

Dealing with the “flexibility-security-nexus”: Institutions, strategies, opportunities and barriers

Ton Wilthagen
Frank Tros

**AMSTERDAMS INSTITUTE FOR
ADVANCED LABOUR STUDIES**

Universiteit van Amsterdam

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Institutions, strategies, opportunities and barriers

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Ton Wilthagen OSA/Universiteit van Tilburg

Frank Tros Hugo Sinzheimer Instituut/Universiteit van Amsterdam

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Abstract

This paper discusses the “flexibility-security nexus” which has become manifest in employment, the labour market and industrial relations. The starting point of the paper is the concept of “flexicurity”, viewed as a particular way of dealing with the aforementioned nexus. The analysis focuses on four EU-member states: Denmark, Belgium, Germany and the Netherlands. The paper explores differences in the emphasis put on types and levels of flexibility and security, the particular trade-offs between forms of flexibility and security and the institutional contexts that “govern” these types, levels and trade-offs. In doing so the paper highlights important barriers, opportunities and challenges in dealing with the flexibility-security nexus. Coordinated decentralisation and flexible multi-level governance in national IR-systems seem to represent important preconditions for the introduction of flexicurity arrangements, as the Danish and Dutch cases show.

1 INTRODUCTION: THE FLEXIBILITY-SECURITY-NEXUS

The member states of the European Union (EU), as well as the EU itself, are confronted with a ‘double bind’, that can be summed up as the flexibility-security nexus (Wilthagen, 2002). On one hand, there is the demand for increased flexibility in order to reinforce the competitive power and performance of companies, sectors, countries and the EU as a whole. On the other hand, unease is mounting with respect to processes of social exclusion, segmentation, modern poverty and jeopardised social integration and cohesion. Labour and the labour market place demands on job security, wage security and employability. This relationship exists on the basis of a certain degree of tension. Based on an extensive international comparative study, Ozaki (1999: 116) concludes that ‘the flexibilisation of the labour market has led to a significant erosion of workers’ rights in fundamentally important areas which concern their employment and income security and the (relative) stability of their working and living conditions. Regarding the trade-offs arising from flexibility bargaining, there has not been an attempt to drastically change the present paradigms of economic and social policy’.

In view of the necessity to deal with the flexibility-security nexus, this article takes as a starting-point the notion of ‘flexicurity’: a policy strategy in which both objectives, flexibility and security, are represented in a more or less integrated and balanced manner (see Wilthagen, 1998). Flexicurity can, more precisely, be defined as a policy-strategy that attempts, *synchronously* and in a *deliberate* way, to enhance the flexibility of labour markets, the work organisation and labour relations on the one hand, and to enhance the security – employment security and social security – notably for weak groups inside and outside the labour market on the other hand’ (see, slightly different, Wilthagen & Rogowski, 2002:250).

The main questions of this paper can now be formulated as follows:

1. To what extent and how does the flexibility-security nexus play a role in various EU countries. Do examples of flexicurity exist at the various levels in those countries? What are the notable similarities and differences between countries?

2. What hypotheses can be formulated regarding beneficial conditions within governance systems for the formation and operation of flexicurity? Which framework can be used for further research into flexicurity?

This paper is highly explorative in nature. The purpose is to develop more hypotheses and questions in the context of academic knowledge and policy. In order to prevent the exercise becoming too broad, the analysis will focus on four EU member states: Belgium, Denmark, Germany and the Netherlands. The choice for these countries is based primarily on geographical proximity, as well as the fact that the structures and traditions of labour relationships and regulation are not too dissimilar (elements of both corporatism and social democracy, often characterised as democratic corporatism). This also means that there is a chance that these countries will try to learn from one another in terms of adjustment strategies. At the same time, these countries demonstrate a sufficiently interesting variation in actual developments to enable determinative factors to be ascertained.

In order to be able to analyse developments in the four countries, it is necessary to distinguish between various forms of flexibility and security and various possible trade-offs.

Four forms of work flexibility can be distinguished, namely:

- a. External numerical flexibility (the flexibility of hiring and firing)
- b. Internal numerical flexibility (working hours, overtime, part-time work, etc.)
- c. Functional flexibility (multi-employability, flexible organisation of work)
- d. Wage flexibility (performance or result-based pay)

In terms of security, four forms can also be distinguished, namely:

- a. Job security, the certainty of retaining a specific job with a specific employer
- b. Employment security/employability security, the certainty of remaining in work (not necessarily with the same employer)
- c. Income security, income protection in the event that paid work ceases

- d. “Combination security”, the certainty of being able to combine paid work with other social responsibilities and obligations. This last form of security cannot be traced back to the other forms of security.

