European Employment and Working Conditions
Can the European social model survive?
Is flexicurity the answer?

The search for a better combination of flexibility and security is a major challenge within the European Union, and not only in the accession countries. Two major new studies from the ILO look at different aspects of employment and working conditions.

Unemployment, growing competition and the shift of the EU from 10 to 27 Member States have had a deep impact on employment and working conditions in the European Union, says *The evolving world of work in the enlarged EU: Progress and vulnerability*.1 Based on case studies from Bulgaria, Croatia, the Czech Republic, Denmark, France, Germany, Hungary, Poland, Romania, Spain, Sweden and the United Kingdom, the study provides timely information on social policy and labour market trends in the EU enlargement process and how these may affect workers and their families.

"On the one hand, labour market innovations such as a greater diversity in employment contracts and working time arrangements facilitate labour market entry and exit… on the other, they entail new risks, particularly for women, immigrants, younger and older people," says Daniel Vaughan-Whitehead, a senior ILO expert on working conditions and one of the editors of the study.

According to the study, employment creation in Europe is occurring mainly in less regulated sectors, such as retail, personal services and so on, which affect mainly young workers. According to Vaughan-Whitehead, "problems are most acute for this age group which represents our future".

The study presents information on trends in all important elements of the world of work in the enlarged EU-27: employment contracts, working time and work intensity, wages, training, health and safety, social dialogue and workers' participation, and work–family balance.

"It does this from an original perspective, through a series of case studies like the one on Ivan (see sidebar) and other self-employed and employed people in EU countries. That highlights what practices are put in place at enterprise level, and how different working and employment conditions are combined and interact at local level," explains Vaughan-Whitehead .

At the same time the study tries to identify those vulnerable workers who often represent the myriads of "working poor" in a country. It also offers a valuable analysis of those workers who may be exposed to more than one risk. "This approach well suits the new Lisbon target of the European Union of creating 'more and better jobs' and the EU contributions to the implementation of the ILO's Decent Work Agenda in the world," says Vaughan-Whitehead.

The study calls on policy-makers, as well as economic and social actors, to pay more attention to the vulnerability of workers, working conditions and employment quality – that is, not only wages or working time but other issues such as reconciliation of work and family life.

1 *The evolving world of work in the enlarged EU: Progress and vulnerability*, edited by François Eyraud and Daniel Vaughan-Whitehead, International Labour Office and European Commision, Geneva, 2007.

Central and South-Eastern Europe: Positive trends, persisting problems and new challenges

Balancing flexibility and security has both an economic and a social rationale, according to Sandrine Cazes and Alena Nesporova, authors of *Flexicurity: A relevant approach in Central and Eastern Europe*.2 Although economic growth has accelerated in Central and South-Eastern Europe since 2000, it has not adequately translated into employment creation. Youth unemployment has also worsened and protection at the workplace has decreased. The study argues that an approach combining flexibility and security is the most relevant for the region and suggests appropriate reforms of economic, labour market and social policies.

In the 1990s the difficult transition process in Central and South-Eastern Europe was marked by massive job destruction and only a limited creation of new jobs. Things have moved on now to a stabilization and liberalization phase. Labour market patterns in the new and the old Member States of the European Union (EU) are converging. Flexible forms of employment, in particular fixed-term contracts, are increasing.

Employment protection legislation has been further liberalized to reach OECD levels, while protection of workers through collective bargaining has weakened as a result of declining unionization and the decreasing coverage by collective agreements. This lower level of job security has only partially been counterbalanced by increasing employment and income security through better access to job mediation, retraining and other programmes promoting re-employment of laid-off workers and longer-paid unemployment benefits.

2 *Flexicurity: A relevant approach for Central and Eastern Europe*, edited by Sandrine Cazes and Alena Nesporova, International Labour Office, Geneva, 2007.

Jobless growth and labour migration

Although economic growth has accelerated in the region and unemployment has declined, employment has increased in only five of the Central and South-Eastern European countries and even there only modestly, so one can speak of “jobless growth” across the region. Employment levels remain below the levels of the old EU Member States. The fall in unemployment has fed inactivity rather than employment. Another important factor reducing the impact of unemployment has been labour migration, which has accelerated since the enlargement of the EU in 2004.

The most worrying labour market situation until recently was in Poland, where the unemployment rate reached almost 20 per cent in 2002-03 despite good economic performance. Employment in Poland was on the decline until 2004 and started rising only in 2005. The last two years have at last recorded a significant reduction in unemployment, but with labour migration estimated to include well over one million Poles.

Who is most at risk?

