolution of labour-market structures is the *analytical triangle* proposed by Bartelheimer and Lehweiß-Litzmann (2012). It consists of three main actors, namely firms, households and regulators, who together create the employment system by their behaviour. They choose among the available strategic options in order to solve problems.

Older strands of segmentation theory (Doeringer und Piore 1971; Sengenberger 1978) had explained the origin of segmentation mostly by the existence of company specific qualification. More recent segmentation theory instead considers “availability” and “transformation problems” (cp. Köhler und Loudovici 2008, 56) as causal. These problems decide over which forms of flexibility and security firms deploy. For example, the shortage of labour of a certain qualification at the market can incite employers to ‘hoard’ a specific kind of workers and thus rule out the use of external forms of flexibility for this part of staff. This gives rise to internal FES (Köhler, Goetzelt, und Schröder 2006, 25), consisting of positions for which long tenure (i.e. at least several years) is the usual case. Renouncing to external-numerical flexibility is also a reward which firms grant to employees whose collaboration is deemed especially valuable to the firm. If fluctuations in sales markets occur, those workers are kept, at most they experience transient short-time work. In contrast, other sections of the staff are more easily hired and fired. These workers are situated not in internal, but in external FES, consisting of positions in the firm which are subject to frequent changes of staff. Employers can have several reasons for using external FES, e.g. buffering market fluctuations or hiring specialists for a project of limited duration.

In the Post-Fordist labour-market, four partial labour-markets can be schematically distinguished (table 12). Standard employment – characteristic for the Fordist period – has not ceased to function for *all* sectors and for *all* workers. Many workers stayed in internal labour-markets at the old favourable conditions. Many also stayed in internal markets in exchange for accepting a decline of wages: An internal-secondary segment was created. At the opposite side of the matrix, a renaissance of occupational labour-markets has been spoken of, marked by highly qualified work, relatively high wages and a low risk of long-standing unemployment between two jobs. The fourth segment, secondary external markets, is still there, and has been growing in recent years.

Table 12: Labour-market segments according to the SFB 580²¹²

	Internal Labour-Markets Organisation-led	External Labour-Markets Market-led
Primary; good jobs high income and employment security	Primary internal markets	Occupational markets
Secondary; bad jobs low income and/ or employment insecurity	Secondary internal markets	Secondary external markets

Adapted from Köhler, Götzelt and Schröder (2006, 26; cp. Köhler und Loudovici 2008).

²¹² www.sfb580.uni-jena.de

Two insights about external labour-markets are very interesting from a flexicurity perspective: Firstly, they are not a historically new phenomenon, they just re-appeared in the last decades.²¹³ Secondly, they are not necessarily disadvantageous for workers. Short tenure can even be due to their own interest of changing employers frequently, e.g. in order to climb up the ladder: Alda (2012) finds empirical evidence for Germany that transitions between firms are getting more important for upward mobility, as the job structure within firms tends to become more homogeneous.²¹⁴ Also, Schmid (2010, 12 et seq.) gives reasons why especially young workers can be disinterested in long term employment relationships, for example for gaining work-experience.²¹⁵ Some findings of segmentation research are thus in line with the arguments in the flexicurity discussion saying that external flexibility is not necessarily detrimental to workers.

However, labour-market segments are socially selective. Positions are not randomly distributed across the working population, but they follow certain patterns. Beyond job-related qualities like work experience and qualification, the allocation of workers also follows attributes of persons like age, gender and origin. All these features act as *personal conversion factors* which condition the probability of entering or leaving labour-market segments. It is argued here that segmentation means more than just a fractioning of the labour-market. It means that there are employment positions which are difficult or impossible to reach for sub-groups of the work-force. Segmentation can thus be thought of as Weberian “social closure” (cp. Giesecke und Groß 2012). Already in Fordist times, workers in external-secondary labour-markets tended to be female, migrant, less educated, and not of prime working age (the problem of particularly young workers being muted by the dual system of occupational training in Germany) as compared to the internal-primary segment. Today, the characteristics which are correlated with disadvantage are roughly the same (Giesecke und Heisig 2010).

²¹³ This is illustrated by Lutz’ (2007) narration of the three phases of the German labour-market since the end of WW2. Already the first phase was characterised by the co-existence of two partial labour-markets, namely an “everyman’s labour-market” and an “occupational labour-market” (Lutz 1987, 15; Lutz und Sengenberger 1974). Both were external labour-markets. What distinguished the segments was the quality of work, wages levels, and – in case of job loss – the probability of finding a new and equivalent job soon. These differences in employment quality have led to a categorisation as ‘*primary*’ and ‘*secondary*’ labour-markets. The second phase of the post-war German labour-market has been characterised by the ‘internalisation of labour’, this was the high point of Fordism. But actually, only part of the work-force was granted long tenure. Also in this second phase, the labour-market remained stratified into a primary and secondary tier, the primary one performing a shift from (external) occupational to internal labour-markets, while the rest remained external. This has been referred to as “firm-centred labour market segmentation” (cp. Köhler und Krause 2010, 394). Before this historical backdrop, the rising external flexibility, marking the third phase of the German labour-market, can be considered as a return to the *status quo ante*.

²¹⁴ In some countries, trajectories inside internal FES may still be the dominant way up.

²¹⁵ Feuerstein (2011) illustrates the empirical example of young software specialists in the Bangalore region of India, who switch employers frequently in order to negotiate wages increases.

It is argued here that flexicurity needs to take segmentation into account. In a way, it already does, reference to segmentation is frequently made in flexicurity documents (cp. Auer 2010, 373). The problem is that segmentation is only referred to as a social problem, as a nuisance which should be removed, but segmentation is not *understood*. The more recent research on segmentation should therefore be more considered. The substrate of labour-market segments are the described FES; they explain where segments come from, why they persist, and whether and how they are influenced by policy.

Firstly, by taking the view-point of the specific problems of labour-market actors, it becomes easier to *anticipate how changes in the institutional environment will make them alter their strategies*. Taking the example of ‘Minijobs’,²¹⁶ there is a measure which was initially targeted at currently inactive potential secondary earners. Instead, it has first and foremost altered the employment conditions of those already in the labour-market whose bargaining position is too weak to defend decent wages plus social security contributions by the employer. As a second example, the German ‘Hartz-reform’ reinforces segmentation by co-organising a secondary labour-market segment, instead of just reducing long-term unemployment as was officially planned. Its make-work-pay strategy consolidates a secondary segment by adding to the imbalance of supply and demand for (not always but often) low-qualified labour (cp. Bartelheimer 2010; Grimm, Hirsland and Vogel 2013).²¹⁷ There is no economic reason why firms should woo workers by decent employment conditions if availability and willingness is granted by the activation policy of the state. Creating new strategic possibilities for labour-market actors, it is not clear beforehand how these possibilities will be used, and not all of the possibilities which are created can be anticipated. Segmentation research can help to explain why the impetus given by laws does not always have the intended effect, and sometimes has unforeseen and unwanted effects, or none at all.

Secondly, the “intrinsic economic logic” (Krause und Köhler 2012, 20, own translation) of labour-market transactions means that the existence of labour-market segmentation is partly independent of institutions regulating the market, and cannot be removed simply by reforming labour-market institutions. It is not just high EPL which makes that some groups of workers experience more employment stability than others (though EPL can add to this). Even in the absence of any protection, there will be labour-market insiders, simply because their work is especially vital to their firm or is hard to supervise and control, or because they are hard to replace or have established personal networks.²¹⁸ Where policy cannot remove segmentation, its task is rather to avoid that labour-market segmentation becomes a segmentation of well-being and freedom (cp. Bartelheimer und Lehweß-Litzmann 2012).

²¹⁶ Cp. Voss and Weinkopf (2012). By the introduction of ‘Minijobs’ in Germany, the legal possibilities for marginal employment were extended in the framework of the LMSL in the year 2003.

²¹⁷ We should note, however, that secondary labour-markets in Germany have been growing since the mid 1990s already, thus ten years before the Hartz-Reforms (Köhler und Krause 2011, 7).

²¹⁸ EPL can even improve the position of the weaker parts of the labour force by giving them some more bargaining power (of course, this just applies to those who have already accumulated rights by their contract and tenure in a firm, and goes at the expense of outsiders like younger workers).

Thirdly, it should be clear that *different policy*, and thus also different flexicurity policy, has to be made *for each labour-market segment* (“mixed approach”). Unless this is done, adverse effects are produced for part of the labour force. Different segments need different instruments, adapted to the specific forms of flexibility and the specific threats to security. This does not only mean securing especially vulnerable parts of the labour force, even though this is important from the perspective of the CA. Burkart Lutz explains that occupational labour-markets – external-primary labour-markets in terms of table 12 – are “highly artificial structures of great sensitivity” (Lutz 1998, 125, my transl.), they require a lot more coordination than internal markets. It is not by de-regulation that internal labour-markets can be turned into well-functioning external labour-markets (ibid.). For ensuring e.g. that a high level of productivity is maintained, setting the right norms and rules is absolutely vital. This concerns among others the domains of training, the contours of professional job profiles and the social security systems.

Fourthly, for setting reasonable norms and rules, Lutz argues that the *collaboration of trade-unions is indispensable*: “Professional labour-markets – for doctors or industrial skilled workers – can only emerge and function on the basis of a stable consensus, shared by all parties who are interested in the production and application of the concerned skills. Such a consensus cannot be reached without the active participation of legitimised (which also means: competent) trade unions. Exceptions are a limited number of academic professions, in which there are rules established over decades or even centuries of corporatist autonomy, which regulate not only training, occupational titles and working conditions, but also the number of new entrants each year” (Lutz 1998, 126). Co-determination is also what the EC (2007a) proposes.

From the present section, we can retain that the labour-market is an important conversion factor, both for worker’s resources and for policy. It is important for flexicurity to mind the shape of the labour-market, above all its internal diversity which puts workers in quite heterogeneous positions. It is thus fruitful to inform flexicurity by means of segmentation theory. The founding theorists of occupational labour-markets²¹⁹ have been dubbed “pioneers of flexicurity” (cp. Köhler und Loudovici 2008, 33). And indeed, Lutz seems to anticipate a well-understood flexicurity (as far as the framing of external flexibility is concerned):

²¹⁹ The German strand of segmentation theory had added the notion of occupational labour-markets to the concept of the dual labour-market (Doeringer und Piore 1971). This conceptual innovation made it clear that identification of internal with primary and of external with secondary labour-markets was not correct (though more incorrect in some countries than in others, as occupational labour-markets were declared typical for Germany). It was argued that external-primary labour-markets can organise highly-skilled workers, who can tolerate external-flexibility due to their high wages and high employability.

“A modernisation strategy which is both economically efficient and compatible with the legitimate interests of employees must not and can not consist in merely cutting back rules and norms which have up to then sheltered internal labour-markets. This would just mean destroying their macro- and micro-economic advantages (namely the possibility of building up and using great stocks of qualification and competence) without creating any replacement. Such a strategy must rather try to create conditions which – on an equal or even superior level of qualification – allow for substantially more voluntary mobility of workers on external labour-markets.” (Lutz 1998, 125)

Insisting on *voluntary* mobility, in this statement Lutz also seems to consider what has emerged as the touchstone of capability. His perspective is a labour-market-theoretical elaboration of Castel’s (2009, 59) assertion that it is not the most “cynical” use of human capital which is most intelligent from a business point of view.

4.3.3 Individualisation of policy?

We have seen in the preceding subsections how people differ according to their personal conversion factors and that such differences influence the impact of collective conversion factors. Flexicurity should respond to this segmentation of chances by an individualisation of policy. It has been argued by different authors that this follows from the CA: Méda (2011, 99) holds that the individualisation of measures is the main message of the CA in the context of policy-making. Even more categorically, Goerne (2010, 13) argues that from the perspective of the CA follows the “implicit normative position that more individualisation and less standardisation is always better” in the field of labour-market policy. This subsection partly underlines this claim, but it will also point to the need for limits to policy individualisation.

The findings of CEREQ (2011) describe flexicurity as rather capability-unfriendly, taking a lack of individualisation as a major drawback of current flexicurity. This is also how the authors explain what they consider its “failure” (Méda 2011, 98) in the field of professional development. In principle, training should open up new horizons to workers, allow for personal development. Apart from the fact that the kind of training may not necessarily be what seems valuable to the person, measures often fail to provide employment security: “Training, the main component of flexicurity, does not compensate and above all not prevent the insecurity of working trajectories, which has, by the way, considerably increased” (Méda 2011, 98 et seq., my transl.). In the Spanish case, “Verd and López-Andreu show that the workers’ professional accomplishments are little influenced by the recourse to training provisions and that the latter do not improve the range of employment options to which they have access” (ibid.). This can be explained, following the authors, by the standardisation of training measures: “The current training policies [...] are insufficient because they are considered standardised actions. They are all conceived by the same pattern, whereas they should be adapted to specific situations” (ibid.).

The argument for individualised policy is supported here, on the whole. Heeding personal situations can make policy more successful. However, there are two aspects which shed a different light on the claim that “more individualisation and less standardisation is always better” (Goerne, *supra*). Firstly, not all individualisation is ‘positive individualisation’. Individualised policy can also consist of exploiting the situation of the targeted person for reaching aims which are not in the person’s own best interest. Adaptation of policy to a person’s specific conversion conditions can also aim at a deliberate reduction of freedom. An example is the notion of the ‘Bedarfsgemeinschaft’²²⁰ in the German social code (SGB II), which makes social protection payments depend on the financial situations of other members in the person’s household. This policy cannot be accused of ignoring the household context – on the contrary. It uses information on the household for creating more pressure to find work. Ideally, for granting personal freedom, policy should consider, but not exploit the fact that workers live in households. Therefore, Bartelheimer et al. (2012) argue that standardisation can sometimes grant more capability than individualisation of policy, like is the case for workfare policy which derives part of its effectiveness from its being tailored to the individual case.²²¹

A second argument against policy individualisation concerns its feasibility, respectively its economic viability. Heinrichs (2004, 184) emphasises that making administrative decisions for each singular case separately would be more utopian than effective. Sen seems to be aware of this difficulty. His following statement implies that it could be more efficient to grant standardised support to the unemployed than trying to determine in each case the personal responsibility of the job-seeker:

“Deciding whether minimal capabilities are being foregone due to individual failure or not would require juridical capacities potentially more hungry of resources than assistance itself. These difficulties can be observed in the case of unemployment administration, where the complexity and the high number of cases makes that mere discourses on the nature of the unemployed replace assiduous scrutiny.” (cp. Sen 1999, 130)

Heinrichs concludes that the CA’s merit is a certain enlargement of the scope of criteria for the distribution of public resources. This comes at the price of a higher effort to be made by administrative action. But instead of claiming a thorough individualisation of policy, a reasonable balance between standardisation and individualisation of policy suggests itself. Thinking in terms of different *groups* of people on the labour-market – drawing for example on the existing knowledge about labour-market segmentation – can be a useful reduction of information complexity.

²²⁰ (which could be translated as a ‘community of shared economic needs’)

²²¹ A variant of this argument applies also to the ‘Eingliederungsvereinbarungen’ (integration agreements), another innovation brought by the LMSL. The case manager and the job-seeker agree on a catalogue of rights and duties, as well as a time-table, which is fixed in written form. The weaker the negotiating position of the job-seeker, the more the resulting ‘agreement’ will deviate from a standardised catalogue.

4.3.4 Flexicurity and public discussion

The flexibility agenda which preceded flexicurity in European labour-market policy was inspired by the neo-classical fiction that there were a “pareto-dominant set of policies” (Stiglitz 2002, 25) which would make everybody better off. There is an anti-democratic implication in this creed, because where there are no trade-offs, there is no need for discussion: the challenge is rather to enact the purportedly necessary reforms as quickly as possible. However, critics of the neo-classical paradigm have shown that even if employment today is usually organised by markets, this does not make it an apolitical issue. The reason is that markets need regulation in order to work efficiently (Stiglitz 2002), but there is more than one way that one can regulate them. How a market works – and whom its conditions benefit most – is contingent on the rules which have been imposed (Fligstein 2002). Markets therefore remain contended.²²²

Flexicurity still adheres to the fiction that everybody will benefit from a certain market order (“win-win”), but it has also made some headway on the preceding flexibility agenda. Instead of claiming that ‘there is no alternative’ to the winning strategy of liberalisation, it takes into account that there are several policy options (*within* the scope of flexicurity) and that labour-market policy thus needs to be negotiated. By including stakeholders in the policy-making process, flexicurity seems in tune with the CA’s demand for democratic participation: From a Senian point of view, even if flexicurity produced favourable results at the level of opportunity-freedom, it would not be adequate unless process-freedom is also given. Deliberation is thus at the very basis of the political legitimacy of flexicurity.²²³ If capability is used as a yardstick for flexicurity, this implies that flexicurity should be evaluated not only in respect of its outcomes, but also as a policy process.

In his description of the evolution of the OMC,²²⁴ Pochet (2004) describes the upgrading of the social partners’ role in European policy-making: Bargaining between employers’ and employees’ organisations has gradually replaced legislation. Also in the context of flexicurity, the EC keeps encouraging the social partners’ contribution and insists on their importance for policy success: “While in many countries social partners have been engaged in the implementation and monitoring of national flexicurity approaches, consultation and dialogue should be strengthened: flexicurity policies can only succeed if social partners take full ownership of labour-market reforms” (EC 2010b, 7). Looking at this from the view-point of the CA, the inclusion of social partners in the policy process could potentially count as an element of PD in the realm of flexicurity. Provided that representative structures function

²²² Stiglitz (2002, 25) considers that in the “arena of international economic policy, the voices of commercial and financial interests are heard far more loudly than those of labour and consumer interests”.

²²³ Bonvin and Galster (2010, 73 et seq.): “opportunity freedom left alone carries [...] the risk of paternalistic practices”. The concerned population should actively participate in the formulation of policy.

²²⁴ (which is linked to flexicurity via the EES)

well, it would imply – though in an indirect way – a “capability for voice”²²⁵ for workers. Mandl and Celikel-Esser (2012, 27) confirm a sizeable involvement of social partners in the elaboration of flexicurity-measures.²²⁶

A second aspect which asserts process-freedom in the case of flexicurity is that the scope of societal actors who can influence agreements has been widened even beyond the social partners. The word “open” in the acronym OMC means, according to its inventor,²²⁷ the possibility of political participation by actors of civil society (cp. Pochet 2004, 195). Such a possibility for broad participation has been widely requested. Evans (2002, 55) considers that “choices about those allocations and growth strategies must be ‘democratic’, not just in the ‘thin’ sense of having leadership succession determined by a regular electoral process, but in the ‘thick’ sense of messy and continuous involvement of the citizenry in the setting of economic priorities”. Bonvin and Vielle (2009, 25 et seq., my transl.) hold that “traditional negotiating partners do not have a monopoly any more in the formulation and implementation of policy”. Precisely with regard to flexicurity, de Nanteuil-Miribel and Nachi (2004, 308) claim that “the question is less about the type of relationship that can be established between flexibility and security than about the means of producing the collective rules, about how a sense of general interest can be re-introduced [...]”. The latter authors take the deliberative component of flexicurity as crucial, they seem to re-dedicate flexicurity from a labour-market-oriented to a political-cultural reform project: “it is to institute social actors emanating from civil society as fully legitimate partners of policy action [...] The locus of the challenge concealed within the strange neologism ‘flexicurity’ is doubtless here rather than elsewhere, in this capacity to redesign the political forms of our ‘being together’” (ibid., 316). It can be asserted that in the discussion on flexicurity, not only social partners, but also other actors of civil society do participate (e.g. at the stakeholder conferences organised by the EC).

What can thus be said about the democratic legitimacy of flexicurity from the evaluational perspective of the CA? The relevant criterion is, of course, the role of PD for flexicurity: does it take place in a legitimate form, and how much is policy bound to its outcomes? Several reasons can be thought of why the negotiation of flexicurity in the European arena does not satisfy the criterion of PD. Mostly, they have to do with inequality between participants. Sen’s criterion is that everybody should have the chance to make his voice be heard, and thus be able to influence the deliberation. In theory, deliberation refers to a political settlement in which reason prevails instead of power (3.1.3). It is different from a poll, in which a majority

²²⁵ Which means that “the people concerned are to participate effectively in all normative and rule-setting processes” (Bonvin and Farvaque 2006, 136).

²²⁶ “In around 40% of the cases no information about social partner involvement could be identified. This is due to the methodological limitations of the project rather than lack of involvement per se. In just under half the identified measures, social partner involvement could be confirmed. In the overwhelming majority of these cases, social partners played an active role in negotiating the design and implementation of the measure through collective agreements. In fewer cases they have also actively contributed to the funding, implementation, administration and evaluation”.

²²⁷ (Maria João Rodrigues, political advisor during the Portuguese Presidency of the EU in 2007)

triumphs over a minority, and it is also different from a negotiation between social partners, where power is absolutely crucial, and currently quite unequally distributed:²²⁸ differences are so considerable that while one party will lose its case if it refuses to participate in the game, the abstention of a different party may bring the political process to a halt. According to Pochet (2004, 190), simply by refusing to negotiate, employers' organisations can veto the progress of collective agreements.²²⁹

Secondly, a participation of many actors does not per se promote a well-functioning deliberation: "By using (or being able to use), either explicitly or tacitly, the resources of an extremely complex European multi-level game, some are better placed to exert influence on the European agenda and to derive domestic advantage from it" (Pochet 2004, 195). A shift of policy-making to the European arena therefore means weaker control by actors locally concerned. Under the old subsidiarity regime, even a weaker political actor, as long as it was a legitimate representative, could not be compassed easily, but had been someone to find an agreement with: "OMC is different from subsidiarity if subsidiarity is defined as empowering the actors at a given level to find the right solutions [...]" (ibid., 196). The claim that the EU should institute multilateral processes of negotiation and participation of civil society thus misses the point, at least from Pochet's trade-union stance: this kind of governance has been created and is being promoted by the EU, but its consequences are not what de Nanteuil-Miribel and Nachi would have liked to see.²³⁰

We can conclude that if there is a problem with the political process of flexicurity, it does not lie in an exclusion of stakeholders from the debate, but in an imbalance of power. It does not lie in the absence of negotiation, but in the fact that the content of flexicurity is all too negotiable.

The flexicurity arena is thus different from ideal PD. Still, from the CA's point-of-view, PD has normative authority over the goals of flexicurity. Capability-oriented authors generally agree that people should have a say in the development and deployment of policy measures which concern them (Bartelheimer u. a. 2012, 43; cp. also Bonvin und Vielle 2009, 25 et seq. as well as de Nanteuil-Miribel und Nachi

²²⁸ Yet, Wolf and Tullius (2012) make the point that even if social partners were equal, this would not automatically grant workers a real possibility for participation. In the eyes of the authors, social partnership is rather the opposite of process-freedom: The political process is situated at a highly representative level, thus far above the worker. What workers expect from social partnership is not so much a political say, but a favourable material outcome. Yet, in principle, nothing hinders workers' opting for a more participatory way to organise their part of social partnership.

²²⁹ We saw in chapter two that flexicurity became part of the EES although most trade-unions have been, at best, politely interested. It was explained that even though they are rather reluctant in matters of flexicurity, they cannot afford not to participate. Heinrichs' (2004, 207) criterion for the well-functioning of PD (3.2.1) was that all participants need to have the chance to refuse consent. Even though trade-unions are wooed by the EC and their active participation is being declared as indispensable, they do not seem to have this chance.

²³⁰ A third reason why negotiations on flexicurity cannot work like PD is that the official participants are bound to the mandates they receive from their sending institutions, and thus hard to convince. Probably, the representative of an employer's organisation would argue differently if asked about the nature of the good life and its implications for labour-market policy not as the voice of an institutional actor but as a concerned private person.

2004). Flexicurity should thus derive democratic legitimacy from listening to PD on the topic of valuable functionings.²³¹ The results of PD are independent from the (im)balance of power between protagonists of the flexicurity arena. If the flexicurity deviates substantially, there should be an authority which acts as a corrective.²³²

This opens up some tasks for empirical research: Which are the functionings acknowledged by PD as being valuable? How much is flexicurity in line with the results of PD? To what degree can stakeholders participate in the conception and the implementation of concrete flexicurity policy (this could be a case for a cross-country 'best practice' analysis)? Bonvin, Moachon and Vero (2011, 24) suggest monitoring not only opportunity-, but also process-aspects of freedom. Anticipating on the analysis of the EMCO monitoring strategy in the following section, it can already be mentioned here that the democratic process is not being monitored at all in this framework.

4.4 *Capability-sensitive flexicurity monitoring*

It has been argued that evaluation is important because it impacts on policy and thus on real-world outcomes. An extension of capability – desirable from the normative standpoint of the CA – becomes not only more probable if flexicurity is presented in the light of the CA's IB for the measurement of human well-being: Actually, such a monitoring is a prerequisite for the deliberate steering of capability-friendly policy.

As explained in chapter two, efforts have been made by the EMCO²³³ to establish a monitoring instrument for flexicurity. This is in line with the third of the Common Principles of Flexicurity, which says that "Progress should be effectively monitored". The result of these efforts was endorsed by the EMCO in 2009. The present section seeks to 'monitor the monitoring', i.e. to apply the guidelines elaborated above to the EMCO's monitoring strategy: Does it suffice to the claims to be made from a capability-perspective? Does it guide policy in a capability-friendly direction? Suggestions from other approaches to flexicurity monitoring will also be checked for their suitability in terms of capability, and further suggestions will be made.

What are the criteria to be taken as a basis for the evaluation of flexicurity monitoring? It has been shown that no clear capability-minimum can be derived from CA theory, thus policy cannot be judged from such an *a priori* threshold. Instead, there are some normative positions underlying the CA – explicitly or implicitly. It has been attempted above to interpret these with respect to flexicurity. A number of guidelines

²³¹ "Capability for voice of course depends on personal characteristics such as discursive competencies or self-confidence, but it more deeply relies on the social and institutional environment and its ability to listen to the concerns voiced by the persons involved" (Bonvin und Farvaque 2006, 135).

²³² Against this backdrop, the developments described by Pochet (2004, 189) are critical: the EP has been marginalised in favour of an autonomous social dialogue, but the EC has reduced its intervention in the unequal balance of power between the social partners. One can counter that since 2004, the competencies of the EP have been stepped up again, however.

²³³ (in collaboration with the Social Protection Committee, cp. chapter two)

have been elaborated, which can be the basis for an evaluation strategy for flexicurity. They raise the following questions: Is flexicurity conceived from the perspective of those affected, i.e. workers, job-seekers and their households? Do the indicators used take account of the degrees of freedom which underlie observable achievements? Is the flexicurity monitoring sensitive to inequality between workers, including inequality possibly created by policy itself? Is there any sensitivity for the individuality of workers' situations, lying in their personal conversion factors? Are the effects of collective conversion factors taken into account?

The guidelines derived from CA principles are rather broad, and this is necessarily so: if they were concrete, this would limit the scope of what can be decided upon by PD. Instead, Sen tries to formulate an approach which leaves the utmost freedom to societies to define their own aims. Limiting the self-determination of societies is evidently not the aim of the CA. In consequence, knowledge about the freedoms which are considered valuable and should be possessed by everybody can be obtained, in their concretion, not from theory but only from PD. To the extent that such deliberation takes place and can be observed, its outcomes can be used to monitor flexicurity: Does flexicurity target the freedoms which are generally considered valuable? Does flexicurity, in its effect, achieve the promotion of these freedoms?

A major difficulty at this point is that PD, as imagined by Sen, is hard to observe. Where in Europe is there a platform for all actors concerned by flexicurity to meet and to make their voices heard on an equal footing? It has been argued above that there are processes of negotiation going on at the European, the national and the sub-national level which are open to a great number of actors. Yet, it has also been argued that it is not necessarily reason which prevails, but that political weightiness and know-how make a big impact. It is therefore assumed here that PD in its pure form does not actually take place. We should think of PD as a normative idea of how society should ideally function. This idea can serve as a guiding principle, but it always remains, to certain degree, fictitious. But even if PD took place in its ideal form, there would still be the difficulty of observing its outcomes. This section will try to fill the gap by drawing on survey results on individual preferences. It will start with a review of the empirical literature. Then, the suitability of survey results as an observatory for PD will be discussed. It will be argued that surveys can be used as proxies for deliberation results. Subsection 4.4.2 will then contrast the EMCO monitoring instrument to what has been found out.

4.4.1 What do we know about workers' preferences and concerns...

Inquiring about people's preferences is interesting at different levels in the present context: Firstly, the topics which are relevant for them in the realm of work and employment are not self-evident. Subjective categories are thus an object of empirical investigation. For example, one may wonder whether or not employment quality is still

a topic in times of economic crisis, and what are the aspects of employment quality which are deemed important. Secondly, the concrete preferences which people have within these categories are a matter of investigation: for example, which degree of autonomy at their work-place do people expect? Thirdly, on a more methodological level, it is interesting to know how people's preferences can be investigated. What indicators have been thought of to find out about people's wants and needs? The present subsection reviews a selection of the literature.

4.4.1.1 ... regarding the workplace?

Starting with the case of Germany, there are several long-term projects of monitoring preferences and experiences of workers concerning employment, work and workplace. The German Federal Statistical Office recurrently asks about the importance of a set of workplace features. For the year 2006, it is found that 69 percent of West-German men and 63 percent of West-German women consider job security "very important" (Statistisches Bundesamt 2008, 140). In East-Germany, this is the case for 74 percent of men and even 77 percent of women (table 13). The second most important aspect for the respondents is that the job should be interesting. Around half of them think of this as very important. Another feature, independence, ranges not far behind. Around half as many respondents express work preferences which could be classified as altruistic: helping others, as well doing something useful for society. East-German woman seem most easily motivated by these motives. Strikingly, a high income does not seem crucial to most respondents: Only 19 percent of West-German men and 13 percent of women express this attitude, while in East-Germany the shares are slightly higher with 32 percent of men and 33 percent of women. All in all, it seems that East-German respondents have slightly higher expectations towards work than West-Germans, and that women have lower expectations than men except for the altruistic motives.

Table 13: Workplace preferences and workplace reality, Germany (2006), in %

	Secure job		Interesting work		Independ. work		Help others		Useful for society		High income	
	Wish	Real	Wish	Real	Wish	Real	Wish	Real	Wish	Real	Wish	Real
Men, West	69	28	50	36	44	43	20	22	16	28	19	3
Women, West	63	33	45	35	38	37	20	27	17	25	13	2
Men, East	74	16	52	32	47	40	27	21	22	32	32	1
Women, East	77	17	49	38	42	40	35	35	36	33	26	3

Source: Adapted from Statistisches Bundesamt (2008, 140 et seq.).

Table 13 also allows a comparison of expressed preferences with the real situation. As a general rule, the share of respondents who consider job security, interesting and independent work or a high income as very important is strictly larger than the share of respondents who feel that they actually possess a job with these features. This mismatch does not exist for the motives of helping others with one’s work or of being useful for society. We do not know from these figures whether each time there are the same respondents behind the expressed preference and the real situation.²³⁴ According to the Federal Statistical Office (ibid., 141) preference and reality are inversely correlated, at least for what concerns job security and a high income: those who have the lowest incomes tend to be those who think that having a high income is very important (cp. East Germany). The number of people who do consider their income as very high is quite negligible.

A second prominent source for judging the quality of work in Germany is the index “Good Work” (“Gute Arbeit”), commissioned by the Confederation of German Trade Unions (DGB). The ‘DGB Index’ has been established each year since 2007 (Fuchs 2012, 439). It consists of 15 categories, which are aggregated to three partial indices: Firstly *resources*, referring to the conditions at the workplace, which can support the personal and professional development of the worker. Secondly, *burdens/load and stress*, reflecting the physical and emotional strains at the workplace. Thirdly, *job security and income*, which captures the perceived fairness and sufficiency of wages and the job outlook. Each of the categories is surveyed by between one and three interview questions. Table 14 displays categories and the associated questions.

²³⁴ It is perfectly possible, statistically spoken, that while half of West-German men think that work should be interesting, non of these persons actually has an interesting job himself.

Table 14: Partial indices, categories and questions of the DGB “good work”-index

Partial index	Category	Interview question(s)
Resources	Skill training and personal development	Opportunities to acquire skills; work environment conducive to learning
	Creativity	Opportunities to contribute ideas
	Promotion opportunities	Prospects of in-house promotion
	Possibilities to influence the work process	Freedom to plan and schedule one's own work; a say in the volume of work; a say in how working hours are spent
	Flow of information	Access to all essential information; clear requirements
	Management quality	Appreciation/recognition shown by superiors; work well planned by superiors; value placed on further training/HR development
	Corporate culture	Encouragement to cooperate; competent/appropriate management
	Relations with colleagues	Help/support from colleagues
	Meaningful work	Work valuable to society
	Regulations of working time	Freedom to take overtime off when it suits; working hours reliably planned; personal needs considered in planning
Burdens/ load and stress	Work intensity	Unwanted interruptions; rushed work/time pressure/ job quality suffers from intense pace
	Emotional requirements	Need to hide feelings; condescending/undignified treatment
	Physical requirements	Heavy physical labour; physically monotonous labour; noise, loud environment
Job security and income	Future prospects and job security	Fears for occupational future
	Income	Income and performance well matched; enough income; enough pension from employment

Adapted from DGB-Index Gute Arbeit GmbH (2010).²³⁵

²³⁵ English translation of variables taken from the [website](#) of the European Social Observatory (last accessed on 2014-03-13).

Based on the workers' responses, index values are calculated for each of the 15 categories. The three categories with the most favourable results in 2010 for German workers are "meaningful work" (81),²³⁶ "relations with colleagues" (74), and "emotional requirements" (73). The categories perceived as most problematic are "income" (41), "promotion opportunities" (45) and "future prospects and job security" (49) (DGB-Index Gute Arbeit GmbH 2010, 8).

To create a better overview, the 15 categories are also aggregated for each of the three partial indices. The overall index value – the actual DGB-index – is the mean value of the partial indices (thus equal weighting) (ibid., 10). In 2010, this index value is of 59. According to the thresholds defined by the DGB, this is a medium-grade result: "good work" corresponds to 80 up to 100 index points, "medium-grade work" to 50 to 80 points, and "bad work" is below 50 points (ibid.). Following this rating, the share of workplaces in Germany with the label "good work" is of 15 percent, while "medium-grade work" applies to 52 percent and "bad work" to 33 percent of workplaces (ibid., 11). By group of workers, it turns out that part-time workers tend to give better ratings to their jobs as compared to full-time workers. The same holds for workers with open-ended contracts in comparison to fixed-term workers (ibid., 12).

Not all of the above categories are relevant from the perspective of flexicurity, but many are. It will be argued later that precisely because these indicators are at the level of outcomes, they could fruitfully be used for monitoring flexicurity. The same holds for the items of the EWCS, which has been carried out by Eurofound for several times (Parent-Thirion u. a. 2012; Parent-Thirion u. a. 2007).²³⁷ In the following, a number of sub-topics which are definitely relevant for the flexicurity discussion will be scrutinized in some detail, drawing on other sources in the literature.

4.4.1.2 ... regarding working-time?

On the topic of working-time, an ample review of literature from around the turn of the millennium has been provided by Eurofound (2003). Concerning working-time flexibility in general, research among European employees and job-seekers has found "a keen interest in more flexible working-time regimes" (ibid., 90). Just as claimed by promoters of flexicurity, workers "wish to be able to vary working hours more effectively according to individual circumstances and private time preferences and needs" (ibid.), e.g. to care for children or for elderly family members. Yet, "[f]lexible working hours thus do not always automatically entail a better reconciliation of working and family life" (ibid.): The issue of control over flexibility, mentioned above, appears in empirical research: a "flexibilisation of working hours in accordance with companies' immediate interests can make it increasingly difficult for individuals to organise their everyday lives; this is especially true of such forms of flexibilisation as on-call working or overtime, which demand a unilateral effort by employees to synchronise their private lives with the demands of work" (ibid.). The resulting lack of

²³⁶ Index value, where 0 is worst and 100 is best.

²³⁷ For example, we saw in chapter two that Tangian (2007b) has used the data to explore the effects of work and employment flexibility.

combination security can amount to an exclusion of specific groups of employees (those who are charged with care-work in the household) from the labour-market.

As for the number of working hours, it has been found out that for “the majority of the working population in the European Union, actual weekly working hours do not correspond with expressed preferences. About half (51%) of those surveyed would prefer to reduce their working hours and, remarkably, would even accept a corresponding drop in income to achieve this. Only 12% of all employees would like to work longer hours” (ibid., 91). A poll among employees aged between 30 and 45 years (in 15 European MS plus Norway) has found that, distinguishing by gender and employment status, there is just one group of workers among whom a majority would prefer to work longer hours: the small group of men in part-time jobs (ibid., 92). Differentiating by country and gender, Bielenski, Bosch and Wagner conclude that on average, the desire for shorter working-hours dominates both for woman and men in each single country researched (Eurofound 2003, 97). This does not imply that people would like to opt out of the labour-market: The share of employees aged between 30 and 45 who would prefer not to work at all is around 1 percent (men 1.3%, women 0.9%) (ibid., 92).

All this makes a case for moderate working hours, possibly substantial part-time jobs for a large number of workers. A non-negligible share of workers now working in full-time indicate that they would like to work part-time permanently (11%, ibid., 93). As mentioned, however, there are also those who would like to increase their working hours. According to Eurofound (ibid., 94), “about one-fifth of all part-time workers do part-time work against their inclination because they cannot find a full-time job”. This points to “a large degree of mismatch between working-time preferences and the options available on the labour-market” (ibid.). This is corroborated by Hacket (2012, 674) for German employees: Considerable discrepancies are found between desired and actual working-time in both directions. As a general rule, the more working hours, the larger the number of working hours which employees would like to subtract (ibid., cp. also Statistisches Bundesamt 2008, 141). In Germany, the preference for working hours remains quite different between genders: For the group of people without employment, the Federal Statistical Office finds that more than half of West-German and a quarter of East-German women would like to take on a part-time job (Statistisches Bundesamt 2008, 127). For men, in both parts of the country, it is just 6 percent (year: 2006).

As for the preferred forms of part-time work, both sexes favour the option of working full-time on some days a week and taking some days off (ibid., 95). The second most popular form with women is a reduced number of hours every working day, while men have a slight preference for flexible working hours fixed at short notice (ibid.). In a way, reducing the total of working hours is a prerequisite for most forms of working time flexibility. Taking whole days off (which 38% of workers surveyed by Bielenski et al. would like to be able to do, cp. Eurofound 2003, 94) or taking a sabbatical (57% of those surveyed, ibid., 95) implies that the total number of hours worked cannot be equivalent to a permanent full-time job.

4.4.1.3 ... regarding flexible contracts?

Arguing that employment flexibility is being imposed on workers, Ebert, Kühnel and Ostner (2005) research its acceptance among Germans in working age who are employed or seek to become employed. They find that although many are afraid of threats connected to part-time employment (mostly, but not exclusively of a financial nature, *ibid.*, 327), workers tend to have a favourable opinion on it and would appreciate it for themselves. This finding is in line with the results cited above (including the important gender effect which is also found in this study, *ibid.*, 328). In contrast, fixed-term employment is judged in a more negative way (*ibid.*, 333). Respondents are even more negative about temporary employment, which is the most-rejected form of flexible employment among the ones surveyed (*ibid.*, 337). Respondents associate it with various difficulties, including dissatisfaction with the work content, problems with long-term planning of one's private and professional life, financial strains, but also problems in interactions with permanently employed colleagues (*ibid.*).

Attitudes seem to depend, at least partially, on the respondents' circumstances. According to the results of a multi-variate regression, workers (both sexes) seem to get more positive about part-time employment the older they are, and also if they have already experienced it. Men's (not women's) opinion is positively influenced by the presence of children in the household and by a higher qualification level, while women's (not men's) opinion about part-time gets more favourable if they are in a long-term relationship and for higher household income. Respondents of both sexes are more negative about part-time employment if they are from East-Germany, and also if they feel generally disoriented (anomia-index used, *ibid.*, 330). The fact of "not feeling at home in society" (*ibid.*, 342) also weighs on the concerned people's opinion about fixed-term and temporary employment. Apart from this, the negative opinion about those two forms of flexible work seems surprisingly independent of the living situation. There are some exceptions: In the case of male respondents asked about fixed-term employment, a significant negative effect of the presence of dependent children is also found by regression analysis. Asked about temporary employment, higher qualification and higher household income surprisingly has a positive effect on men's opinion.

4.4.1.4 ... regarding flexicurity measures?

The term flexicurity is widely unknown to workers, even though they are affected by it. Ebert, Kühnel and Ostner (2005, 319) consider that the idea that rising flexibility should be accompanied by new institutional safety precautions is not self-evident, not to mention the claim for such institutions. "Flexicurity measures are discussed among specialists. We do not know to what extent they are familiar to a larger public, and if they are, how they are judged" (*ibid.*). With regard to the period of their early work on flexicurity, it is clear that the meaning the authors give to flexicurity is not yet influenced by the policy agenda sketched later in the EC's (2007a) communication. If

they ask respondents about their judgement on flexicurity measures, they refer to single measures which can be considered as flexicurity, not to the European policy agenda as such. The actuality of their empirical investigation lies in the fact that, to my knowledge, there has not been any other attempt to capture workers' judgement on flexicurity.