It is possible that direct trade-offs take place between these forms of flexibility and certain forms of security, but more indirect trade-offs are foreseeable as well.

Both in academic and in policy circles, ‘governance’ – and more specifically ‘multi-governance’ – is seen as an important factor for the success of new developments in employment regulation. ‘Europe’ is attempting to achieve its ambitious objectives of flexibility *and* security by improving governance (European Commission, 2001). There is also a growing interest in multilevel governance among national systems. Trends such as ‘centralised decentralisation’, organised decentralisation and recentralisation point towards a dynamic in the relationships between levels (Léonard, 2001; Sisson & Marginson, 2002; Traxler, 1995). This paper will be addressing the relationship between flexicurity and governance systems (and shifts in such systems) in the individual countries. We adopt the definition of governance given by Hollingsworth et al. (1994:5): “Coordination is accomplished through a set of institutions that together form the economy's system of governance. A governance system is defined as the *totality of institutional arrangements – including rules and rule-making agents - that regulate transactions inside and across the boundaries of an economic system.*” (italics in original). It is to be expected that the instruments with which balances between flexibility and security can be achieved, and the forms thereof, will differ between the countries, as a result – among other things – of institutional and legislative differences. It cannot automatically be assumed that there is a trend towards convergence. Within the framework of this contribution, however, it is only possible to provide an extremely brief analysis. The focus will be on the most obvious developments, similarities and differences, with a view to forming hypotheses on the basis thereof.

2 POLICY DEVELOPMENTS AND STRATEGIES, INSTITUTIONS AND GOVERNANCE

2.1 BELGIUM: FORDIST FLEXIBILITY AND SECURITY

2.1.1 FLEXIBILITY AND SECURITY

The term flexibilisation of the workforce has – to a larger extent and for a longer period than in the Netherlands – a negative connotation in Belgium, in any event among the trade unions. During the 1990s, Belgian employers increasingly pointed to the assumed advantages of the policy developments in the Netherlands (Sels & van Hootegem, 1999). It was argued that Belgium had a more Fordist regime than the Netherlands: the service sector in Belgium is less prominent than the industrial sector, and the same applies to temporary/part-time work when compared to the permanent, full-time job.

Flexibility in Belgium is primarily internal-numerical in nature. More use is made in Belgium of shift work, and work is carried out more frequently during non-standard hours. Furthermore, the country has extensive legislation that allows workers to be laid off temporarily in exchange for unemployment benefit (Sels & van Hootegem, 1999). During the 1993-1996 period, 30 to 40 thousand workers a year made use of the arrangement. This system is not available for the category of clerical staff. Sels & Van Hootegem attribute the following two functions to the system of temporary unemployment:

It avoids companies having to impose mass lay-offs during an economic downturn, and then when the economy picks up having to recruit and train staff from scratch. This prevents transaction costs, maintains human capital within the company, maintains levels of qualification and prevents job losses;

The system can be seen as a functional equivalent to atypical work (temporary contracts, contracts for a definite period) and overtime.

One disadvantage of the arrangement that has been identified is that the system is not particularly transparent, that it favours insiders in the labour market and that it can encourage over-capacity, which large companies can then exploit in the knowledge that the taxpayer will foot the bill. It is also possible that this system negatively affects companies' innovation, as they do not adapt to changing market situations and competitive relationships, or that their response is too late. Another barrier to innovation could also be that economic downturn periods are not used for training staff and improving employee qualifications, as would be logical, because the employees in question are 'parked' outside the company at that time.

Sels & Van Hootegem see an argument for amending the temporary unemployment scheme by encouraging companies to use the social security funds and the times of recession for investing in training and process innovation. In this way, flexibility and innovation would not always have to be at odds with one another.


According to the National Plan of Action Employment Guidelines, policy orientation in Belgium focuses primarily on promoting part-time work and career interruption. It is also targeted at increasing the range of flexible childcare opportunities, in order to increase the employability of job seekers and other non-actives. One of the central issues in the collective negotiations in 2001 was improvement of the balance between work and family and social obligations (EIRO, 2002). Legislative measures were also taken in this area.

A national agreement was signed in 2001 by employers and employees, which contained both elements for increasing the flexibility of the business community (such as carrying out a study into the differences in the law covering manual workers and clerical workers, and simplification of a range of administrative obligations, intended to create a better climate for entrepreneurship and innovation) as well as increasing security for employees (such as creating more employment opportunities, promoting a good combination of work and private life, and continuing training efforts).