There has been a decline of labour turnover since 2000 in all countries for which data exist, and a slight lengthening of average job tenures. But there is also increasing labour market segmentation – a higher share of workers staying more than 10 years or less than one year with the same employer. The first group are mostly workers of prime age and with higher skills enjoying full-time contracts without limit of time; the second, younger or older workers, typically less skilled, who are trapped in temporary jobs.

The highest barriers to labour market entry or re-entry are faced by young persons, older workers, ethnic minorities, low-skilled workers, women returning from maternity leave and persons with health problems. Many are pushed to use the less and less generous social welfare schemes and a number of them are also involved in informal work to make ends meet.

Gender differences persist across the region. However, there has been a slight tendency towards this gap closing in the case of labour market participation, while the opposite has been observed for employment since 2000. The unemployment situation has also improved more for men than for women. In terms of employment, men have benefited slightly more than women from economic growth.

Many countries have tried to increase the attractiveness of work by increasing the basic minimum wage as compared with unemployment and social benefits. Income protection against risks of enterprise insolvency and bankruptcy has been ensured by establishing wage guarantee funds in an increasing number of countries in the region.

Win-win strategies

The study finds important implications for economic and social policies in Central and South-Eastern Europe. Addressing jobless growth is the most important challenge for employment policy in the region. It is up to the government together with the social partners and representatives of vulnerable social groups and jobless persons to determine their country’s employment and social development. Through dialogue, they must decide whether the country will remain driven by predominantly economic goals, or whether it will shape its economic and social policy in line with the EU Lisbon Strategy and the ILO Decent Work Agenda towards a triple objective of full and decent employment, higher labour productivity, and social cohesion and inclusion.

This book suggests how this can be achieved through a “flexicurity” approach combining a more flexible labour market with stimulation to a secure move towards new, more productive, jobs and protection against a fall into protracted unemployment and poverty. It provides an answer to the dilemma of how to maintain and improve competitiveness while it makes at the same time full use of the potential of social policy as a productive factor. However, there is no one-size-fits-all flexicurity model, and different combinations of flexibility and security can be of service to both employers and workers in different national contexts.

Although the balance can be delicate, the pursuit of win-win strategies for both employers and workers lies at the heart of this concept.

Increasing self-employment: For satisfaction or survival?

In Rijeka, Croatia, Ivan, aged 49, owns a small shop in the apartment building where he lives, selling newspapers, tobacco, stationery, toys, books and everything students could possibly need for school.

After a ”troublesome start” in 1992, business stabilized after 1996. He hired two employees but in 2000 he realized that he couldn’t afford more than one. Ivan is a very concerned employer: Nena, his employee, has permanent employment, no overtime and no work on weekends. While she enjoyed two maternity leaves, Ivan was on his own, working even harder than usual. And that is already a lot. The shop is open Monday to Saturday from 7 a.m. to 9 p.m. and on Sunday mornings from 8 to 12. When asked about annual leave, he laughed: “Not a day off in the last five years!”

Does this amount of work pay? Hardly in monetary terms: the shop’s annual net profit is between EUR 6,000 and EUR 7,500 – that is between EUR 500 and EUR 622 a month for around 90 hours’ work a week.

What about his work–life balance? Ivan thinks it’s worth it: “The children have grown up in a family where they’ve learned that you have to work hard.” On the other hand, Ivan is overworked, “permanently tired”. He still likes his job but he is considering a change: “I can’t go on like this for much longer.”

While Ivan’s case shouldn’t be taken as representative, it certainly illustrates the enormous difficulties faced by the self-employed and small firms in Croatia and other European countries. Many of them work very long hours that deprive them of sleep and rest, not to mention holidays with their families for whom they provide a livelihood.

“If self-employment is a major survival strategy in Croatia as well as a source of satisfaction, for many it is a hard choice, full of risks and associated vulnerabilities,” says Daniel Vaughan-Whitehead.

According to the study, since 2000 there has been a trend to “normalization of labour markets” and ”progress in working conditions” in Croatia. This has been supported by political normalization, solid economic growth and growing credibility, coupled with the conditionalities of EU integration. But for too many this “normalization” is merely nominal, while real employment and working conditions have remained hard or even worsened.

The share of self-employed is increasing in most new Member States, but also in Germany, Spain, the Netherlands, Austria, Finland, Sweden and the United Kingdom – and it is across the board, from manual workers to professionals and technicians. Some are quite happy with their status, which gives them more autonomy, but for others, the price to be paid – irregular income, increased stress and excessive hours – makes self-employment more a survival strategy than a free choice.