Ebert, Kühnel and Ostner (2005, 325) remark that a rather negative judgement on flexibility can possibly lead to a rather positive opinion about flexicurity. They find that those who are rather insecure, the group which is also more hostile to employment flexibility, tend to approve flexicurity measures (*ibid.*, 342). The authors name several (fictional) policy measures to their respondents which aim at cushioning the negative effects of employment flexibility. It turns out that the negative attitudes towards flexibility could be influenced by these measures to some degree. As far as part-time employment is concerned, the suspected financial disadvantages could theoretically be countered by wage and pension subsidies. Such measures would reduce the share of those reluctant to take this form of employment (*ibid.*, 328). Whereas 13.1 percent of respondents²³⁸ generally have a negative opinion about part-time employment, this share is reduced to 8 percent under the condition of wage subsidies and to 5.9 percent if part-time employment is accompanied by pension subsidies (*ibid.*). The gender effect remains important. Interestingly, the majority of the respondents do not speak out in favour of subsidies (*ibid.*, 331). It seems that people with children in the household and people from East-Germany tend to approve the proposed subsidies, as well as respondents who have experienced part-time employment. A higher household income seems to diminish the approval of the subsidy. Independently of additional flexicurity measures, one third of the full-time employed would accept transient part-time employment, among the unemployed the share is 70 percent.

As for fixed-term employment, 44.6 percent of respondents have a negative opinion of it. If accompanied by further training, however, fixed-term employment is only rejected by 8.8 percent of respondents (*ibid.*, 334). A higher unemployment benefit could raise acceptance of fixed-term employment as well, yet to a lesser degree: 22.3 percent of respondents would keep their negative judgement in this case (no big gender differences this time). Multi-variate analysis hardly renders any factors which have a positive effect on the judgement about fixed-term employment. If at all, respondents who do not have to care for dependent people are less negative about it (*ibid.*). The flexicurity measure proposed by the authors is to decouple the workers' pension rights from unemployment experienced during working life. It turns out that a large majority (64%) of respondents is in favour of this (*ibid.*, 335). Under the conditions of the status quo, 80 percent of employees with open-ended contracts say they would accept fixed-term employment if they were job-seekers, notwithstanding the problems perceived. Among the job-seekers, just 60 percent say so (*ibid.*, 334).

The third form of flexible employment analysed, temporary employment, is judged unfavourably by 48.5 percent of respondents (*ibid.*, 338). Under the condition

²³⁸ Pupils, students and pensioners excluded here and in the following.

of equal pay for equal work, the share of negative opinions crumbles to 16.3 percent. This flexicurity measure is supported by 68 percent of respondents. Multivariate analysis tells us that the support tends to be stronger among older and East-German respondents. Under the existing conditions, one out of two employees say they would accept a temporary job if they were unemployed, among the unemployed it is just one out of three. Summing up the study done by Ebert, Kühnel and Ostner, flexible employment does have a problem with acceptance in the population. Flexicurity policy can raise it to some degree, but not to the level of standard employment. The authors conclude that people's expectations towards the state remain high (ibid., 342). Some problems caused by flexible employment are difficult to compensate with money, however.

4.4.1.5 Using survey results as outcomes of public discussion?

The aim of this subsection was to give an overview on workers' preferences in the realm of flexibility, security and flexicurity, in order to underpin the discussion with empirical facts. Preferences have also been contrasted with the reality in European labour-markets in order to point to pressing issues. Yet, what is the value of survey information *in terms of public deliberation*? Can we take the insights gained as expressions of such a democratic process, or at least as a sufficient approximation?

From a capability-point of view, a crucial question is whether the categories and items used are relevant for those concerned. The first question which needs to be answered is thus: Is the information which was gained *representative* for the persons concerned by the topic? In the present case: Is it problematic that only workers, and not other stakeholders have been considered (like e.g. employers), given that everybody should have the chance to have his or her voice heard? The participation of employers in the formulation of workers' preferences in respect to their workplace or working-life does not seem crucial, as employers are not concerned as much as workers are. Exceptionally, the capability of an employer as a person may also be concerned: In a small firm, whether or not employees are prepared to accept certain elements of flexibility or not may have an effect on the way the boss himself works. Also, if workers' security has a cost for the firm, it may be crucial for the owner of the enterprise which kinds and degrees of security have to be granted by him: in an adverse economic situation, additional cost may make him or her lose the investment (but this is not probable: in such situations, transient agreements with the staff are possible). In the usual case, however, workers are much more personally concerned by flexicurity questions than employers, and the empirical base is therefore limited to them in this text.

So the problem about using surveys does not lie in the representativeness for the concerned population. In contrast, given the fact that surveys use established methods to reach statistical representativeness, this is even a point in favour of surveys in contrast to observations of real PD. But what about the categories and items contained in the surveys used? Their choice should be guided by the preferences of the concerned population (and in the case of indices, the rules of aggregation

should be close to the weightings which those concerned would choose). Can we say that this was the case for the studies used above? As for the DGB-index, such a monitoring instrument cannot be established without the consultation of experts. Yet, this does not preclude giving a voice to those concerned, as it has also been done: “The classification into three different levels of quality – good, medium-grade and bad work – is based on the specifications given by workers on the requirements which have to be met in order to rank work as good work” (DGB-Index Gute Arbeit GmbH 2010, 10). One could counter that as the index is continually being surveyed without changing categories or weighting methodology, it ignores possible changes of workers’ preferences. Changes in the surveying tool would be detrimental to inter-temporal comparability, of course, such that the continuity of the indicator seems justified. As for the case of Ebert, Kühnel and Ostner (2005), whose work is especially useful in the present context for being targeted directly at flexicurity, the standardised questionnaire builds on two pretests (ibid., 322). One can argue that the concerned people thus had the opportunity to influence the criteria of the survey beforehand, like the forms of flexibility and the concerns that could be voiced in the latter questionnaire.

Provided that the surveyed categories represent valuable functionings from the point of view of the concerned persons, workers, and that low realisations in these categories constitute a perceived lack of capability: Can we take this information as an outcome of PD? There may be other arguments why it could be better to gain information not from interview situations, but from real dialogue. Could it be that *societal trade-offs* are not sufficiently taken into account by surveys? Are preferences voiced without a sufficient prioritisation or consideration of what is feasible? Respondents are alone when filling out the questionnaire, they are not confronted with alternative views on the matter. In consequence, their statement is less likely to reflect a comprehensive understanding of the topic and the situation. Workers’ preferences and opinions might differ from those expressed in polls once they are reflected upon in a situation of exchange of ideas, for example a focus group discussion (Burchardt und Vizard 2007b, 11). For example, the confrontation of workers’ and employers’ views might change perceptions on both sides. In principle, such a confrontation takes place at the level of the social partners, but organising such a discussion on the ground, in firms, would certainly be a fruitful (yet difficult) element of a research project.

One could also argue that not only societal, but also personal trade-offs are probably less in the foreground in a questionnaire, as long as different items are ticked independently of each other. As mentioned, Sen’s CA is about alternative ways of life between which people can chose, which may have comparative advantages and disadvantages. A way of life consists of many different functionings. If each functioning corresponds to a individual survey item, everything can be ticked by the respondent. Ideally, a questionnaire would thus let respondents choose between ways of life, described in detail by many functionings, which can be ticked only by bundles. Practically, this is difficult, as filling out the questionnaire would involve a lot of

reading and thus take long a long time; not many people would be ready to take the time to respond.

In conclusion, more could be done by questionnaires than what was done in the framework of the ones used above, and focus groups could be a better alternative, to be carried out in the context of a different research project. Legitimation by public deliberation will probably always be a difficult point for practical capability research. Yet, pragmatically spoken, freedom would not be promoted in any way if one pretended that only a fictitious ideal situation of PD could render insight into real needs and wants. In the present case, in accordance with one of the justification strategies defined by Alkire (“Empirical Evidence Regarding People’s Values”, cp. 3.3.1), I suggest that the presented survey results can tentatively be used as a proxy for the results of public deliberation. They give an impression of what people would generally like for themselves: having a meaningful job or activity, being able to make plans for the future, being affluent enough to cover one’s material needs, being able to care for one’s relatives, being healthy, among other things. These functionings will be kept in mind for the following subsections.

I would even argue that there is at least some advantage of surveys over observed examples of public deliberation: the different characters which persons have, which condition their individual possibility of making themselves heard in a discussion, come to bear less in a survey.²³⁹

4.4.2 The EMCO’s flexicurity-monitoring revisited

This section revisits the monitoring strategy for flexicurity which has been proposed by the EMCO (2.3) from a capability-perspective. One aim is to test its conformity to the requirements elaborated in the preceding sections, i.e. both the principles underlying the CA and the preferences voiced by workers. A second aim is to make a contribution to an improved monitoring in the future: As stated by the EMCO (2009a), its set of indicators is still incomplete, further ones are being considered and will potentially be added. The EC has announced that “in order to strengthen the governance and implementation mechanisms and support Member States, the EC will introduce, as of 2011, a *comprehensive methodology* to monitor Member States’ progress in implementing the principles of flexicurity, based on the ongoing work with the Employment Committee” (EC 2010b, 8, *emph. added*).²⁴⁰

²³⁹ The doubt which remains can be understood as an additional argument for the need to heed freedom in conceiving policy, and to heed the counter-factual when doing research: From the perspectives of monitoring and of policy-making, the importance of freedom is not only rooted in the intrinsic value of freedom, or also in the fact that preferences and situations are different between people, but also in the fact that one does not have complete knowledge about these preferences and situations. Only if freedom is granted, the leeway is provided to people to do what serves best for achieving valuable functionings. The lack of knowledge which policy-makers face concerning the variety at the micro-level adds to the instrumental value of freedom.

²⁴⁰ As of spring 2014, this comprehensive methodology has not been delivered yet.

4.4.2.1 The level of monitoring

The EMCO flexicurity monitoring applies at three different levels: input, process and outcome. It thus reflects the double nature of flexicurity as a ‘policy strategy’ and a ‘state of affairs’ which has been claimed by a number of authors (Muffels u. a. 2010; Muffels und Wilthagen 2011; Mandl und Celikel-Esser 2012). This monitoring conception is not ideal, as will be argued.

First of all, it is overdetermined. An inherent tension comes from the incongruence of policy input and labour-market outcome, due to autonomous factors such as the business cycle, but also to real-world complexity and to the agency of actors (cp. 2.3.3). This cannot be healed by introducing a process category. My contention is that even though flexicurity is best defined at the policy level (i.e. as a policy agenda), it should be monitored at the outcome level. It does not make sense to define specific political instruments as flexicurity when it is not clear what the outcome of measures will be. Measures may have no effect at all or very unclear effects. For example, half of the input indicators used by the EMCO count monetary expenditure on training and LMP measures etc. There is no specification of *how* the money is to be spent. Even in the case of completely ineffective spending, the indicators will be satisfied as long as the amount of money is high or at least conform to the guidelines. This problem is acknowledged by the EMCO itself: “Provision of financial resources, for example public expenditure, is seen as an input indicator even though it does not include the aspect of effectiveness” (EMCO 2009b, 3). Beyond this, policy effects can also be at the opposite of what has been intended. It would be detrimental in this case to stick to the measures used, just because they are what flexicurity has been defined as.²⁴¹ Bertozzi and Bonoli (2009, 15) conclude that there is a case for “looking for alternatives to policy-based measurements”.

The second reason why it does not make sense to associate flexicurity with a predefined policy is that this means that other – potential or already existing – measures may be overlooked. Mandl and Celikel-Esser (2012) identify a staggering 230 measures (ibid., 23) in European MS which have a positive impact on flexibility and security in the labour-market, but which have never been “explicitly labelled as ‘flexicurity’” (ibid., 5) before. “This leads to a lack of visibility of flexicurity measures” (ibid.) and to misunderstanding about the extent of already existing flexicurity policy.

Thirdly, it is inconsistent with the EC’s approach to flexicurity to prescribe a specific policy, whereas the countries’ freedom to define their own way of flexicurity had always been highlighted. Trying to mend this by formulating policy as abstractly as monetary expenditure again runs into the first problem mentioned above.

²⁴¹ Raveaud (2004, 138) has an excellent example for how certain policies in the EU obtain a life independent from the aims which they were designed to achieve. It is cited here because of possible parallels with flexicurity. In its 2003 Recommendations, the Council of the European Union wrote: “The Swedish labour-market is characterised by *very high employment rates*, including among older workers and women, and *all the EU-wide targets have already been exceeded*. [...] Despite the ongoing tax reform, the tax burden on labour is still the highest in the EU. Benefit schemes are relatively generous in an international perspective and include tight eligibility criteria. However, *further efforts appear necessary to improve incentives to work*” (ibid., emphasis added).

There is a fourth reason to evaluate flexicurity exclusively by its outcomes. It is connected to a schism heralded by the CA, differentiating between a set of institutions (including theories, policies, etc.) on the one side and the lives which people actually lead (to be captured by functionings) on the other side. As has been explained above, policy is instrumental to the well-being (freedom) of people, and it needs to be evaluated from this stance. Sen (2009, 82), in his latest book, explains that “we have to seek institutions that *promote* justice, rather than treating the institutions as themselves manifestations of justice”. Institutions therefore have to be judged by their effects, and these depend on “varying social, economic, political and cultural circumstances” (ibid.).

The later does not imply that institutions can or should not be a subject of research. Research needs to be done also on the policy-level, yet from a different angle than the EMCO suggests. As has been argued above, it is important to analytically connect policy input and labour-market outcome, and also to risk *causal* statements – which the EMCO refuses in its report. It is certainly correct to refrain from simple explanations, and much speaks for questioning putative empirical evidence for the success of flexicurity policy. Yet, renouncing the ambition of measuring the effects of policy is just too comfortable. It would prevent policy from taking responsibility for adverse labour-market outcomes generated, and no policy learning would be possible either. Connecting input and outcome, certain policy measures will probably be identified as fruitful flexicurity measures in a given setting. Maybe, there can even be measures which prove effective in most European countries.

Seen from a capability point-of-view, their character as flexicurity measures remains contingent on their success in actually serving human well-being (freedom) by influencing flexibility and security in the employment system. Put differently: Some measures can be flexicurity measures in one country, while in another country they are not. I thus propose to invert the conclusion of the EMCO (2009a, 4): The difficulty is not to determine the effects of flexicurity policy. Rather, the difficulty is to determine which policy can justly be called flexicurity.

4.4.2.2 Counter-factuals

It is argued here that the most distinctive feature of the CA in comparison to other approaches to well-being measurement is its focus on freedom, thus the counter-factual. It is also argued that the counter-factual is vital in the field of flexicurity, because flexicurity raises contingency in the labour-market. The resulting diversity can easily be confused with plurality, while de-standardisation of employment trajectories and diversity of life-styles is not necessarily a result of choice. Castel's (2009, 27) “*individu par défaut*” is a person who is unable to follow a self-defined trajectory in the midst of the different social forces which impact on him or her. This person is an individual, but driven into his or her singular state by a process that he or she does not master (Beck 2007). Against this backdrop, it was argued that the security-promise of flexicurity should be filled with granting workers some control over options. This can be measured by the alternative states which workers could reach or could have

reached. Security is not the achievement of some set of valuable functionings, but the effective availability of this set.

The fact that the observer cannot be sure about which beings and doings are to be considered as crucial in a society (due to the difficulty of observing the outcome of PD) does not speak against making freedom the yardstick of evaluation and monitoring. On the contrary, it is an additional reason for doing just this: If we cannot be sure about which ways of life are deemed valuable, then we are on the safe side if we treat a greater rather than a lesser plurality of life-styles as legitimate. To give the example of flexibility at the workplace: De Nanteuil-Miribel and Nachi (2004, 315) claim that it would be helpful to give workers a say in the deployment of flexibility. The authors highlight its “extreme variety of [...] forms and expressions”. Firstly, the more pluralistic a society is, the more people will disagree about which flexibility is good and which is bad (cp. BMFSFJ 2011, 39). Secondly, it depends on the worker’s own context whether flexibility is harmful or beneficial. The worker himself is the one who knows this context in detail, e.g. his state of health or his family commitments, and who can thus judge best the effects of flexibility in his own case. Granting freedom means decentralising decision – which is often better than a decision which is centralised but poorly informed.

In their propositions for a flexicurity monitoring strategy, Muffels et al. (2010) make explicit reference to Sen (ibid., 5), but they argue that capability is “hard to measure and a direct measure will not be readily available” (ibid.). Instead, “an indirect yardstick is used indicating the amount of human capital (education, work experience), social capital (contacts, social networks), cultural capital (preferences, values, attitudes) people possess and environmental capital (healthy lifestyle, green resources)” (ibid., 6). This way of garnering information on a person’s freedom is not satisfactory. It is more indirect than necessary, and it also seems to fall back into methodological individualism. It seems that the monitoring instrument proposed by the EMCO does better than this, at least in the case of some indicators. Yet, many indicators can also be spotted for which some capability-information would be very beneficial or even necessary to avoid adverse effects of policy.

The EMCO indicators which can be attested some capability-potential connect the employment status with some background information on the reason why this state has come about. This is the case for the indicator “*Inactivity and part-time work due to lack of care services for children and other dependants*” (EMCO 2009a, 7). The data source is the EU-LFS. It contains an item which records, if a person is not searching for a job or is working in part-time, whether “1 Suitable care services for children are not available or affordable, 2 Suitable care services for ill, disabled, elderly are not available or affordable, 3 Suitable care services for both children and ill, disabled and elderly are not available or affordable. 4 Care facilities do not influence decision for working part time or not searching for a job” (Eurostat 2008a). These categories hint whether the employment status of the observed person is voluntary or not.²⁴² The indicator which builds on this renders the share of people whose employment

²⁴² It is not more than a hint, however: cp. the reflection on voluntariness in chapter three (3.3.3).

participation is hindered by the lack of care services in the total of those who would like to work but are not searching for a job, or who are working part-time and would like to work longer hours.

A similar example is the indicator “*Share of employees working in permanent contracts or in voluntary fixed-term or part-time contract*” (EMCO 2009a, 5). Here again, EU-LFS data are used for exploring the reasons of a person’s employment status. Unlike the title of the indicator suggests, just fixed-term and part-time contracts are monitored (not permanent contracts). For the case of part-time, the following reasons can be given by respondents: “Part-time job which was taken because 1 Person is undergoing school education or training, 2 Own illness or disability, 3 Looking after children or incapacitated adults, 4 Other family or personal reasons [...], 5 Person could not find a full-time job 6 Other reasons” (Eurostat 2008a). The reasons for having a fixed-term job that can be ticked in the questionnaire include “1 it is a contract covering a period of training (apprentices, trainees, research assistants, etc.), 2 person could not find a permanent job, 3 person did not want a permanent job, 4 it is a contract for a probationary period” (ibid.). Like above, this flexibility indicator uses survey answers to distinguish between voluntary and involuntary cases of part-time respectively fixed-term employment (cp. EMCO 2009b, 14).

It is not explained in the documentation given by the EMCO which answers are counted as voluntary and which are counted as involuntary. This is regrettable because one can disagree about the degree of voluntariness which is implied, not only for vague pieces of information like “other family or personal reasons”, but also for the framing dilemma (3.3.3). Knowing more about the rules of classification would allow a discussion on this crucial issue. The same applies to the indicator “*Diversity and reasons for contractual and working arrangements*”. Based on EU-LFS data, it measures the share of part-time and fixed-term contracts plus the self-employed in the overall number of people in employment. Concerning voluntariness, the EMCO just mentions that the indicator “summarises information about involuntary fixed-term and part-time contracts” (EMCO 2009a, 5), as if this distinction were a self-evident matter. Another issue with the above indicators is a certain one-sidedness in their inclination towards employment, we will get back to this point below. Nevertheless, the above indicators definitely point in the direction of capability. They are three out of thirty indicators, the majority of which are much less suited for capability-analysis.

It happens that indicators suggested by the EMCO appear to correspond to a capability-logic, but do not if one looks a bit closer. The name of the indicator “*access to flexi-time*” suggests that the worker can adapt the working time to his needs, he has access. This impression is reinforced by the explanation given in the EMCO report: “Working time arrangements should be monitored both from the employee's and the employer's perspective. The (input) indicator of the European Employment Strategy on access to flexi-time provides information to measure the rules or the structural framework mostly from the employee's perspective” (EMCO 2009a, 5). In contrast, the way the indicator is built, it just measures the “total employees who have other working time arrangements than fixed start and end of a working day as a % of total

employees” (EMCO 2009b, 13). In other words, there is no indication that it is the employee who determines the variation of working time. “Access to flexi-time” is thus also ‘granted’ to employees who have to come and go as it suits their employer, which makes the term “access” rather misleading. If this indicator is meant to be “from the employee’s perspective”, then some information on the worker’s control over time-use should be added.

Recalling the DGB-monitoring, it seems that there are sources for capability indicators which an improved EMCO flexicurity monitoring could draw on. Variables of the Good Work Index are often formulated in a way which asks about counterfactuals. The perspective of freedom seems to suggest itself also independently of the theoretical background of the CA. More examples can be found in a regular monitoring issued by the German Federal Statistical Office (Statistisches Bundesamt 2008), which offers data on persons’ subjective chances at the labour-market (ibid., 125) or the personal assessment of the security of one’s own workplace (ibid., 142). This information is provided only with German data. Yet, the EWCS contains some similar items. Where data is lacking at present, existing concepts of indicators could be taken up for a harmonised survey in all European countries. In this context, I also would like to point out an indicator used by Farvaque (2005, 273) which measures the voluntariness of a current state by asking some ‘historical’ information: “did you turn down a job offer in the last six months”. Although it is not trivial to use information on real alternatives which may exist or have existed, a more capability-sensitive monitoring of flexicurity seems feasible in principle.

4.4.2.3 Tell-tale dynamic indicators

Wilthagen (2008, 14) has argued that the time dimension lies in the nature of flexicurity, and transitions are therefore important to monitor.²⁴³ The EMCO has explicitly sought to include dynamic indicators in its flexicurity monitoring.²⁴⁴ There are two dynamic indicators at present: “*Transitions by type of contract*”, measuring inclusion into employment, and “*transitions (labour status, pay level)*”, considered as an indicator of qualification in the sense of life-long learning. Bonvin, Moachon and Vero (2011) reflect on the value of these two indicators in terms of capability. Their point is that the way transitions are being counted, a certain idea prevails of what good transitions look like,²⁴⁵ which is not necessarily shared by everybody. The authors

²⁴³ Cp. also Muffels et al. (2010, 77): “The interest for dynamic indicators is growing due to the increasing volatility of labour-markets and the larger importance attached to it in the economic, social and environmental policy domain at the EU level where the focus shifts to measuring change, transitions or dynamics instead of only states”.

²⁴⁴ “In its June meeting, EMCO endorsed the progress report on monitoring and analysis of flexicurity and invited the Indicators Group to pursue its work according to the proposals in the report. The further work should be concentrated on output indicators including transitions to complement the input-and process indicators” (Council of the European Union 2009, 3).

²⁴⁵ “An output-indicator is the “*Transitions by type of contract*” which draws on data from the EU-SILC. It is a dynamic indicator showing transitions between non-employment and employment and within employment by type of contract or self-employment for the working age population (16-64 years).

reveal an “ideological” (ibid., 16) component which informs the EMCO flexicurity indicators. They criticise that work is always considered as positive, without asking about its quality: “Describing transitions as positive means prescribing them as preferable. Thus, the transition into employment is always interpreted as positive, without taking account of the quality of the job in question” (Bonvin, Moachon, und Vero 2011, 23, my transl.). The question whether or not a person should actually pursue paid employment, which is always contingent on the circumstances, is categorically decided in favour of employment take-up.

The second dynamic indicator on life-long learning is not measured as educational or professional development, but as the building of human capital, and thus captured by earnings. The argumentation of the EMCO is very telling indeed in respect to their interpretation of knowledge:

“Since the pay level measures the person's wage – compensation for labour – a change of pay is interpreted as a change of qualifications and as a result of lifelong learning. Transition to studies is an upwards transition from the perspective of lifelong learning since it means acquiring new knowledge. For the employed, a transition is classified as upwards/downwards according to the change in pay level” (EMCO 2009a, 6).

If the two dynamic indicators discussed here really mirrored what flexicurity is about, then it would be hard to resist the impression that flexicurity mainly aims at a marketisation of labour. This impression is reinforced by the observation that – as far as family-life is concerned – the EMCO indicators reflect a perception of it as an obstacle to employment participation, instead of asking whether the conditions for having some family-life are effectively preserved. This holds for the indicator “*Child care*” (measuring the proportion of children cared for outside of the family) and “*Care of dependent elderly*” (interested in the division of labour between specialised institutions and families). It also explicitly holds for the indicator “*Inactivity trap after child care cost*”, which “is included since the availability and affordability of child care is a key determinant for the decision of lone parents to take-up work” (EMCO 2009a, 8). The same applies to the indicator “*Employment impact of parenthood*”, measuring with LFS data “the difference in percentage points in employment rates (age group 20-49) without the presence of any children and with presence of a child aged 0-6”.

There is thus evidence that employment participation is the major reference point of the EMCO flexicurity monitoring. In CA terms, it seems that what the EMCO seeks to make of employment is not an *achievable* functioning, something which a person can do or be, but a *realised* functioning, something which a person simply does or is. In order to show that this distinction is useful and necessary, I will argue by way of example that it makes a great difference for the freedom *not* to be in employment under certain circumstances. Auer (2010, 373; cp. also Mandl und Celikel-

For the employed, a transition is classified as upwards/downwards according to the change in security of the employment contract. For non-employed, a transition is classified as upwards/downwards meaning closer to/ further away from the labour-market” (EMCO 2009a, 5).

Esser 2012, 7) considers that “flexicurity is a means of reinforcing the implementation of the Lisbon Strategy”, the quantitative employment targets of which have been mentioned (2.1.1). The general principle, the kind of society which regulators have in mind, features a specific kind of ‘full employment’, which is not only supposed to mean as little unemployment as possible, but also as little inactivity as possible: “flexicurity policies should aim at social cohesion and fighting poverty and exclusion by spreading the benefits of *safe employment* and income security to *all citizens*” (European Expert Group on Flexicurity 2007, 5 emphasis added). Accordingly, Annesley (2007, 195 et seq.) identifies the idea of a “Europe-wide Adult Worker Model”, “in which all adults – male and female, old and young, abled and less-abled – are required to take formal employment to secure economic independence”. The European authorities advertise this idea by the various virtues of work, whereby the threshold of a veritable work “myth” (Serrano Pascual 2007a, 19) is sometimes trespassed. This hardly seems to leave any space for the ‘capability for work’, which explicitly includes the capability not to work under certain circumstances (Bonvin und Farvaque 2006, 126).

No one would doubt that employment is largely appreciated – for many people, working is a deeply valued activity in its own right – and that it can provide people with capability in other spheres of life. Still, it makes a large difference to make freedom, instead of (“flexible and secure”) employment, the general principle of flexicurity.

Depending on the amount of tasks outside of paid work, and depending on one’s personal projects and biographical phase, the chance of not being in an employment relationship can be important, both for the individual and for society as a whole. Arguing for a life-course perspective, Klammer (2004) points to the importance of finding “a new equilibrium between ‘commodification’ and ‘de-commodification’” (ibid., 288), where the latter “means independence from the labour market through the right to leave the labour market in certain situations and life phases, and in particular through financial support for these phases”. Klammer insists that such payments are not just an outdated tool belonging to an old-fashioned welfare state (in contrast to “modern social security systems” with more active measures), and claims that “there is a need to re-think and redefine under which circumstances and for which phases people are not expected to gain a living through work” (ibid.).

What is more, the general insistence on employment does not only prescind from personal situations, but also from the features of the employment relationship and its work content. Any employment, goes the argument, is better than no employment; the underlying assumption being that bad jobs are bridges to good jobs in the medium term. Huffschmid (2005, 182) critically remarks that “[t]he objective of ‘more and better jobs’ [...] can hardly be achieved through participation rate targets and pressure on the unemployed to accept jobs regardless of pay, working conditions and qualification”.

An extension of capability does not require maximising employment participation. Neither does it ask for minimising employment participation across the board. It depends on the case. More often than not, it is people themselves who know best how to use their labour and their time. The CA “acknowledges that people may legitimately value caring or community over market work” (Dean et al. cited in Carpenter 2009, 362). One could object that it is normal for a labour-market strategy to put an emphasis on employment. However, it would be incomplete to understand flexicurity just as a labour-market strategy: it also deals with social security. Security is supposed to be prospectively derived from a coupling of state and market. The EMCO flexicurity indicators, however, seem to target an ever greater role of the market. The incentive for policy-making which is set by these indicators seems too one-sided. They are supposed to tilt both regulation and categories of perception in a market direction. In the words of Bonvin, Moachon and Vero (2011, 24):

“To the extent that flexicurity creates a hierarchy of different situations vis-à-vis the labour-market [...], it imposes on national and regional political authorities and on concerned individuals to conform themselves to this hierarchy and to embrace it in their concrete actions and behaviour. Unless, Member States will find themselves with bad monitoring results and individuals will be threatened with sanctions or suspension of their rights”.

The one-sidedness observed in the EMCO indicators spoils, in a way, even the first signs of capability-measurement detected above: the reasons for people's actions are of interest only where less-than-full employment participation has to be explained. The only counter-factual of importance is forgone employment participation. Capability is about freedom, however, and freedom is two-sided. The employment-bias in the EMCO flexicurity monitoring is definitely an Achilles' heel in terms of capability.

4.4.2.4 Valuable functionings

In subsection 4.4.1, insights were gained on workers' expectations vis-à-vis work and employment. Many of these aspects can be interpreted in terms of valuable realised functionings. The security to achieve and maintain these beings and doings is relevant for workers and can therefore be part of a flexicurity monitoring, even if they are not counter-factual. Do the aspects covered above figure in the EMCO monitoring proposition?

First of all, the general approach to consider employment participation as a value in itself is in line with the preferences expressed by workers. We have seen that the share of employees who would prefer not to work *at all* is negligible. The contentious issues seem to be the employment intensity which is preferred and the value which is attributed to job security. Beyond this, many issues appeared which concern the quality of work. They seem relevant to workers, but they are not adequately reflected by the EMCO's indicators.

Work intensity was found to be a pressing issue by the DGB index. The vast majority of workers would like to reduce their working hours, even if this implies earning less. This explains the wide acclaim for the idea of part-time employment, notwithstanding the worries which may be connected to it. It is therefore proposed here to add an *involuntary full-time indicator*. Instead of exclusively investigating the worker's reasons for not working in *full-time*, the EMCO monitoring should also analyse why workers do not work in part-time instead of full-time. Some of the obstacles to part-time employment which could be covered have been mentioned by Ebert, Kühnel and Ostner (2005).

It has turned out that workers are mostly hostile to the idea of fixed-term and temporary employment. Their negative opinion about these contractual forms is rooted in misgivings about financial security, life-planning and satisfaction at the workplace (Ebert, Kühnel, und Ostner 2005, 333 and 338). The promise of flexicurity, as we have seen in chapter two, is that such fears will become unsubstantiated once the appropriate policies have been enacted. In this context, it seems self-evident that flexicurity monitoring should verify this very promise. If and only if official flexicurity indicators monitor the impact of flexible contracts on professional development and financial strains (see chapter five), these issues will effectively be tackled by flexicurity policy. Once the threats will have demonstrably vanished, workers' attitudes toward these forms of employment flexibility – necessary for the modernisation of labour-markets according to some – will probably improve. At present, the problem of flexicurity is that a vast majority of workers aspire to *job security*. It is up to proponents of flexicurity to show that employment security is just as good, instead of just claiming that it is. The role of flexicurity monitoring is thus to test whether policy succeeds in countering the adverse effects of flexibility. The current flexicurity monitoring is not suited to calm the criticism of flexicurity.

It is only fair to highlight also the positive exceptions in the set of the EMCO flexicurity indicators. Those which are useful from the perspective which has been developed here are the ones which remain close to the level of outcomes, i.e. close to the experience of workers. One of them is an OECD indicator capturing the impact of flexible working arrangements on future pension entitlements (EMCO 2009a, 8), referred to as “*Drop in theoretical replacement rates due to career interruptions*”. It deals with the insurance of pensions for “those who leave the labour-market for reasons such as unemployment or childcare” (ibid.). A similar indicator could be conceived for those who stay in the labour-market at flexible conditions.

Another positive example is the indicator “*At-risk of poverty of the unemployed*”. It measures the share of unemployed people who are at risk of poverty. The importance of this indicator lies also in its complementary use with another EMCO indicator, the “*unemployment trap*”. This indicator measures whether it pays for an unemployed person to take up work. Without measuring the poverty risk of the unemployed, the “unemployment trap” could be satisfied just as well by lowering taxes on labour as by lowering replacement rates granted to the unemployed.

A third positive example, though with some limitations, is the “*Follow-up of participants in regular activation measures*”. This indicator monitors the success of activation measures: After a period of 3 to 6 months, has the worker entered into employment, or has he returned to unemployment? The positive aspect of this indicator is that it acts as a test for the effectiveness of activation programmes. Without it, the indicator “*Activation/Support*”, measuring the participation in activation measures, could be fulfilled with rather useless courses, organised in order to verify the availability of job-seekers.

The negative aspect about the follow-up indicator is that the quality of the job is not considered. Strangely enough, although the EC (2007a, emphasis added) speaks about “more and *better* jobs”, indicators about job quality are completely absent from the monitoring proposition of the EMCO. Indeed, as there are diverse aspects of job quality on which flexicurity is probable to have an impact, a monitoring of quality suggests itself. Data availability is certainly not an issue here. E.g., one can draw on the items of the EWCS (Parent-Thirion u. a. 2007, 101 et seqq.): indicators and data are available and ready-to-use. To name but a few examples, Eurofound provides the shares of workers

- who are satisfied with working conditions, who consider themselves well paid for their work, who feel that their job offers good prospects for career advancement,
- who can choose or change the order of tasks, the methods of work and the speed of work, who can take break when they wish,
- or on the contrary whose pace of work is dependent on direct demands from customers, who have to interrupt a task in order to take on an unforeseen task, who work at very high speed or to tight deadlines, or who do not have enough time to get the job done,
- who learn new things or are able to apply their own ideas in work or instead who perform monotonous tasks,
- who feel able to do same job when 60 or who consider health or safety at risk because of the work,
- who have working hours which fit family and social commitments, who care for and educate their children every day for an hour or more, or who are contacted about work outside normal working hours.

The alternative endeavours of flexicurity monitoring which have been presented in section 2.3, even by the EC itself, also contain items on valuable functionings which could be taken up. For example, variables on work intensity and the irregularity of working schedules, or on rotation and teamwork, as they have been used in the EC’s (2007b) Employment Report. Just to pick out some other examples, variables such as the ease of finding a new job (Eurofound 2007b), working time arrangements according to workers’ wishes, possibility of taking unpaid leave (Lehweß-Litzmann 2012b), the average tenure as well as flexibility and autonomy in hours of work (Auer und Chatani 2011) can be named.

The latter authors even use indicators to monitor the “process-aspect” of flexicurity: These indicators figure under the heading of “representation security”, they include cooperation in employment relations (executives’ evaluation of cooperativeness) and collective bargaining coverage (*ibid.*, 10 and 13). A similar set of indicators has been proposed by Muffels and Wilthagen (2011, 12 et seq.): trade union density (the % of workers being union members), collective wage bargain coverage (% of workers covered by a collective agreement), and degree of centralisation of the wage bargain (from plant level up to the national level).

There are thus explicit attempts to include democratic aspect into flexicurity monitoring.²⁴⁶ Monitoring the functioning of the democratic process has been mentioned above as a claim by Bonvin and Galster (2010, 73 et seq.). The authors go as far as suggesting that ‘voice’ should be granted to concerned people in the construction of indicators monitoring flexicurity (*ibid.*, 25). Two occasions (from Canada and Belgium) are cited where indicators have been developed by such a bottom-up approach, drawing on the participation of citizens. PD is held to find criteria for policy success which are more in line with people’s values than a set of indicators developed by experts. In contrast to these far-reaching suggestions, the EMCO monitoring, even though many indicators figure as “process-indicators”, are of a completely different kind and have nothing to do with measuring democratic participation.²⁴⁷

4.4.2.5 Inequality

Flexicurity is a political subject in the first place. It is therefore natural that it is being presented as a win-win deal, as a reform project from which everybody will finally benefit. Such claims need to be verified by monitoring. It can be argued that flexicurity does not consider the dimension of inequality enough. It would be more credible to acknowledge that not only winners but also losers will most probably surface. Flexicurity is being presented as a means to reduce inequality, particularly between labour-market insiders and outsiders. New inequalities which flexicurity may itself create – as a consequence of the unequal capacity of workers to deal with flexibility – remains unnoticed. Confronted with a paradigm for the measurement of inequality, like the CA, flexicurity is forced to think beyond its win-win-rhetoric, and this has to be mirrored by its monitoring approach.

Practically, this means that the approach of some of the works presented in chapter two should be taken up: a separate and comparative monitoring for different subgroups of the working population (cp. also the following chapter). In the current EMCO proposition, some indicators distinguish by gender, by income groups as well as by contractual form. It would be promising to go further in this direction. Bonvin, Moachon and Vero (2011, 25) make a case for “contextualising” indicators more in

²⁴⁶ Ebert, Kühnel and Ostner (2005) could also be named here, they ask respondents about their opinion on flexicurity.

²⁴⁷ They try to remedy the problem that the impact of the measured institutions is hard to judge, cp. *supra*.

workers' biographical situations. Also, the level of aggregation of the EMCO indicators is probably too high: country-level information rarely captures the divergent conditions of different subgroups of the working population. This claim is also voiced by (Mandl und Celikel-Esser 2012, 72):

“In spite of honouring the promotion of equality as one of the strengths of the implementation of flexicurity [...], many public documents limit this to gender equality. Modern labour-markets, however, are characterised by a much more heterogeneous group striving to overcome segmentation. A broader understanding of the flexicurity principles could incorporate them, for example by addressing segmentation due to age, skill levels, types of employment contracts or nationality. In line with that, also differences between small and large enterprises, in different sectors or regions within a country need to be considered. At the same time, the emphasis on gender equality should not be diminished.”

4.4.2.6 The worker's life-course

An interesting connection of a dynamic perspective with the counter-factual would be to monitor the extension or narrowing of capability over time. Drawing on concepts of life-course research (Bartelheimer u. a. 2009), one can investigate the options opened up or closed by flexicurity on the level of individual trajectories. Trajectories are created by a sequence of decisions taken by individuals – under the conditions they find in each situation, which are influenced by policy. Paths of increasing and decreasing capability are both imaginable. Functional flexibility, for example, can help to increase the knowledge of a worker, raising her future employability, while monotonous tasks will tend to degrade her versatility, pinning her to a specific workplace. This kind of path-dependence even reaches beyond the economically active period. For example, atypical employment not subject to social insurance contributions may have adverse effects in the period of retirement. For the evaluation of flexicurity, this means that long-term effects on capability should be included in the IB. It is also interesting to ask what flexicurity does to reduce life-course sensitivity of capability, i.e. the dependence of a person's options on what has happened before. “Open societies”, as argued by the report on gender equality of the German Federal Government (BMFSFJ 2011, 46), grant second and third chances, such that deficits due to a lack of resources in earlier phases of life can be corrected later in life. An indicator for this could measure the difficulty of obtaining educational certificates in later stages of life.

4.5 Chapter conclusion: a capability metric for flexicurity?

The analysis which has been done above confirms that despite featuring some indicators which cover valuable functionings or even capability, the monitoring instrument which the EMCO has proposed for flexicurity is not satisfactory. There are two main points of criticism: an inadequate translation of the Common Principles of Flexicurity into indicators and the monitoring of freedom.

The first point is a question of internal consistency of flexicurity. The Common Principles of Flexicurity need to be reflected in flexicurity monitoring. This obviously lacks suitable indicators on issues like internal and functional flexibility or job quality, but other sources of data would have been readily available to the EMCO. It is fair to say, however, that the EMCO has never presented the above monitoring proposition as its final word. Instead, it has announced further efforts in respect to the topics of work organisation, quality of work, informally acquired qualifications, social security and work-life balance (EMCO 2009a, 8). It thus seems that the EMCO is working on the implementation of the enlargement of the understanding of flexicurity conveyed by the Common Principles of Flexicurity (see 2.1.1) agreed on in 2007 (as compared to the older guideline 21 of the EES). The promise to augment the existing monitoring instrument has been renewed in 2010 (EC 2010b, 8). However, to this day no ‘comprehensive methodology’ has been published.

As for the second topic, it has been argued in this chapter that a monitoring of flexicurity by capability would be desirable. On the one hand, the counter-factual is part of what flexibility means (a *possible* response to something that *could* happen). On the other hand, if monitoring shall observe workers’ security, it needs to be able to discern between chosen and imposed states; at least if a plurality of ways of life and of personal preferences is acknowledged. In addition, it has been argued above (4.4.1.5) that the less one can be sure about the outcome of PD, the more it is important to offer alternative choices. Granting choice, as a means of delegating decision, is generally a solution if knowledge about the field is incomplete. This holds also for the regulator’s incomplete knowledge of the various situations workers find themselves in their employment and personal biographies: only the existence of a range of options provides valuable functionings for everybody.