Almost no empirical data is available on wage flexibility or variable remuneration in Belgium. As has been the case in other countries, a greater emphasis on this form of flexibility is expected in Belgium (EIRO, 2001). In 2002, the debate has been about scrapping automatic pay indexation, which links pay to increases in the cost of living. Another draft bill currently under discussion in Belgium is to limit the financial participation of employees to

10% of a company's total wage bill.¹ Figure 1 summarizes the foregoing analysis; “policy focus” refers to the main emphasis that policies have displayed over the past years, whereas “policy direction” pertains to the (relatively) most important direction of current policy and policy proposals.

Figure 1: *Focus and direction of Belgian policy orientation on flexibility and security*



Forms of flexibility	Policy focus	Direction	Direction	Policy focus	Forms of security
Numerical-external					Job security
Numerical-internal	+	+	+		Work security
Functional/internal				+	Income security
Wage flexibility		+	+		Combination security

2.1.2 GOVERNANCE

For many years, the sector level has been the most prominent negotiation level, in combination with the regional level (Flanders vs. Wallonia). Compared to the Netherlands, the system of labour relations is more centralised and central coordination within the Belgian trade union movement – which is also very present on the workforce – remains strong (Mok, 2001). At a national level, intersectoral collective agreements are being entered into, which have the status of legislation and which cover aspects which in many other countries are governed by law (working hours, minimum wage level, etc.). Interprofessional agreements are also entered into at this level – when they are successful. These agreements are in principle

¹ Legislative proposal on employee participation in the profits and results of KMOs, dated 26 July 2001 (DOC 50 1067/001).

negotiated every two years by the parties represented in the National Labour Council (NAR). The organisations involved reach agreements among themselves concerning the ‘social progress’ which they wish to realise during the following two years for the actives and non-actives.

One remarkable aspect is the highly interventionist role played by the government in socio-economic and labour market policy. Contrary to the Netherlands, for example, the Belgian government has actually increased its level of intervention since the serious decline in value of the franc in 1982 (Hemerijck et al., 2000). In 1996, the Competition in Business Act came into effect, which links pay development in Belgium to that in its neighbouring countries of Germany, France and the Netherlands. Despite the fact that national negotiations regularly break down, the social partners are entering into an interprofessional agreement for the 2001-2002 period, which offers a framework for the sectoral negotiations and forms a response to major socio-economic challenges. They acknowledge the specific powers of the regions and of the regional social partners. The agreement is intended to achieve an optimum complementarity, using the measures taken at that level.

It should be noted that in Belgium, neither horizontal nor vertical coordination inside or by the employers’ and employees’ organisations are particularly strong. In any case, it is weaker than in the Netherlands and Denmark. The lack of coordination may go some way towards explaining why pay restraint has been imposed by law. According to Hemerijck et al. (2000: 250-254), the effect of the Belgian governance model in the 1990s, during which government pay politics was a prominent factor, was that micro-flexibility in the labour market was sacrificed in the attempts to realise macro-modifications (specifically with a view to admission to the EMU), that decentralisation was limited and that there have been far fewer links in negotiations between pay and pay development and other subjects, such as reduced working hours.

2.2. THE CASE OF DENMARK: HIGH FLEXIBILITY AND SECURITY

2.2.1 FLEXIBILITY AND SECURITY

Denmark has traditionally had a combination of extremely high flexibility in the labour market and an extremely high level of income protection. Since as far back as the September Agreement between employers' and employees' organisations (LO and DA) in 1899, there has been a very low level of regulation of hiring and firing, making it easy to fire employees when market conditions are poor. But they can fall back on relatively positive social security arrangements and can be re-hired fairly simply when the demand for personnel increases. Van Peijpe (1998) explains this combination of high flexibility and high social security from the fact that the Danish economy has a very large number of small businesses.

In 1994 and 1996, in response to steep increases in long-term unemployment in the 1970s and 1980s, far-reaching changes were implemented in labour market policy (Björklund, 2000; Jørgensen, 2002; Madsen, 1999; Madsen, 2002). It is interesting to note that these changes attempted to increase both flexibility (internal) for businesses and security (employability and combination) for employees and the unemployed. An initial re-evaluation involved scaling back the social security system (Benner & Vat, 2000: 448-452). A second round of reforms involved a shift from training and education of non-actives to increasing the skills and employability of the working population, using a system of job rotation (Madsen, 1999: 59). Job rotation is geared towards increasing the employability of employees by making time available for training outside the business, while an unemployed person temporarily replaces the employee. The Danish government funds the training for the employee and continues to pay his/her salary. Apart from funding the training, government schemes have promoted various forms of leave-based job rotation. An average of 20 to 30 thousand employees and job seekers – around 10% of the working population – took part in one of these programmes between 1993 and 1998 (Sørensen, 2001). Evaluations have shown that more than one-third of the unemployed stay employed by the company after the return of the employees they replaced (Schmid and Schömann, 1999). Across the spectrum, there has been an exceptionally

positive response to both the job rotation programmes and the leave schemes. Figure 2 summarises the key characteristics and conditions of the paid leave schemes. In 1996, 121,000 people made use of a paid leave scheme, 72,700 of whom went on study leave, 46,000 on parental leave and 1,500 on sabbatical.

Figure 2: Danish paid leave schemes


	Study leave	Sabbatical	Parental leave
Target group NB: general condition: minimum age 25 years	- Unemployed - Employed - Self-employed	- Employed	- Unemployed - Employed - Self-employed
Entitlement to unemployment benefit as condition	Yes	Yes	No
Maximum duration	1 year	1 year (minimum period 13 weeks)	26 weeks (13 weeks if child is less than 1 year old) (previously 1 year for unemployed)
Unconditional right of applicant	No	No	Yes
Mandatory replacement of applicant	No	Yes	No
Level of benefit (in % of unemployment benefit)	100%	60% (formerly 80%)	60% (formerly 80%)

From a general perspective, the reforms in Denmark form a trade-off between a degree of scaling down or limiting of social security entitlements on the one hand and an increased commitment of the public organisations and authorities to greatly increase the quality of activation, reintegration efforts and training on the other (Bredgaard, 2001: 62-63). A recent example is represented by the introduction of “flex jobs” within companies on behalf of the reintegration of workers with disabilities – flexibility here refers to the adjustment of these jobs in view of the capacities of the workers involved. The central concept in Danish labour market policy is that of the ‘inclusive labour market’. Inactive or unemployed persons in

Denmark rarely find themselves in the same position a year later; this is a major difference between Denmark and Belgium, for example (Vandenbrande, 2001: 61-64).

There is not a great deal that can be said about variable and flexible pay, except that a growth in this form of flexibilisation is expected in Denmark. Figure 3 summarizes the Danish developments.

Figure 3: *Focus and direction of Danish policy orientation regarding flexibility and security*



Forms of flexibility	Policy focus	Direction	Direction	Policy focus	Forms of security
Numerical-external	+	+		-	Job security
Numerical-internal			+	+	Work security
Functional/internal	+			+	Income security
Wage flexibility		+	+	+	Combination security

2.2.2 GOVERNANCE

The most prominent instrument in Danish socio-economic policy is the collective labour agreement. The collective agreement – as opposed to State labour law – is also used for implementing European directives. The argument for this is that it allows better coordination with the situation in the sectors and for the creation of an optimum base of support for implementation of the provisions. Partly in view of the criticism of the European Commission, Denmark is starting to realise that this system could cause legal and political problems, and that special measures must be introduced for the remaining groups that are not covered by collective agreements.

The fact that around 80% of the Danish working population belongs to a trade union – a level of organisation that is significantly higher than in most European countries – certainly

contributes to the key position of the collective agreement. In addition, Denmark has national/intersectoral agreements that hark back to the central agreement of 1899 which was mentioned above. Another notable characteristic is the extensive mediation and arbitration system in labour relations. In principle, the Danish government interferes as little as possible in the content of collective bargaining, and limits itself to statutory procedural regulations. There is no general obligation to bargain collectively in Denmark.

The developments in Denmark in recent years can be defined as ‘centralised decentralisation’ (Benner & Vad, 2000: 454) and ‘far-reaching decentralisation under central control’ (Visser et al., forthcoming). It could be argued that national control of the results of the policy and regional flexibility in the choice of instruments are needed. The main areas of labour market policy are still being set at a central level, in particular in the collective agreements, but an increasingly important role is being played by local actors and tripartite regional councils. This results in a Y-junction in policy: ‘the dilemma between decentralising responsibility and influence, while at the same time preserving an overall political control with goals and directions of the national labour market policy’ (Madsen, 1999: 58). But the risks attached to this form of coordination are estimated to be smaller than the benefits. As Benner & Vad (2000: 453) have argued: ‘Denmark’s recovery in the 1990s was not only the product of identifiable responses to economic internationalization and other challenges; it was also the outcome of major normative and functional changes in the Danish structure of political governance since the 1980s’.