Whether or not relevant freedom actually exists is what monitoring thus has to find out. In the monitoring tool discussed above, freedom does not figure prominently. One reason is that indicators are mostly borrowed from the monitoring and analysis of the Lisbon Strategy.²⁴⁸ These indicators have not been developed to measure the outcome of flexicurity, and even less the capability-impact of flexicurity. Yet, also in this case, it is not technical reasons which make it so that a flexicurity monitoring strategy would have to neglect counter-factuals. Nothing obliges the EMCO to confine themselves to indicators already used in the realm of the European

²⁴⁸ “This report summarises how flexicurity policies can be monitored and analysed *within the present framework of EES indicators*” (EMCO 2009a, 2, *emph. added*).

Employment Strategy in order to monitor flexicurity! A number of suggestions have been formulated above for a better monitoring of capability. In part, they were derived from empirical analyses of flexicurity which are already on the market, in part they stem from surveys which do not make reference to flexicurity, but which deal with related topics. Further items for capability monitoring were suggested. It was concluded that steps toward capability-monitoring are basically feasible, even if some difficulties have to be overcome.

It is not by accident, however, that freedom does not play an important role in the set of indicators of the European Employment Strategy and in the EMCO monitoring proposition. The perception which seems to have guided the choice of indicators is that employment participation has to be increased. This is not surprising, as flexicurity is at a tool to implement the Lisbon strategy and the subsequent 'Europe 2020' strategy, both of which are partly at odds with the freedom to take some distance from the labour-market. If the extension of such capability were the guiding principle of policy, the indicators would clearly have been chosen differently.

It is not expectable that this will change in the future, because there is no getting around the simple truth that a capability-oriented understanding of flexicurity will always remain alien in a political context which prioritises high employment rate targets over human freedom. In this sense, I agree with Salais and Villeneuve (2004, 13), who consider that the European Employment Strategy does not fit well with capability (*ibid.*, 13). I also agree with Méda (2011, 101, my transl.) where she suggests that "using the indicators put forward by the Commission in order to evaluate the appropriateness of the current flexicurity strategy means accepting the conception of employment security and life-course security that it [the EC] propagates, and to stay locked in it".

There is one necessary qualification which I would like to make: Even though it was argued here that monitoring is crucial for policy-making, we still have to distinguish between suggesting a monitoring instrument and giving a policy recommendation. From a capability point of view, it is indispensable that all aspects of capability which are affected by flexicurity be monitored. In contrast, it does not follow from the CA that all functionalities which are considered as valuable be effectively promoted by flexicurity policy. The policy-advice given by Méda (*ibid.*) from the angle of the CA is to radically change the course, even to abandon flexicurity. I suggest that this point should be discussed independently from the question of a monitoring strategy and I shall get back to it in the concluding chapter.

Prior to this, the following fifth chapter is dedicated to comparative empirical work. The degree to which the suggestions which have been elaborated in the present and the preceding chapters can be implemented with EU-SILC data will be tested. The analysis will mainly be done at the outcome level, capturing the status quo in European labour-markets. By differentiating between groups of workers, it will go beyond highly aggregate statistics. Using micro-level data, it is also in line with the principle of ethical individualism. The topic of individuality will be taken up also with regard to the worker's household context. Tentatively, findings will be linked to the

policy-level. Concerning counter-factuals, it will be shown that the possibilities provided by the EU-SILC, one of the most important sources of comparative socio-economic data in Europe, are rather limited at present.

5 Who can afford to provide flexible labour?

Some authors broach the issue of gaps between groups of workers concerning the ability to deal with flexibility. This makes us look at flexible labour not as a general trend, but as a commodity which only some workers can afford to offer. The CA, as a paradigm for the measurement of inequality, incites us to analyse the implications this has for inequality. As observed by de Nanteuil-Miribel and Nachi (2004, 302)

“a number of analysts see the concept of flexicurity as a new formulation of the classic antagonism between capital and labour. Such a concept would be better adapted to the new conditions of a competitive economy, in which the dividing line between individuals and social groups is no longer that of access to ownership of the means of production, but that of possession of a range of resources enabling acceptance – without serious risk to one’s health or one’s material and social situation – of the demand for virtually permanent mobility.”

The present chapter explores the conditions which enable workers to comply with the ideal of flexicurity, i.e. to offer flexible labour without sacrificing security. More in detail, the research questions of this chapter are the following: 1. What are the effects of forms of employment flexibility on the probability of being poor? 2. Which moderating factors are important at the personal level? 3. What is the impact of the national context and how can it be explained?

The analysis done in this chapter should be considered as exploratory: It tries to implement as much as possible of that which has been theorised in the preceding chapters under the limitations of the data which are used: The analysis will be based on micro-data from the EU-SILC.²⁴⁹ The analysis is done in a disaggregate way, treating different subgroups at the labour-market separately. Furthermore, it is done in a comparative manner: Flexible labour is compared with non-flexible labour, in order to better highlight the implications of employment flexibility. Apart from this, it has been argued that research findings should be questioned in terms of freedom, while the difficulty of exploring the counter-factual has also been stressed in the preceding chapter. The task is to go as far as possible – and as necessary – with the given data. I suggest that for the present research question an approximation is possible: If we find out the factors which enable people to offer flexible labour permanently without

²⁴⁹ Data was accessed and exploited in the framework of the European Integrated Project CAPRIGHT (contract n°CIT4-CT-2006-028549).

getting exposed to poverty, this helps to identify those people who are free to choose ‘flexicure’ employment trajectories.²⁵⁰

Estimating people’s leeway is possible in the present case because in the domain of poverty, we deal with something which people generally like to avoid (‘basic capability’, 3.3.2.2). People living in a poor household generally lack the freedom of living in a non-poor household, all other things being equal. There must be some constraint in their capability-space that makes them live in a poor household against their preferences. Of course, this is an assumption. In theory, poor households could be ‘fasting’ instead of ‘starving’, to speak with the well-known Senian example. Yet, the assumption seems reasonable in practice: families with children usually do not practice austerity, as an individual person may do for some time. The connection between the empirical findings and capability will thus remain at an interpretative level.

As argued by Bartelheimer and Lehweß-Litzmann (2012), there are roughly three major groups of actors in an employment system: households, firms, and regulatory bodies. It is these three also who can be sources of security for the worker. A particular emphasis of this chapter lies on the household, because the effects of the household context, which have grown increasingly diverse in the past decades, are the least well explored. We will test which features of households make flexible employment patterns secure which would otherwise lead into poverty, or in other words, which households allow for flexible employment participation which could otherwise not be durably maintained. Putting the household at the centre corresponds to an enlargement of the perspective on flexibility and security in the labour-market – in the sense of introducing new factors into the equation – as it has been called for by Colin Crouch (2011).²⁵¹

Some limitations shall be addressed already at this point. The empirical work which is presented here is not *the* empirical implementation of the larger topic of this book, but just *one* possible implementation. Many other interesting routes could be taken, some of them leading to other research disciplines (e.g. political science on the questions of process-freedom), some requiring different data (e.g. more counterfactual items on the background of choosing flexible employment). A limitation also lies in the specification of flexibility and security. Flexibility, as it is treated in this text, is confined to the *employment* domain. The flexibility of *work* is a vast field left out here. Yet, also within the field of employment flexibility, not all kinds are considered (though the ones which are most relevant). As concerns security, it is the immediate poverty risks which are brought to the fore, not the remote consequences like for example a lack of pension rights due to a flexible employment biography.²⁵² Moreover,

²⁵⁰ This does not imply, however, that they really did choose their trajectory freely. Potentially, constraints other than of economic nature can have compelled them to work flexibly. The kind of employment trajectory is not the *dependent* variable of the present analysis.

²⁵¹ Crouch introduces the system of private credit to the discussion on flexicurity because security is not produced exclusively by employment and social policy.

²⁵² Such a life-course perspective is taken in the first equal opportunities report of the German federal government (BMFSFJ 2011). Among other things, the long term consequences of inactivity and part-

non-economic day-to-day risks, like stress due to a varying workload or to geographical mobility, are not in the focus.

The chapter is organised in four sections. The first explains the research design and gives an overview on the data. The second operationalises the phenomena of flexibility and security and analyses their empirical occurrence and coincidence. The third section turns to the determinants of security, thus the factors which make flexible employment possible. The last section concludes and indicates directions for further empirical research.

5.1 Method, data source and sample

In this section the research design will be explained in detail. Subsequently, the EU-SILC will be introduced and its suitability for comparative capability-research will be discussed. Finally, the construction of the sample will be explained and a short description of the reference population will be given.

5.1.1 Method of the analysis

In a first step, the empirical situation concerning employment flexibility across different European countries is investigated (5.2.1). Using longitudinal micro-data, flexibility is observed at the level of the individual employment trajectory: how big is the share of workers concerned by part-time, fixed-term or lone self-employment? How many workers lose or change their jobs during the observation period? Subsequently, using additional information on the employment trajectory, the person and the household, the circumstances and the population concerned by flexible employment are described. In contrast to flexibility, security (5.2.2) is observed at the level of the household. It is operationalised here as the household's chance of not being poor. The poverty risk is measured in three different dimensions, mixing direct and indirect, objective and subjective, monetary and non-monetary poverty measures.

In a following step, the two perspectives are combined: subsection 5.2.3 shows how various forms of flexibility coincide with forms of poverty. The poverty risks of flexible workers is compared to the poverty risks of workers without employment flexibility in their trajectories. Country differences are highlighted. The findings produced by this method are only descriptive.

Therefore, in a third step (section 5.3), employment flexibility is modelled as a determinant of the poverty risk. Different logistic regression models are tried in order to estimate the effect of employment flexibility on workers' poverty risks. Control variables pertaining to the employment sphere are considered, but also factors of the personal context like household features. If at first a uniform effect of flexibility is assumed in the whole observation population, this assumption is later relaxed and country-specific effects of flexibility on poverty are estimated.

It is these estimated country differences which are the explanandum of the following step of the analysis. The effects of the regressors being identified as

time employment are analysed (pp. 122 et seqq.).

indicators of the capability to assume employment flexibility, the question is what determines these effects. An explanation is sought in regime types derived from Esping-Andersen's well-known typology of welfare states. Yet, individual policy variables are also tested as an explanation for the observed phenomena.

As a complement to these conventional variables of flexicurity research, household features are made a topic in a last step of the analysis. Again in a descriptive manner, we explore whether household contexts differ between countries and whether they can contribute to explaining the countries' varying flexicurity achievements.

The tools to be used here for analysing sequences are relatively basic when compared to the scope of recent methods in this field (cp. Aisenbrey und Fasang 2010). Possibilities of longitudinal data like event analysis or analysis of consequences of events are not exploited here. Although using longitudinal data, the chosen approach corresponds to a 'between-model': the information on subsequent years which is contained in the dataset is summarised²⁵³ in aggregate figures describing the trajectory. This choice is justified by the shortness of the available sequences, and by the research question. The way the longitudinal data is used here consists in describing an extract of each observed person's trajectory, which could also be assumed a proxy for a slightly longer biographical phase. This is facilitated by observing not one single year, but a sequence of three years:²⁵⁴ just one year would not be enough for identifying workers with frequent transitions or short-term unemployment spells. The observation period is deemed sufficient for testing how flexibility and security go along in a short- and medium-term perspective.

5.1.2 The European Statistics on Income and Living Conditions

The present empirical analysis draws on the European Statistics on Income and Living Conditions (EU-SILC). Based on an EU directive of the European Parliament (EP) and the European Council, they replace the ECHP which was discontinued after 2001. After the year 2003, when the EU-SILC were started on a voluntary basis by seven countries,²⁵⁵ participation by EU-MS was made mandatory by a framework regulation. Additionally, some non-members of the EU contribute their data. The *raison d'être* of the EU-SILC is to contribute to the OMC, as stipulated by the Lisbon Agenda, in the fields of social inclusion and pensions. Comparison between countries shall allow us to judge the progress which has been made and to identify the means by which this has been reached: "The basic idea of EU-SILC is to observe the effect of social policy measures in all EU countries in the framework of the open method of coordination and to evaluate these measures for possible use in other countries" (Frick und Krell 2010, 6). In the field of social inclusion, the EU-SILC is at the basis of the so-called Laeken-indicators. According to the German Federal Statistical Office

²⁵³ The "collapse" command of STATA is used.

²⁵⁴ The reason why the full length of the longitudinal data can not be exploited will be explained (5.1.3).

²⁵⁵ Belgium, Denmark, Greece, Ireland, Luxembourg and Austria, as well as Norway (non-member of the EU), cp. Eurostat on its [website](#) (last accessed 2014-03-13).

(Statistisches Bundesamt 2012), the EU-SILC are the standard source for the measurement of poverty and living conditions in EU MS.

A downside which follows from the political background of the EU-SILC is that they are not conceived for the needs of science in the first place. This shows in the documentation of variables, and also in a deplorable loss of information prior to data publication²⁵⁶ which is due to tight confidentiality rules. It goes without saying that the EU-SILC is even less designed for capability-research. There are only few items which inform about counter-factual facts. To my knowledge, the EU-SILC have not been used in a Senian perspective outside of the CAPRIGHT project yet. This is why this analysis can partly serve as an example.

There are still some good reasons to work with the EU-SILC. The broad country coverage and ample sample size make them a unique source for international comparison at the intersection of employment and social security. Thematically, they are situated between the EU-LFS and the European Social Survey (ESS), two statistical instruments of similar comprehensiveness as the EU-SILC. An advantage which the EU-SILC have over these surveys lies in their longitudinal component. They allow some analysis in the diachronic perspective, which is indispensable when examining life-courses and employment trajectories: some phenomena of crucial importance remain invisible in the cross-section. New dimensions of inequality may be expressed not by the nature of some events or states, but by specific sequences of these events or states.²⁵⁷ The dynamic perspective is crucial for capturing certain forms of flexibility, e.g. any form of “turbulence” (Elzinga 2006).

A critical issue is the question of international comparability and data quality; it justifies the decision to eliminate some countries from the analysis. The methodology of EU-SILC data collection is not fully harmonised between countries. This change with regard to the fully input-harmonised ECHP is motivated by the need to heed national peculiarities (Frick und Krell 2010, 7). Data collection is done by the national statistical institutes. The EU has set minimum standards, as for example concerning sample size, length of the panel and obligatory variables. A rotational design with hierarchical random sampling has been recommended, but deviations by individual MS are possible. Moreover, not all the interview questions are equivalent, neither is the mode of data collection. Although some ex-post harmonisation of the data is done centrally by Eurostat, the inter-country differences in methodology have led to some doubts about the international comparability of EU-SILC data (Lohmann 2010). Moreover, as for the German EU-SILC data, Hauser (2007) detects inconsistencies²⁵⁸ with the Income and Expenditure Survey (EVS), the

²⁵⁶ E.g. the loss of precision in the ISCO item (branch of activity), which is cut to two digits. Unfortunately, closer geographical information within countries is also denied, and even worse, some countries keep their entire longitudinal information undisclosed, see below.

²⁵⁷ Yet, it is true that the EU-SILC only offer limited possibilities of life-course research (short sequences).

²⁵⁸ Hauser also shows that the EU-SILC under-estimate the share of households with an economically active head, with members at the margins of the age distribution, and with an origin in Turkey (while the overall share of foreigners is over-estimated). He also points to the significant bias in the

German Microcensus and the Socio-economic panel (SOEP) (cp. also Frick und Krell 2010).²⁵⁹ Independently from doubts about the quality of German EU-SILC data, however, it cannot be used for this analysis for a different reason: Recent longitudinal data is not available due to the decision of the German state to keep it “confidential” (EU-SILC data documentation) after 2006.²⁶⁰ Beyond the absence of German data, other cases are also eliminated here, following the information given in the EU-SILC data documentation.

5.1.3 The sample and the reference population

This subsection explains which data have been extracted from the EU-SILC in order to be analysed, and how the sample is constructed. It should be mentioned that the EU-SILC appear each year in two separate publications.²⁶¹ The cross-sectional files contain a broader selection of items, which means that there are many variables which are not available in the longitudinal files. Vice versa, there are also some items which are contained only in the longitudinal data. The present research question suggests the use of longitudinal data, and as cross-sectional and longitudinal EU-SILC data cannot safely be matched together, all data used is taken from the longitudinal component. The used data source is the first version of longitudinal data on the years from 2005 to 2008, published by Eurostat at the 1st of August 2010. The longest sequences contained in the dataset have a length of four years, the temporal stretch which is minimally required by the EU-SILC guidelines. The recommended rotational panel means that households usually stay in the panel for four years, before being replaced by new households. After launching the EU-SILC in each country, the longitudinal panels first had to be build up year by year; for some countries in the dataset, the full four-year length has been achieved for the first time in the used issue of the EU-SILC.

educational attainment variable: in the EU-SILC, the share of persons with tertiary educational degrees is 32.8% while the Microcensus indicates only 20.5% (ibid., 16). Hauser recommends raising the quality of data collection and weighting and making more effort of ex-post harmonisation.

²⁵⁹ The under-estimation of poverty by the EU-SILC as compared to the SOEP produced a scandal in 2008: In a newspaper article entitled “Scholz rechnet Armut schön” (appeared in: Financial Times Deutschland, 21st May 2008), the then labour minister Olaf Scholz was attacked for presenting the *Third Report on Poverty and Wealth*, which indicated a share of 13% of the population living in poverty. This figure was based on the EU-SILC. An alternative estimation of 18%, based on SOEP data, was banished to the annexe of the report. Frick and Krell (2010, 20) offer an explanation: “EU-SILC overestimates the number of people living in the new states [East Germany] by around two million in 2005 and by almost four million in 2006 [...]. This overweighting of the (comparatively low) incomes in the new states leads, *ceteris paribus*, to a low poverty threshold for Germany as a whole (60% of national median income). Thus, individuals whose incomes lie above the low threshold “slip out” of the low income category”.

²⁶⁰ At this occasion, I would like to underline the following statement of Frick and Krell (2010, 38): “As regards the distribution of the data, the longitudinal data for Germany should ideally be released by Eurostat as quickly as possible (keeping pace with the other EU-SILC countries) so that the unique value of these official panel data can be exploited more quickly in international comparisons of intragenerational social mobility—one of the major purposes for which they are intended”.

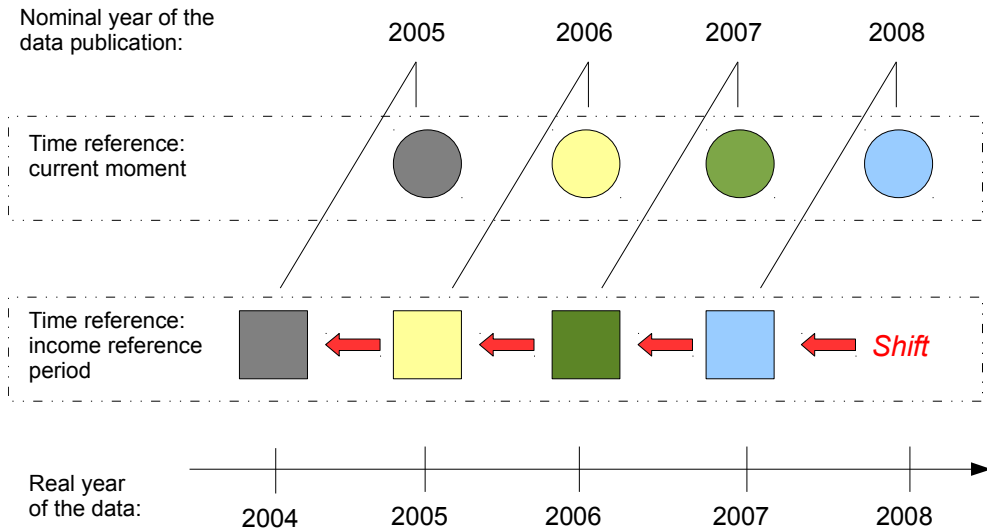
²⁶¹ In spring, the cross-sectional data on the precedent year is made available, while in summer/autumn, the longitudinal data on the year before the precedent year is published.

However, leafing through the present text will make the reader notice that the analysis does not cover the years from 2005 through 2008, but only up to 2007. Why is the analysis done on a shortened period, given that sequences of four years would already be relatively short? The reason is that not all the information which is issued for a certain year really applies to this same year. There are three different reference points in time which an item in the EU-SILC dataset can apply to: the current moment, the twelve months before the interview (“moving” period), and the calendar year preceding the year in which the interview takes place (“fixed” period). It generally depends on the nature of each variable whether it makes more sense to refer to the current moment or to an accomplished time period. Questions about household composition can be instantly answered by the interviewee, while questions about yearly income could be hard to answer if part of the reference period were still lying ahead at the moment of the interview. It is up to each country to decide between a moving and a fixed reference period; most countries take the calendar year because income and other figures are automatically documented in this rhythm and therefore more easily accessible to the respondent. This means that if the analysis uses several variables at once, this can imply mixing two different years. If, for example, one compares housing conditions with household income, one will actually compare the dwelling in year X with earnings in year X-1.

There are several reasons why it is not per se wrong to mix different periods: Firstly, it can make sense with respect to a specific research question. In the present example, it is quite possible to imagine a stronger link between housing conditions and past income than present income. Secondly, one point in time is a good proxy for neighbouring points in time. Last year’s income may be quite close to this year’s. Thirdly, many phenomena can be assumed to have some temporal dispersion, due to anticipating consumption behaviour, durability of objects purchased for the household, etc. Yet, I prefer to do without these assumptions here. The following diagram illustrates how the four-year data was manipulated in order to get a temporally congruent three-year sample.²⁶² All the variables which nominally refer to year X, but actually inform on year X-1 were shifted backward by one year. All variables thus end up in the year which they really apply to.

²⁶² This applies to all countries in the sample with the exception of Sweden. Here, the income reference period is the current year, thus no shift was performed.

Diagram 6: Data shift for obtaining synchronicity



The sample used in the analysis comprises 24,643 observation people. It exclusively contains people who have participated in the survey for four years, and for whom a complete sequence of monthly data on employment activity has been recorded. People for whom monthly information²⁶³ is non-existent or incomplete are not kept in the sample. A second filter criterion is that the sample subjects be of prime working age (defined as 28-55 years of age) during the whole observation period. This is done to avoid distorting effects on the results which might be caused by different timing of education and retirement between countries. In a complementary manner, some who do not fulfil the aforementioned criteria also inform the used data, but not as proper sample subjects and only if they are members of a sample person's household. Information on these ancillary people is needed to elucidate the sample person's context.

Not all the countries which participate in the EU-SILC are represented in the present data-set. As mentioned, some countries have decided not to deliver or publish longitudinal data (5.1.2). It is indicated in the EU-SILC data documentation²⁶⁴ that Greece and Denmark did not provide any data. Germany, Malta and France did not allow the dissemination of data. Island is not included due to "problems with the data". A further group of countries is left out of the sample because they failed to deliver longitudinal weights:²⁶⁵ Finland, Ireland, Luxembourg, Portugal, and Sweden.

²⁶³ I.e. the variables pl210a through pl210l.

²⁶⁴ (document "SILC L-2008 UDB PROBLEMS AND MODIFICATIONS", delivered with the data)

²⁶⁵ Variable rb064. According to the data documentation, the "values of these weight variables are not totally clean".

The following table informs about the countries in the sample, the observed persons and the national reference populations.

Table 15: Composition of the sample, by country

No.	Country	Abbreviation	Number of observations	Share in the sample (%)	Reference population
1	Austria	AT	956	3,9	3073095
2	Belgium	BE	1012	4,1	3796140
3	Cyprus	CY	768	3,1	253413
4	Czech Republic	CZ	2770	11,2	3637633
5	Estonia	EE	408	1,7	431401
6	Spain	ES	2436	9,9	14101828
7	Hungary	HU	1404	5,7	3569725
8	Italy	IT	3761	15,3	20851328
9	Lithuania	LT	682	2,8	1240718
10	Latvia	LV	641	2,6	732849
11	Netherlands	NL	1354	5,5	3518824
12	Norway	NO	1327	5,4	691473
13	Poland	PL	3027	12,3	12305072
14	Slovenia	SI	1812	7,4	739074
15	Slovakia	SK	1135	4,6	2007859
16	United Kingdom	UK	1150	4,7	17721599
Total			24,643	100,0	88,672,031

Source EU-SILC, version 2008-1 from 01-08-2010. My calculations.²⁶⁶

The total number of countries in the sample is 16. Except Norway, an EU-SILC country since the very beginning in 2003, all the countries are members of the EU. The restrictions mentioned above mean that a number of countries which would have been interesting with respect to the research question explored here are not covered. This is unfortunate, but on the other hand it is an occasion to pay attention to some countries which are seldom discussed in the context of flexicurity.

In the table, one can see that the number of observations is not always proportional to the countries' populations, but weights compensate for this. The last column shows the number of people in each country which are estimated on the basis

²⁶⁶ As the source and the authorship of most of tables and diagrams in this chapter is identical to the present one, only the exceptions will be documented hereafter. Equally, for being concise, it will not be mentioned above each table or diagram that the reference period is always the years 2005, 2006 and 2007.

of the sample. Mean values across the whole sample will be more influenced by big countries than by small countries.²⁶⁷ The three countries with the largest reference population in the sample are Italy, the United Kingdom and Spain.

5.1.4 Personal and household features of the reference population

Some descriptive figures may give a first impression about the features of the sampled people (the values are means across countries and across reference years): Looking at individual features in the reference population, women (47.9%) are slightly less represented than men (52.1%). This will be important to remember: for example, 50% of women in a descriptive statistic does not mean parity, but an over-representation of women. The medium age of approximately 41.7 years is consistent with the biographical time-frame (“main working age”) which is considered here (28-55 years). Concerning formal education, the largest group is the one with upper secondary education: 39.7 percent. 32.2 percent have educational degrees superior to upper secondary education, while 28.2 percent have lower degrees. A share of 26.6 percent of the reference population has suffered some limitation of activities during the reference period (i.e. at least in one year during 2005-2007).

Turning to features of the household, the average household size is of 3.3 people per household. During the reference period, the size of each household does not necessarily remain constant. Looking only at the ones with the same number of members in each year, the share of households with just one member is of 8.7 percent. 15.4 percent of households have two, 20.2 percent have three, and 25.9 percent have four members constantly. Households with five members are again in the order of size of single-households: 8.3 percent. The shares of households bigger than five persons are negligible.²⁶⁸

The number of household members does not tell anything about the kinds of relationship. For example, households with two members are not necessarily couple households, they can just as well be households of single parents with one child. The share of people who live with a partner in their households is at just over three quarters of the reference population (75.6%). 58.4 percent have children (people aged below 18) in their households. In those households which do include children, the average number is 1.57 children. 5.4 percent of those observed live with one own parent in their household, and another 4.6 percent with two parents. It should be kept in mind that the values presented here do not inform about the entire population, but just about the reference population (main working age).

5.1.4.1 Economic activity of the reference population

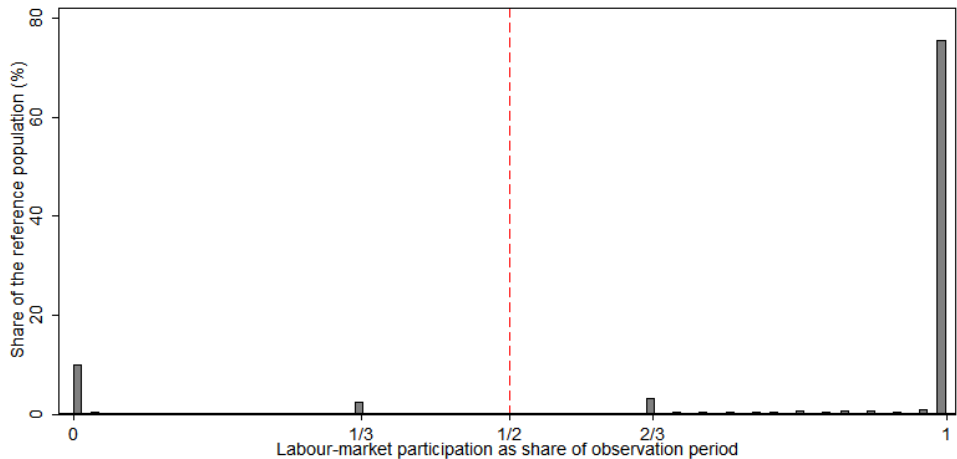
Not all people observed are (formally) economically active during the observed period. Diagram 7 displays the shares in the reference population according to the

²⁶⁷ With regard to the CA's ethical individualism, I choose to not consider this as a distortion: why should a person living in large countries have a smaller weight in the analysis?

²⁶⁸ 6: 2.21%; 7: 0.67%; 8: 0.26%; 9: 0.04%...

persons' labour-market participation. As we are looking at three years, it is not surprising that observations cumulate at zero, one third, two thirds, and one. Zero means no employment participation at all, one means participation throughout the observation period. One third (two thirds) signifies one year (two years) of labour-market participation out of three years.

Diagram 7: Labour-market participation of the reference population



In the middle of the horizontal axis, a dashed line separates those with less than 50% labour-market participation from those with more than 50%.²⁶⁹ This is done here for the following reason: In the analysis, the effects of employment flexibility can be determined more clearly if the trajectories are left out in which employment does not play a major role. According to the common terminology, these trajectories will be referred to as 'predominantly economically inactive'.²⁷⁰ The trajectories considered as (formally) 'active' count at least 18 (and up to 36) months of labour-market participation in total. Participation includes working in full-time or part-time (either as dependent employee or self-employed worker), and also the state of unemployment. 85.2 percent of the observed persons are characterised as predominantly economically active.

Trajectories with less than 50% of formal economic activity make up 14.8 percent of the reference population. These cases are not entirely left out of the analysis. Firstly, they are often interesting as a reference. Secondly, the observation period is but a short extract of a person's employment biography. Using a wider conception of employment flexibility, episodes of formal economic inactivity can also be considered as parts of flexible employment trajectories, at least as long as inactivity

²⁶⁹ The 50%-criterion is commonly used, cp. Ponthieux (2009, 6).

²⁷⁰ Even though this is misleading: these people do work. Their labour is just allocated in the informal sector of the economy (not in the sense of the so-called shadow economy).

is not a permanent state, but serves specific and finite purposes. In a biographical perspective, taking for example two years off in order to care for a relative or to do some more studies is clearly different from a long-standing home-maker role. It is for this reason that we will take interest not only in the poverty risk in relation to flexible or inflexible trajectories in the labour-market, but also in relation to formal economic activity versus formal economic inactivity.

5.2 Measuring flexibility and security

Employment flexibility and security represent two abstract categories from analytically different spheres which have to be made measurable before their empirical link can be observed. The former will be operationalised as the degree and form of employment participation in the individual trajectory, the latter as the poverty risk at the household level. Starting from this basic distinction, both notions can each be operationalised in more than one single way. This will be the topic of the following subsections, which also include some descriptive analyses based on the created categories. Finally, empirical coincidences between kinds of flexibility and forms of poverty will be tested.

5.2.1 Different types of employment flexibility and their occurrence

As ‘employment’ refers – in opposition to the term ‘work’ – not to the content or organisation but to the legal and economic framing of labour, employment flexibility is operationalised here close to the contractual level. Flexibility being a phenomenon with a dynamic aspect, the employment trajectory also plays a role, not just the single point in time. I will speak of employment flexibility if a trajectory deviates in some way from the ideal-typical standard form of an employment trajectory (Kratzer und Sauer 2005, 130), marked by the so-called standard employment relationship (full-time employment in open-ended contracts) and by long tenure. It does not matter for this reference category that a time where employment *generally* had this form probably never existed, that features associated with a standard employment can differ between countries, and that on top of this, standard employment relationships can feature considerable degrees of work flexibility (Schmid 2010, 9 and 12). The definition used here is useful as a contrast to phenomena which have been of rising importance recently and for which employment flexibility can serve as an umbrella term. Synonymously to flexible employment, I will speak of ‘non-standard employment’. There are various ways in which employment can be ‘non-standard’ or flexible. A limited range of forms of employment flexibility will be covered here. They include part-time, fixed-term and lone self-employment.²⁷¹ Additionally, in order to do justice to the dynamic aspect of flexibility, one indicator will cover transitions. In the following, those four forms are presented in more detail.

²⁷¹ Cp. Schmid (2010) for a discussion on those three forms of non-standard employment.

Part-time employment (PTE) is a means of internal numerical flexibility from the view-point of the firm. Its advantage is to make the labour of workers available who could/would otherwise not participate in employment. It allows the employer to have tasks completed in a continuous and qualified way, even if these tasks do not require a full-time and full-paid position. From the worker's point of view, PTE can be beneficial in that it permits combining employment with unpaid work, which can yield a better work-life balance. More often than not, part-time employment is done by female workers; in the German case it has become a constitutive part of the modernised earner-model. The downside, as evidence suggests, is that (hourly) wages and career prospects lag behind the full-time alternative. Yet, as argued by Schmid (2010, 5), these disadvantages are becoming less pronounced as PTE spreads. He considers that open-ended part-time employment "therefore might be considered as element of the new 'standard employment contract'" (ibid.). I would not go so far at present: the contribution of PTE to household finance may be substantial, but often it is not sufficient, at least not in single households. Information on PTE is taken from item pl210 in the dataset. It is the only item in the EU-SILC with monthly information. The exact delimitation between full- and part-time is contentious. According to the guideline given by Eurostat to national statistical institutes, it "should be made on the basis of a spontaneous answer given by the respondent. It is impossible to establish a more exact distinction between part-time and full-time work, due to variations in working hours between Member States and also between branches of industry" (Eurostat 2010, 306).

Fixed-term employment (FTE), as a means of external flexibility, gives a contractual possibility to the employer to separate from a worker after a pre-defined period. Ideally, such contracts are used for tasks of limited duration, e.g. linked to a specific project. Depending on national law and on the branch, they can also be used without restrictions. Unless there is limitation of consecutive temporary contracts, FTE can be quite favourable from the employer's perspective, as he completely avoids severance payment (or law suits) even after a long employment relationship. Besides the negative impact on negotiating power from the employee's view-point, this situation can negatively affect working conditions (including personal networks in the firm) and living conditions. The latter often lack the comfort ensuing from permanent installation of the worker and his family (4.3.1.2). However, depending on the biographical phase and the way of life, a worker can also have an interest in limited duration of the employment relationship, as argued by Schmid (2010, 13 et seq.), e.g. due to his interest in gaining experience with different employers. Information on FTE is taken from the item pl140, which is provided on a yearly basis.²⁷² It refers to the current or last situation at the time of the interview. The EU-SILC guidelines stipulate: "A job may be regarded as temporary if it is understood by both employer

²⁷² As all items except pl210; this will not be explicitly mentioned any more in the following. The advantage of the pl210 variable is that it does not just inform on a few points in time like yearly data, but also on what happens in between (Bonvin, Moachon, und Vero 2011, 28 highlight the importance of this).

and the employee that the termination of the job is determined by objective conditions such as reaching a certain date, completion of an assignment or return of another employee who has been temporarily replaced” (Eurostat 2010, 297 et seq.). This also includes seasonal work, trainings contracts, and probation periods necessitating a new contract after termination (ibid.).

Lone self-employment (LSE). The income of a self-employed worker is directly linked to the ups and downs of his business. Usually, the self-employed need to care for social insurance issues individually, and wages and working conditions negotiated by trade unions do not apply. In theory, the self-employed have an advantage over dependent employees in terms of self-determination. Additionally, their income can excel in times of good business. Both sides of the coin have conventionally been considered in balance. Recent trends see groups of self-employed emerging who carry large risks, but who do not benefit from the classical advantages of self-employment.²⁷³ Their self-employment can even be dependent employment in disguise, yet deprived of the reliability that traditionally goes along with the latter. Some criteria have been established to help identify these cases, like working exclusively for one client. Another feature of false self-employment is the absence of employees. The EU-SILC allow taking up the latter criteria (“own account workers”, Schmid 2010, 7) in the present analysis. The corresponding item is pl040, giving the status in employment. “Self-employed persons without employees are defined as persons who work in their own business, professional practice or farm for the purpose of earning a profit, and who do not employ any other person.” (Eurostat 2010, 283) This includes day nannies and freelancers with one single major client (ibid.). The criterion used here captures all workers in LSE. They are not necessarily part of the false self-employed or chose this form of employment due to a lack of alternatives at the labour-market.

A change of job (JCH) is not a property of the employment contract, but of an employment trajectory. It can, but need not, coincide with a change of the employment status or the occupation. Often it has to do with a change of the work context, like working for a new employer. The item pl160 just contains the information whether or not there has been a change of job or major change of contract since the year before (mobility both in external and internal markets is thus recorded) Leaving a job without yet beginning a new one is included and also, in the case of self-employment, “a change in the nature of the activity performed” (Eurostat 2010, 300) counts as a change of job. As a complement, job changes can be classified according to their motivation. The item pl170 allows us to roughly distinguish between changes imposed on the person by the labour-market, changes accepted for private reasons, and changes actively promoted in quest for of career advancement. However, such a distinction is risky, because it may often be a mix of reasons or an interaction of circumstances which causes the change of job.

²⁷³ For a typology of forms of self-employment cp. Kratzer and Sauer (2005, 138).

The presented kinds of employment flexibility are all understood as deviations from the ideal-typical standard employment trajectory. Other forms are not analysed here due to the data availability constraint: the integration into the social security system, temporary agency work featuring an open-ended contract with the temp agency, or different modes of fixing the salary (like particularly low or fluctuating wages).

Before turning to the quantitative analysis of different types of flexible and non-flexible trajectories, table 16 provides a quick overview of all the groups into which the reference population is subdivided here. First of all, the total number of 24643 observed trajectories is distinguished by the two groups of formally economically active and predominantly inactive trajectories. The 21043 economically active trajectories are further discerned according to whether part-time, fixed-term or lone self-employment or changes of job occur in the three years of observation. In 11479 cases, this does not apply, these cases are referred to as the ‘non-flexible trajectories’. In contrast, 9564 cases do feature some form of flexibility. For each of these forms, one group is constructed. To simplify matters, these groups do not reflect the intensity of flexibility. Importantly, groups are not mutually exclusive. Any flexible trajectory can belong to several groups at the same time, as it is perfectly possible, for instance, to work in part-time under a fixed-term contract. Among the trajectories classified as flexible in the sample, there are 3606 which feature part-time employment, 3008 with fixed-term employment, 3735 with job changes, and 2747 with spells of lone self-employment.

Table 16: Trajectories in the sample

Formally economically active trajectories (ACT) 21043						Predominantly inactive trajectories
Non-flexible trajectories (NFT) 11479		Flexible trajectories 9564				
STE 10156	UEM 1323	PTE 3606	FTE 3008	JCH 3735	LSE 2747	INA 3600

In contrast, the non-flexible trajectories (NFT) are subdivided by two groups which are mutually exclusive. The criterion is the occurrence of unemployment. In 10156 cases, the sample contains standard employment trajectories (STE): economically active, none of the measured forms of employment flexibility occur, no unemployment spell. In 1323 cases, unemployment (UEM) is experienced by the worker (between 1 and 36 months during the reference period). This group comprises cases where an unemployment episode precedes employment,²⁷⁴ or unemployment is

²⁷⁴ Not vice versa, however: if unemployment succeeds to employment, the trajectory features a job loss or job change. In this case, it is counted as a flexible trajectory, because both events are a flexibility-challenge for the worker. One could object that a worker unemployed at the beginning of the observation period could also have lost her job before. Yet, we do not know due to the truncation of

the only observed state. These two groups, STE and UEM, as well as the INA group, will mainly serve as points of reference for the evaluation of flexible trajectories.

5.2.1.1 Incidence of types of employment flexibility

Table 16 has indicated the number of trajectories in the sample also in order to highlight the number of cases on which the analysis is based. The following table, as well as all subsequent data, refers not to the sample, but to the reference population. The first line again gives an idea about the shares in the economically active reference population who are concerned by each form of flexibility. Flexibility groups are ordered by their estimated incidence in the employment trajectories. It's worth remembering that in order to count among one of the above groups, people do not necessarily need to work 'a-typically' from the beginning of 2005 all through to the end of 2007, or to experience frequent changes, but one month or one change is sufficient.

Table 17: Occurrence of employment flexibility in formally active trajectories

	PTE	FTE	JCH	LSE
All formally active trajectories: share featuring the measured form of flexibility (%)	19.3	17.9	17.4	15.2
All formally active trajectories: mean occurrence of the measured form of flexibility in 3-year period (% of the time)	10.5	12.8	0.23*	11.7
Concerned trajectories: mean occurrence of the measured form of flexibility in 3-year period (% of the time)	58.3	71.6	1.31*	77.0

**unit: job changes*

The biggest group are people encountering part-time employment: 19.3 percent of the formally active population experience it at least for one month. The overall incidence of part-time employment in all formally active people's trajectories is of 10.5 percent (in other words, 10.5 % of all working time in the data is part-time work). Those workers who experience it spend on average 58.3 percent of the observed period in PTE. 30.5 percent of them work in part-time during the whole period.²⁷⁵ The second biggest group is marked by fixed-term employment, 17.9 percent of the active population are concerned at least in one year. On average, FTE has a share of 12.8 percent in the observed trajectories.²⁷⁶ For the group of workers who are exposed to FTE at least in one year, it covers on average 71.6 percent of the three year observation period. 46.7 percent of them work in fixed-term employment during the whole period. Thirdly, 17.4 percent of workers lose or change their job at least once between 2005 and 2007. The mean incidence of this phenomenon is 0.23 changes per

data. She may also have been inactive, e.g. in education. This case should not be defined as flexibility.

²⁷⁵ Not all the information is presented in the table.

²⁷⁶ Based on yearly information.

observed person. Those who do experience some job change average 1.31 changes. Out of three people, statistically speaking, one person changes jobs twice. The smallest group, with 15.2 percent of concerned (formally active) observation subjects, are the lone self-employed. Overall, the share is of 11.7 percent, but those who do appear as own-account workers are in this state during 77.0 percent of the observation period on average; 54.5 percent of them exclusively work in this form of employment. LSE thus tends to concentrate on a certain subgroup of workers, unlike, part-time employment.

5.2.1.2 Coincidence of types of employment flexibility

Different forms of employment flexibility are not only not mutually exclusive, they can also appear together with a certain regularity. Table 18 shows that some forms are more closely linked than others. Experiencing PTE is correlated with FTE and job changes. FTE is even highly correlated with job changes, but also with LSE there is some significant correlation. In contrast, there is a negative correlation of LSE with the occurrence of PTE and changes of job.

Table 18: *Coincidence of different employment flexibility types*²⁷⁷

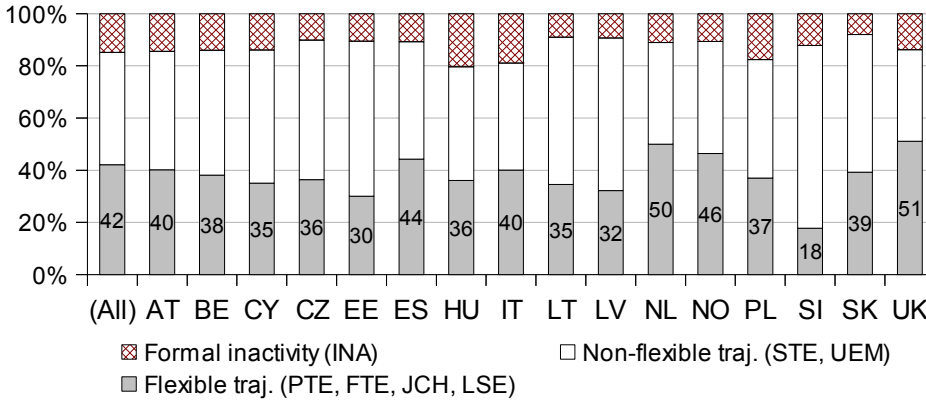
	PTE	FTE	JCH	LSE
PTE	1.0000			
FTE	0.1072*	1.0000		
JCH	0.1279*	0.2192*	1.0000	
LSE	-0.0024	0.0641*	-0.0380*	1.0000

*Correlation coefficients significant at $p = 0.05$

One could argue that overall, the magnitude of correlations is surprisingly low. This actually points to a wide spread of employment flexibility over the working population. As shown in diagram 8, almost half of the economically active reference population are concerned by (one or several of) the registered forms of employment flexibility (42.1%). In comparison, the share of people with trajectories without any of the measured forms of flexibility in the observed population is of 43.1 percent. 14.8 percent are classified as predominantly inactive.

²⁷⁷ The correlation is done on the incidence of each kind of employment flexibility, not on the binary criteria whether they occur or not in the trajectory.

Diagram 8: Proportions of aggregate employment categories, by country



Shares evidently depend on the criteria used. The share of people mostly formally inactive hinges on the 50 percent criterion opted for above. The classification of cases into flexible or non-flexible is immediately dependent on the categories of flexibility taken into account. The NFT group is a residual category for all economically active people for whom no kind of flexibility was recorded. It is not guaranteed that these workers did not actually experience any flexibility: forms which are not treated in this analysis may have occurred in their trajectories.

In respect to the analytical categories used here, the diagram provides information on the structure of the reference population. As long as it is the same categories which are used across countries, comparison is possible. The UK (51.1%) and the Netherlands (50.0%) stand out for a particularly high share of flexible trajectories, while Eastern European countries, in particular Slovenia (17.8%), tend to feature a below average occurrence of employment flexibility.

A second qualification to be made applies to the truncation of the data. Due to the brevity of the observation period, among the supposedly non-flexible trajectories there are probably many which are not so stable in the long run. In turn, it is possible that some trajectories which are classified as flexible actually very seldom deviate from the non-flexibility pattern, but happen to during the observed period. These specification errors tend to difference out in the later statistical analysis. Yet, they remain statistical noise, meaning that results will be less clear than potentially possible with longer sequences. Also, as mentioned above, for workers who are predominantly inactive we do not know whether the abstention from formal economic activity is durable or not.

5.2.1.3 Profiles of flexibility-groups

To get an idea about the profile of the observed population and its subgroups – they will henceforth be referred to as ‘flexibility-groups’ because flexibility is their common feature²⁷⁸ – we will shortly look at various individual features of workers, their household context, as well as occupation and unemployment. We get a first glimpse of who offers flexible labour and under which conditions. In table 19, we can see that the share of women and men varies greatly between the flexibility groups. Women are strongly over-represented in part-time (76,1%) and formal inactivity (76,6%), whereas they are under-represented in standard employment (36,9%) and lone self-employment (31,9%). The difference in age between the groups, observable in the next line of the table, does not seem very big. This is partly due to the concentration of the sample on the main working age. Yet, the differences indicate that workers who have fixed-term contracts or change jobs more frequently tend to be younger. Persons in standard employment or formal inactivity tend to be older.

Table 19: Workers’ individual features, by employment-group

Individual features	All ²⁷⁹	STE	UEM	PTE	FTE	JCH	LSE	INA	
Share women (%)	47.9	35.6	47.4	76.1	45.1	45.4	31.9	76.6	
Mean age (years)	41.69	41.98	41.71	41.07	39.76	39.87	41.79	43.40	
Edu. degree (%)	> upper secondary	32.2	39.0	20.6	35.6	36.0	39.4	29.1	15.8
	= upper secondary	39.7	41.2	39.0	39.3	36.0	34.8	39.9	37.2
	< upper secondary	28.2	19.8	40.4	25.1	28.0	25.8	31.0	47.1
Limitation of activity due to health problems (%)	5.4	2.6	7.7	4.6	3.1	3.4	3.1	16.9	

Formal education has been categorised into upper secondary education (39.7% of the reference population), and degrees superior (32.2%, mostly tertiary education degrees) respectively inferior (28.2%) to upper secondary education (which includes the case of not having any certificate). The table shows that education is relatively high for the group of non-flexible workers who do not experience unemployment (STE), and relatively low for those who do experience unemployment (UEM) as well as for inactive persons. Most flexibility-groups figure in between, except the JCH group, who has the highest share in tertiary degrees (39.4%). However, the share of less than upper secondary degrees (25.8%) is also higher compared to the STE group (19.8%). At the lower end of the flexibility groups in terms of education we have the lone self-employed, with 31.0 percent holding degrees inferior to upper secondary level.

²⁷⁸ The term ‘employment-group’ will be used if workers with non-flexible trajectories are also considered.

²⁷⁹ By “all”, the reference population of this analysis is meant. Please refer to the filter criteria above.

The EU-SILC contain information on whether a person's activity is limited due to health problems. An estimated share of 5.4 percent of the reference population say that their activity is slightly or severely limited due to health problems. Those in STE are the least concerned (2.6%), the inactive are over-proportionally hit (16.9%), much more even than the UEM group (7.7%). The part-time employed are most affected (4.6%) among the flexibility-groups.

Table 20 presents the composition of households of observed persons. Average household size is of 3.29 persons. There is a partner of the observed person in the household in just over three fourths (75.6%) of the cases. 58.4 percent of observed persons have children (or teenagers) in their household. Discerning by age, 18.0 percent live with one or more infants, 22.4 percent with children between three and four years old, and 45.4 percent with children in 'school age' (7-17 years). If there is a child, the average number of children in the households of observed persons is 1.57. At the other side of the generational chain, 5.4 percent of observed persons live with one parent in the household, further 4.6 percent live with two parents. Depending on the perspective, one may also say that the observed person is living in the parental household.

Table 20: Household composition, by employment-group

Household feature	All	STE	UEM	PTE	FTE	JCH	LSE	INA
Mean # of persons	3.29	3.19	3.17	3.37	3.41	3.17	3.40	3.49
Partner (%)	75.6	77.8	61.0	78.0	70.4	73.8	75.1	75.2
Children 0-17 (%)	58.4	57.3	49.8	67.3	59.8	60.6	60.0	54.5
– aged 0 to 2 (%)	18.0	16.7	13.2	21.8	20.4	20.3	18.7	16.9
– aged 3 to 6 (%)	22.5	20.5	21.7	26.9	24.3	24.2	23.7	22.6
– aged 7 to 17 (%)	45.4	44.6	39.8	51.5	46.6	45.3	46.2	44.5
Mean # of children if at least one child	1.57	1.49	1.60	1.64	1.65	1.53	1.59	1.71
One parent (%)	5.4	4.3	12.5	3.8	6.4	4.1	6.8	7.3
Both parents (%)	4.6	4.0	6.3	2.9	7.2	4.4	6.1	4.9

With regard to the subgroups of the working population, we can see that workers in the job-change and in the non-flexible employment groups have a low average household size in contrast to the fixed-term, part-time and lone self-employed, as well as those who are formally inactive. This hints that on average, the dedication to paid work decreases as households grow more complex; this can be explained by increasing trade-offs between paid and unpaid tasks. Also, changing the job is often connected to a change of residence, which is easier for small households. Yet, other household members are not only an obstacle for a career, they can also create an opportunity for taking some distance from the labour-market by 'legitimising' economic inactivity.

The largest average household size is found for the inactive group. It seems to stem from the high average number of children (1.71) in households which include children, as well as the high incidence of cohabiting parents. Surprisingly, the share of households with children (54.5%) is relatively low for this group. This can be explained by grown-up children having left the household, who do not appear in the statistic. Inactive people living without children are very likely to be at the upper end of the age span of the sample. The impact of the household on the employment trajectory is not, of course, independent of gender. It has been shown (Eurofound 2006, 33 et seqq.) that the birth of a child tends to have opposite effects on the employment behaviour of men and women (cp. also BMFSFJ 2011, 40, 119, 130).

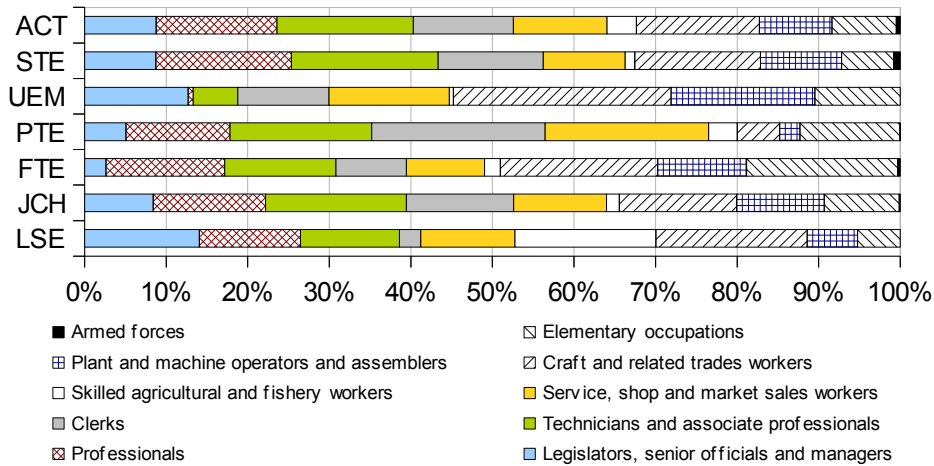
Unlike young children, parents of observed persons in the household can act as a support, not only in terms of child-minding, but also in financial matters. It seems that workers with income risks tend to live with parents more often. For example, an over-proportionate share of fixed-term employed live with one (6.4%) or two (7.2%) parents. We know from diagram 10 that unemployment is frequent in this group. The frequent cohabitation with parents of the UEM group (12.5% and 6.3%) also points in this direction. However, we have also seen (table 19) that the FTE group is the youngest group on average. Possibly, household formation is hindered by the low stability of the employment position. As for partners, they are present relatively less often in the households of fixed-term workers (70.4%), and even less in the case of the UEM group (61.0%).

The household will play a major role later in the analysis. At this point, we will look at some more features of the flexible employment trajectory. Are there occupations which are typical for employment flexibility or specific types of it? Diagram 9 shows the distribution across the ten major groups of the ISCO classification²⁸⁰ for each flexibility group. The topmost line (ACT) refers to all formally economically active observed persons. All other lines can be read as group-specific deviations from these average values.

The group of workers with non-flexible trajectories without unemployment (STE) is close to the average. This is partly expectable because this group is big enough to substantially influence the average in its sense. Occupations with higher status are slightly over-represented, agricultural and elementary occupations appear less often than the average.

In contrast, workers who do not feature employment flexibility but who do experience unemployment (UEM) markedly deviate from the average. The high share of the first isco group (legislators, senior official and managers) is quite surprising. This can be explained by the risk carried by owner-managers of small enterprises. If one considers also that there are almost no professionals and technicians in the UEM group, this makes that in sum, occupations with a high status are quite rare in this group. This also applies to skilled agricultural workers. In contrast, craft and trade related workers are strongly over-represented in the UEM group.

²⁸⁰ 1988 version, EU-SILC variable pl050.

Diagram 9: Distribution of occupations, by employment-group²⁸¹

Among the part-time employed, legislators, officials and managers are relatively few. The high incidence of clerks is striking, as well as of service workers. Craft workers and plant and machine operators are rare. With regard to the high female share in the PTE group (which results from the division of labour chosen in households), this is probably due not to the part-time contract as such, but to a gendered distribution of occupations. Fixed-term employment (FTE) does not seem to fit well with legislative and management tasks, neither with skilled agricultural tasks. Craft and related trade workers and particularly workers with elementary occupations are more probable than the average to have a fixed-term contract. Workers with job-changes (JCH) largely reflect the average occupational distribution, apart from a relatively low occurrence of skilled agricultural workers. On the contrary, the lone self-employed (LSE) feature an extraordinary share of skilled agricultural workers, and also a high share of 'legislators, senior officials and managers', an ISCO group which includes "managers of small enterprises" (Eurostat 2010, 351). One can think of the traditional (primary sector) and the new self-employed (service sector) here. Clerks, operators and elementary workers are naturally under-represented among the lone self-employed.

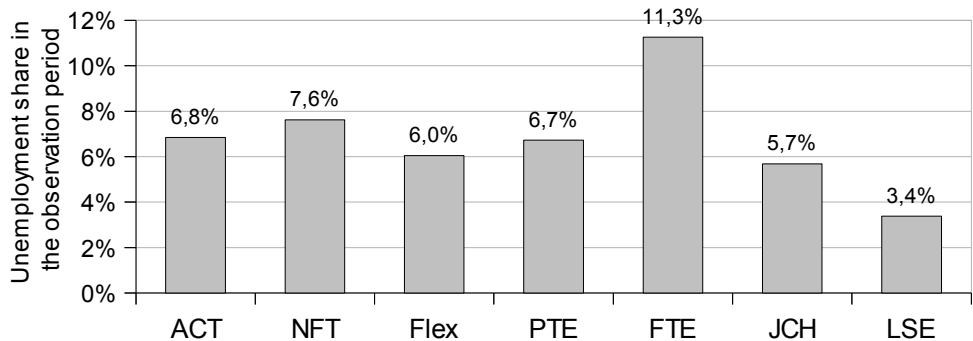
Diagram 10 shows unemployment shares in the trajectories for each flexibility-group. The average share in trajectories of economically active observation subjects is of 6.8 percent. The share in non-flexible trajectories (7.6%) is higher than in flexible ones (6.0%).²⁸² Among the flexible groups, the lone self-employed

²⁸¹ Shares do not add up to 100% in the data, because of missing values. I assume here that the lack of data is not systematic and therefore does not bias the distribution.

²⁸² Among the NFT, the values for the STE and the UEM groups are of course high/low *by definition*, they are therefore not shown in the diagram. In the former group unemployment is zero. In the latter, it is as high as 63.1 percent.

experience the least unemployment (3.4%); possibly, LSE often acts as a way out of unemployment and as a substitute for dependent employment (founding a business is frequently advised and supported by Public Employment Services). The group of fixed-term employed features the highest incidence of unemployment (11.3%). Part-time employed and job-changers count slightly fewer months of unemployment than the non-flexible employment group. The relatively low unemployment of flexible workers as a whole can partly be attributed to the selection criteria: employment flexibility in a trajectory signifies that *some* employment does occur.

Diagram 10: Unemployment in the observation period, by employment-group



At this point, employment flexibility has not yet been detailed by country. It may be that different incidences of unemployment have to do with a skew distribution of flexibility groups over countries, and with different general levels of unemployment in those countries. For example, it is possible that in countries with more part-time employment, the general unemployment level is relatively low. The aim at present is not, however, to explain unemployment. It should just be shown here that different forms of flexibility go together with different unemployment risks. This is important to keep in mind when it comes to comparing the employment trajectory with the poverty risk.

5.2.2 Different types of poverty and their occurrence

The present subsection uses a rather narrow interpretation of what is meant by the latter half of the term *flexicurity*. Abstracting from the security to stay employed, or to preserve certain standards concerning the quality of work, security refers here exclusively to the chance of a person to *avoid poverty*. Poverty can best be measured at the household level. The household combines available resources in a specific welfare mix (4.3.1.1). The observed person's employment income is one of these resources. Under the assumption that a household functions as a solidary union, aiming at

equality among its members,²⁸³ a person is poor if the household he or she lives in fulfils the poverty criterion. I therefore propose to consider a person as secure whose household faces a low poverty risk.

A household does not necessarily include several people; the share of single households has come close to the share of multi-person households in some countries. Yet, at the level of individuals (which remain the unit of observation here), most share a household with other people. Those others are not *necessarily* relatives, but most of the time they are. The members of a private household are confined to those living at a particular place *and* sharing in the household economy (cp. Ebert und Fuchs 2012, 565), there can thus be several households in one housing unit. Households are usually engaged in transactions with people external to the household (*ibid.*, 582 et seqq.), who are often also relatives. The fact that these people belong to the larger ‘family’, however, does not make them part of the household.²⁸⁴

As for the definition of poverty, there is no single and uncontested recipe. The CA in particular has highlighted the weaknesses of existing approaches (cp. *infra*). Yet, Sen does not argue that existing approaches should be discarded. It is a central tenet of the CA that different ways of measuring lead to different results, hence the stress on carefully choosing the informational base. Each method reveals a different part of reality, and each has its own conceptual or empirical weakness and can therefore not be treated as absolute. The quintessence is a pluralistic approach. In the present analysis, three different definitions of poverty are used: income poverty, deprivation, and subjective poverty. There is thus a mix of relative and absolute, direct and indirect, objective and subjective poverty measures.

5.2.2.1 Income poverty

Poor, according to the Council of Ministers of the European Community, are those people who possess too few material, cultural and social resources to participate in the way of life which represents the minimum of what is acceptable in their MS (cp. Becker und Hauser 2003, 64). Such poverty is also referred to as “social exclusion” (Engels 2007, 5 et seq.). Conceiving poverty like this makes it a *relative* concept. Whether or not a household is considered poor basically depends on the income of other households. Poverty thus becomes a measure of inequality (*ibid.*, 1), though only a measure of a certain kind of inequality and not of others. The peculiarity of income poverty is the characteristic of being an *indirect* concept of poverty (Andrefß 2008, 474), measuring input as opposed to outcome.

²⁸³ This is a rather strong assumption, as argued also by Sen (1993a). Yet, it is widely used, and its influence on the construction of statistical data creates a feedback mechanism suggesting further use of this assumption.

²⁸⁴ The terms ‘household’ and ‘family’ (in a narrower sense) are used interchangeably by some authors. There is a case for widening the focus so that external social relationships, which do have economic relevance, are taken into account. This will partly be done below, where monetary transfers between private households will be considered.

Concretely, the concept is based on the equivalised disposable household income (EDHI).²⁸⁵ The latter consists of the aggregate income of all members of the household minus taxes.²⁸⁶ 'Equivalisation' means adjusting the income according to size and composition of the household; in the following, the modified OECD scale is used for this purpose.²⁸⁷ A household is categorised as income poor – according to a standard definition used in European poverty research – if its EDHI amounts to less than 60% of the median of households. To ensure that the peer group of households is relevant, and to follow the mentioned definition by the Council of Ministers, the poverty threshold is calculated here for each country separately. Values are generated from EU-SILC data over all households contained in the dataset (which is different from the sample used in the analysis). This is necessary because the poverty threshold of the observed population is not necessarily the same as the poverty rate of the whole country.²⁸⁸ The national thresholds which will be used are arithmetic mean values, calculated over the three yearly median poverty thresholds during the observation period.

Diagram 11 shows that Norway has the highest poverty threshold. This means that in Norway, a household's equivalised disposable income needs to be higher than in all other sample countries in order not to be poor by national standards. A household which is poor in Norway would not necessarily be poor in other countries. Lithuania is the poorest country in terms of average EDHI, its poverty threshold is thus the lowest. Most non-poor Lithuanian households would be poor by Norwegian standards. Things would probably look a bit smoother if figures were in terms of purchasing power parity. In the data provided, they are not, and it is thus reasonable not to use them for inter-country comparison.

The second variable in diagram 11, depicted by bars, displays the share of those observed whose households are income poor (in comparison to their own country). At the top, three very similar shares are observed for Poland, Italy and Latvia, all close to 15.5 percent. At the bottom, we see that in Norway, people in their prime working age are very seldom income poor. Only 2.9 percent of observed Norwegians live in income poor households (even though the poverty threshold is so high). Large differences can thus be observed between countries (cp. Bundesministerium für Arbeit und Soziales 2008, 23–25). The share of income-poor observation subjects across all countries is of 12.1 percent.

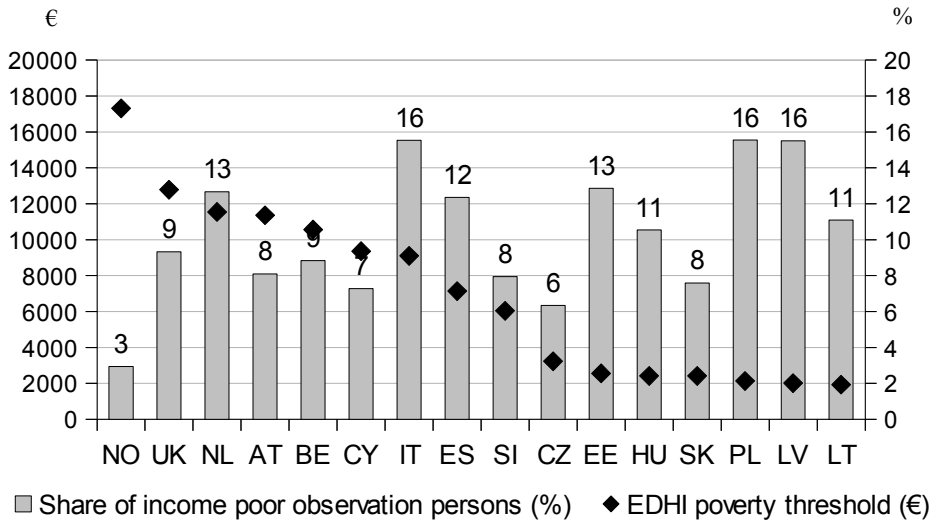
²⁸⁵ Variable hx090 in the EU-SILC.

²⁸⁶ The exact composition is described in the EU-SILC variable documentation, see variable hy020.

²⁸⁷ According to the methodology used to construct the variable hx050 of EU-SILC, the equivalisation factor, the first person above 14 years counts with factor 1, every further such person with factor 0.5. Persons younger than 14 count with factor 0.3.

²⁸⁸ (it can be expected to be higher: main working age people are particularly able to generate income)

Diagram 11: EDHI poverty threshold and incidence of income poverty



5.2.2.2 Deprivation

Deprivation refers to the standard of living, it deals with things which household members cannot afford. Deprivation indicators are sometimes used to complement monetary poverty measures (cp. Buhr und Huinink 2011; Bundesministerium für Arbeit und Soziales 2008). Focussing on outcomes, deprivation is a *direct* concept of poverty. Like income poverty, it is also used as a *relative* concept here, taking account of things which households generally need in order to share the way of life of society. Yet, society this time means all Europeans; it is suggested here that the items which will enter the indicator are aspired to not just in some, but in all European countries. There are differences between European countries, but they refer to the quality and cost of household assets rather than to the question of whether they are striven for or not.

The deprivation indicator which has been developed to be used here distinguishes between three socially relevant fields: consumption, housing, and finance. The aggregation rule is that if a household is deprived in at least two out of these three categories during the observation period, then it is counted as being in an overall condition of deprivation. It is thus made sure that the condition of deprivation, as a sign of potential exclusion, is not too easily fulfilled by the momentary lack of one particular item. In the following, the measurement of the three categories of the living standard and the respective poverty thresholds are explained in detail.

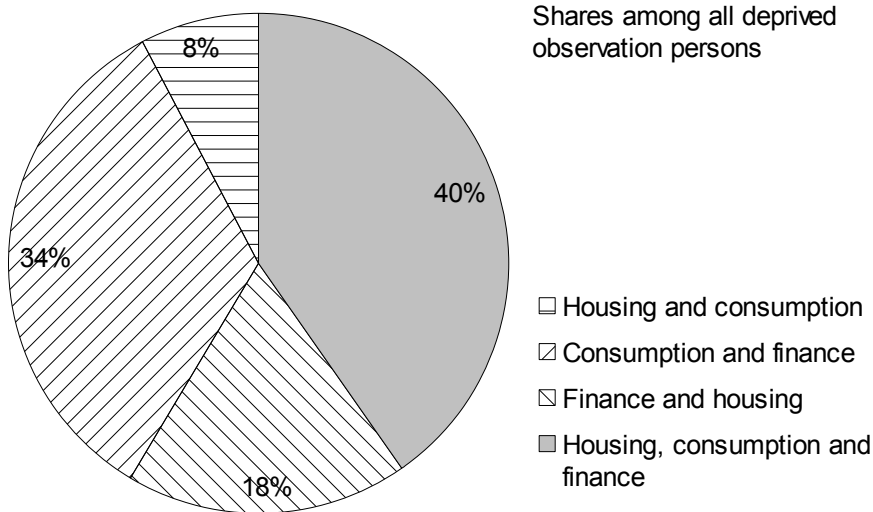
1. *Consumption* deprivation reflects the ability of the household to purchase some basic goods and services. A sum score is built from the following elements (with equal weighting): the capacity to afford paying for one week annual holiday away from home (hs040), the capacity to afford a meal with meat, chicken, fish (or vegetarian equivalent) every second day (hs050), as well as the possession (not necessarily ownership) of a telephone, a colour TV, a computer, a washing machine and a car (hs070-hs110). For the latter items, it is made sure that a registered lack of possession is due to the inability to afford them and not to personal taste. In order to be considered deprived in the consumption domain, a household must face a situation which characterises the septile²⁸⁹ of European households which are the least well-off.
2. *Housing* deprivation measures the decency of the household's habitation. The sum score takes into account whether there is a room for each person, whether the place is in a sufficiently good condition (hh040), whether the household has the means to heat it adequately (hh050), whether there is a shower in the dwelling (hh080) and whether the household has its own indoor toilet (hh090). The same poverty threshold as for consumption deprivation applies (i.e. being part of the poorest septile).
3. *Financial* deprivation is measured by the capacity of the household to face unexpected financial expenses by its own means (hs060). More concretely, the capacity of paying a certain amount²⁹⁰ without financial help from anybody and without deteriorating a potential indebtedness of the household. Observation subjects are counted as deprived if their household lacks the financial capacity measured here during all three years of observation. This is the case for 19.7 percent of the observed persons.

73.8 percent of the observed persons are *not* concerned by any of these three kinds of deprivation in their households. 14.3 percent are concerned by one of the three. 7.2 percent suffer from two out of three forms of deprivation, 4.8 percent from all three forms. Speaking of 'deprived people' in the following, only these 12% of people from the latter two groups will be meant. The following diagram shows the combinations of specific deprivations which make that these persons are registered as deprived in their household context. The shares which are indicated refer to the group of deprived people, e.g. 7.7 percent of the deprived people suffer from a combination of housing and consumption deprivation.

²⁸⁹ The seventh part. There is no theoretical reason to choose septiles. Poverty research often works with deciles or quintiles. Using septiles leads to a deprivation rate which is in the same order of size as the income poverty rate, which makes comparison between forms of poverty easier.

²⁹⁰ Amount equal to the poverty threshold per one consumption unit, independently of size and structure of the household.

Diagram 12: Combinations of forms of deprivation



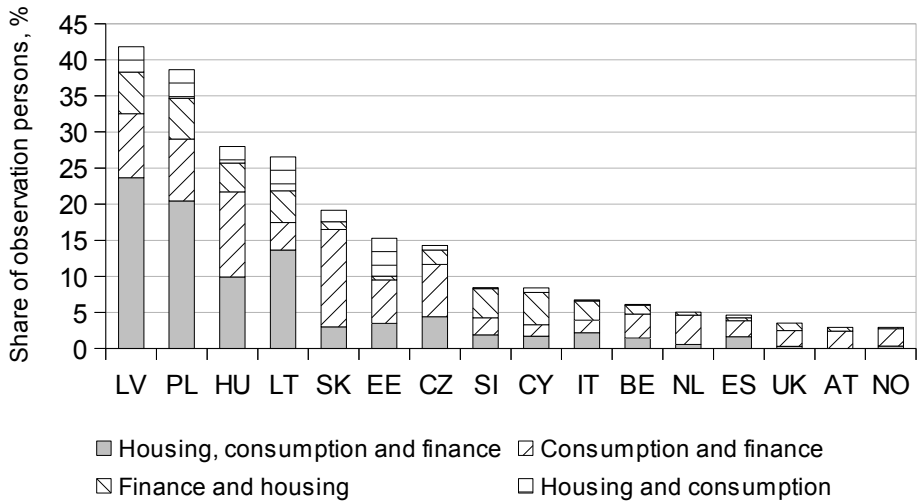
The largest part (40.3%) among the deprived households is deprived in all three observed domains of deprivation. It is followed by the combinations of finance with consumption (33.8%) and finance with housing (18.3%).

Grouping the observation subjects by country, it can be expected that inter-country differences in wealth as they turned out above will also show up here. Diagram 13 shows that the share of observation subjects with households affected by deprivation ranges from 2.4 percent in Austria to 41.8 percent in Latvia. Furthermore, it seems that the cumulation of all three forms of deprivation (grey part of the columns) is virtually non-existent in some countries (AT, NO), while it is normal in others (LV, PL).

Arguably, the strong differences between countries speak against using uniform deprivation thresholds all over Europe. How can deprivation be 'part of normality' in one country – does expectation not get corrected to a lower level?²⁹¹ I still choose to stick to uniform thresholds: considering that Eastern European countries have joined the league of 'modern' consumer societies after 1990, or at least after 2004, it would be a mistake to classify people as not deprived, although they still lack things that are part of the general living standard of those societies they seek to catch up with.

²⁹¹ It is often claimed that 'ambitions adapt to situations'.

Diagram 13: Deprived observation subjects, by country

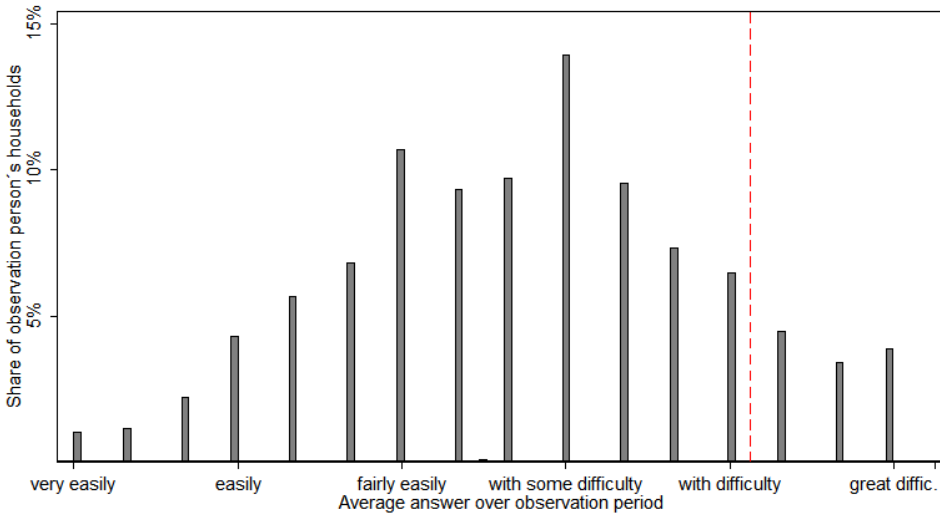


5.2.2.3 Subjective poverty

Subjective poverty is the third poverty definition addressed here. Its peculiarity is to deal with facts which are not objectively measurable. It is measured by whether the head of household²⁹² finds that the household has “the ability to make ends meet” (hs120). The way the survey item is designed, it is not possible for the respondent to answer that ends do actually not meet. I therefore choose to consider answers beyond “with difficulty” as an indication for poverty. As the observation period is of three years length, an answer is given three times. A household is registered as subjectively poor if the average answer is somewhere between “with difficulty” (excluded) and “with great difficulty” (included). This corresponds to everything to the right of the dashed line in diagram 14. The three bars add up to 11.7 percent share of observation subjects suffering from subjective poverty.

²⁹² (not necessarily the sample person, it is presumed here that aspirations are shared by household members)

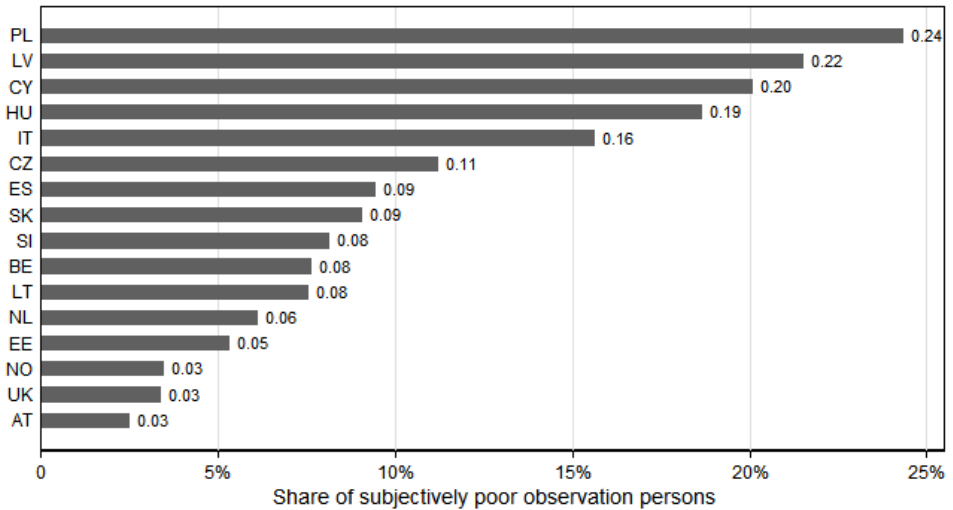
Diagram 14: Subjective difficulty of making ends meet



Another peculiarity of this kind of poverty is that it is based on the perceived needs of the household in relation to its own means, instead of other households' situations. Still, via the level of aspiration, this poverty measure becomes *relative* again. Whether or not a respondent feels that there is enough money is not independent of a general living standard. Like in the case of deprivation, thresholds are not calculated separately for each country. It is possible that aspirations adapt to (national) circumstances, but it is the *subjectively* perceived intensity of poverty which is measured here.

Diagram 15 presents the shares of subjectively poor households by country.²⁹³ In Poland, almost one quarter of observation subjects perceive great difficulties in making ends meet in the observation period (which is *before* the recent financial and economic crises!). In general, people seem to struggle especially in Eastern European and Southern European countries.

²⁹³ A potential problem is that it may depend on culture how people feel and speak about their situation. If this is so, this would speak for national thresholds.

Diagram 15: Observation subjects in subjective poverty, by country

5.2.2.4 Cumulative poverty

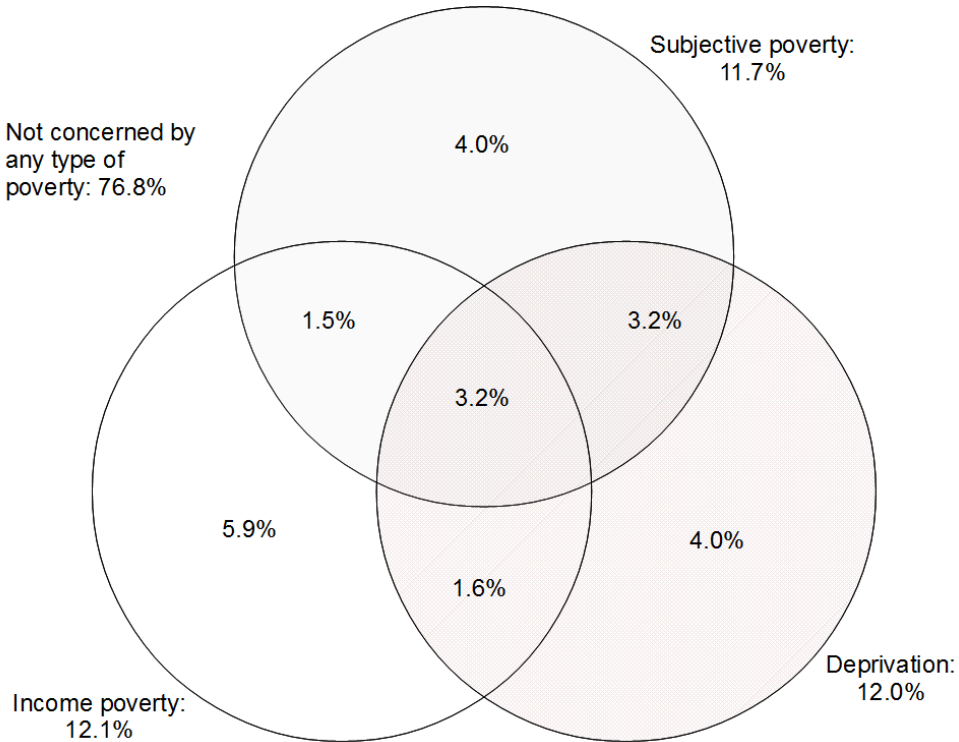
An empirical incongruence between different poverty measures is not an argument against, but rather for using several poverty measures. If, for instance, a person suffering from subjective poverty does not have an income below the poverty line, there are basically two ways to think about this situation: either, different poverty measures are seen as proxies for an underlying latent characteristic, a factual poverty which is difficult to observe and may escape reliable detection by a single measurement approach. Or, different poverty measures are considered as metrics for different forms of poverty, each one being fully valid. These forms can possibly appear at the same time, and thus give rise to a cumulation of poverty. Cumulation has been the subject of research (e.g. Hanesch u. a. 1994), because it is said to appear frequently and to exacerbate disadvantage.²⁹⁴ Both views legitimate a complementary use of several and methodologically different poverty measures.

The Venn diagram below presents the shares of persons who are poor from the point of view of each poverty definition and chosen threshold, but beyond this, it reveals how these measurements overlap. As explained, poverty thresholds differ according to the country as far as income is concerned. Relative to their respective national societies, we have seen above that 12.1 percent of the reference population live in income poor households, 12.0 percent are classified as deprived in their

²⁹⁴ Dorau (2004) creates an index of living situations which has dimensions which are quite similar to the ones presently used.

objective living conditions and 11.7 percent live in households which perceive considerable difficulty in making ends meet. In contrast, 76.8 percent suffer from none of these measured forms of poverty. The diagram also shows how many are concerned by one, two, or all three forms of poverty.