Visser (2001: 189) characterises the Danish system as a form of ‘associative corporatism’, and identifies the following essential characteristics: ‘A high level of interest representation of both capital and labour; a considerable dispersion of decisional authority and autonomy across organizations and to local levels; a limited role for the State as arbitrator and facilitator of agreements between autonomous interest organizations; a dense network of vertical and horizontal channels of representation and communication as the basis for decision making and reliance on iterative dialogue for conflict resolution and policy consensus’. Jørgensen’s extensive analysis (2002) points in the same direction and emphasises the consensus produced by the Danish governance model.

Madsen et al. (2001) expect a shift in the future from ‘centralised decentralisation’ to multilevel regulation. This will mean an end to the top-down nature of governance and a move towards horizontal coordination. Decentralisation will go hand in hand with (re)centralisation. European legislation and policy is being seen as a new centre of control, in the middle of other centres.

2.3. THE CASE OF GERMANY: SECURITY ABOVE FLEXIBILITY

2.3.1 FLEXIBILITY AND SECURITY

The debate in Germany on flexibility and security of labour is a highly emotive one. A large proportion of academic and policy circles is of the opinion that the German labour market urgently needs to become more flexible, in order among other things to tackle the persistently high levels of unemployment (Fuchs & Schettkat, 2000). The German government has also been resisting far-reaching measures. The emphasis on job and income security is rather strong. Recently, both the Dutch and Danish systems of regulation are regularly given as examples. There is also interest in the Dutch model of ‘flexicurity’ (Klammer & Tillmann, 2001; Wilthagen, 1998).

Policy in Germany is currently being aimed at increasing external numerical flexibility, but in practice these attempts have resulted in little change to date. The *Beschäftigungsförderungsgesetz* was implemented as long ago as 1985. This law made it easier for employers to offer employees short-term employment contracts. The act did not, however, result either in mass use of short-term employment contracts (5% to 6% of all new employment contracts) nor in any significant growth in employment levels (less than 0.1% of total employment). This act was replaced on 1 January 2001 by the *Gesetz über Teilzeitarbeit und befristete Arbeitsverträge und zur Änderung und Aufhebung arbeitsrechtlicher Bestimmungen*.² This act implemented European directives on part-time work and short-term employment contracts.³ It is worth noting that the act greatly reduced the opportunities for

² PzBfG, BGBl. I 2000 S. 1966.

³ 97/81/EC and 1999/70/EC respectively.

short-term employment contracts, and introduced a great many protective constructions for employees.

Another attempt involved relaxing the law on dismissal for smaller companies. But this measure was also reversed in 1999. Privatisation of employment mediation has also had little effect in practice. In 1994, the official monopoly on public employment mediation was broken and private organisations such as temporary employment agencies have since been able to offer their intermediary services. However, this has been accompanied by so many restrictions on the fees they can charge, that the market share of private intermediaries has not (yet) risen above 2% (in terms of the number of placements in the labour market).

Reorganisation of employment mediation has recently been put on the agenda, following a number of cases of fraud at the Public Employment Services (PES). These cases have triggered the establishment of a government commission, the Harz Commission, formed by representatives from business and trade union associations and two academics, that in its report dated 16 August 2002 has proposed significant reforms of labour market and employment policy, including changing the PES' 181 regional offices into *de facto* temporary employment agencies, referred to as 'personnel service agencies' (*PersonalServiceAgentur*, PSA). Any person still without a job after half a year would in effect be employed by these agencies, and hired out on a short-term basis (be it on trade union-negotiated rates), or have their benefits deducted. The Hartz Commission estimates that some 780,000 jobs could be created in this way.⁴ Another recent field of action where the social partners have initiated new regulatory arrangements is the reform of pension schemes (Schroeder & Weinert, 2002).


In terms of flexibility, the emphasis in Germany remains on *internal* numerical flexibility. The level of overtime, in particular, remains high, at 3.6% of the total work performed by employees (EIRO, 2002). This is explained with a reference to the relatively high level of protection from dismissal, the relatively limited remuneration for overtime and the extensive subsidy schemes for working hours reduction (see Abraham and Houseman, quoted in Fuchs & Schettkat: 233-235). Flexibilisation of working hours and a reduction of overtime will continue to form the main focus of policy in future. This is shown from the agreements reached between the social partners on 10 July 2000 in the context of the *Bündnis für Arbeit*,

⁴ See EIRO Online: <http://www.eiro.eurofound.ie/2002/09/Feature/DE0209205F.html>

Ausbildung and Wettbewerbsfähigkeit. The goal is to achieve ‘eine differenzierte und flexibilisierte Arbeitszeitpolitik und den beschäftigungswirksamen Abbau von Überstunden’ (German National Plan of Action on Employment, p. 53). Flexibilisation of labour and stimulation of part-time work are seen as strategies for facilitating the combination of work and care.