Diagram 16: Distribution of forms of poverty among observed persons



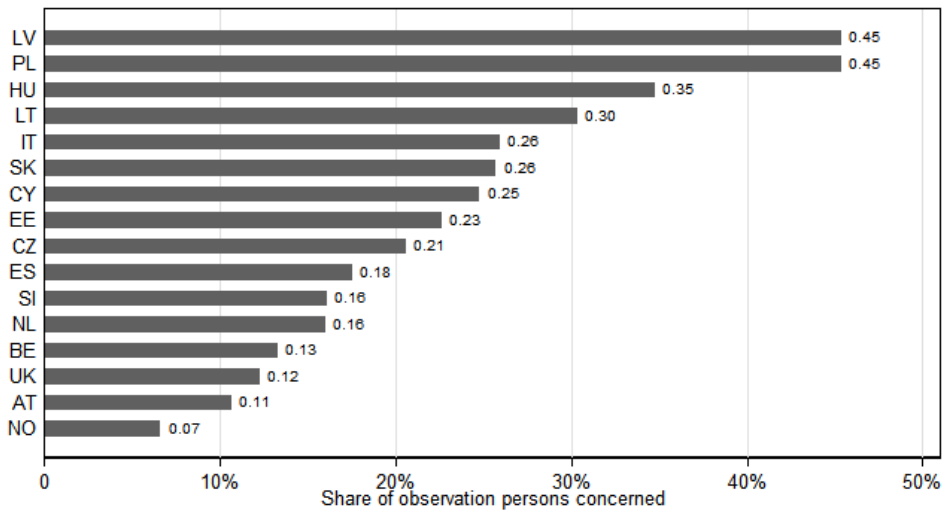
By cumulating shares, one can see that altogether 13.9 percent suffer one single form of poverty. 5.9 percent are income poor, but they do not seem deprived of a decent living standard in the measured categories consumption, housing and finance, and they neither seem to feel that they do not manage to make ends meet. By contrast, 4.0 percent are deprived, but not poor in terms of EDHI, and do not feel poor either. In turn, 4.0 percent of observation subjects live in households considering it very difficult to make ends meet, yet without receiving a particularly low income and without being deprived in terms of the living standard. Among the researched population, 6.3 percent cumulate two forms of poverty,²⁹⁵ and 3.2 percent are at the intersection of all three poverty definitions. All the different poverty-fractions add up

²⁹⁵ 1.5% + 3.2% + 1.6% = 6.3%

to a total of 23.4% of observation subjects who are affected by some kind of poverty.²⁹⁶

Of course, these figures are mean values over the observed population, they are thus not valid for each observation country as a whole. Taking just the share of workers concerned by some of the observed forms of poverty (or any combination of them), diagram 17 shows a ladder which is headed by Norway with just 7 percent of observation people concerned. At the other side, there is Latvia and Poland, both of which count over 45 percent of observed persons concerned by some kind of poverty.

Diagram 17: Observation subjects concerned by some form of poverty



It is true that just like different dimensions of poverty can be thought of, there is more than one way that poverty thresholds can be chosen for each definition. Even if they rely on a widely-used convention, like EDHI, or are generated by the data, like deprivation quantiles, the setting of boundaries remains a contingent matter (cp. Bundesministerium für Arbeit und Soziales 2008, 20). This is partly due to the relativity of poverty in industrialised, 'rich societies'. Given that the share of people considered poor depends on the threshold, the size of these shares can only be interesting for a reader who finds the chosen thresholds convincing. However, even for someone considering that lower or higher thresholds would have been more suitable, the results of the later analysis can be valuable, since the main question here is not actually *how many* people are considered poor, but *who* these people are, i.e. what are the determinants of poverty.

²⁹⁶ With the 76.8% of the reference population not affected, this adds up to 100%, rounding error aside.

5.2.2.5 Profiles of poverty-groups

Just like for the flexibility groups above, we will take a quick look at individual features. Table 21 shows that the share of women among the income poor is exactly at parity with the share of women in the reference population. In part, this is not surprising because women and men tend to form couple households. Yet, the rising importance of single households could possibly have led to another result, if one thinks of the higher poverty risk of single parents, who are often female. As for the other forms of poverty, women are slightly less affected than men. As for age, it seems that being older raises the poverty risk, which is surprising due to the often discussed difficulties of young people to garner employment positions. This may be offset by a decline of the labour-market chances of older people yet we should keep in mind that even the ‘old’ observation subjects are not older than 55 years.

Table 21: Individual features of people, by poverty-group

Individual features	All	Income poverty	Deprivation	Subjective poverty
Share women (%)	47.9	47.9	47.3	47.5
Mean age (years)	41.69	41.83	42.44	42.58
Edu. > upper secondary degree	32.2	12.4	9.7	11.0
= upper secondary degree (%)	39.7	33.3	50.1	40.3
< upper secondary degree (%)	28.2	54.3	40.3	48.7
Limitation of activity due to health problems (%)	5.4	9.4	11.3	11.4

Poverty correlates with low educational degrees and health problems. If in the reference population, the share of higher than upper secondary degrees is of one third, it is of 12.4 percent among the income poor, of 11.0 percent among the subjectively poor, and even below 10.0 percent among the people affected by deprivation. As for limitation of activity due to health problems, poor people are affected roughly twice as often as the reference population average.

With regard to household features (table 22) we can see that poor observation subjects tend to live in households of above-average size; this applies in particular to observed persons in deprived households. Partners are less often present in the households of poor observed persons. In contrast, poor persons more often than average have children in their households, especially children between the age of 7 and 17 years. It is noticeable that deprivation and subjective poverty tends not to correlate with the presence of infants between 0 and 2 years, possibly due to external support for the household. If there are children in a poor observation subjects’ household, their number tends to be significantly higher than the average number of children which is 1.57.

Table 22: Household composition, by poverty-group

Household features	All	Income poverty	Deprivation	Subjective poverty
Mean # of persons	3.29	3.57	3.69	3.57
Partner (%)	75.6	68.5	64.3	65.3
Children 0-17 (%)	58.4	68.1	58.3	60.0
– aged 0 to 2	18.0	19.1	17.0	15.4
– aged 3 to 6	22.5	15.4	23.9	22.9
– aged 7 to 17	45.4	57.7	50.3	52.1
Mean # of children if at least one child	1.57	1.96	1.89	1.81
One parent (%)	5.4	6.8	11.6	9.0
Both parents (%)	4.6	3.4	4.6	4.9

As far as cohabitation with parents is concerned, poor observation subjects tend to live with one parent more often than the average observed person (5.4%). In particular, deprived persons live with one parent more than twice as often (11.6%). There may be a country effect behind this, as it is conceivable that in poorer countries, three-generation-households are more frequent. The finding cannot be generalised for the case of living with both parents, however: poor observation subjects are at the mean of all observation subjects here.

5.2.3 The coincidence of employment flexibility and poverty

In the above sections, the dimensions of employment flexibility and security were analysed separately. We have seen for example that the share of people in prime working age who experience part-time, fixed-term, or lone self-employment, or who lost their job between 2005 and 2007 is of 42.1 percent.²⁹⁷ We have also learnt that 76.8 percent live without any indication of poverty. But we do not know yet whether or not these shares apply to the same people: how well are persons with flexible trajectories sheltered from poverty? Are they better or worse off than workers with non-flexible trajectories?

The first line of table 23 shows the poverty risks of the whole reference population, which are discerned below by category of employment trajectory. Those who do not encounter any of the observed forms of employment flexibility are less often income poor (7.0%) than persons who do experience employment flexibility (12.5%). In terms of deprivation (9.9% vs. 10.5%) and subjective poverty (9.2% vs. 10.7%) they are much closer.

²⁹⁷ Taking only economically active persons, shares are even higher, of course.

Whereas the non-flexible trajectories with continuous employment (STE) seem relatively untroubled by poverty on average, the UEM group are strongly affected. 55.6 percent of the latter are concerned by some kind of poverty in the observation period, and 15.6 percent by all three of them. Discerning by form of flexibility, we can see that most of the time, flexible workers are worse off than non-flexible workers, no matter the form of flexibility which occurs in the trajectory. This holds a fortiori with respect to the STE group, but also if the UEM group is added.

As for income poverty, 9.3 percent are hit among the JCH group, which is 2.3 percent more than the average of non-flexible workers (7.0%). For part-time, fixed-term and lone self-employed, the gap is even larger. Things look a little different for deprivation. Workers with fixed-term contracts are far more often in deprived households (19.0%) than workers with non-flexible trajectories (9.9%), while the part-time (9.5%) and lone self-employed (8.7%) as well as the job changers (8.1%) are deprived less often. Regarding subjective poverty, the lone self-employed are slightly less often effected (9.0%) than non-flexible workers (9.2%), but of course more than those who have continuous STE trajectories (6.2%). The other flexibility-groups are relatively often concerned by subjective poverty, especially the fixed-term employed: in their households, ends do not seem to meet for almost one fifth of the group. 32.3 percent of the fixed-term employed are hit by some form of poverty, as well as 26.0 percent of the lone self-employed.

Table 23: Poverty risks, by features of the employment trajectory, in %

	Income poverty	Deprivation	Subjective poverty	Some form	All forms
All persons	12.1	12.0	11.8	23.2	3.2
– NFT	7.0	9.9	9.2	17.1	2.3
– – STE	2.8	6.6	6.2	11.8	0.5
– – UEM	37.4	34.4	30.9	55.6	15.6
– Flexible	12.5	10.5	10.7	22.3	2.6
– – PTE	12.5	9.5	10.4	20.5	2.8
– – FTE	14.7	19.0	19.2	32.3	5.4
– – JCH	9.3	8.1	9.9	18.7	1.8
– – LSE	18.6	8.7	9.0	26.0	2.2
– INA	26.0	22.1	22.4	43.9	7.4

Overall, flexible workers are not doing as well as non-flexible workers, and in particular they are doing less well than workers with continuous standard employment. If, however, we compare flexible workers to groups of non-flexible workers who are unemployed during a part of or all over the observation period (UEM), flexible

trajectories seem to be still a lot more secure. Also, even the most insecure flexible trajectories, those with fixed-term employment, are more secure than economically inactive trajectories (INA): here, 43.9 percent suffer from some, 7.4 percent from all forms of poverty. Taken together, these findings make the message conveyed here somewhat more complicated than simply presenting flexible workers as disadvantaged, even though the latter remains the overarching statement to be derived from the analysis.

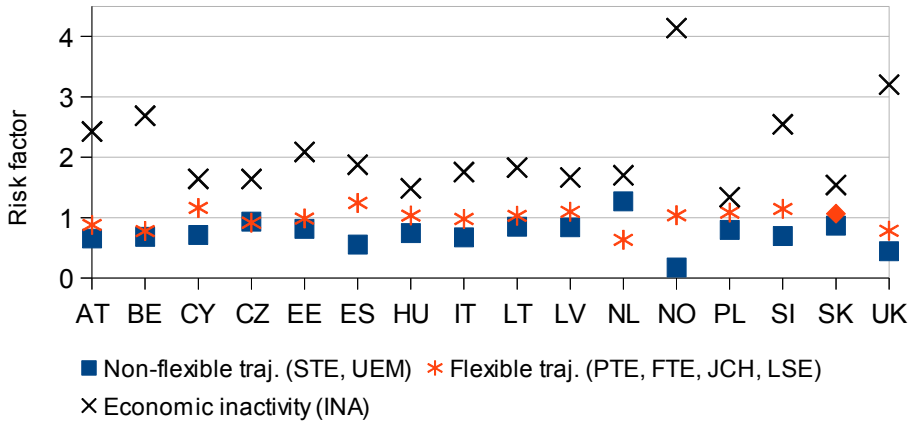
Discerning again by country in the following, we shall concentrate on cases where some form of poverty occurs, thus either income poverty, deprivation, subjective poverty, or any combination of these. The loss of precision is justified by the economy of presentation. Looking separately by country is useful not only because poverty levels differ, but also it is probable that the risk connected to flexibility differs by country.

Some diagrams will show the relative risk of suffering from one or several forms of poverty, according to the employment trajectory of the observed person. The poverty risk of all observation subjects in the respective country is used as a reference. A value of 1 on the y-axis means that the poverty risk of a specific group corresponds to the average poverty risk. For convenience, the y-coordinate is simply called the *risk factor*. If larger than unity, this means that the poverty risk is higher than average. A risk factor between one and zero means that the poverty risk (for the respective group of workers) is smaller than the average. The distance between the symbols can be read as an indicator for inequality between groups.

Diagram 18 begins with aggregate employment groups. It is striking that in almost every country observed, the poverty risk of workers with flexible trajectories is slightly higher compared to workers with non-flexible trajectories. Yet, it is still significantly lower than for economically inactive observation subjects. It seems that security is correlated with proximity to the labour-market, notwithstanding the existence of social security systems in all European states.²⁹⁸ The dispersion differs between countries, it is relatively high in Norway, the UK, but also in Austria, Belgium and Slovenia. Poland and the Czech Republic stand out for a relatively equal risk distribution over the aggregate categories observed here. Still, the order is the same in most countries, exceptions being the Netherlands, and to some degree the Czech Republic, Belgium, Latvia and Slovakia. These countries seem the only ones which combine flexibility and security, insofar as flexible workers do not have to bear a risk premium over non-flexible workers, or are even less exposed to risk (NL).

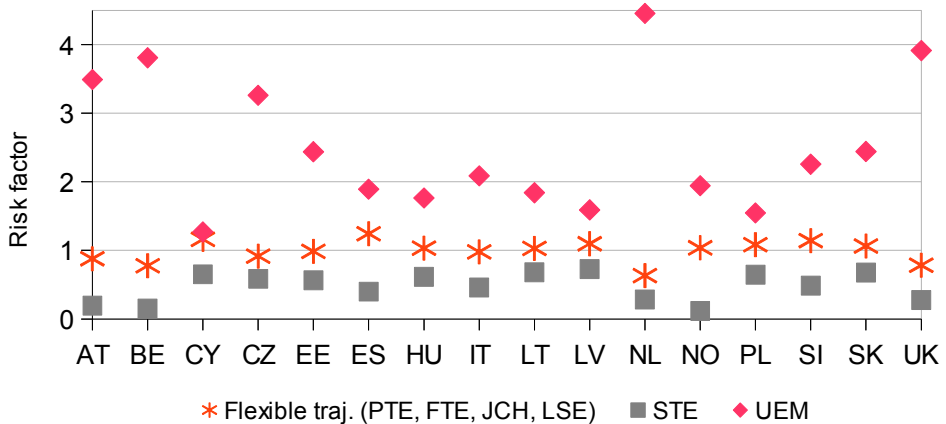
²⁹⁸ The high risk premium of economically inactive observation subjects in Norway is quite astonishing. The number of cases in the sample is definitely not the reason. The phenomenon could be linked to the extremely high poverty threshold in European comparison (page 196).

Diagram 18: Poverty risk of aggregate employment groups, by country



The absence of employment flexibility does not guarantee security. As it was already done above, one can differentiate among those non-flexible trajectories which feature continuous employment, any those who contain spells of unemployment, e.g. between a phase of education and the beginning of a job. Diagram 19 shows that the fact of being unemployed has a huge influence on the poverty risk. While in many countries, the non-flexible workers without unemployment (STE) are less than half as often concerned by poverty than the average, the non-flexible workers with unemployment (UEM) often seem worse off than the economically inactive observation subjects just seen in diagram 18. The Netherlands are no exception here, rather at the contrary; this may be an explanation for the flexibility-friendliness detected above.

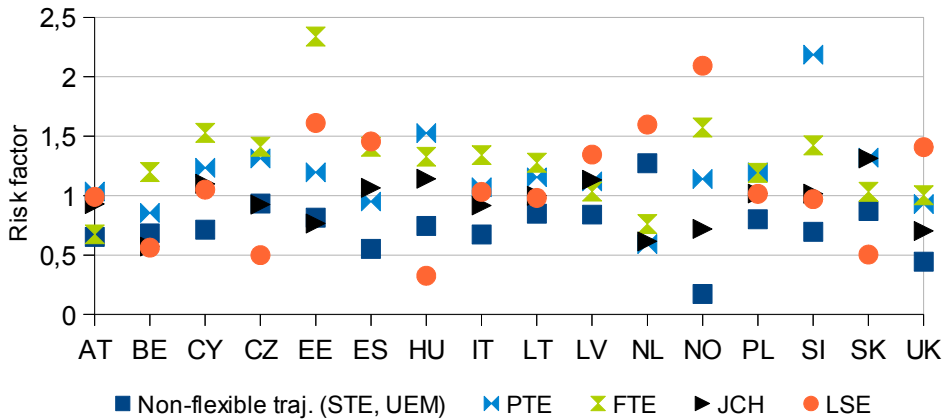
Diagram 19: Poverty risk of non-flexible groups, by country



We know, however, that the aggregate category of ‘flexible trajectories’ contains quite different forms. It is possible that their poverty risks differ strongly. We thus turn to diagram 20. Here, the non-flexible trajectories are again taken together, while forms of flexibility are discerned. The risk factors of flexible trajectories are often larger than unity, but also often, they are not. In half of the countries, non-flexible workers are at the bottom of the risk distribution, but in the other half, it is one of the flexibility groups which features the lowest risk.

In the comparison between flexibility-groups, it seems that the fixed-term employed (FTE) are most threatened by poverty in a majority of countries. They are often followed by the part-time group (PTE). In many countries, the job-change group (JCH) is the least concerned by poverty among the flexibility groups. As for LSE the picture is very uneven: we can find it both at the bottom (BE, CZ, HU, SK) and at the top (ES, LV, NL, UK) of the risk distribution, as well as in-between (CY, IT, LT, PL). While for FTE, the risk factor is almost systematically above unity, LSE does far better than average in some countries, and far worse in others. In some countries, all workers with flexible trajectories seem almost in the same boat, like in Austria, Latvia, Lithuania and Poland. Their poverty risks are roughly similar, when compared to the scope in other countries, like Estonia, Norway and Slovenia.

Diagram 20: Poverty risk of flexibility groups, by country



What the above findings suggest is that in different countries, flexible employment has a different meaning for the poverty risk. It would be too early, however, to assert that the *effects* of the forms of flexibility on poverty were the ones hinted by the diagrams. It is not only that causality could also go in the opposite direction, as the situation of the household could impact on the employment trajectory. It is also that the employment system is just one of the sources of security on which the household can draw, beside accumulated capital owned or rights acquired for support by the welfare state. I will shortly recapitulate some of the descriptive insights:

1. Workers with flexible employment trajectories face a higher poverty risk than workers without employment flexibility in most countries.
2. Forms of flexibility are associated with different risk premiums: fixed-term workers seem the worst off in most countries.
3. Only *intact* standard trajectories shield against poverty. Unemployment occurs also in trajectories which have been qualified as non-flexible (because no contractual flexibility and no job loss was observed), and it strongly boosts the poverty risk.
4. Formally economically inactive people face high poverty risks in many countries observed, though less high than in the case of persons who face long-standing unemployment.
5. Looking at absolute poverty risks, there are many inactive people and even more flexible workers who are not poor. Tangian (2008a, 8), cited already in chapter two, finds that “flexible jobs are in no case ‘better jobs’”. This tends to be confirmed here, but it also depends on the reference point: Comparing to continuous standard employment, Tangian is right. Comparing to everything else, flexible employment seems not *so* unattractive.

6. It can be shown that a non-negligible share of poor people also have continuous non-flexible employment trajectories (which confirms the SFB 580 finding of secondary internal labour-markets, see 4.3.2).

In a nutshell, one can thus say that flexible employment and poverty are inclined to one another, but they are not inextricably linked, and their relationship is not exclusive.

5.3 Determinants of the poverty risk of flexible workers

The present section analyses circumstances which enable persons to deal with employment flexibility. It asks about the conditions under which flexible employment causes or does not cause poverty. In subsection 5.2.3, it was shown that flexible workers are exposed to higher poverty risks as compared to workers with non-flexible trajectories, but that the larger part of flexible workers do not suffer from any form of poverty. It is therefore interesting to explore the difference between poor and non-poor flexible workers.

One class of explanations is based on the heterogeneity of flexible employment trajectories. It is possible that for some reason, the market imposes less risk on some flexible workers than on others. For example, the unemployment risk of flexible workers may differ according to their qualification. An alternative explanation is that market risks, no matter what features of the employment trajectory they may stem from, are muted by context factors in the case of some workers. Context factors refer to what is external to the employment trajectory, they are considered here as conversion factors.

It is useful to consider the distinction between resources and conversion factors as an analytical aid, not as a genuine taxonomy (cp. 3.1.2). In this sense, we can think of the monetary income generated by employment as a resource. All the other sources of well-being can be classified as conversion factors, as they moderate the connection between income and poverty. It will be distinguished between personal conversion factors, e.g. belonging to the household context, and collective ones, like the institutional system. At both levels, there can be differences between countries.

In the following, the impact of employment flexibility on poverty risks will be estimated, first for the entire observation population and then for each country separately. Differentiating by country will then allow an analysis of the determinants of the estimated effects of flexibility on poverty. A last subsection deals with the household context in a cross-country perspective.

5.3.1 The impact of employment flexibility

This subsection measures the impact of flexibility on poverty, using two logarithmic regression models. The first model is very basic, featuring exclusively four dummy variables (plus a constant) as regressors, which indicate whether a certain form of employment flexibility occurred during the observation period. The second model extends this set-up in order to avoid attributing effects to flexibility which are actually

due to correlates of flexibility which can be controlled for. Both models are tested for several dependent variables. Firstly, the one already introduced above, i.e. the fact of suffering or not from *some* of the three measured forms of poverty (either one, two, or all three at a time). Then, each of these forms will also be tested individually as a dependent variable.

The regression results are based exclusively on those who are predominantly economically active. It is reasonable to compare the effects of flexible trajectories to the effects of non-flexible ones. In contrast, comparing to inactive trajectories would tell more about employment participation as such than about employment flexibility. Estimations are performed across the whole sample population, independently of the respective country.

5.3.1.1 Basic regression model

Table 24 shows the output of the four regressions. It displays neither coefficients nor odds ratios, but average marginal effects (cp. Williams 2011) of changes of the independent variables on poverty probabilities. The columns “ $\Delta y/\Delta x$ ” indicate the estimated percentage change of the predicted probability of being poor for a one-unit change of the independent variable,²⁹⁹ all other things being equal.³⁰⁰ The magnitude of impacts is thus revealed and can also be compared between regressors.

Table 24: Impact of flexibility on poverty, average marginal effects (basic model)

Dep. variable:	Some form		Income pov.		Deprivation		Subjective pov.	
(in %)	$\Delta y/\Delta x$	SE	$\Delta y/\Delta x$	SE	$\Delta y/\Delta x$	SE	$\Delta y/\Delta x$	SE
PTE	-0.3	1.1	2.7*	0.7	-2.8*	0.8	-0.8	0.8
FTE	15.6*	1.0	6.8*	0.8	10.2*	0.8	9.7*	0.9
JCH	-1.1	1.0	1.0	0.7	-2.9*	0.8	-1.0	0.8
LSE	1.3	2.0	2.9*	1.1	-2.1	1.5	0.3	1.5
Pseudo R ²	4.1		6.1		4.5		4.2	
# of observations	16434		16434		16434		16434	

* significant at $p = 0.05$

Looking first at the joint occurrence of all forms of poverty, only fixed-term employment seems to have a significant poverty-increasing effect. Having such a contract in the observation period raises the poverty risk by an estimated 15.6 percent. Job-changes, part-time and lone self-employment do not seem to have any effect.

²⁹⁹ If the independent variable is binary (like for all dummy variables, i.e. forms of flexibility and economic sector), the poverty probability changes by the indicated value if the independent variable switches from 0 to 1. If it is continuous, the value corresponds to the change of y for each additional one unit change of x .

³⁰⁰ Average marginal effect refers to a mean value calculated over the different marginal effects calculated for various values of the co-variables.

In the case of income poverty, three out of the four regressors are statistically significant at a five percent error level. FTE again has the biggest estimated impact (6.8%), followed by LSE (2.9%) and PTE (2.7%).

As for deprivation, three significant effects are identified. Apart from the effect of FTE which is again strong (10.2%), it is noticeable that PTE (-2.8%) and JCH (-2.9%) seem to have an alleviating (!) effect on the risk. One may have some doubts about the correctness of this estimation result: why should less than full employment participation reduce the poverty risk – as fewer working hours means lower income? In fact, as we will see in a minute, this counter-intuitive effect is due to the parsimony of the regression model. As soon as country dummies are introduced the effect will vanish. The statistical artefact which we see here is due to part-time employment being more frequent in countries where deprivation is relatively rare.

The phenomenon of subjective poverty is not very well explained by the model. Only fixed-term employment is associated with a significant effect. Looking at the pseudo R^2 of all four models, only a small fraction of the respective dependent variable's variance is explained by model 1. Adding more variables will strongly raise the explanatory value of the model, as we will see in the following.

5.3.1.2 Extended regression model

The second regression model augments model 1 by adding a range of control variables. They include education (p. 189), the number of months of unemployment (p. 193) and occupational class (p. 192).³⁰¹ The extended model also includes features of the household and country dummies. Cases are again limited to observation subjects who are predominantly economically active, the estimation is again done across all countries.³⁰² Estimates thus apply to the whole active reference population. The output of the logistic regressions is shown in table 25. It is spread across several pages for better readability.

Looking first at the impact of flexibility, we can see in table 25 that the measured effects of flexibility are now smaller than in the first model. They do not exceed 3.8 percent (effect of PTE and FTE on the probability of experiencing some form of poverty). Overall, we measure less significant effects than in model 1. All this implies that part of effects which were attributed to flexibility in model 1 are due rather to correlates of flexibility. It is thus possible that part of the estimated effect of flexibility must actually be attributed to the sectors where such employment occurs, or to the qualification of the concerned workers, or also to the occurrence of unemployment in trajectories with fixed-term contracts (*infra*). It could be argued that at least in the case of unemployment we have to deal with a *mechanism* of flexibility. In other words, it would not be an alternative explanation of the poverty risk of flexible workers, but a channel by which flexibility has its impact on poverty.

³⁰¹ Gender is not controlled for here, because it is a predictor of part-time employment. Taking it into the model would only cause multicollinearity. It is true that women earn less than men. In part, though not entirely, this is captured by the isco variables.

³⁰² All countries included except Slovakia, for technical reasons.

The signs of the significant regressors are all positive this time, meaning that no poverty reducing effect of flexibility is measured. Part-time employment has no effect on deprivation,³⁰³ but it does have an effect on subjective poverty (1.5%), and it even raises by 3.4 percent the probability of experiencing income poverty. FTE impacts most on subjective poverty (3.1%), but also on deprivation (2.1%) and income poverty (1.8%). No significant impact is estimated for JCH and LSE. For the case of LSE, we will see later that the supposed insignificance is due to the number of cases in the regression.³⁰⁴

Table 25: Average marginal effects on poverty risks (part 1: flexibility)

Dep. variable (in %)	Some form		Income pov.		Deprivation		Subj. pov.	
	$\Delta y/\Delta x$	SE	$\Delta y/\Delta x$	SE	$\Delta y/\Delta x$	SE	$\Delta y/\Delta x$	SE
PTE	3.8*	1.0	3.4*	0.7	1.0	0.7	1.5*	0.8
FTE	3.8*	0.8	1.8*	0.6	2.1*	0.6	3.1*	0.7
JCH	1.2	0.9	0.8	0.6	-0.2	0.6	0.7	0.7
LSE	-0.9	1.7	1.8	1.1	-2.0	1.2	-1.4	1.4
...								

The regression output continues with the control variables in table 25. First of all, we can see that education has a risk-reducing effect on all dependent variables. For each additional ISCED level, for example the risk of suffering income poverty decreases by an estimated 1.8 percent. It is possible that part of the effect is due to a correlation with the educational level of other household members: According to the hypothesis of homogamy, persons tend to live together with others who have a similar educational level.³⁰⁵ We will speak of the activity of other household members in a moment. As for unemployment, a significant poverty-increasing effect is estimated, with the exception of subjective poverty. Every additional month of unemployment in the observation period increases the poverty risk by 0.4 (some form), 0.3 (income poverty), respectively 0.2 (deprivation) percent.

The remaining variables in this second block are all dummy variables pertaining to the sector of activity. It is easy to see that the poverty decreasing effect *decreases* when we go down the occupational hierarchy. Being a member of the armed forces³⁰⁶ reduces the risk of experiencing some form of poverty in the reference period by 27.5%. For legislators, professionals, technicians and clerks, there is still a

³⁰³ (such that in the first column, a significant effect appears. There are no contradicting effects this time which could neutralise each other in the aggregation)

³⁰⁴ There is a high number of missings for the FTE dummy, especially when the person experiences LSE. I will later test only one flexibility dummy at a time, such that the effects of LSE will come to the fore.

³⁰⁵ By implication, education is a factor which accounts for cumulation or diversification of risk (infra).

³⁰⁶ Not sure about the occupational hierarchy here, but the armed forces are known as 'good employers'.

reduction of the poverty probability of between roughly 15 and 11 percent, whereas for service workers, skilled agricultural workers and elementary workers, no risk reducing effect is measured. Differentiating by poverty form, the clearest impact of the occupational class seems to be on deprivation.

Table 25: Average marginal effects on poverty risks (part 2: controls)

(...continued)	Some form		Income pov.		Deprivation		Subj. pov.	
(in %)	$\Delta y/\Delta x$	SE	$\Delta y/\Delta x$	SE	$\Delta y/\Delta x$	SE	$\Delta y/\Delta x$	SE
Education	-4.5*	0.5	-1.8*	0.3	-2.8*	0.4	-2.5*	0.4
Unemployment	0.4*	0.1	0.3*	0.0	0.2*	0.1	0.1	0.1
Sector: Armed forces	-27.5*	7.5	omitted		-14.2*	6.3	-17.4*	6.7
Legislators, senior officials and managers	-14.9*	2.4	-8.1*	2.0	-7.2*	1.7	-9.6*	2.5
Professionals	-11.4*	1.7	-6.5*	1.9	-6.1*	1.2	-6.7*	1.5
Technicians and associate professionals	-10.9*	1.5	-6.2*	1.2	-6.4*	1.0	-6.3*	1.3
Clerks	-10.9*	1.6	-6.4*	1.5	-5.7*	1.1	-5.1*	1.3
Service workers and shop and market sales workers	-3.0	1.5	0.1	1.0	-2.1*	1.1	-3.0*	1.2
Skilled agricultural and fishery workers	-4.8	3.6	-0.2	2.4	-2.0	1.5	-4.4	3.1
Craft and related trades workers	-5.5*	1.3	-2.0*	0.8	-2.7*	0.9	-4.7*	1.1
Plant and machine operators and assemblers	-5.4*	1.5	-3.0*	1.0	-3.1*	0.9	-3.9*	1.3
Elementary occupations	1.0	1.4	1.3	0.9	1.6	1.0	0.8	1.1
...								

Looking at household features in the next part of the regression output, we turn to a domain which is external to the labour-market. The household is relevant because labour cannot be separated from the person offering it. Workers live in households, and household features can mute or exacerbate market risks. The latter seems to be the case for children in the household, who have the effect of raising poverty risks. Unlike dummy variables, the values of the respective regressors can rise by one unit more than once.³⁰⁷ For each additional child in the household aged between zero and two years, the estimated probability of experiencing income poverty rises by 2.5 percent (impacts on deprivation and subjective poverty are not strong enough for

³⁰⁷ (empirically, of course, there are limits to the number of household members of a specific type which can be observed, e.g. babies)

statistical significance). For children between three and six years, no effect on income poverty measured. Interpreting this result, I suggest that children of this age impede employment participation less than infants do. At the same time, they are not yet as 'expensive' as their older siblings: Children between seven and seventeen years turn out to be significant for all forms of poverty risks.³⁰⁸

With regard to the activities of other household members (where this applies), the table indicates the calculated change in the observed person's poverty risk for an additional household member mainly performing the respective kind of activity. If one assumes a causal effect here in the specified direction,³⁰⁹ one can interpret that having a person in the household who is occupied with domestic tasks and care responsibilities raises the probability of income poverty by 3.5 percent, of deprivation by 2.3 percent and of subjective poverty by 2.8 percent. In contrast, for other household members working in part-time, we observe no poverty increasing effect, but a reduction of the probability of income poverty by 4.1 percent (but no significant effect on deprivation and subjective poverty). For comparison, if the observation subject lives with someone who works full-time, this reduces the probability of income poverty by 8.6, of deprivation by 3.3, and of subjective poverty by 4.9 percent. We can thus see a continuum from inactivity, over part-time to full-time employment.

Living with a person in education or training tends to increase poverty risks. From an economic angle, education is an investment by the household which may pay in the future but has its price in the present. Unemployment in the household clearly exacerbates poverty risks. Unemployed household members correlate strongly with poverty. For an additional unemployed person, the estimated rise of the probability of income poverty (of the observed person but also of all other household members) is of 3.5 percent. As for deprivation, it is even of 7.1 percent and for subjective poverty of 7.7 percent. In contrast, retired persons significantly reduce poverty in the household; they can probably draw on better institutional provisions. Another factor is also that young workers who have not yet reached stable employment integration are often better off staying in the parental household. Last but not least, people who are disabled or at least who cannot work raise the household's poverty risk in terms of deprivation (2.4%) and subjective poverty (2.9%).

³⁰⁸ Cp. Buhr and Huinink (2011, 207): The birth of a child simultaneously raises the economic needs of a household and decreases its disposable income.

³⁰⁹ This is not necessarily so. There can also be feedback effects from poverty to household composition and employment participation, as well as correlation with unobserved factors.

Table 25: Average marginal effects on poverty risks (part 3: other household members)

(...continued)	Some form		Income pov.		Deprivation		Subj. pov.	
	$\Delta y/\Delta x$	SE	$\Delta y/\Delta x$	SE	$\Delta y/\Delta x$	SE	$\Delta y/\Delta x$	SE
(in %)								
Children aged... 0-2	2.9*	1.2	2.5*	0.8	1.4	0.9	0.9	1.0
... 3-6	0.3	1.0	0.5	0.7	0.6	0.7	-0.7	0.8
... 7-12	3.2*	0.6	2.2*	0.4	1.4*	0.5	1.2*	0.5
... 13-17	2.7*	0.6	2.9*	0.4	1.5*	0.5	1.5*	0.6
Adults								
... fulfilling domestic tasks	7.6*	1.2	3.5*	0.8	2.3*	1.0	2.8*	1.0
... working part-time	-5.5*	1.5	-4.1*	1.0	-1.8	1.0	-1.8	1.2
... working full-time	-8.4*	0.7	-8.6*	0.7	-3.3*	0.4	-4.9*	0.6
... in education or training	1.7*	0.8	0.9	0.7	0.8*	0.4	1.3*	0.6
... unemployed	11.5*	1.1	3.5*	0.8	7.1*	0.7	7.7*	0.8
... in (early) retirement / given up business	-5.7*	0.9	-5.6*	0.9	-2.3*	0.5	-2.8*	0.8
... permanently disabled or unfit to work	6.0*	1.6	-0.7	1.1	2.4*	0.9	2.9*	1.1
...								

The country dummies in the model are not just necessary for technical reasons as we have seen, but they also give an impression about the different levels of poverty risks in each country. The marginal effects which are displayed indicate the difference between the respective country and Austria, which serves as reference. As Austrians have a relatively low probability of experiencing poverty, the effects in table 25 are mostly significantly positive, i.e. poverty increasing. Exceptions are Belgium, the Netherlands and Norway. The situation seems most difficult in some Eastern European countries like Hungary, Latvia, Poland and Slovakia.

Table 25: Average marginal effects on poverty risks (part 3)

(...continued)	Some form		Income pov.		Deprivation		Subj. pov.	
(in %. Reference: AT)	$\Delta y/\Delta x$	SE	$\Delta y/\Delta x$	SE	$\Delta y/\Delta x$	SE	$\Delta y/\Delta x$	SE
BE	-1.1	1.5	-2.6*	1.1	0.3	1.1	3.3*	1.0
CY	15.7*	2.1	1.2	1.4	4.6*	1.3	18.7*	1.9
CZ	13.3*	1.5	0.4	1.1	11.7*	1.1	10.0*	0.9
EE	15.1*	2.8	7.0*	2.5	14.1*	2.7	6.3*	2.7
ES	1.0	1.4	-0.1	1.1	-0.6	0.8	4.5*	0.9
HU	23.9*	1.9	2.1	1.2	22.5*	1.6	16.5*	1.4
IT	7.5*	1.4	1.3	1.0	1.2	0.9	9.7*	0.9
LT	23.4*	2.5	5.6*	1.7	24.1*	2.3	6.5*	1.6
LV	39.4*	2.8	10.9*	2.4	39.4*	2.5	19.4*	2.2
NL	-0.3	1.6	-0.6	1.2	0.1	1.4	1.5	0.8
NO	-2.8*	1.4	-2.6*	1.0	-0.1	1.0	0.7	0.8
PL	26.5*	1.7	1.8	1.1	25.9*	1.5	15.4*	1.1
SI	5.3*	2.0	0.2	1.6	3.1*	1.3	6.1*	1.6
SK	23.4*	2.0	7.4*	1.6	19.5*	1.7	8.5*	1.2
UK	2.8	1.5	2.5	1.3	0.3	1.1	2.3*	0.9
Pseudo R ²	30.4		40.0		37.7		24.0	
# of observations	16387		16299		16387		16387	

* significant at $p = 0.05$

Comparing the extended with the basic model, adding variables has strongly raised the explanatory value of the regression model. 30.4% of the variance of the dependent variable ‘experiencing (at least) one form of poverty’ is explained by the new model, as compared to 4.1% before (pseudo R², cp. table 24). Income poverty is particularly well explained by the regressors (40.0% of explained variance). However, one can argue that deprivation and subjective poverty are, after all, more relevant in practice. If one understands the measured forms of poverty as proxies of capability, deprivation and subjective poverty are certainly also closer to this underlying metric.³¹⁰

³¹⁰ Income is sometimes discussed as quite close to capability, also, because income is quite universal in its quality as an exchange medium. Yet, this applies only to ‘what money can buy’.

5.3.1.3 Effects of flexibility, by country

An assumption implicitly made in the above regressions is that the effect of flexibility on poverty is the same in all observed countries. It will be relaxed in the following, because there is no particular reason why it should be correct. The extended model is thus estimated separately for each country. Some changes will be made in the model in order to raise the number of observations: Not all flexibility dummies figure simultaneously in each regression, because the information on fixed-term employment and to some degree also on job-changes contains missing values.³¹¹ Also, occupational classes are dropped from the model because they are not completely filled in the dataset.

Table 26 shows the statistically significant impacts of part-time and fixed-term employment for each country, job changes and lone self-employment on the different forms of poverty. 'I' stands for income poverty, 'D' for deprivation and 'S' for subjective poverty. A negative sign means that the effect goes in the direction of reducing the risk of poverty. The information on the magnitude of significant effects is not provided in this concise form of presentation. In turn, the overview allows drawing some general conclusions: Effects of flexibility on poverty cannot be asserted for each form of flexibility in each observation country. If there is an effect, it is not always on the same forms of poverty. Most – but not all – effects of flexibility are poverty-increasing.

Table 26: Significant effects on poverty, by country and form of flexibility

	AT	BE	CY	CZ	EE	ES	HU	IT	LT	LV	NL	NO	PL	SI	SK	UK
PTE		I		D, S			I, D, S	I, S	I	S			I, D, S	I, S		I, D
FTE		I	I	D, S		D	I	I, S	I, D		S	S	I, D, S		-S	S
JCH								S	I		I				I, D	
LSE	I	I		-D, -S	I	I	-D, -S	I		-S	I	I	I	I	-D	I

All effects significant at $p = 0.05$

In 11 out of 16 countries, a poverty-increasing effect of fixed-term employment is found, while in 9 countries, part-time employment increases the probability of experiencing some form of poverty. As for changes of job, however, an effect is found only in the case of four countries. The issue of lone self-employment is rather puzzling: in a majority of countries, income poverty is made more probable by LSE. In some other countries, however, this effect cannot be found, and there even seems to be a decreasing effect on the probabilities of deprivation and subjective poverty. These are the only cases where security seems to be supported by flexibility (plus the effect of FTE in Slovakia).

³¹¹ One missing value makes the whole observation useless in a regression estimation.

There is no country with a complete absence of impacts of flexibility on poverty. For Austria and Estonia, there is just LSE which seems to have an effect. Italy is the country where each form of employment flexibility seem to raise the poverty risk: non-flexible trajectories are thus particularly important for security in Italy.

There are three cases where all three kinds of poverty are significantly raised by a form of flexibility (PTE in Hungary and Poland, as well as FTE in Poland). In a higher number of cases, a phenomenon of flexibility impacts one or two poverty dimensions. The next subsection will try to explain country differences at the institutional level.

5.3.2 The institutional and economic context

In this subsection, the second step of what can be considered a two-step design will be performed: the effects of flexibility become the dependent variables. How can it be explained that flexibility sometimes raises the poverty probability while at other times there is no effect, or even an effect in the inverse direction?

Countries come into the focus as the new *explanans*. From the research perspective taken here, speaking of countries is short for speaking of a multidimensional set of conversion factors. There have been attempts in the social sciences to reduce this complexity, systematising the main country differences by regime typologies. The first question pursued here is therefore whether familiar regime typologies have any explanatory values for the above findings. Subsequently, individual policy factors will be tested as explanations for the measured effects of flexibility.

5.3.2.1 Welfare state regimes as flexicurity regimes?

A regime can be imagined as a rather coherent set of complementary institutions. As Esping-Andersen (1990, 2) formulates, “[t]o talk of ‘a regime’ is to denote the fact that in the relation between state and economy a complex of legal and organizational features are systematically interwoven”. Serrano Pascual (2007b, 275) advocates an even more holistic understanding of regimes as “the hegemonic mode of governance in a given community, comprising not only all the institutions regulating how power is exercised by the different social actors, but also all the values that legitimate these institutions [...]”. There are different regime typologies, taking different perspectives on existing institutional systems, which can still be more or less delimited by country borders.³¹² Among the many typologies which have been elaborated, there are welfare regimes, care regimes, life-course regimes, activation regimes and production regimes. Empirically, however, different regime typologies tend to render more or less the same “familiar country clusters” (EC 2012a, 44).

As observed by Muffels (2008, 107), “the flexicurity picture does not seem very different from the EA’s typology”. “EA” refers to Esping-Andersen, already cited above, who has become the synonym of regime approach to classify welfare states.

³¹² International agreements reduce the importance of these geographical units and add levels of governance.

This approach has been proposed in the year 1990 and has basically stayed on its premises after two decades of discussion, modification (Lessenich 2008, 66) and production of derivatives (for an overview, see Arts und Gelissen 2002, 149 et seq.). Following EA's re-formulated³¹³ typology, welfare states cluster around three ideal-types: the residual type, limiting itself to fighting poverty, the corporatist type, conserving status differences allocated by the labour-market, and the universal type, compensating market outcomes on a basis of citizenship. Behind this classification there is thus an idea about a specific logic overarching the different ingredients constituting a welfare state.

Following EA, this logic can be grasped by two dimensions: (de-)commodification and (de-)stratification. The first concept has already been introduced in chapter one. It refers to whether the individual's dependence on the market is amplified or mitigated. Welfare state provisions which are based on rights allow persons to maintain a livelihood without selling their labour (Arts und Gelissen 2002, 141). The second concept illustrates "which social stratification system is promoted by social policy and [whether] the welfare state build[s] narrow or broad solidarities" (ibid.). These two major axes, providing a grid for classifying regimes, should therefore reflect in an abstract way the degree and conditions of welfare state intervention, e.g. the provision of transfers.

When the state produces security in lieu of the market (de-commodification), it does so by using welfare state instruments. Flexicurity is thus close to the subject of EA's typology. If one considers also that the degree of security which is granted by the welfare state often depends on individual labour-market achievements (stratification), it is not surprising to observe a strong overlapping of "flexicurity regimes" (EC 2006a, 4) and welfare state regimes. One can also suspect that the way that the flexicurity agenda is received and implemented by MS should be influenced by their historically grown national configurations. This follows both from institutional complementarity³¹⁴ and from the deeper-rooted cultural and political idiosyncrasies in each country which had given rise to the respective regime in the first place.³¹⁵ Therefore, measures which are deployed in the framework of flexicurity should theoretically correspond to the "policy logic" (Esping-Andersen 1987, 6 et seq.) which already governs the relations between state and economy. A counter-hypothesis is possible here: political pressure at the European level could also make national governments opt for a path-change (Mandl und Celikel-Esser 2012, 15). This, however, could also mean saying good-bye to the respective 'world of welfare'.

If there is some regime diversity in Europe, then the positioning of different societal groups vis-à-vis one another (Lessenich 2008, 35 et seqq.) and vis-à-vis the labour-market should differ between European countries. Following these

³¹³ The ideal-types had formerly been tagged as liberal, conservative/corporatist and social-democratic.

³¹⁴ Cp. Hall and Soskice (2001). The idea is that positive feedback mechanisms can exist between institutions, so that they act in a complementary way, raising efficiency and perpetuity of one another. The condition of this kind of compatibility is that institutions share a common logic of functioning.

³¹⁵ Esping-Andersen (1990) argues that regimes have historically grown out of power-struggles between societal actors.

assumptions, researchers have used regime typologies as independent variables. The potential impact of regimes might result from the moderation of the interactions between a multitude of determinants on the micro, meso and macro levels, shaping the available alternatives for working life participation or non-participation. In the work of Blossfeld et al.,³¹⁶ welfare regimes are considered as filters for globalization pressures, channelling them in a distinct way into individual lives. One could therefore decide to empirically test whether there are regimes which grant more freedom in employment trajectories, or which allow workers to use flexibility without running risks.

One problem about regimes as independent variable is the fact that they represent ideal-types which reflect the reality of an existing country only imperfectly. It has been argued that countries feature strong internal heterogeneity. Despite the idea of institutional complementarity, it is not granted that each branch of society is structured in the same way as the others. It has even been argued that deviations from a dominant policy logic are inevitable (Bannink und Hoogenboom 2007). For this reason, among others, a classification of countries by regime types cannot replace the effort of a detailed scrutiny of countries. This is a research venture which requires adequate resources. As pointed out by Mandl and Celikel-Esser (2012, 6), “more in-depth considerations concerning the institutional, regulatory or economic framework cannot be covered by desk research alone. A thorough investigation of governmental and social partner structures, characteristics of economic and labour-market developments, social systems and regulatory frameworks for 27 countries requires getting directly involved at national level”. As such research is not in the scope of the present book, I will limit myself to a comparison of my empirical results with an existing regime classification. Can the hypothesis be corroborated that the flexicurity picture elaborated above corresponds to the ‘usual’ country clustering, as it has done in a considerable number of individual research cases (cp. chapter two, see also Mandl und Celikel-Esser 2012, 16, for an overview)?

To test this, table 26 from page 219 is reorganised using the geographical (Eurofound 2008a, 10 et seqq.) welfare state categories of Muffels and Luijkx (2006). There seem to be at least a weak link between type of welfare state and effect of flexibility.

³¹⁶ “There are institutional settings and social structures, historically grown and country-specific, that determine the degree to which people are affected by rising uncertainty” (Blossfeld u. a. 2005, 6).

Table 27: Poverty increasing effects of flexibility, by welfare state regime³¹⁷

	Conti- nental		Nordic		Anglo- Saxon	Mediterranean			Eastern Transition Regimes							
	AT	BE	NL	NO	UK	ES	IT	CY	CZ	EE	HU	LT	LV	PL	SI	SK
PTE		I			I, D		I, S		D, S		I, D, S	I	S	I, D, S	I, S	
FTE		I	S	S	S	D	I, S	I	D, S		I	I, D		I, D, S		-S
JCH			I				S					I				I, D
LSE	I	I	I	I	I	I	I		-D, -S	I	-D, -S		-S	I	I	-D

All the effects displayed are significant at $p = 0.05$

Among the Continental countries in the sample, effects of flexibility on poverty seem relatively rare. If there are impacts, they have to do with income poverty. LSE has such a poverty increasing effect in both Austria and Belgium. For job-changes, no significant effect was estimated. In the Nordic countries, PTE has no estimated effect, while FTE is positively associated with subjective poverty both in the Netherlands and Norway. Job-changes have an effect on income poverty in the Netherlands, and like in the Continental countries, LSE raises the income poverty risk in both countries. The UK being the only Anglo-Saxon country in the sample, no generalisation can be made here. PTE affects two forms of poverty (I and D), FTE raises the subjective poverty probability and LSE the probability of income poverty. Among the Mediterranean countries, two look more like the countries just seen, while in the case of Italy, employment flexibility seems to impact the poverty risk more strongly. All three countries share the poverty threat of FTE. Turning to Eastern European countries, the first impression is that the incidence of significant effects is higher than in the preceding welfare state types. Exceptions are Estonia, Latvia and Slovenia.

Interestingly, Latvia and Estonia figure in a group apart from the bulk of the new MS in the analysis of Auer and Chatani (2011), this group being referred to as the “Baltic countries”.³¹⁸ In turn, Slovenia is often considered as being close to the Continental countries. In all other Eastern European countries, fixed-term contracts seem problematic from a poverty-perspective, just like in Mediterranean countries. PTE has a comparatively strong link with the poverty risk, in particular in the Czech Republic, Hungary and Poland. Job-changes are again relatively neutral with regard to poverty.

³¹⁷ Some countries (NO, CY, LT, LV, SI) do not figure in the dataset used by Muffels and Luijckx, I categorise them on the basis of the literature and of geographical location.

³¹⁸ This group does not stand out for high degrees of security, but rather for very low degree of employment stability. External flexibility appears to be normal.

It is striking that LSE has different impacts compared to all the other welfare state types: it is positively associated with income poverty in some cases, but there are more cases where it seems to reduce the risk of deprivation and subjective poverty.

In sum, the results of the micro-level analysis echo welfare state typologies, but only weakly: A clustering of countries by the estimated effects of flexibility on poverty would not have reproduced Muffels' and Luijkx' country classification. Yet, the detected effects roughly correspond to what we know about Esping-Andersen's worlds of welfare: The strong Continental and Nordic welfare states seem to absorb some of the risks conveyed by flexibility (even though a particular flexicurity achievement of the Nordic states cannot be observed beyond the results of the Continental states). In contrast, the Mediterranean and above all the Eastern transition regimes do not seem to cushion the poverty risks which originate in the labour-market effectively. The former are often associated with insider protection, while the latter represent comparatively small welfare states in the European context.

In the following, the level of aggregation will be reduced and we will look at a range of policy and economic indicators, trying to explain a bit more of the observed differences. The regime as an explanatory variable is necessarily insufficient because it is not granted that all regulation follows a uniform logic, already at the national level. Esping-Andersen's grid of commodification and stratification applies to ideal-types, while the reality of real country cases is complex and heterogeneous (cp. Eurofound 2003, 50 and 138 on the topic of working time). As Mayer concludes for a similar explanandum:

“However useful such overviews might be as interpretative summaries, life course outcomes are not conditioned on welfare "regimes" or varieties of political economies, but rather on the concrete specifics of particular institutional rules and incentive systems [...]. Therefore, aggregating countries must introduce ambiguities that undermine the uses of such schemata in developing causal hypotheses about life course outcomes. This premise becomes even more apparent in a time when countries selectively change their social policies and labor market regulations” (Mayer 2005, 35).

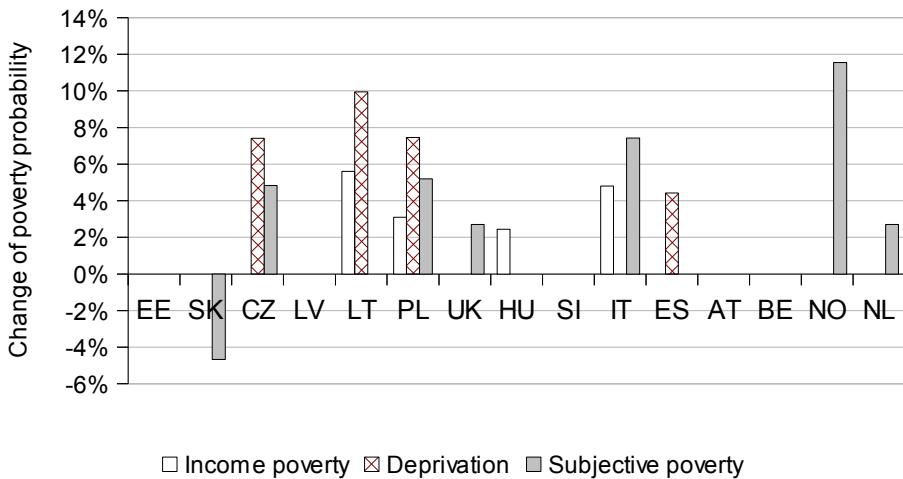
The consequence must be to look for more specific explanations of the effects of flexibility on poverty. Institutional indicators will be used which apply to the domains of labour-market policy. The general situation on the labour-market and the economic climate, as well as subjective assessments of the situation, will also be tested as explanations. Patterns of flexibility effects are made visible by ordering countries by their achievements on each macro indicator.³¹⁹ Values above the origin indicate poverty increasing effects. Often, no pattern can be discerned. In the following, selected observations will be presented.

³¹⁹ Only those countries will be shown for which information on the independent variable could be collected. A full list of macro indicators and their values for each country if available is provided in the annex.

5.3.2.2 Labour-market policy

The labour-market policies which seem to make a difference for the effects of flexibility on poverty pertain to the fields of active and passive measures, training and minimum wages. We will at first look at the spending on ALMP measures, weighted by the level of unemployment in each country. Estonia has the lowest relative expenditure, the Netherlands the highest. As we can see in diagram 21, fixed-term employment tends to impact income poverty and deprivation more where the ALMP expenditure is lower. For subjective poverty, no such effect can be observed. The pattern is not very clear, though. In particular, in the country with the lowest spending no effects of flexibility could be shown.

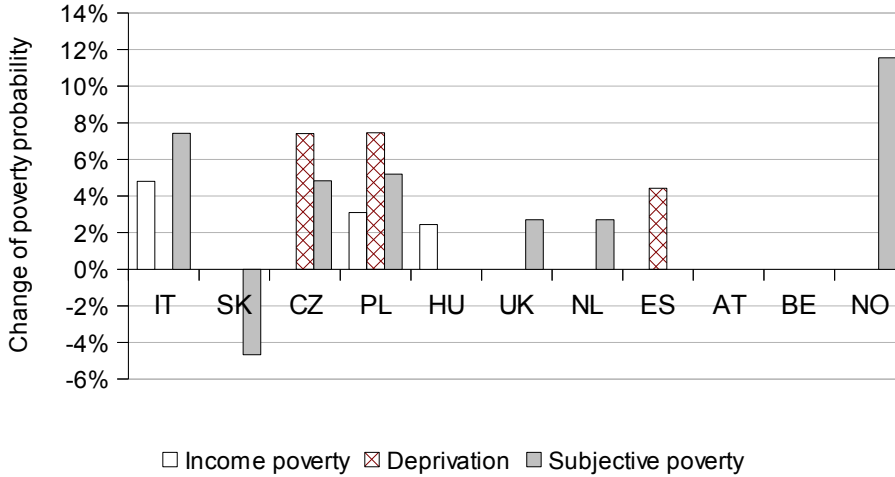
Diagram 21: Avg. marg. effect of FTE, sorted by ALMP expenditure (incr.)



All effects significant at $p = 0.05$

A bit more clearly, the pattern can be shown if countries are ordered by the average five year replacement rate in case of unemployment which is granted by the welfare state. With the exception of subjective poverty in Norway, there is a clear tendency by which a lower replacement rate gives FTE a higher impact on the poverty risk, as shown by diagram 22.

Diagram 22: Avg. marg. effect of FTE, sorted by by replacement rate (decr.)

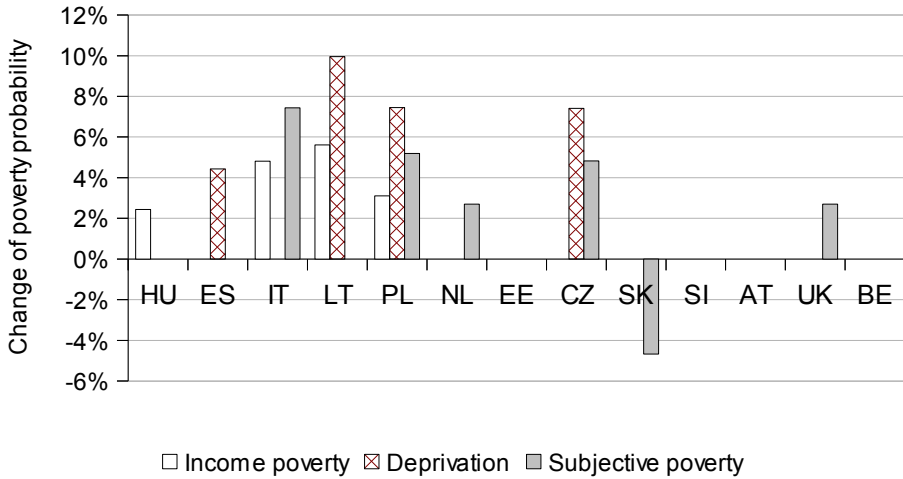


All effects significant at $p = 0.05$

Interestingly, if we do the same exercise for lone self-employment, there is also a pattern. For low average replacement rates, LSE is associated with a poverty reducing impact. For higher passive securities, the impact is poverty increasing.

A further indicator which has to do with policies is the share of the working population aged 35-54 who participate in education or training programmes. There is some evidence that a lower participation in life-long learning goes together with more harmful effects of fixed-term and part-time employment. This holds especially if only training provided or financed by employers is considered (diagram 23). This finding implies that flexible workers benefit from training efforts as well, unlike the conjecture that employers tend to train their core staff only. It is possible, however, that both phenomena are only correlated, such that training is more frequent in countries where flexible employment and poverty are less closely linked, without any direct causal connection.

Diagram 23: Avg. marg. effect of FTE, sorted by employers' training efforts (incr.)

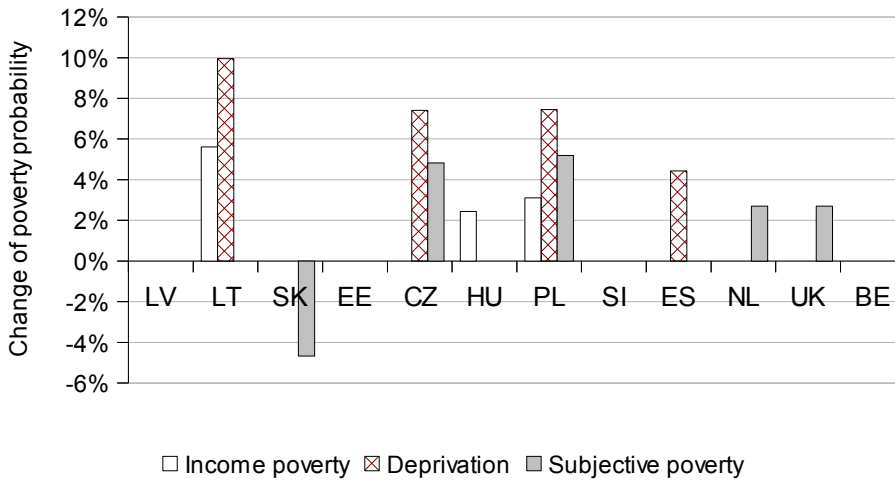


All effects significant at $p = 0.05$

For the topic of minimum wages as well, some pattern can be found. Diagram 24 focusses on countries with a general minimum wage, either statutory or upon cross-sectoral agreement.³²⁰ Among the 12 sample countries with such a minimum wage, it is lowest in Latvia and highest in Belgium. Though the incidence of significant effects on poverty is as high on the left hand side of the scale as on the right hand side, the magnitude of effects seems to be downward sloped.

³²⁰ To control for the different income levels, it is divided here by the countries' GDP per capita.

Diagram 24: Avg. marg. effect of FTE, sorted by minim. wage (incr.)

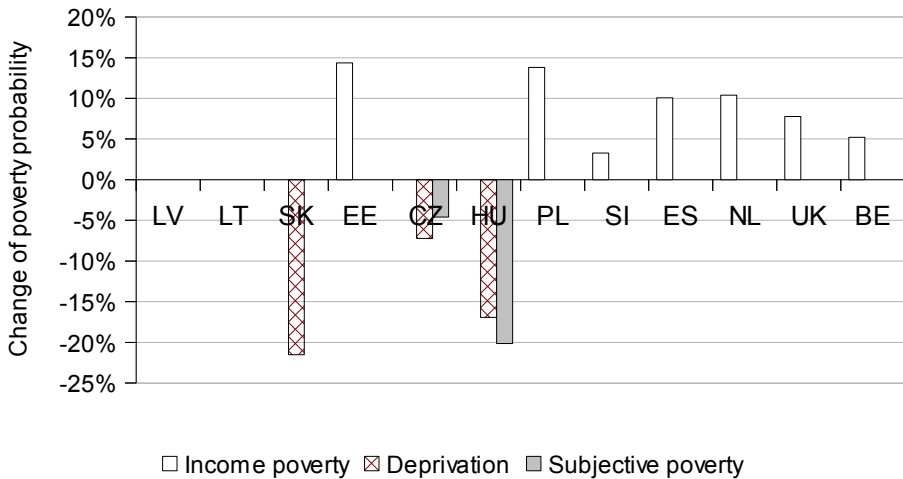


All effects significant at $p = 0.05$

For the case of LSE, an inverse tendency can again be asserted. Diagram 25 shows that the higher the level of the minimum wage, the more often LSE has a negative impact on income poverty. For low minimum wages, there is almost no country with such an effect, on the contrary, LSE seems to reduce the probability of deprivation and subjective poverty.

One possible interpretation is that a more generous welfare state or a state more restrictive on wage flexibility diminishes a relative advantage of own-account working over dependent employment. An alternative explanation – at least for the replacement rate example – is that lower securities, e.g. a shorter period of replacement payments, forces unemployed workers into improvised self-employment, which then tends to boost poverty.

Diagram 25: Avg. marg. effect of LSE, sorted by minimum wage (incr.)



All effects significant at $p = 0.05$

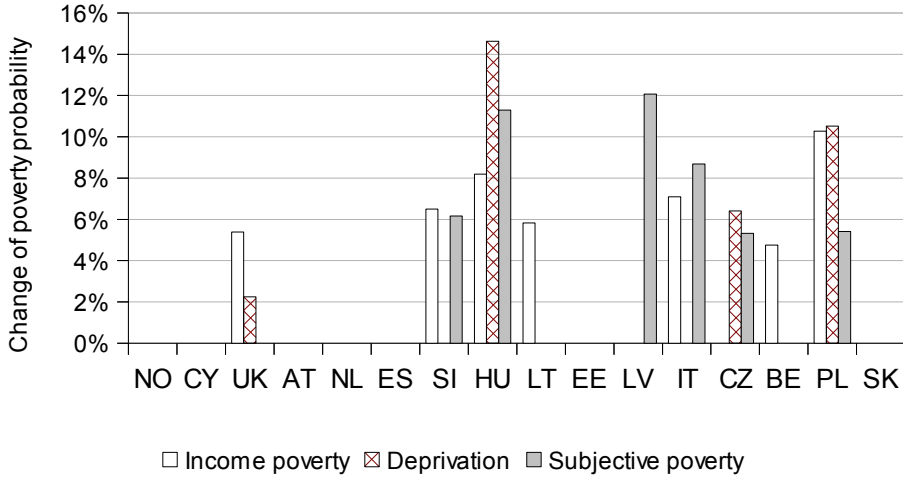
Further variables which have been tried out include EPL, both overall and specific for temporary employment. No effect could be found. Also for the indicator of trade union density, also provided by the OECD, no pattern emerged for the dependent variables used.

5.3.2.3 Labour-market situation

Turning from institutional factors to the general labour-market situation, it can be asserted that the higher the unemployment rate (ILO definition), the more PTE tends to be associated with poverty.³²¹ Among the sample countries, the lowest unemployment rate is encountered in Norway (0.8% on avg. from 2005 to 2007), the highest in Poland (13.8% on avg.), Slovakia featuring the highest but one unemployment rate (13.7%). Focussing on long-term unemployment only, Norway is again doing best (0.8% on avg. in 2005-2007), while Poland (9.1%) and Slovakia (11.1%) are at the upper end of the scale. Diagram 26 shows the impacts of PTE on poverty, sorted by the long-term unemployment rate.

³²¹ As unemployment figured in the regression model, the effect which unemployment itself has on poverty has been filtered out and is not attributed to flexibility.

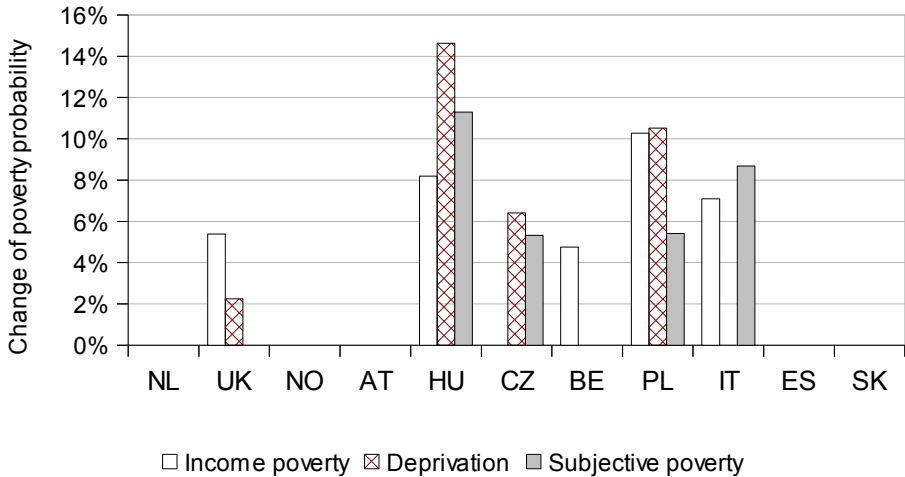
Diagram 26: Avg. marg. effect of PTE, sorted by unemployment rate (incr.)



All effects significant at $p = 0.05$

A possible interpretation is that PTE is chosen by many as a second-best solution because no corresponding full-time job is available. The following diagram orders countries by the share of involuntary part-timers in all part-timers. The evidence is not overwhelming, which may be due to the lack of information on a number of countries which are thus not shown in the diagram.

Diagram 27: Avg. marg. effect of PTE, sorted by involuntary part-time rate (incr.)



All effects significant at $p = 0.05$

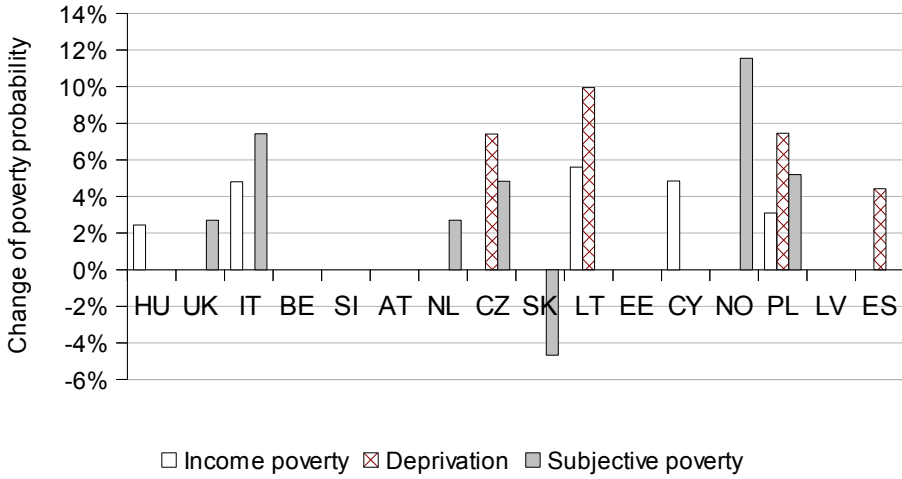
An increase of the poverty-increasing effect along the unemployment scale as we could observe it for PTE (diagram 26) can not be observed for FTE and LSE. Probably, the fact that flexible employment is at least *some* employment comes to bear here.

In contrast, we encounter a vague connection between employment growth and the poverty impact of FTE (diagram 28). The higher the average increase of those employed during the observation period (which ranges from 0.0% in Hungary to 3.7% in Spain), the larger the impact (in particular on deprivation). Possibly, the created jobs are badly paid. With regard to the countries at the top, it is also probable that employment growth is a catch-up phenomenon, which takes place in countries which also lag behind in social protection.³²²

Another clear pattern is that a low activity rate is associated with poverty increasing effects of PTE (diagram 29). The share of the active population in all persons in working age ranges between 60.4 percent in Poland and 79.5 percent in Norway.

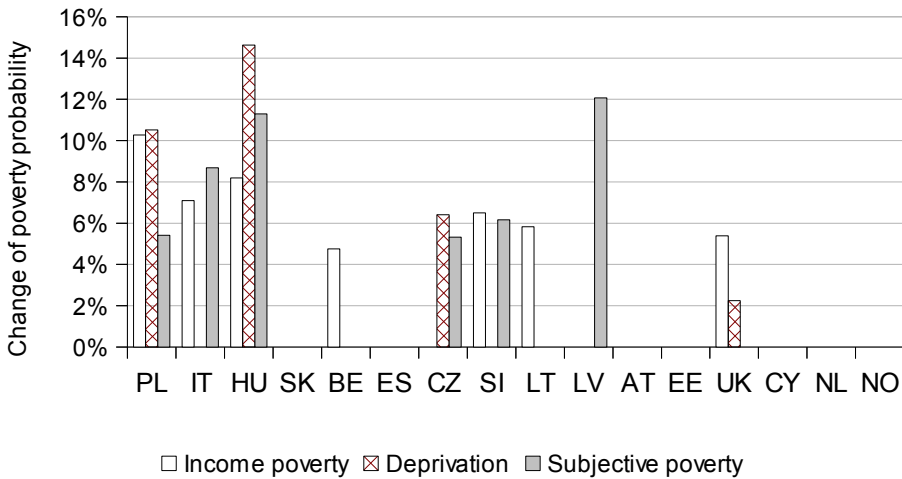
³²² Remark: Both the growth of employment and of the welfare state will come to a halt after the observation period, which coincides with the beginning of the crisis.

Diagram 28: Avg. marg. effect of FTE, sorted by employment growth (incr.)



All effects significant at $p = 0.05$

Diagram 29: Avg. marg. effect of PTE, sorted by activity rate (incr.)

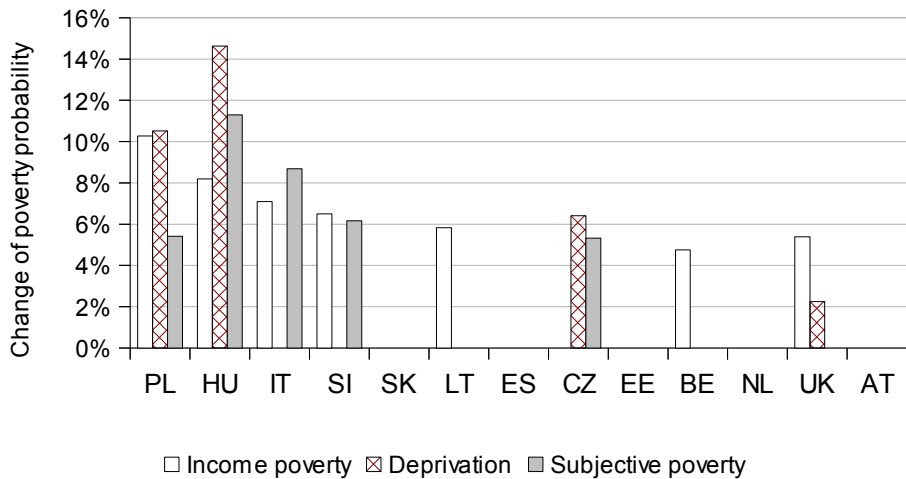


All effects significant at $p = 0.05$

A simple explanation is that a high employment rate is reached if the share of dual earner households is high, with dual earner households having better chances of avoiding poverty. Another explanation is that a low employment rate is correlated to a low number of part-timers: If part-time employment is still exotic, it is not as established, thus less remunerated and protected.³²³

If the sample countries are sorted by the work-life balance criterion, measured by a survey question on whether one's working hours fit in with family or social commitments outside work, Poland ranks at the bottom, Austria at the top.³²⁴ There is obviously a concentration of poverty increasing part-time employment at the bottom of the list.

Diagram 30: Avg. marg. effect of PTE., sorted by work-life balance (incr.)



All effects significant at $p = 0.05$

A possible interpretation again has to do with the voluntariness of part-time employment: the less a balance of work and family life can be maintained in full-time jobs, the more people are pushed into the second best option. The connection between voluntariness of part-time and poverty effects of part-time had been prudently confirmed above (diagram 27). No pattern could be detected for a second subjective question on job satisfaction.

³²³ Also, if female employment is not the rule, it may predominantly be chosen by women in poor households in order to contribute income. The link causal between PTE and poverty would be inverted.

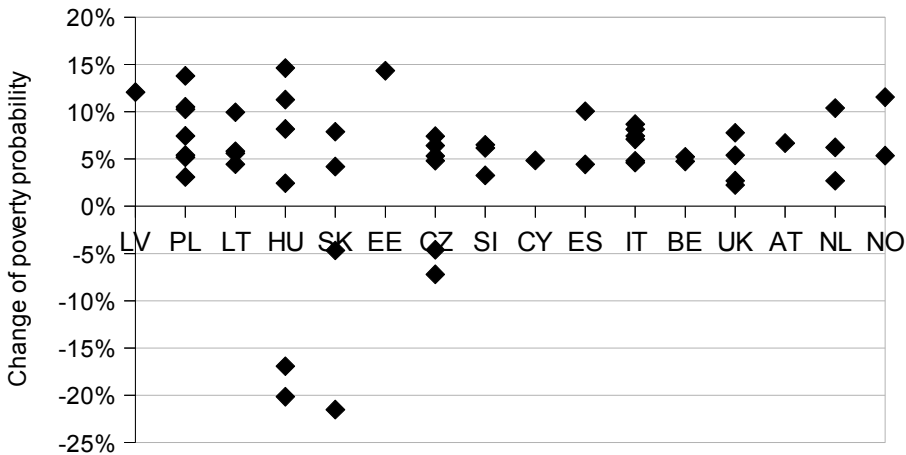
³²⁴ CY, LV, NO not included here.

5.3.2.4 How to research national configurations?

Even though some links could be shown between policy measures and effects of flexibility, it would be overdone to take these empirical results as veritable explanations. I have tried to establish, in an interpretative manner, causal connections which may exist. Yet, the evidence remains vague: In the analysis, patterns also turn up for which no logical link can be found and in other cases, where such a link is nearby, patterns do not show. In addition, different criteria for ranking countries often produce similar orderings. This is due to a certain degree of internal consistency of country cases. Institutional, economic and other indicators tend to be correlated, even if there is no direct link between them, but rather an indirect link which lies in the historical context or the degree of modernisation which has been attained.

I would like to show, however, that it is not simply the general economic wealth which hides behind the country differences which are to be explained here. Diagram 31 shows all significant effects of flexibility on poverty at once, without discerning between which type of flexibility affects which form of poverty. Countries are sorted by their GDP per capita. Although there is some tendency of a decreasing number and magnitude of effects for in increasing GDP, this tendency is only slight.

Diagram 31: All significant avg. marg. effects, sorted by GDP per capita (incr.)³²⁵



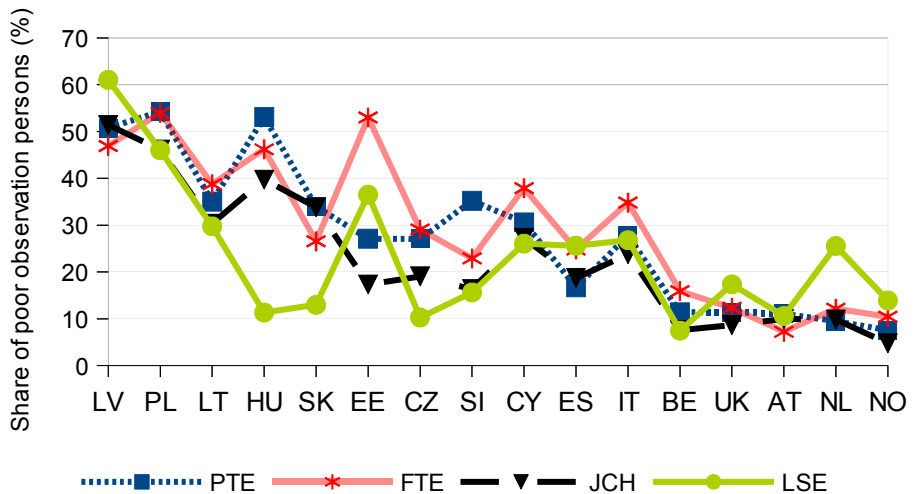
All effects significant at p = 0.05.

Instead, if we consider not the effects of flexibility, but the poverty rates, then the same ordering of countries produces a very clear trend. The flexibility groups move very much in parallel, the higher the GDP per capita, the lower the poverty rate. We

³²⁵ Each combination of flexibility group (4 groups) and form of poverty (3 forms). Theoretical maximum of significant effects per country: 12.

can thus see again that the effect of flexibility on poverty, and poverty itself, are two different things which behave differently and probably have very different determinants.

Diagram 32: Poverty rates by flexibility group, sorted by country GDP (incr.)



I conclude that it does not seem to be simply wealth which hides behind the measured effects of flexibility, but probably policy. Yet it remains difficult to trace the poverty impact of flexibility back to individual institutional determinants, unless the connection between a policy and the measured phenomenon is very close. In the above cases, information on policy was rather general. It is not unreasonable to see some connection between such policy information and a labour-market outcome, but it is quite probable that each policy has its effect only in connection with other policies and other factors. National settings cannot be captured by single variables, precisely because their specificity consists in a regulatory pattern which can only be expressed by multi-dimensional measurement:

“When we decompose the configuration into variables, the distinctiveness tends to be obscured, because we are extracting the variables from their contextual significance. Japan and the United States are exceptional as wholes, but when we ‘segment’ these configurations, when we isolate variables and indicators, the differences between the two countries become differences of degree. [...] The exceptionalism of each of these two countries resides in their national configuration” (Dogan und Kazancigil 1994, 12).

I would like to argue that such a real-world configuration does not necessarily obey to a certain logic in the sense of Esping-Andersen. An adequate approach for connecting policy input and labour-market outcome would thus be something between the too aggregate regime types and the too disaggregate individual policy measures. The interaction between several institutional factors (and context features) could not be researched here in the context of a very general question about the effects of flexibility in a large number of countries. If some effects of policy measures could be shown, it is mostly because these measures work as a proxy for a more comprehensive regulatory setting.³²⁶

5.3.3 The household as a facilitator of flexibility

Differences between countries are not exclusively located at the macro level. In the following, the household will be looked at as a meso level factor which can be crucial for workers' unequal freedom to engage in flexible employment. Making the household a topic means an extension of the flexicurity debate, as it is located outside of the employment system. If the household has played a role in the flexicurity discussion up to now, it was considered rather as a burden, i.e. the cause that not everyone can be eligible for full-time employment at any time. Thus the necessity to limit the demands at the workplace in order to create a work-life balance. Yet, the household has an impact not just on the chance for labour-market participation, but it can also cushion the risk caused by the labour-market, as we will see in this subsection.

By research as well, the household topic has been neglected: the risk diversification by several incomes was not relevant when the breadwinner model was still dominant. This is also why badly paid or insecure employment is often used synonymously with precarious employment. The poverty-question is actually decided in the household, but if there is just one income, the practical difference gets small. More recently, science began to explore the consequences of the changes in households' employment behaviour which have happened since Fordist times.

It has been shown that precarious forms of living are more frequent in households exclusively with members working under atypical contracts (Goebel, Krause, and Schupp 2005). Ebert and Fuchs (2012) show that the number of households without any member working in full-time is increasing in Germany. Ehlert (2011) analyses the capacity of the household to buffer the income loss in case of unemployment; he presents the household as an alternative source of security beside the labour-market and the welfare state. "If, for example, state protection is weakening [...] other family members might have to increase their working hours in order to maintain household income" (ibid, 10). The possibility for an 'added worker effect' are certainly limited, as working hours are not very 'elastic' in practice. Also, according to

³²⁶ It is methodologically possible to perform a regression analysis such that interactions between institutional (and also non-institutional) variables can be captured. This would require a higher number of observations, however. A sample of 16 countries is not sufficient for the number of regressors which would have to be included. A qualitative approach to institutional analysis suggests itself. Yet, statistical significance of impacts can only be demonstrated quantitatively.

the hypothesis of homogamy (cp. Nollmann 2009), the compensation capacity by other household members is contained by a similarity between household members and their individual labour-market chances. Göbel and Krause (2007, 832) find a decreasing capacity for compensation in Germany, as it is more and more often the case that either both partners earn well or both do not. Reßler (2005) shows for Austria that the degree of homogamy of educational and professional status is especially marked for those with particularly high or particularly low educational degrees.

In principle, however, the idea of risk diversification through the household's multiple sources of income is convincing. If the household can buffer life-course risks like unemployment, why should it not also buffer the income risks connected to employment flexibility? Some empirical evidence will be gathered for the observed persons of this analysis, by looking at their households' income mixes and employment patterns.

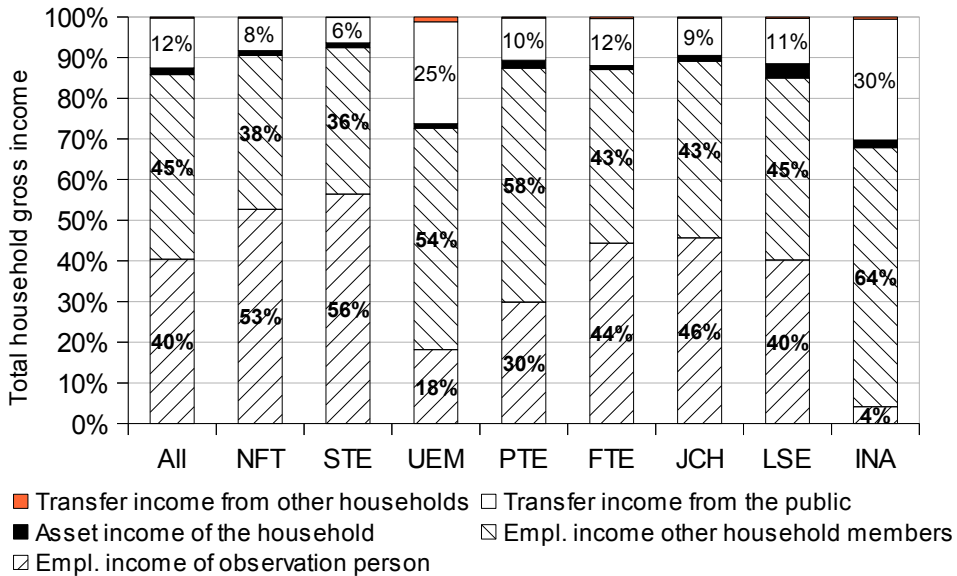
5.3.3.1 The household's income mix

It is illustrated by diagrams 33 and 34 that the earnings generated by observation subjects mix with other sources of household income. The respective shares of five sources of income in the household's total gross income are displayed: The employment income of the observation subject (calculated here as 'cash or near-cash employee income' plus 'income and losses from self-employment') is just one of them, besides employment income of other household members (includes also income received by household members aged under 16 years), asset income (real estate and financial), transfer income imparted to the household by the state (benefits and allowances),³²⁷ as well as regular receipts received from other private households. Diagram 33 presents the income mix of households in which the observation subject lives with a partner, while in diagram 34, the observation subject does not have a partner in the household.

Looking at the first column, we can see that for partnered observation subjects, their own employment income accounts for less than 50% of the households' employment income, and for only 40% of the households' total income on average. Where there is no partner in the household, the shares of the observation subject's employment income in the households' employment and total income is much larger of course.

³²⁷ The following EU-SILC variables are used here: Employment income: py010g py050g; household employment income py010g py050g hy110g; asset income: hy040g hy090g; transfer income by other households: hy080g; by the state: hy050g hy060g hy070g py090g py100g py110g py120g py130g py140g

Diagram 33: Household income mix, observation subjects with partner

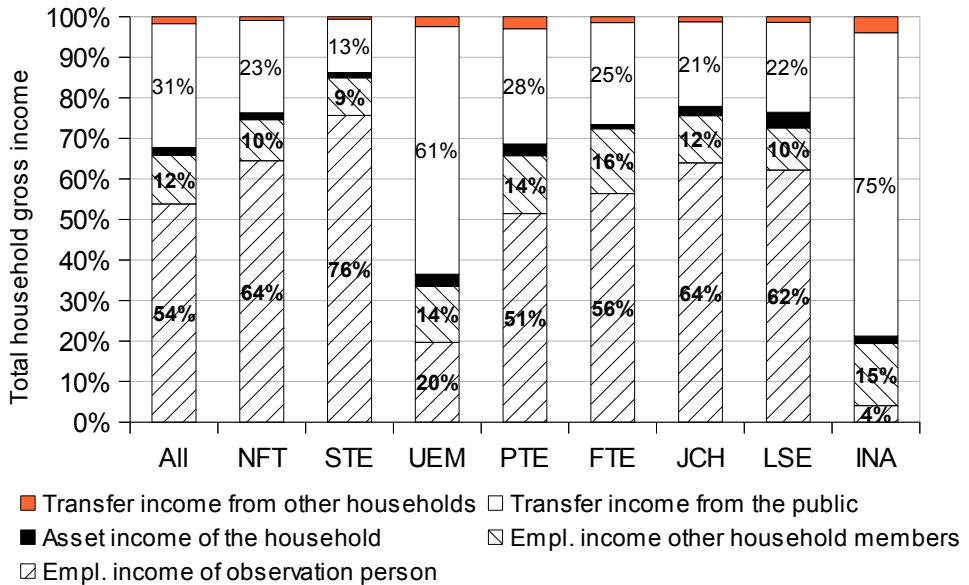


Yet, even in the group without partner in the household, there are other income sources than own employment income.³²⁸ This holds especially in the case of unemployment or inactivity of the observation subject, as we can see in the respective columns: some of the gap is partly filled with income from public transfers. Such transfers consist of benefits compensating for specific life-course risks like unemployment, old age or sickness, or allowances supporting the household's living standard in the event of child birth or if social exclusion threatens. It also shows that no group is completely exempted from transfers.

Looking at the other columns, it is obvious that the income shares of workers with non-flexible trajectories tend to be higher as compared to the income shares of workers with flexible trajectories. The observation subject's employment income contributes differently to total household income according to the type of employment trajectory. The contribution by part-time workers is the least important, which is not surprising as their labour is partly dedicated to unpaid tasks.

³²⁸ Among them even income from employment, earned by adult children, economically active parents, as well as adults in the household who are not partners of the observation subject.

Diagram 34: Household income mix, observation subjects without a partner



Asset income and transfers from other households remain rather negligible. Income from real estate or monetary assets can potentially exempt households from the need to earn employment income or to accept transfers from the state. However, such income does not exceed 2% of the total household income in any group. Percentages are not provided because the mean value is rather meaningless here: relevant asset income concentrates on a subgroup of households. Similarly, income received from other private households is negligible on average. This does not preclude particularly large amounts a small number of cases, which can create considerable degrees of freedom for household members – e.g. to engage in flexible and badly remunerated, but differently rewarding, economic activity. On average, again, this is not the case. We will therefore concentrate on the employment pattern of the household, not on monetary transfers.

We can retain that the labour-market remains the major source of income for households, but that most people have other sources of income apart from their own employment income, mainly the employment income of other household members. The combination of income sources in the household shrinks the importance of the observed person's own employment income for his or her risk of being poor. If this were not so, the estimated effects of employment flexibility on the poverty risk would probably have been greater (cp. table 25 on page 214).

5.3.3.2 Households' activity patterns

It is not just the mere presence of other household members which counts financially for the household, but also their kind of activity or inactivity. Household members working in part-time or full-time decrease the poverty risk, while those outside the labour-market – with the exception of pensioners – tend to raise the poverty risk. Table 28 shows that a majority – though not a large one – of observation subjects live in households with two or more earners. We can thus assert a certain diversification of labour-market risks by additional earners in the households of more than half of the observation subjects.

Table 28: Number of people employed in households of observation subjects

Employed household members (incl. observed person)	0	1	2	3	4	5	6
Share of observation subjects (%)	9.6	38.6	44.0	6.0	1.6	0.1	0.0

Tables 29 and 30 provide some more information on the main employment and non-employment activities of the observation subjects' household members, indicating the shares of observation subjects with households in which there is someone else who mainly fulfils domestic tasks, works in part-time, etc. These others are not necessarily partners of observation subjects. If we see the household as a solidary community, allocating its capacities to a certain total number of tasks and distributing the gains equally,³²⁹ then all people in working age matter. The others need not be in their *prime* working age to be considered in the tables; all household members aged at least 16 years are counted. There can be several 'others' in a household, of course, the categories are therefore not mutually exclusive.³³⁰ Still, earner models have an influence on the figures. As they are strongly gendered, the tables distinguish between male and female observation subjects.

Table 29 deals exclusively with households of male observation subjects who live with a partner. The first column of figures provides mean values across all types of employment trajectories. The share of men who live with someone mainly dedicated to domestic tasks and care responsibilities is of 21.7 percent. Another 19.2 percent have a part-time worker in the household. More than half of the male observation subjects who live with a partner have household members working in full-time, and another 9.9 percent have a household member who is looking for employment. Some also live with household members who are economically inactive, but do not explicitly allocate their time to household tasks. This includes people in education or training (21.6%), retirees (4.9%) and persons disabled or unfit to work (3.1%).

³²⁹ We are looking at a short period only. In the longer run, the nature of social ties gains more importance, with regard to the stability of the household's structure. Partners stay longer in the household than grown-up children or parents.

³³⁰ Shares thus do not add up to 100%.

Table 29: *Activities of other household members of men with partner, in %*

Presence of others in the household mainly... (% of households)	All	STE	UEM	PTE	FTE	JCH	LSE	INA
fulfilling domestic tasks	21.7	20.4	29.4	23.5	28.4	19.2	23.9	21.8
working part-time	19.2	20.9	10.7	24.6	14.6	20.9	18.3	8.1
working full-time	53.1	53.8	46.4	47.1	48.3	52.8	56.2	53.3
in education or training	21.6	21.9	16.8	22.4	22.1	17.7	23.5	22.5
unemployed	9.9	8.2	22.5	10.6	15.7	9.2	8.5	16.3
in (early) retirement / given up business	4.9	3.3	7.4	5.5	4.9	5.0	6.7	13.3
permanently disabled / unfit to work	3.1	2.4	4.3	3.7	4.1	2.4	2.6	11.1

Comparing with the other household members of female observation subjects with partner, strong differences stand out. Female observation subjects very rarely live with someone mainly fulfilling domestic tasks (1.5%), and also quite seldom with someone working in part-time (5.9%). Far more often than men they live with a person working in full-time. This is the case for more than four out of five women (82.2%).³³¹ For the other categories, the shares are relatively similar. Slightly less often than men, women live with an unemployed person, slightly more often with someone in early retirement.

Table 30: *Activities of other household members of women with partner, in %*

Presence of others in the household mainly... (% of households)	All	STE	UEM	PTE	FTE	JCH	LSE	INA
fulfilling domestic tasks	1.5	1.0	1.9	0.9	1.4	1.1	1.3	2.9
working part-time	5.9	4.5	3.8	7.3	3.8	6.2	6.6	6.6
working full-time	82.2	85.8	78.6	83.0	86.5	84.5	84.9	75.7
in education or training	21.8	26.5	25.2	14.4	22.6	15.2	21.9	22.3
unemployed	7.9	6.8	16.7	3.8	8.9	4.9	7.3	11.6
in (early) retirement / given up business	7.3	7.8	9.4	3.7	5.7	3.8	9.6	9.8
permanently disabled / unfit to work	4.7	4.7	6.3	2.1	3.5	3.4	3.8	7.2

For both men and woman, we can also distinguish by the employment trajectory of the observation subject. The workers with continuous standard employment have households quite close to the average of observation subjects. The presence of homemakers in their households is a little below (20.4%), the incidence of second earners a little higher (part-time 20.9% and full-time 53.8%). The incidence of unemployed

³³¹ Below, this will be tested for each country separately.

people, retirees or those unfit to work is slightly below average. All these small deviations from the mean point in the same direction, we recall the above regression estimation (table 27): a smaller poverty risk caused by the household context.

A contrary picture emerges if we look at workers with non-flexible trajectories who have unemployment experiences. They have household members dedicated to domestic tasks far more often than the average (29.4%), and they often live with other unemployed people (22.5%). Investments in education or training by the household are fewer than average. As for second earners, only 10.7 percent of observation subjects of the UEM group live with part-time workers, and only 46.4 percent with full-time workers. These figures remind of the homogamy hypothesis. If members of the UEM group are often poor, this seems to be due not only to their own employment trajectories, but also to those of their household members.

What can we say about male subjects with flexible trajectories? For the tiny group of male part-time workers an above-average occurrence of other part-time workers in the household can be observed. For the much more important group of fixed-term workers, some similarities with the UEM group can be found: many home-makers (28.4%), and only 14.6 percent have other household members working in part-time, 48.3 percent in full-time. Unemployment of household members is above the average with 15.7 percent. As for the group of job-changers, their households are quite at the average. If anything, a low number of household members in education or training stand out (17.7%). Possibly, job changes tend to be avoided by workers who have household members studying. Observation subjects who experience LSE often live with full-timer workers (56.2%). Finally, male inactive observation subjects – still within the universe of observation subjects with partner in the household – very rarely live with part-timers (8.1%), but averagely often with full-timers (53.3%). The incidence of unemployment (16.3%), early retirement (13.3%) and disability (11.1%) is high in their households, which is a matter of age, but may also be a reason for the inactivity of the observation subject.

A cumulations of risks can also be asserted for female observation subjects who live with partners: Woman in the UEM and the INA group significantly less often have a full-time earner in the household (78.6% and 75.7%) as compared to women of other employment groups, and the incidence of unemployment (as well as disability) among household members is again above the average. Another finding is that even the group of women with STE trajectories hardly ever live an inverse traditional or modernised breadwinner model: only 1.0 percent of them live with a home-maker, and only 4.5 percent with a part-time worker.³³² There is, however, a little cumulation of part-time workers: 7.3 percent of observation subjects in the PTE group live with a part-time worker. Quite few of them live with people in education or training; women who work in part-time tend to live with younger children, and persons below 16 years are not considered in the tables.

³³² (and those may not even be husbands but can also be grown-up children or parents who live in the household and are still economically active)

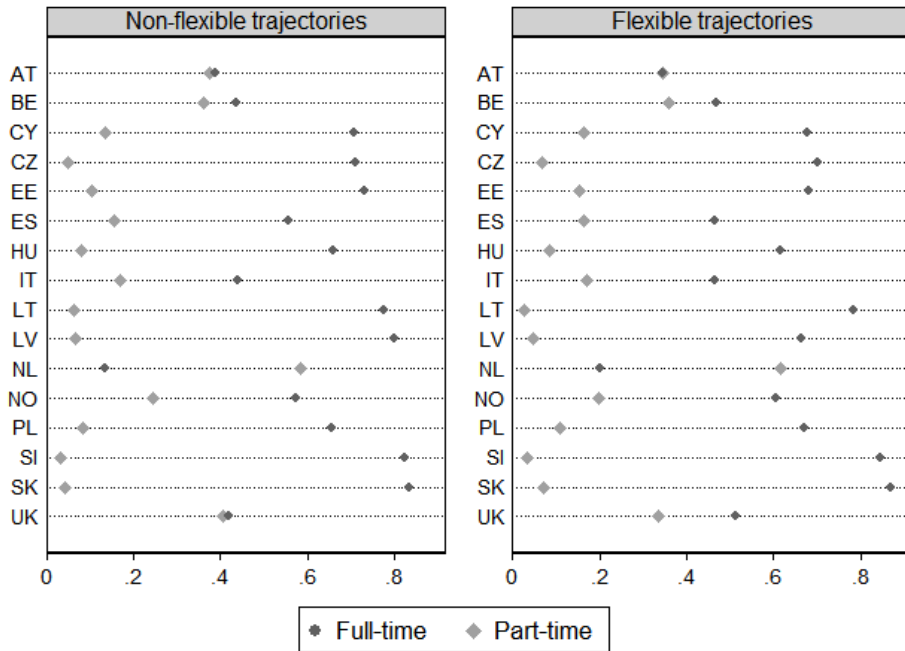
In the two tables above, only observation subjects with partners in the household have been considered, because these households have larger leeway for different allocations of labour than single households or households with non-partnered observation subjects who live with adult children or parents. It can be important to note, however, that also observation subject without a partner in the household do live in a household context which can, apart from some demanding commitment, also have supportive features (diagrams 37 and Fehler: Referenz nicht gefunden below). As the main finding of the analysis which has just been made, we can retain the impression of a cumulation of risk in some types of households, while other households seem to achieve a diversification of risk. Yet, the cumulation of risk does *not* concern the households of flexible workers more than those of non-flexible workers.

5.3.3.3 Household composition in different countries

Can the above findings be generalised for all observation countries, or does the household's activity pattern contribute to explaining the country differences which had been described (5.2.3)? In other words, if flexible workers in some countries face higher poverty risks, is this only because of their (flexible) employment trajectories, or also because they tend to live in certain household contexts? In the following, several graphical overviews will be provided. They present the share of observed persons who live with someone else either working in full- or part-time. The diagram 35 deals only with male observation subjects who live with a partner.

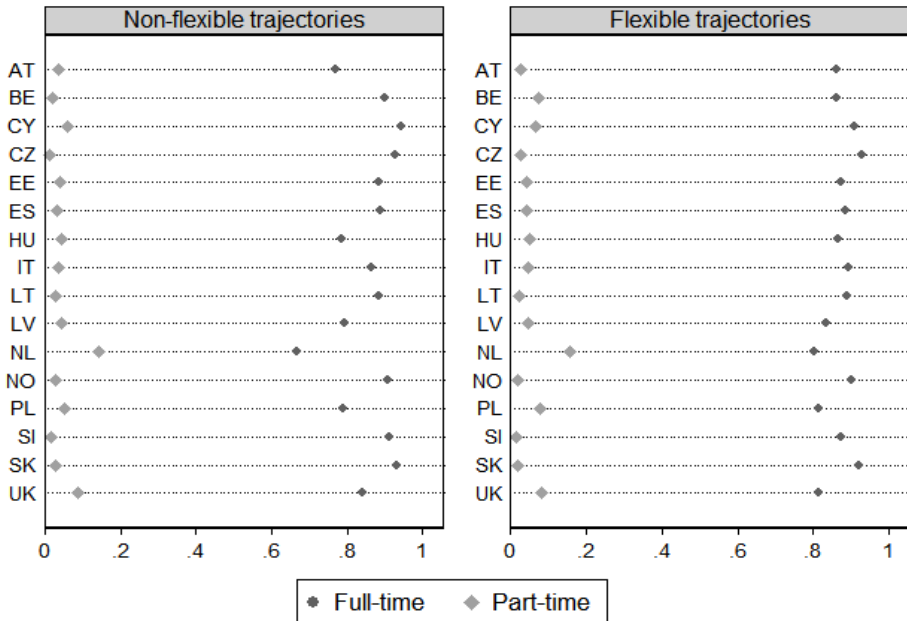
The incidence of additional full-time workers in the household differs strongly between countries. In Cyprus, Estonia, Slovenia and Slovakia, over 70 percent of male workers (with partner) with non-flexible trajectories have an additional full-time earner in their household, while in Austria, Belgium, Italy, the Netherlands and the UK, this is the case for less than half of them. This is partly compensated by part-timers, who are in turn very frequent in the latter countries, with the exception of Italy. In Austria and the UK, the shares of part-timers in the household even equals the share of full-timers. The Netherlands are the only country where the share of part-timers (largely) exceeds the share of full-timers. If we compare these figures with the right hand side of diagram 35, it turns out that the picture is quite similar for observed persons with flexible trajectories. They are not less well backed by their households than workers with non-flexible trajectories.

Diagram 35: Additional earners for male observation subjects with a partner



Doing the same analysis for female observation subjects, diagram 36 again shows two very similar pictures for non-flexible and for flexible workers. Women with non-flexible trajectories (who live with a partner) very often have another full-time earner in their households. A bit less often though in Austria (80.1%), Hungary (80.5%) and the Netherlands (59.0%). The incidence of other household members working in part-time is rather negligible, except in the Netherlands (16.9%) and the UK (8.4%). Looking again at the right hand side, women with flexible trajectories seem to have a full-time earner in their household slightly more often, and differences between countries are smoother.

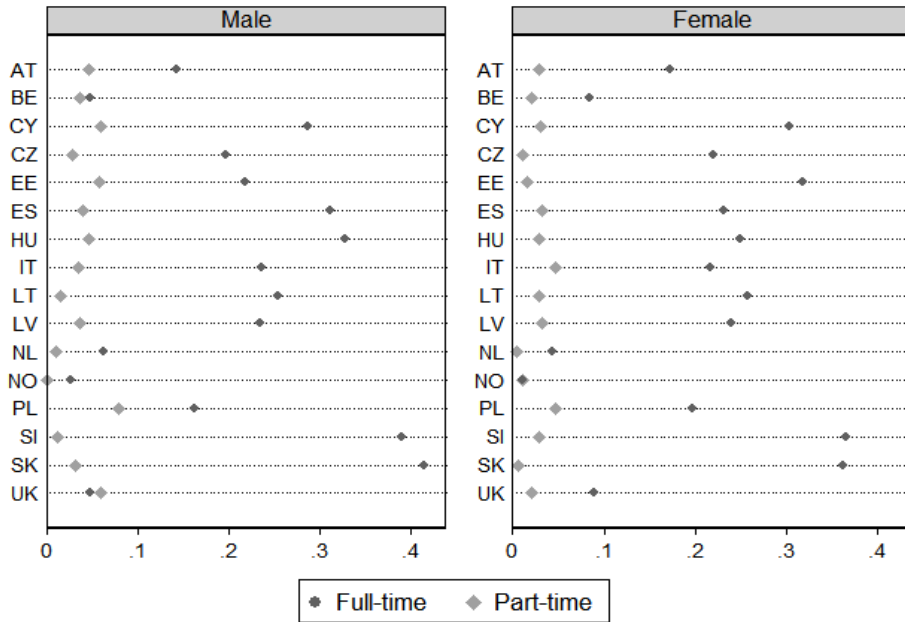
Diagram 36: Additional earners for female observation subjects with a partner



The gaps which we can find as for what concerns the backing of workers by their households are thus not between flexible and non-flexible workers, but rather between men and women, and – mostly as far as men are concerned – between countries. The hypothesis that flexible workers are more exposed to poverty because they have fewer support by their households is not confirmed (except for the NL). Things are rather on the contrary, which is also quite intuitive: The other earners in the household are one reason why the observation subject's employment trajectories are flexible in the first place. The household requires flexibility, and supports flexibility at the same time.

How is it in cases where observed persons do not live with a partner, either because there is no partner or because he or she lives in a different household? Diagram 37 shows the employment participation of households of these observation subjects. First of all, one should note that the scaling of the axis only goes up to only 40 percent this time. As we could expect, much of the backing received through other employment incomes has disappeared, an additional income from full- or part-time employment is much rarer here. This especially hits female observation subjects, whose situations now converge with men's. Instead of homogeneous gender arrangements, differences between countries come to the fore.

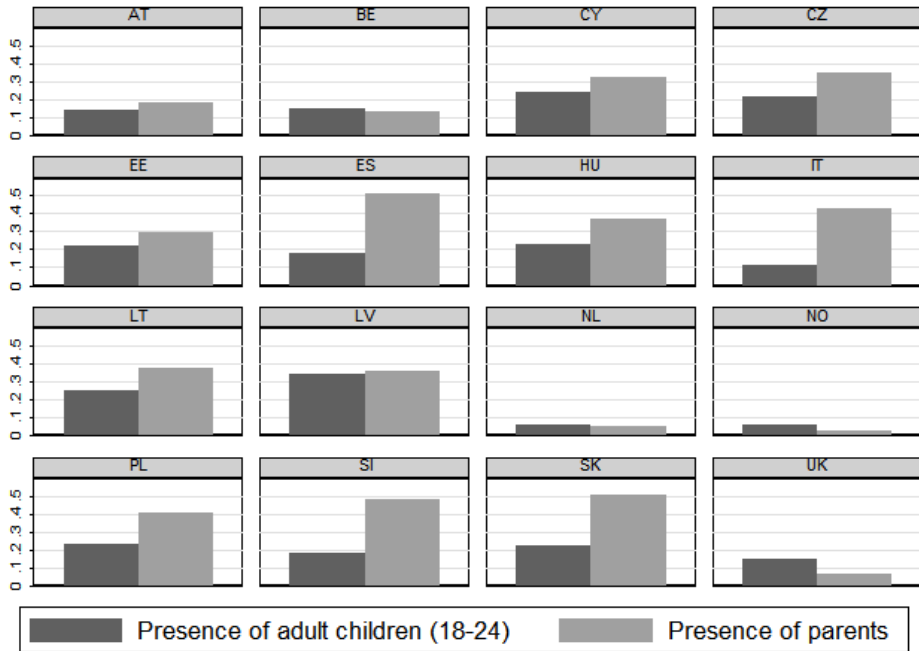
Diagram 37: Additional earners for active observation subjects without a partner



One can also look at things from the other side: Households of observation subjects without partner are not identical with single households. E.g. the cohabitation of adult parents and children can make that observation subjects either live with children or with parents who gain employment incomes (or transfers).

Diagram Fehler: Referenz nicht gefunden reflects the presence of grown-up children and parents in households of economically active observation subjects without partner. Some country differences are striking. In the Netherlands and in Norway, the shares of observation subjects living with young adults stays at only 6.1 respectively 7.2 percent. Shares are also quite low in the UK, Austria and Belgium. On the contrary, more than every fifth observed person lives with grown-up children in Cyprus, the Czech Republic, Estonia, Hungary, Lithuania, Poland and Slovakia. In the case of Latvia, this holds even for 33.2 percent of observation subjects without a partner in the household.

Diagram 38: Households of active observation subjects living without a partner



Country differences are even more nuanced with regard to parents of observation subjects: more than 40 percent live with at least one own parent in Spain, Italy, Slovenia and Slovakia, and less than 7 percent in the UK, 4.2 in the Netherlands and 2.3 in Norway. In part, this has to do with different family concepts in different cultures. Certainly, however, it also has to do with the countries' wealth (which is also a catalyst for cultural change), translating in the person's freedom to live in a household of their own.³³³

The findings presented here are restricted to the concept of households. Mutual aid between households can potentially substitute intra household solidarity. We have seen (diagrams 33 and 34), however, that at least the monetary transfers between households are rather negligible.

³³³ Or also the obligation of geographical mobility, which may be the price of gaining income.

5.4 Chapter conclusion: unequal capability for flexibility

The overarching question of this chapter's analysis concerned people's freedom to work flexibly, i.e. to include elements of flexibility into their employment trajectories. This question was pursued in an indirect manner: the chosen research strategy was to examine the link between employment flexibility and poverty. It was argued that workers who are poor due to their flexible employment trajectory should be regarded as excluded from the real freedom to work flexibly, because an in-work poverty scenario is not a valuable option (and is not what is promised by flexicurity). A poverty increasing impact of flexibility can be interpreted as a sign for a reduced *capability for flexibility*.

5.4.1 Empirical results in a nutshell

It emerged from a preliminary descriptive investigation that flexible workers are generally affected by poverty more often than workers who do not experience flexibility in their employment trajectories. Yet, it has also been shown that flexible workers are doing much better in terms of the poverty risk when compared to unemployed or economically inactive persons (table 23). Flexible employment obviously implies that there is some employment, thus also some employment income. It is clear already at this point that the evaluation of flexibility depends largely on the reference chosen. It has been decided here to compare flexible workers to economically active persons, yet not exclusively to workers who enjoy continuous standard employment. Flexicurity is supposed to convince workers to accept more flexibility, and its optimistic version even adheres to a win-win hypothesis, suggesting a gain of security through flexibility. Still, not every worker is in this favourable position, and it is thus fair to compare the security of flexible workers not only to the security of workers in internal labour-markets (proxied here by the STE group), but also to the (in)security of workers who suffer long-standing unemployment (UEM): The risk of not having a flexible job is two-sided.

Yet, also when using all non-flexible workers as a reference, it has been shown that employment flexibility tends to raise poverty risks, all other things being equal (as far as they could be controlled for using the given data). There are differences between forms of flexibility and between countries, and there are even some counter-examples; but on the whole, people who experience flexible employment are also more likely to experience poverty. The results therefore support the trade-off hypothesis rather than the win-win hypothesis. I would not go so far, however, as to claim the win-win hypothesis contradicted by the above findings.³³⁴ It should be understood as an analytical less than as a programmatic statement; the term 'hypothesis' is maybe inaccurate. We should speak rather of a political aim plus the assumption that it can be reached. Hardly anybody claims that the aim has been reached, and the existence of a flexicurity agenda itself is an acknowledgement of this problem.

³³⁴ Neither by other findings on the threats of flexibility in the literature, e.g. Muffels (2008, 96).

A poverty increasing effect could be shown in particular for fixed-term and for part-time employment. For example, it was estimated that FTE raises the probability of both income and subjective poverty, as well as of deprivation in Poland. This also holds for PTE in Poland, and also in Hungary, where the probability of suffering from some deprivation is raised by over 14 percent by the fact of working part-time. For changes of job along the trajectory – which could also be described as turbulence in the trajectory – hardly any significant effect was found. As for lone self-employment, it was shown that the probability of income poverty is raised in most countries (e.g. Estonia, Poland, the Netherlands and Spain), but that deprivation and subjective poverty become less probable in some other countries (Hungary, Slovakia, Czech Republic).

5.4.2 Questions of causality

The analysis does not give a thorough answer on the question of where the country-differences of flexibility effects come from. It proposes some interpretations of patterns which are found when countries are ordered by a regime typology or by individual policy variables. The widespread impression that Nordic and Continental regimes succeed in absorbing market risks is confirmed. In Mediterranean and Eastern European countries, employment flexibility and poverty are more closely linked in comparison. There are some indications on which policies make a difference: The observed patterns suggest that a lower replacement rate gives FTE a higher impact on the poverty risk, and that life-long learning goes together with more harmful effects of fixed-term and part-time employment. Lone self-employment seems to have a special status, as it does not benefit from many regulatory provisions which are addressed at dependent employment. A welfare state which is more generous on replacement rates, or which is more restrictive on wage flexibility, seems to diminish the relative advantage of own account working over dependent flexible employment.

Countries can be imagined as institutional settings, or also as combinations of collective conversion factors. As has been mentioned in chapter three, Sen does not speak of conversion factors but rather of a totality of conversion conditions. This puts emphasis on the combined effect (“interaction”) of conversion factors. The poverty impact of flexibility certainly depends on policy, but the success of policy again depends on the structure of the labour-market and other factors.³³⁵ Some macro-economic indicators have been tested here. There are hints that the unemployment rate and the work-life balance are linked to the poverty impact of PTE. A possible interpretation of this has to do with the reasons for taking up flexible employment, even though in the present analysis flexibility has not been treated as contingent: if workers are pushed into flexible jobs because non-flexible jobs are not a viable option for some reason, then it is probable that the threats of

³³⁵ The situation on the labour-market itself is partly a consequence of policy, of course. There is a degree of interdependence where it becomes difficult to distinguish cause and effect.

flexibility are greater. This brings up again the issue of voluntariness which has been discussed in chapter four.

The analysis has given special attention to personal conversion factors at the household level, which intervene in the nexus of flexibility and security. It has been shown that a worker's employment income is just one of the income sources which contribute to a household's welfare mix. Most importantly, a majority of observation subjects live with other people who also contribute employment income to the household's budget. If this is the case, a sudden loss of income can be buffered by the household, e.g. in the case of job loss; employment participation can be partly or entirely substituted by the household, like in the case of part-time employment respectively formal inactivity. The household can even subsidise employment, e.g. when labour is offered for wages which would not suffice for the reproduction of the person's capacities in the long or even in the short run. The household can therefore extend the possibility to offer flexible employment. This is part of the explanation why some workers who work flexibly live in poverty, while others do not.

In contrast, the empirical findings concerning household composition and activity patterns tell us that the household is not a factor which systematically explains poverty differences between flexible and non-flexible workers, or between countries. It mostly explains risk differentials between people with a partner in the household and those without. Within the group of observation subjects with partner, the household can explain differences between men and women: women are far more often secondary earners, whose flexible trajectories are 'insured' against poverty by a male main earner in the household. If we concentrate on male workers, there are some country-differences as to whether the secondary earner, which exists most of the time, works in full- or part-time. The latter is especially frequent in the Netherlands as is widely known, but also in Austria, Belgium and the UK. As for observation subjects without a partner, it turned out that their households are not necessarily without any additional employment income: especially in Eastern Europe, it is sometimes the case that several generations live in a common household, so that the solidary community rests on several pillars. But again: flexible workers do not suffer from less backing by their households than non-flexible workers. If there is a higher poverty risk for flexible workers, it is thus not due to the household context.

An aspect which limits the significance of the household as a source of security has been addressed by the topic of homogamy: households increasingly become coalitions of the fortunate and the unfortunate, respectively, which takes away from the household's capacity to insure against risks. A further boundary is the fact that the household's composition is not carved in stone, but variable. Taking a cold scientific look at social ties, one can regard household formation as part of a survival strategy of individuals. The motivation to continue living together in a household can differ according to the members' respective external options – both of economic and affective kind.³³⁶ The de-commodification which the household brings is thus not

³³⁶ "Die Zunahme der Scheidungsquote signalisiert Frauen die Zerbrechlichkeit von Lebensgemeinschaften und fördert den Wunsch, für sich alleine sorgen zu können" (BMFSFJ 2011, 42).

warranted for good, and external flexibility on geographically extended labour-markets is one of the reasons why. In a way, the variable constitution of households also limits the significance of the above findings: the observed states all result from decision processes where the formation or dissolution of each household figured as a possible option. The observable households are thus a positive selection, biased by what actors considered as a desirable or at least as the most viable alternative.

The same holds for the household's employment participation. It is clear that speaking of an *impact* of flexibility on security, as it has been done above, means making a *causal* statement. It seemed justified to do this because it is more intuitive to assume that flexible employment causes poverty than to assume that poverty causes participation in flexible employment. Financial needs can certainly motivate people for employment participation, but why should such needs cause a preference for flexible as opposed to standard employment? It is imaginable that a household in dire straits increases its employment participation, but this could, in the long run, also lead into a standard employment contract.³³⁷ If households stay poor durably although employment participation has been increased, poverty seems again rather a consequence of the situation in the labour-market.

Like in the question of household composition, we can look at employment patterns as a result of adjustments which workers have made in a dialectical manner, with security being influenced by employment and employment being influenced by security. If the assumption about the subjective and objective undesirability of poverty holds,³³⁸ then the cases of poverty which remain after actors have chosen their strategies – and which we can observe – could not be avoided under the existing circumstances and thus signify a real lack of freedom. It could still be beneficial to complement the above investigation by an inverse one, making flexible employment the dependent variable: How many people stay in their standard trajectories because they cannot afford to try something else? If there are many, then the threat of flexibility could be underestimated here: It makes sense to regard the above results as a lower bound.

5.4.3 Voluntariness as unobserved heterogeneity

The conditions of opting for flexible employment were made a topic above with regard to involuntary part-time work. Voluntariness is a source of unobserved heterogeneity in the analysis which may interact with the effects of flexibility. We know for example that job-changes occur under different conditions in a primary as compared to a secondary segment of the labour-market. In contrast, fixed-term

³³⁷ Except for PTE, but this happens to be the kind of flexible employment less connected to poverty.

³³⁸ This assumption is intuitive, but it is also, by the way, relatively well-supported by the data due to the three-fold poverty definition: 'fasting' households would not figure as subjectively poor, and they would not declare that they are deprived of certain items in their household because they cannot afford them. Significant effects of employment flexibility on poverty could therefore be interpreted as signs of a lack of the capability to offer flexible work, even though counter-factuals were not available.

contracts are strictly inferior to open-ended contracts, as a worker can always quit (within a certain notice period) if he or she wishes. These differences may contribute to explaining the lack of significant effect of job-changes as compared to fixed-term employment: Effects may neutralise each other for different workers who change jobs under different conditions. The degree of voluntariness could theoretically be introduced to the above regression models. One reason why voluntariness has not been made a prominent topic lies in the given data which lacks adequate counter-factual items on other jobs and statuses in reach.

A second reason can be grasped by looking at an interesting variable contained in the EU-SILC longitudinal data which gives the reason for a job change (pl170).³³⁹ According to this item, among those in the observed population who change their job, the following distribution can be found: 44.7 percent leave in order to “take up or seek better job” (Eurostat 2008b, 195; Eurostat 2010, 301), 14.8 percent leave because of the end of their temporary contract, 12.7 percent are obliged to stop by their employer, 1.9 percent leave because of the sale or closure of their own business, 2.4 percent in order to care for children or other dependent persons, and 0.4 percent because their partner has found a new job in another place.³⁴⁰ Some of these categories sound more like a voluntary change than others, like e.g. the first one, but it is difficult to definitely classify the change. For example, would a change of job still be regarded as freely chosen if the working conditions of the former job were very unfavourable? Should it still be held that the worker would have had the chance to stay? This question can be relevant, for example, with regard to the payment of unemployment benefits (in Germany, a worker loses claims towards unemployment insurance if he leaves ‘voluntarily’, even if he has been contributing to the insurance fund for a long time). This means that even though the variable in question could be regarded as a ‘capability-item’, its correct interpretation remains contentious.³⁴¹ The ‘framing of freedom’ problem (3.3.3) thus re-appears in practical research. Does a person leave a job ‘voluntarily’, if the reason is that no satisfactory child-care facilities have been established in the municipality? These problems of classification seem to explain that a tentative distinction between voluntary and involuntary job-changes in two separate regression estimations renders no significant result. For the two reasons given, namely the scarcity of counter-factual data and the framing of freedom problem, the implementation of the CA in its freedom-aspect has remained at an interpretative level.

³³⁹ As for the reasons of working part-time, the EU-SILC also contain an item, but not in the longitudinal component. The question could be pursued, however, with the cross-sectional file. For research findings on women’s reasons for PTE, see Ebert and Fuchs (2012, 580), as well as Pelizzari (2009, 151 et seq.). Cp. also BMFSFJ (2011, 43).

³⁴⁰ 23.2%: other reason.

³⁴¹ One could use ancillary information to find out about the working conditions of the former job, but there is not much to be found in the EU-SILC.

This chapter will be closed by indicating some paths of further research, some of which are already being tackled. Firstly, having detected impacts which employment flexibility has on poverty risks, it would be useful to look closer at the *mechanisms* of the flexibility-poverty relationships in different countries. What is the respective importance of factors like hourly wages, incidence of unemployment, and acquisition of rights to social protection? If flexicurity seeks to eliminate the disadvantages of flexible workers, it has to address the mechanisms by which they are created. Secondly, the present analysis has concentrated on immediate effects of flexibility; it has observed the conditions in which workers live while they are providing flexible labour. The *long-term consequences* of flexibility were not part of the analysis, e.g. time-delayed effects on pensions. Thirdly, we have seen that both a comparison of countries by regime types and by individual variables has its limits. It would be promising to do research at the institutional level which is of an intermediate degree of aggregation. Depending on the topic, the *interplay of relevant policies* has to be analysed. This can be done econometrically, using interaction terms, if the number of country cases is sufficiently high. With regard to the household, fourthly, a possible subject for further research are the institutional configurations that make flexible employment eligible for persons with *different household contexts*. Which set of policies creates the most leeway for choice in the organisation of working life and family life? In socio-economic matters, examining the freedom of households is an indirect, but fruitful way of examining the freedom of people.

6 Towards capability-friendly flexicurity?

This work has joined the current process of re-thinking flexicurity by examining it from the perspective of Sen's CA, a paradigm for the evaluation of human well-being. It has begun by looking at the subject's historical backdrop (chapter one), and it has reconstructed the notions of flexicurity (chapter two) and capability (chapter three) in detail before bringing them together at a theoretical (chapter four) and an empirical level (chapter five).

The present and last chapter will first sum up the results of the investigation and then venture an outlook on possible directions of the flexicurity agenda under the impact of the current crisis. It will be argued that there are now two major threats: going backward to mere flexibility in the context of an excessive austerity regime and suffering sub-optimal economic and social outcomes. Or, going forward to a new mode of society in which freedom becomes a luxury, affordable by some but not by others. There is also, however, a glimmer of hope: Could demographic ageing lead to a growing labour-shortage which would give workers the upper hand in the labour-market?

6.1 Summing up: The CA's implications for flexicurity

This section recapitulates the insights which have emerged from the analysis. These insights give some guidance on the direction which a more capability-sensitive flexicurity could take in the future, and on ways how this can be monitored and implemented. It will also be highlighted what it means in the present context that the CA is a pragmatic approach to policy. Last but not least, a limit to the sensitising quality of the CA in the flexicurity context will be addressed: the CA categorically welcomes extensions of freedom but remains uncritical about the necessary conditions for freedom to promote well-being.

6.1.1 Policy targets

Capability-sensitiveness, as it has been shown, is a quality which refers to the outcome level, thus the situations which are lived through by people in the employment system and beyond. What a good outcome is needs to be decided by deliberation, but also it cannot be determined independently of the subjective assessments of those concerned. By definition, an outcome does not only consist of observable states

which people find themselves in as a result of policy. In a Senian perspective, it also includes the leeway which has been granted to choose between alternative realisable states. It is acceptable for policy to embrace guiding principles which also limit personal freedom, if this is in line with an expressed democratic will. A priori, however, the CA proposed freedom as a guiding principle of policy.³⁴² Its message is that human freedom is paramount, and its claim is that policy should grant as much of it as possible.

Flexicurity should therefore widen the opportunity structure underlying a worker's life course, enabling them to pursue their biographical projects. To do this, it can create a multitude of options at key points of the worker's biography, which can include giving second and third chances. The current flexicurity agenda puts huge emphasis on employment participation, and this is adequate insofar as it corresponds to the high value which persons generally concede to paid work. However, the wish to limit working hours in order to comply with non-paid responsibilities or other activities has been less taken up by flexicurity up to now, even though it is a consistent finding of empirical research on workers' preferences. The argument which is often propagated in favour of flexicurity is that not just employers', but also workers' wishes are considered. This argument is only credible if wishes are not only taken into account in a selective manner, depending on whether they coincide with the targets of the European Employment Strategy.

The CA is not exclusively about freedom, but also about realised states. It does not replace equitable outcomes with equitable chances, but it considers both as complementary. This means that flexicurity would also have to be evaluated in terms of achieved functionings. Flexicurity has not dispelled some stakeholders' doubts about negative impacts of flexibility on their level of security, doubts which have been confirmed as quite substantiated by empirical analysis. While for workers who would otherwise be unemployed, the promise of a mutual reinforcement of flexibility and security may hold true, others who up to now enjoy standard employment conditions will ask more security provisions before they accept an increase of flexibility. As has been shown in chapter five, flexible workers still run greater poverty risks than workers with standard employment trajectories in most European countries.

Judging from its approach, flexicurity is in principle well-positioned to fulfil the tasks which have been worked out. A numerical flexibility which serves workers' interests, allowing new combinations of work and private life by working-time accounts, sabbaticals or forms of atypical work can multiply possibilities of

³⁴² A positive example is formulated in the Gleichstellungsbericht of the German Federal Government: "In einer freiheitlichen Gesellschaft, in der sich Präferenzen unterscheiden und unterschiedliche Lebensentwürfe verfolgt werden können, kann ein [...] Leitbild nicht Ergebnisgleichheit als Ziel vorgeben. Allerdings müssen auch die Voraussetzungen für reale Entscheidungsmöglichkeiten geschaffen werden. Die heutigen Unterschiede in männlichen und weiblichen Lebensläufen sind zum einen Folge von institutionellen Vorgaben, die unzureichende Wahlmöglichkeiten an wichtigen Knotenpunkten des Lebensverlaufs bieten, geprägt. Zum anderen werden sie durch Geschlechterstereotypen, die auf das Handeln von Männern und Frauen einwirken, beeinflusst" (BMFSFJ 2011, 39).

employment participation and non-participation. Functional and occupational flexibility can lead to a more effective allocation of the workforce and to a higher satisfaction of workers. Active labour-market policy can support people's professional projects. Equally, at the level of security, flexible contracts can make employment available to workers who would not, currently, have the chance to obtain or pursue standard employment. The possibilities created in and through the market are complemented by a system of social protection, which is there as a back up to correct adverse market outcomes.

Against the backdrop of the psychological need which most people have for continuous and reliable relationships not only to others, but also to their work, flexibility must not become a bagatelle. Switching colleagues, places, occupations, etc. is not a matter of course. Such events must be limited in number and, as far as possible, be voluntary. Without some continuity and predictability in individual lives, society cannot be robust, neither can the economy.

Overdoing it with flexibility and with employment participation are the two major threats of the flexicurity agenda. If flexicurity does not gain some independence from its European Employment Strategy background, it might pave the way to an employment society where everything in the lives of wage-dependent people revolves around work (*infra*). As will be explained below (6.2), the crisis after 2008 has exacerbated the threat to freedom.

6.1.2 Monitoring

It has been argued that an adequate monitoring instrument should be established which mirrors as exactly as possible the idea of flexicurity which is being pursued. This means that the fit of the EMCO monitoring instrument with the Common Principles of Flexicurity should be re-examined. They seem closer to workers' concerns than the EMCO indicators. Empirical facts can generate trust, and thus add to the credibility of flexicurity and improve the chances of this policy agenda.

From a capability-perspective, it is important to monitor the freedom which underlies workers' observable trajectories: by testing the reasons for the observed intensity of employment participation and the observed phenomena of flexibility. For example, it can be asked about a person's real freedom to reduce working hours in particularly busy biographical phases. Or also, it can be asked about the workers' freedom to deviate from their path-dependent professional trajectories, in order to try something new and develop unused skills and interests – or to not do this. Flexicurity should be judged by whether it raises the possibilities of household members to choose a suitable welfare mix, as part of a subjectively valued and inter-subjectively valuable way of life. The current monitoring proposition of the EMCO has proven insufficient from this perspective.

Requests formulated by workers which are in the realm of flexicurity should be considered more in the monitoring, like for example the quality of work. The present reflection suggests that when revising its monitoring strategy, the EMCO should make more use of indicators external to the reporting system of the EES.

Connecting the outcome level to policy, it should further be analysed which policies and which institutional actors have an impact on these comprehensive outcomes. The indicator battery of the EMCO juxtaposes policy and outcome indicators, but refuses to draw any conclusions about causal links. This is not helpful for detecting good flexicurity policy. It has also been argued that it is not reasonable to fix indicators for monitoring flexicurity at the policy level: either, these indicators are very abstract and thus not very meaningful, or, if they are more detailed, they run counter to the (reasonable) European approach of not prescribing any policies to the MS. It is an open question which policies can be termed as flexicurity thanks to their positive effect on levels and compatibility of flexibility and security in the labour-market. The answer also keeps changing over time.

The attempt to analyse the state of affairs of flexicurity in a cross-country manner, which has been made in chapter five, has shown the difficulty of observing comprehensive outcomes with EU-SILC data. More counter-factual and subjective information would be needed in this important European data source. Based on the assumption that poverty cannot be a freely chosen and highly valued condition, however, it could be shown with the existing data that flexible workers still face a higher poverty risk compared to workers with non-flexible trajectories. This tendency was confirmed for different kinds of flexibility and for different European countries. It could be verified for different poverty dimensions by exploiting a real asset of the EU-SILC, namely its rich information on socio-economic features of the household.

The household was also introduced as an important conversion factor, which impacts on the well-being outcomes of (flexible) employment. It was argued that the household conditions the stance which a worker can take vis-à-vis the labour-market in many respects: it can be an obstacle to employment flexibility, but it can also facilitate flexible employment. It can particularly require security in the labour-market, but it can also be a source of security in its own right. For example, small households may have fewer problems with external flexibility than large households, while large households may support more wage flexibility due to a better diversification of income sources. As has been empirically shown, the household does not affect flexible workers systematically different as compared to non-flexible workers. Yet, it contributes to explaining why out of two workers with a similar (flexible) job, one can be poor while the other is not.

The monitoring approach using micro-data has proven useful: it allows for disaggregation, thus doing justice to the principle of ethical individualism, and to the empirical fact that different subgroups of the work-force are unequally affected by policy.

6.1.3 Policy means

Some guidelines have been elaborated which fit with a capability-friendly implementation of flexicurity. One of the principal lessons taught by the CA is the importance of conversion conditions. The household is an important factor in the decision on employment participation and it should thus be recognised as an

addressee of labour-market policy. At the level of collective conversion factors, the existence of partial labour-markets has been highlighted. They possess specific logics and levels of flexibility and security. The kind of transactions in each partial labour-market fulfils specific functions for employers and employees, which leads to a certain stability. The idea that labour-market fragmentation could be dissolved by policy is not realistic as long as the labour-market has to respond to a great variety of situations of firms and workers. Policy can influence the creation and expansion of partial labour-markets to some degree, but it must also adapt to the reality of a complex structuring of the labour-market. To some degree, adverse consequences of fragmentation must be compensated for to avoid a translation of labour-market inequalities into inequalities in the space of freedom and well-being.

The task of adaptation of policy goes beyond this, however. It must be anticipated that regulation can have different and partially unintended impacts according to the circumstances of each partial labour-market. There is a necessity for flexicurity to reflect on inequalities which it may create, namely the inequality between groups of workers who may have unequal chances of dealing with employment flexibility. Also, at the other end of the spectrum, the good functioning of the occupational labour-market – in which flexicurity must be especially interested – is not self-sustaining, but requires competent coordination.

There are thus several respects in which we should depart from the individualising perspective on labour-market transactions. Paradoxically, heeding the context is crucial for an individualised approach to labour-market policy. It has been argued that tailor-made policies are more efficient than standardised policies, for example in the field of active labour-market policy. Yet, it has also been pointed to the possible detrimental consequences for freedom, if the surplus of immersion as compared to standardised services is used in a constraining manner. For example, policy ideally considers, but does not exploit the fact a worker lives in a specific type of household. An exception, of course, is the case where constraints are fair and legitimised by a well-functioning deliberation. Also for reasons of practicability and affordability, it has been argued in favour of a reasonable balance between standardisation and individualisation of policy. This does not preclude that extending people's freedom is an aim which definitely requires means. Both active and passive labour-market policy make substantial investment necessary.

The possibility of a voice for those concerned has been highlighted as very important, in the work of Public Employment Services and also in the decision over flexibility at the workplace. Ideally, workers are not just compensated for endured flexibility, but given an active role in the decision on its use. The effect of flexible employment depending largely on the worker's personal context, best known to the worker herself, there is a case for connecting flexible employment with freedom of choice. This has been described as giving workers some control over options. Salais and Villeneuve (2004) have applied this principle also to the process of policy-making, speaking of situated public action, which is "located within established negotiation and decision-making of local actors, in territories, trades, network or firms" (*ibid.*, 8).

This is what subsidiarity means according to the authors: instead of transferring responsibilities to higher institutional levels, they propose giving as much say as possible to practical actors, who are confronted with contradictory demands on a day-to-day basis. This suggestion combines the negotiation between experts with a possibility for feedback by those concerned.

6.1.4 Choosing the best *possible* state of affairs

Flexicurity bears potential for capability, maybe more than the current flexicurity discourse would suggest. With recourse to the CA, flexicurity could be formulated in a way which is mindful of human freedom. By this, the agenda would probably even fare better according to the yardstick of its own ambitions. However, it is no use normatively overstraining the agenda, not even from a capability angle. A central point made by Sen (2009) in his latest book is that the CA should be understood not as a transcendental approach, but as an approach of *social choice*. As such, its focus is on the comparison of *possible* states, not on the conception of “a perfectly just world” (ibid., 96). In other words, it “must have something to say about the choices that are actually on offer, and not just keep us engrossed in an imagined and implausible world of unbeatable magnificence” (ibid., 106). In consequence, the decision to pursue, change or dismiss current flexicurity policy – which is, in a way, a question of “just institutions” (ibid., 94) – hinges on the existence or non-existence of an alternative which *both* yields better outcomes *and* has a chance to become reality.³⁴³

Whether such an alternative exists is not a question which the CA can answer. Policy-making always happens under constraints, and the ones which are present in each situation are simply unknown to the approach by capability. Therefore, the list of policy goals which have been enumerated in the precedent paragraphs can only give some orientation on the *desirable direction* of policy. There is no clash between defining an ideal, and then choosing among the possible scenarios the one which is closest to the desired ideal state.

These precautions help to avoid an idealistic trap which would cost the CA its political impact and credibility. As can be observed, reflections ‘from a capability perspective’ run the risk of exorbitance. Theoretical reasoning on justice enjoys the luxury of not being restrained by any limits to feasibility, it can easily claim ‘more and better everything’. For this reason, it is not surprising that from a purely theoretical view-point, current flexicurity policy may appear in contradiction with recommendations of the CA (CEREQ 2011). Such a clash may or may not exist; in any case, it hinges on the existence of a better policy option, one which would provide people with more capability and well-being. This principle is a two-edged sword, by

³⁴³ Chapter three had pointed to a precursor of the CA, the German Lebenslagenansatz. Interestingly, its founder, Gerhard Weisser, is also a founding father of the Godesberger Programm of the German workers’ party SPD. This party programme involved, after 1959, turning away from some Marxist positions and embracing principles of a free market economy. The Lebenslage as Weisser’s IB may have led him to think of people’s comprehensive well-being outcomes as more important than the type of economic system which produces them.

the way: asking for what is realistically possible means rejecting any policy which leads to sub-optimal outcomes in terms of well-being and freedom. It implies using the best of all possible states as a yardstick.

The message of the CA is thus simple: The policy which provides the most capability is the policy which should be implemented. The challenge is to find out how more of the desired freedom can be created with the means which are actually available, and to submit consolidated findings about this menu of real options to a democratic decision process. To have a fruitful discussion, the public needs information about the menu from which it can choose. The relevant question here is thus about the realisable futures of European socio-economic systems (not: its past).

Whether a superior option is on the menu – in other words, is part of the “feasible set” (cp. Merkel 2000, 266) – is a matter of empirical investigation, involving not just sociological, but also macro-economic reasoning and research. I would like to argue at this point that social scientists should not retire behind the borders delimiting academic disciplines. Just as economic thought often lacks sociological insight (neglecting the impact of power, interests, and culture), sociological work could gain more relevance by taking account of economic conditions and constraints. Disentangling economic and political drivers of change (cp. chapter one) requires a collaboration of disciplines.

6.1.5 The freer, the better?

Has the CA helped to shed a new light on flexicurity? A number of aspects where the CA could positively contribute have been spotted during the course of the work. It can be useful to point out also the limits of what can be done with the CA. The trust in and lack of specification of legitimate PD has already been mentioned as a weak point of the CA. I would now like to highlight a critical point which comes into play specifically in the evaluation of flexicurity. It has received no attention here yet because, for reasons which will be explained, it escapes the sensitising focus of capability.

A sensitising benefit of the CA appears where it is compatible with the subject being researched, flexicurity, on the one hand, but where it simultaneously offers a perspective which deviates from entrenched views connected to flexicurity. Some commonalities have been discussed in chapter four, and the link to freedom was said to providing a particular compatibility of capability and flexicurity. However, where commonalities appear as common blind spots, there is no fruitful complementarity to expect. It will be shown that, in a specific way, freedom is such a blind spot, constituting a difficult heritage which the CA seems to have kept from neo-classical doctrine.³⁴⁴

³⁴⁴ The theme of incongruous *neo-classical remnants* in Sen's CA has been brought into the discussion by Nussbaum (2011b, 200). For her, the distinction between well-being freedom and agency freedom is “obscure and not useful” and in fact a “vestige of utilitarianism inside Sen's nonutilitarian project”.

Sen likes to see human beings as agents, yet this concept remains somewhat appellative. People are asked to get actively involved in PD and to fight for the extension of their freedom. They are asked to become the authors of their lives, to ‘pursue self-defined goals in a self-defined manner’. This ideal subscribes to a perspective on the individual as the author of his or her own biography, an ideal which has developed in a long historical process from Stoicism to early Renaissance (Sennett 2000, 136 et seq.), and which has culminated in the modern promise of individual autonomy (Castel 2009, 402). My point is that there is in principle nothing objectionable against adhering to this vision, but that if the CA is to provide a paradigm for analysing contemporary societies, it must not neglect that human beings can also deviate from the heroic image of the autonomous agent who competently manages personal freedom.

Findings from the field of social psychology indicate that freedom can be difficult to handle in contemporary flexible capitalism. Richard Sennett (2000) shows that it is not only a limitation of freedom which can make people suffer, but also an inability to deal with the multitude of options which actually exist. In his book on the ‘corrosion of character’, Sennett describes how people feel the obligation to *keep moving* in order to *be someone* in life. But what is at stake here is their very identity, threatened by the constant obligation to reinvent themselves, to move to other places, etc. ‘Character’ is expressed by the individual’s links to the world. These links take time to be built up. Character is expressed by fidelity and mutual responsibility, and by the pursuit of long-term goals (ibid., 11). Flexible capitalism does not rhyme with such a long-term perspective (ibid., 12). Sen’s reasoning seems unaware of the modern problem of ubiquitous contingency in the everyday life.

Quite similarly, Robert Castel (2009) speaks of the phenomenon of ‘disaffiliation’ (ibid., 299), a kind of ‘social disengagement’ and ‘decoupling from the regulations which make it so that the social is reproduced and renewed’ (ibid., 302, my transl.).³⁴⁵ This is the case for two distinct types of ‘hypermodern’ (ibid., 424) individuals:³⁴⁶ the ‘individu par défaut’ and the ‘individu par excès’. While the first type lacks of the necessary resources to be an independent and responsible member of society, the second type is so well equipped that he can afford to completely turn to himself and his subjectivity (ibid., 27). Both types lose contact with society: While the first one is not let in, the latter just forgets about society. Castel leaves no doubt about the fact that both types of ‘hypermodern’ individuals do not find happiness: disaffiliation has its price, one way or the other.

The point which is particularly interesting here is that the problem of the ‘individu par excès’ is by no means a lack of freedom. Following Castel, this type makes its appearance in the Western world at the end of the 1970s – a period of prosperity – and it appears predominantly in middle-class circles. We speak about

³⁴⁵ Castel deems this well illustrated by the legend of Tristan and Isolde: ‘Leur vie est un arrachement perpétuel par rapport à toutes les territorialisations familiales, sociales, géographiques’ (ibid., 303).

³⁴⁶ Interestingly, they have first been spotted by US-american sociologists, Castel mentions Sennett (ibid., 426).

people who are socially independent, who are as free as almost nobody before them – both at the level of economic and cultural constraints – to do with their lives what they please. Such observations should incite the CA to reflect some more on the issue of autonomy. Instead of making the faculty of dealing with freedom a topic, keeps propagating that development is the extension of freedom, thus that more freedom is strictly better.

This conviction, it is speculated here, has to do with the Sen's background in classical economics. The 'economic man' who figures in utilitarian thinking derives utility from consuming a basket of goods which he can purchase using a budget. For any increase of the budget (resources), his utility is at least as high as before. Often, a decline in marginal utility is supposed, implying that all additional goods of a specific type yield less additional utility, but still, there is an absolute gain in utility. This is what in neo-classical consumer theory is called *non-saturation*. Sen seems to have adopted this theorem and integrated it into his CA. The only difference is that it does not refer to goods any more ("a greater number of goods always grants superior utility"). He has replaced goods by freedoms, which is a merit in itself, but still he has taken in the idea that 'more is always better'. However, the significance of freedoms for human beings is more complex than the significance of goods, and potentially more dangerous.

One can object that the idea of negative goods does appear in micro-economics, such goods being called 'bads'. The difference to the argument I make about freedom is that a 'bad' is bad in itself, while a possible detrimental effect of freedom is not rooted in negative qualities of a particular freedom, but in the high number of freedoms possessed. The difficulty thus remains, even if only valuable freedoms are added to the capability-set. The latter is, by the way, already required by the condition which Sen puts up: capability can only be granted by freedoms which are subjectively and objectively valued.

A second possible objection is that Sen has ruled out confusing the chooser by providing him with insignificant freedoms, like adding the freedom to have a Pepsi-Cola when there is already the freedom to drink Coca-Cola. Does this effectively counter the criticism made here? Actually no: The freedoms which trouble the agent are not necessarily insignificant. One can even suppose that it is especially the unused valuable options which make Sennett's observation subjects quarrel with the lives they lead: the promising biographical branches which have not been taken, the unrealised but still possible alternative conceptions of the self...

Similarly, the possible objection that Sen's concept of capability distinguishes between voluntary and involuntary events in the lives of people does not hold: Disaffiliation, in the case of the privileged individual described by Castel, is not a consequence of involuntary decisions. The cutting of roots, the truncation of social ties which makes the privileged type suffer does not come involuntarily, it is welcomed as emancipation from traditional constraints and from the dependence of others. All this means that the answer to the problematic edge of freedom is not: more freedom.

While the role of freedom has first been identified as a connecting element between flexicurity and capability, it now seems that both ignore the adverse consequences which a too large number of alternatives can entail. While the CA is perfect for sensitising us to issues of involuntary flexibility, it is not the right approach for discussing the threats of ubiquitous contingency. In other words: while the “individu par défaut” is on the radar of the CA, the “individu par excès” flies high above its conceptual spectrum. The question which needs an answer here is how people can be free and rooted at the same time, how they can be flexible and remain stable.

6.2 Flexicurity under (post-)crisis conditions

Even though the identified shortcomings of flexicurity are partly independent of the crisis after 2008, a general impulse to re-think flexicurity has mainly been triggered by two things: a new situation which has come about and new insights which have been gained since the crisis began. The most important insight was that countries with much external flexibility performed less well than expected, while countries relying on internal flexibility performed better. The new situation can be characterised, on the one hand, by the reversal of positive labour-market trends in most European countries, with regard for example to unemployment rates in Southern Europe. On the other hand, budgetary constraints have appeared in some Member States of the EU which are unprecedented and which seem to require austerity programmes far beyond the stability provisions of the Maastricht treaty. Besides a worsening of public finances in many countries, the crisis has also highlighted and extended the unequal capacity of Member States to fund flexicurity measures. It seems that the capacity for public expenditure is lowest where labour-market problems are most severe.³⁴⁷ It is quite possible that the opportunity for a programme heavily based on investment – which flexicurity inevitably is – has shrunk. The following, concluding section of this book will discuss the prospects and consequences of flexicurity under the budgetary constraints which are currently in place.

6.2.1 Austerity vs. efficiency

Let us assume for one moment that the alleged trend to the “consolidation state”, diagnosed by Streeck (2013), really hits the flexicurity agenda. What would it mean to pursue flexicurity, conceived in a phase of relative economic prosperity, but with a severely reduced investment component? This could be done in the context of a flexicurity-solution which follows the logic of domesticating the market, i.e. forbidding kinds of flexibility which can be detrimental for workers’ security or internalising external cost (cp. 2.2.3). This option is not the probable one: the resulting

³⁴⁷ “[T]he current recession in the case of Spain also signifies the failure of the ‘third way’ policy that the Zapatero government partly attempted to apply until 2010 [...]. When this model collapsed due to the drastic fall in tax revenues [...], the neoliberal adjustment remained as the only viable answer” (Banyuls und Recio 2012, 215).

low degree of flexibility or high taxes on corporations will be (perceived as) a disadvantage in global competition. Yet, limiting state expenditure without limiting market freedoms would mean taking a step back in the institutional evolution, from flexicurity to mere flexibility. The agenda might continue to be called flexicurity, but this would be a flexicurity which corresponds to the pessimist predictions of those who have never seen in it anything other than the old agenda of liberalisation and retrenchment of the state. The predominant source of security would again be the market, instead of a market-state couple. Responsibility would devolve to individuals and households; whose unequal market power would make the combination of flexibility and security in working lives become the privilege of a part of the working population. Such a development would not only mean considerable hardship and inequality within the countries concerned, it would also cement unequal developments in Europe, in fact lead to the opposite of a convergence of MS.

This scenario constitutes a real threat lying in the current situation. Unlike the mainstream of the criticism against flexicurity, I insist that it is not inherent to flexicurity, but it is a threat of abandoning the flexicurity ambition. It has been argued that flexicurity is the European policy agenda which succeeds flexibility. Like the latter, flexicurity is meant to lead to a better allocation of labour, by creating more strategic possibilities for workers and firms. Yet, flexicurity goes beyond eliminating institutional barriers, and it does not mean a retrenchment of the state, but a reorientation of the state's activities, and probably even to an extension of the state's activity: One can say that flexicurity subscribes to the logic of "social investment" (Morel, Palier, und Palme 2012c).

Flexicurity means, among other things, an investment in the principal resource of European economies: workers. Not undertaking this investment would not only mean missing the growth targets which Europe has set for itself, it would probably contribute to the depression of European economies in the long-term. It has often been argued that European socio-economic models are under immense pressure, not only by their competing with one another, but also by their integration in a world market. Pressure is exerted not only by traditional competitors, but also by emerging economies which are increasingly well represented also in sectors of high added value. Following Defrainge (2012, 2), the "three-fold occidental rent" which has been a "pillar of our social model" has eventually disappeared after two centuries: the monopoly on high-skilled work, the cheap imports of natural resources and food, and the absence of a climate constraint. Under the condition of liberalised international trade, the only chance of contemporary industrial societies to maintain high well-being would be strong competitiveness in sectors of high added value – thus a high productivity strategy (cp. Streeck 2000, 254). Flexicurity, or at least something like flexicurity, will be needed. In contrast, not investing in labour and not allocating it efficiently would mean going down the path of low productivity and suffering low well-being outcomes (cp. Koch 2006).

As it has already been acknowledged in the Common Principles of Flexicurity, the state has an active role to play here. The market will not keep average productivity high by itself, as firms tend to under-invest in competencies which are not specific to the firm (which applies to most competencies). Granting external flexibility – as necessary as this may be – also invites firms to generate negative externalities at the supply side of labour (e.g. hiring a trained worker while dismissing untrained ones, thus poaching on the human capital of the labour supply at large instead of raising it by own training measures). This can only function if there is another actor who will take charge of quantitative and qualitative reproduction of the labour force, as well as re-training and skills upgrading. To the degree that flexicurity is implemented as external flexicurity, it is an example of how the responsibility for making flexibility and security rhyme is passed on to the state (Streeck 2010).

This of course raises the question of financing, a fortiori under the post-2008 budgetary conditions. Generally speaking, even the debt crisis is not an argument against investment by the state, because it has not changed a fundamental relationship which decides over the solvency of the state as a borrower: Streeck (2011) has pointed out that financial markets, thus the creditors of state debt, ‘punish’ not only over-indebtedness, but also a lack of growth. Interest on debt depends on the probability of credit default, which is, for what concerns state debt, (vaguely) related both to the relationship between the amount of debt and the speed of economic growth. It is for this reason that one can say that “Member States walk a thin line between reducing debt and killing growth” (Andor 2011) when deciding on public expenditure. Killing growth can deteriorate the debt crisis just as much as raising indebtedness.

Yet, I am not arguing here for deficit spending. Streeck (2013) has pointed out very clearly the problematic implications of the raising dependence of the state from private lenders of money: They include a redistribution of funds ‘from the bottom to the top’, and above all a loss of the state’s (respectively the electorate’s) sovereignty over its affairs. Short-term deficits aside, there is no alternative to balanced accounts. The solution is to raise fiscal receipts. As soon as the state does not have them, the symbiosis between the market and the state, which flexicurity stands for, will not work. As public spending has to be substantial (some argue that this is necessarily so in modern societies, cp. *ibid.*), it is necessary to assure sufficient tax revenues, possibly by harmonising fiscal standards in Europe and by closing tax havens. There currently seems to be some progress at least on the latter topic. The argument that taxes kill growth because capital can move to where it is charged less cannot be ignored of course. The solution of this dilemma cannot be factual tax exemptions for capital, however: one should think again about whether a one-hundred percent capital mobility is a kind of freedom which people really need.

6.2.2 Solidarity vs. freedom

This subsection addresses once more the leitmotif of the CA, freedom, in order to highlight a second major threat lying in the current macro-economic situation, the realisation of which is no less probable than a relapse to neo-liberalism. The argument

goes that *freedom* could fall victim to a new mode of our “being together” (supra) which is promoted by flexicurity, just as by any other policy subscribing to a ‘social investment’ or ‘Third Way’ logic. On the one hand, such policy creates real opportunities for workers, which may be considered valuable extensions of capability. On the other hand, this does not come without constraints, as policy wants to assure that its (‘social’) investment does not get lost. It has been shown in chapter four that the CA can sensitise to threats to freedom, the principal source of friction between capability and flexicurity.

Much can be said for the hypothesis that flexicurity will probably not be abandoned for a flexibility-only-strategy: It is precisely the high economic pressure in the current “regime of liberal capitalism” (Münch 2009) which makes some solidarity necessary. The idea is that societies which forget about solidarity would not stand the test of global competition. From this perspective, neo-liberalism is an economically inefficient mode of regulation, and it is therefore not likely to be implemented. Yet, what kind of solidarity are we talking about?

“Competition is a pervasive force. It transforms social solidarity even where an economy successfully adjusts to intensified market pressures [...]” (Streeck 2000, 246). The solidarity with which we deal here is not *redistributive* (ibid., 252). It is a solidarity which follows not a political will, but the criterion of return on investment.³⁴⁸ Streeck (ibid., 245) has described this mind-set as “competitive solidarity”.³⁴⁹ This is exactly what the trend from passive to active labour market policy stands for. The state’s growing expectation to make its investment pay is also reflected in the criterion of “cost effectiveness” of ALMP, which shall be raised according to the EC’s (2010b, 6) guidelines for a second phase of flexicurity. This orientation constitutes a threat to capability, because the question of whether freedom will be reduced, preserved or extended boils down to the return on investment of freedom.

The menace to individual freedom which lies in social investment policy is the topic of Stephan Lessenich’s (2008) book on the “re-invention of the social” (my transl.). Lessenich speaks of a neo-social (ibid., 14) mode of regulation, because it is – compared to the neo-*liberal* one – by no means liberal (ibid., 13). The means of neo-social regulation is not a retrenchment of the state, and its declared aim is not individual autonomy. Rather than the well-being of the individual, the well-being of the collective, mostly of the national community, is targeted (ibid., 17). Of course, from the point of view of the CA, this conflicts with the principle of ethical individualism.

³⁴⁸ “Um die Wachstumskonstellation des globalen Freihandels auch nutzen zu können, ist allerdings ein Strukturwandel der Sozialintegration und ein Paradigmenwechsel der Gerechtigkeit erforderlich, der die nationale und die internationale Integration aneinander angleicht und eine Umschichtung finanzielle Ressourcen von unproduktiven Formen der Abwicklung der Vergangenheit in produktive Formen der Gestaltung der Zukunft verlangt” (Münch 2009, 163).

³⁴⁹ “In trying to adapt to the new economic circumstances, national communities seek to defend their solidarity, less through protection and redistribution than through *joint competitive and productive success* – through politics, not *against* markets, but *within* and *with* them, gradually replacing *protective* and *redistributive* with *competitive* and *productive* solidarity” (Streeck 2000, 252).

One can find some systemic justification for the neo-social policy trend in the strong interdependency of the individual and the collective in modern societies. The individual depends on society (not only on community) probably more than ever before, as can be seen for example in the deep division of labour. Inversely, modern society needs the collaboration of individuals: The vulnerability of ‘open’ societies means that people who do not keep pace with the global market cannot simply be left to their own device, and this not only for their right to vote. It is thus impossible to ignore those sections of the population in calamity. ‘Solidarity’, accompanied or not by a warm-hearted feeling, becomes a necessity of the smooth functioning of society at large. Yet, being liable for the individual, society asks for some control over the individual in return, it makes the individual person increasingly accountable to society.

Yet, the context in which the shift to neo-social policy is happening is also a change of perception. While in the era of expansion of the welfare state, individual risks had been mostly read as collectively constructed, the individual responsibility for prevision and precaution, for a successful entrepreneurial management of one’s own labour has recently been brought to the fore. In times of economic slow-down, it can probably be explained by rising worries of the middle-classes (Vogel 2009) (about preserving their acquired standard of living) that the phenomenon or fantasy of ‘free-riding’ on the welfare state’s provisions has become a recurrent topic in the media and public debate. It is also for this reason that acts of solidarity are increasingly tied to conditions. Empirically, security provided by social protection is being tied ever closer to the obligation to work or to seek employment in Europe (Serrano Pascual und Magnusson 2007). By this, real and unconditional freedom thus risks becoming a privilege of people who do not need any support.

This logic does not only apply to individuals or to subgroups of the population, but to society as a whole. The leeway which collectivities have for self-determination shrinks, not only due to interdependencies with other societies in economic and ecological matters, many of which are codified by international law, but also because it becomes more and more difficult to politically alter market results. This phenomenon, which can be described with Streeck (2011) as the crisis of *democratic capitalism* runs counter to Sen’s ideal of the society which decides on its own shape by PD. Following an observation by Carpenter (2009, 360) which was already cited in chapter three, Sen (and also Nussbaum) “tend to presume the existence of a world in which the state basically has sovereignty over its affairs and there are few external constraints upon it. Modernity or adherence to a tradition is sometimes seen by Sen as a political choice that states and societies can exercise, if at cost to efficiency in the case of the latter”.³⁵⁰

The freedom of society to give itself form thus hinges on the loss of efficiency which society can afford. At the one hand, this means that a wealthy society can, to some degree, afford to be *inefficient*. It can, by a political process, determine where and when this is done. It can decide to grant support to these workers in the

³⁵⁰ One example of a Senian assertion which gains new value as a normative claim by losing of its analytical relevance.

form of wage subsidies, or de-commodify them altogether (inactive persons), even though it would be more efficient to invest the money differently. On the other hand, as we currently see, this freedom is reduced to an absolute minimum in those countries which are severely hit by the sovereign debt crisis. This is currently not changed by acts of European solidarity, which is of the competitive type; the troika is – in a way – the *case manager* of Greece (cp. Streeck 2000, 258).

6.2.3 Conclusion: Threats from two sides

European societies are thus faced with threats from two sides. One side is a return to the deregulation agenda, of abandoning flexicurity due to budgetary constraints and of falling back into mere flexibility. This would mean leaving the path of flexicurity, for flexicurity is a “post-deregulation strategy” (Keller und Seifert 2000, 293). The other side is the realisation of flexicurity as a ‘neo-social’ project, which grants some prosperity and employment security, but at the price of squeezing freedom. This does not preclude a realisation of both threats at the same time: different subgroups of the population may face either one or the other scenario.³⁵¹ Economically speaking, the first threat is not credible: unless it is forced to by budgetary limits. An economically rational government would not return to the flexibility agenda, because this is suboptimal under the conditions of international competition. The second threat is more challenging: While it is not doubted here that nowadays security is a precondition for growth,³⁵² the corresponding claim for freedom, which is brought in by the CA, is more critical. It is true that a mutual reinforcement of economic performance and freedom has often been claimed. In Sen’s case, the conviction runs like a common thread through his work that process- and opportunity freedom on the one hand and economic prosperity on the other hand go together. In Sen’s (2009, 350) perception as an economist, “it is hard to escape the general conclusion that economic performance, social opportunity, political voice and public reasoning are all deeply interrelated”.

Certainly, this is a tempting idea. What would be more powerful than a macro-economic justification of a European Social Model as a decisive European asset in international competition? However, one must be careful with the danger of normative fallacy.³⁵³ While it is perfectly legitimate to concede to freedom the utmost intrinsic importance, its instrumental value remains an empirical question. This does not mean that there are no examples for the hypothesis in question. Yet, the correct answer may differ from case to case. On the one hand, it is clear that freedom can be important for developing skills and ideas which are vital for the knowledge economy. On the other hand, there can be no doubt that the valuable beings and doings which

³⁵¹ An example for such institutional “layering” (Streeck und Thelen 2005) are the German Public Employment Services after the HARTZ reforms. According to the acquired rights of the job-seeker, quite unequal approaches are chosen by the second and the third book of social law (Bartelheimer 2010).

³⁵² A central hypothesis of flexicurity, but also used in other contexts (cp. Vobruba, chapter one).

³⁵³ “Exchanging what should be against what is” (Campbell 1970).

constitute a person's capability are not exclusively economic activities, notwithstanding the deep contentment people may derive from work. If people are free, there is the possibility that they will not use their freedom to create economic added value. Precisely from a capabilitarian viewpoint, it is evident that agents can have better things to do than to raise the efficiency and the volume of their economic undertakings. There is nothing objectionable against this. Yet, it is exactly at this point – where freedom and added value go separate ways – that freedom comes under pressure in the contemporary regime. There may be, much like Streeck (2013, 235 et seqq.) argued it in his latest book, a societal decision necessary between freedom and liberal capitalism.

What about the glimmer of hope which was spoken of at the beginning of this chapter? The laws of the market make that the balance between supply and demand decides on the relative power of market actors. Demographic ageing tends to shift the relation between labour demand and labour supply in favour of workers. Assuming that the Golden Age which workers experienced after the war (1.1.1) was at least partly due to labour shortage, would this not mean a golden future for workers in Europe? Could it be that the promises of the flexicurity agenda will come true even independently of any flexicurity policy? We should not overstate this: Beneficial effects can indeed be assumed for some parts of the workforce. It is especially the highly qualified workers who might be offered more flexibility and security by their employers in order to commit them to the company. Yet, it is not self-evident that workers with low qualification will see their bargaining situation significantly improved (Bartelheimer et al. 2014): There will probably be no shortage of low qualified labour. There is one thing that can happen, however, if public administration und public budgets should really get relieved by the described trend: public means will possibly be reallocated in favour of those groups of workers who need them most.

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List of abbreviations

ALMP	Active labour-market policy
BMFSJ	Bundesministerium für Familie, Senioren, Frauen und Jugend
CA	Capability-approach
CEEP	Centre of Employers and Enterprises providing Public services
CEREQ	Centre d'études et de recherches sur les qualifications
CPF	Common Principles of Flexicurity
CS	Combination security
EC	European Commission
ECHP	European Community Household Panel
EDHI	Equivalised Disposable Household Income
EES	European Employment Strategy
EMCO	Employment Committee
ENF	External numerical flexibility
EP	European Parliament
ES	Employment security
ETUC	European Trade Union Confederation
EU-LFS	European Labour Force Survey
EU-SILC	European Statistics on Income and Living Conditions
FES	Firm-Employment System
FF	Functional flexibility
FTE	Fixed-term employment (category in chapter 5)
GDP	Gross Domestic Product
IB	Informational base
INA	Inactivity (category in chapter 5)
INF	Internal numerical flexibility
IS	Income security
JCH	Job-change (category in chapter 5)
JS	Job security
LSE	Lone self-employment (category in chapter 5)
MS	Member State(s)
NFT	Non-flexible trajectory (category in chapter 5)
OECD	Organisation for Economic Co-operation and Development
OMC	Open Method of Coordination
PD	Public discussion
PTE	Part-time employment (category in chapter 5)
SME	Small and Medium Enterprises
STE	Standard Employment Trajectories (category in chapter 5)
TLM	Transitional Labour-Markets
UEAPME	Union Européenne de l'Artisanat et des Petites et Moyennes Entreprises
UEM	Unemployment (category in chapter 5)
WF	Wage flexibility

Appendix

Table 31: Macro indicators used in sub-section 5.3.2 (1/3)

	EPL (overall).	EPL (temporary employment only).	Weighted minimum wage. Minimum wage divided by GDP per capita.	Weighted ALMP. Expenditure as share of GDP, for each 1% of unemploy- ment.	Weighted ALMP. Expenditure as a percentage of GDP.	Weighted expenditure on passive labour- market policy: as a percentage of GDP.
Years	2005–2007	2005–2007	2005–2007	2005	2005	2005
Source	OECD	OECD	EUROSTAT	OECD	OECD	OECD
Unit	index	index	index	%	%	%
AT	3.25	1.5	–	0.088	0.6	1.5
BE	4.13	2.63	4.419	0.101	1.1	2.3
CY			–			
CZ	2.13	0.88	1.373	0.015	0.3	0.2
EE			1.266	0.006	0.1	0.1
ES	3.13	3.5	2.565	0.063	0.8	1.5
HU	2.88	1.13	1.661	0.027	0.3	0.4
IT	4.88	1.88	–	0.06	0.6	0.8
LT			1.201	0.018		
LV			1.127	0.017		
NL	3	1.19	4.105	0.181	1.3	2.0
NO	2.88	3.005	–	0.134	0.7	0.5
PL	3.63	1.75	1.832	0.02	0.4	0.9
SI			2.442	0.03	0.3	0.4
SK	3.75	0.38	1.257	0.01	0.3	0.3
UK	2.88	0.38	4.293	0.024	0.4	0.2

Table 31: Macro indicators used in sub-section 5.3.2 (2/3)

	Average five year replacement rate in case of unemployment. Percentage of former earnings.	Trade union density. Share of trade union members in all wage and salary earners.	Population aged 35-54 participating in education or training programmes. Percentage over total.	Training paid or provided for by employer. Percentage over total, standardised values.	Unemployment rate (ILO definition).	Long-term unemployment rate (12 months or more).
Years	2007	2005-2007	2007	2005	2005-2007	2005-2007
Source	OECD	OECD	EUROSTAT	EIE 2007* (EWCS)	EUROSTAT	EUROSTAT
Unit	%	%	%	Std. value	%	%
AT	59.0	31.4	45.7	0.9	4.8	1.3
BE	63.0	53.3	42.3	1.06	8.1	4.3
CY			41.1		4.8	1.1
CZ	15.0	18.8	43.0	0.17	6.8	4.1
EE		8.2	42.6	0.16	6.2	3.6
ES	39.0	15.1	30.8	-0.83	8.7	2.0
HU	20.0	17.1	9.0	-1.28	7.4	3.3
IT	7.0	33.4	23.0	-0.75	6.9	3.7
LT			35.1	-0.66	6.1	3.4
LV			34.3		7.8	3.6
NL	28.0	19.9	44.9	0.13	4.4	2.0
NO	72.0	54.5	55.5		3.5	0.8
PL	16.0	17.0	20.7	-0.06	13.8	9.1
SI			42.6	0.21	5.8	3.0
SK	9.0	20.7	48.3	0.18	13.7	11.1
UK	28.0	28.1	50.3	1	5.2	1.1

*Employment in Europe Report (EC 2007b)

Table 31: Macro indicators used in sub-section 5.3.2 (3/3)

	Involuntary part-time employment. Share in all part-timers.	Activity rate. Share of active population in all persons in working age.	Employment growth. Change of working population compared to precedent year.	Work-life balance: Working hours fit in with commitments outside work. Share of respondents. Standardised values.	Job satisfaction high or very high. Share of respondents. standardised values.	GDP per capita (PPS).
Years	2005	2005-2007	2005-2007	2005	2005	2005-2007
Source	OECD	EUROSTAT	EUROSTAT	EIE 2007* (EWCS)	EIE 2007* (EWCS)	EUROSTAT
Unit	%	%	%	Std. value	Std. value	€
AT	10.6	73.1	1.6	1.79	1.14	29633
BE	16.3	66.9	1.4	0.29	1.19	27933
CY		75.7	2.9			21933
CZ	15.7	71.3	1.8	-0.21	-0.43	19133
EE		74.9	2.7	0.04	-0.76	15633
ES	30.5	68.5	3.7	-0.37	-0.58	24633
HU	13.5	62.5	0.0	-0.95	-0.95	14833
IT	28.0	62.3	1.3	-0.93	-1.05	24800
LT		71.7	2.4	-0.67	-1.25	13267
LV		73.0	3.4			12300
NL	4.5	76.4	1.6	0.42	0.78	31167
NO	9.2	79.5	3.0			43000
PL	17.9	60.4	3.3	-1.4	-0.34	12467
SI		71.7	1.4	-0.71	-1.36	20800
SK	31.6	65.9	1.9	-0.67	-0.87	15133
UK	6.9	75.2	1.0	1.17	1.97	28433

*Employment in Europe Report (EC 2007b)

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Flexicurity is a European policy agenda seeking to increase both flexibility and security in the labour-market. This book argues that it needs a revision: Although flexicurity is set out to change the way Europeans work and live, and even though it is being justified by workers' needs, flexicurity lacks of a clear and democratically justified vision of society. Flexicurity is confronted here with Amartya Sen's capability-approach, a paradigm of well-being evaluation. How is flexicurity related to a concept of employment as part of a way of life which people have reason to value? How capability-friendly are established flexicurity-indicators? It is thus shown how the capability-approach can be used in the field of labour-market and social policy.



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