The phenomenon of flexible pay is not unknown in Germany, but it does not appear that this form of flexibilisation will undergo rapid growth (EIRO, 2001). In figure 4 presents the German policy developments in a nutshell.

Figure 4: *Focus and direction of German policy orientation on flexibility and security*



Forms of flexibility	Policy focus	Direction	Direction	Policy focus	Forms of security
Numerical-external				+	Job security
Numerical-internal	+	+	+		Work security
Functional/internal				+	Income security
Wage flexibility		+			Combination security

2.3.2 GOVERNANCE

It is a generally known fact that the stubborn unemployment issue in Germany is closely linked to the reunification of West and East Germany. In the literature, however, reference is also made to more fundamental problems in the German governance system. It is interesting to note that, unlike most other European countries, there is no joint coordination by the social partners and government in Germany. Everything is laid down in the sectoral collective agreement, and the parties involved traditionally have a great deal of autonomy (*Tarifautonomie*). One notable development was therefore the attempt to change coordination

of labour market policy at the end of December 1998, when the government and representatives of employers and employees published a joint declaration under the title *Bündnis für Arbeit, Ausbildung and Wettbewerbsfähigkeit*. Various tripartite working groups and consultative groups were set up as a result of this.

It is still very unclear how this innovation will develop. The question remains as to whether this attempted form of central coordination can have any impact on the fundamental problem in the German governance system, identified by Manow & Seils (2000) as ‘dual externalisation’. These authors argue that companies in Germany pass on the costs of change to the welfare state, and that the German government in turn then tries to lighten the burden on its budget by restricting its share in the funding of social facilities. In particular, the concerted action of a federal government with limited opportunities to undertake active economic control, a highly independent central bank and autonomous social partners (the *Tarifautonomie* referred to above) appears to result in a maintenance of the status quo in Germany, which cannot adequately adapt to the new international and economic relationships, or adapts too slowly.

There is pressure from below in Germany to decentralise the formation of employment conditions to a company level. The collective bargaining structure remains relatively stable, however, and regional agreements are on the increase (Klikauer, 2002). The extent to which sectoral collective agreements are changing in terms of content is unclear. German trade unions see many strategic obstacles facing the option of organised decentralisation as a means of providing regulated flexibility at the company level (French, 2001). As a result of strong procedural conditions, opening clauses in sectoral collective agreements provide companies with few opportunities to flexibilise labour and/or the organisation (Hassel, 1999). Increasingly, change appears to be taking place in companies without them adhering to collective agreements or works council consultation (Hassel, 1999). The declining level of organisation of employees and reduced scope of the collective labour agreement in Germany (EIRO, 2002) indicates that the pressure to decentralise is less ‘organised’ than it is in e.g. the Netherlands.

2.4. THE CASE OF THE NETHERLANDS: FLEXIBILITY AND SECURITY

2.4.1 FLEXIBILITY AND SECURITY

Up until the 1980s, the Netherlands was seen as a country with a relatively inflexible labour market, characterised in particular by stringent protection against dismissal and a passive social security policy. During these same years, unemployment figures grew dramatically, and the number of occupational disability benefits began to grow exponentially. The focus in those days was on numerical – in particular, external – flexibilisation of labour. This focus broadened in the 1990s to include key legislation and collective agreements on flexibility and security. During the development of this legislation in the 1980s and 1990s, four policy themes or ‘dossiers’ were brought together. The first dossier covered deregulation and flexibilisation of the labour market to promote economic growth and improve the competitive position. The second dossier addressed concerns about whether the social security system would be ‘affordable’. A third policy theme was combating the disadvantages and negative consequences of the flexibilisation of labour for what are known as ‘flexworkers’. Certain minimum standards were deemed necessary. Finally, there was a dossier on dismissal law, which is often criticised as being unnecessarily complex (a lawyer’s paradise) and too rigid.

All these dossiers were linked together halfway through the 1990s. In 1996, the employers’ and employees’ organisations entered into an agreement at national level on ‘Flexibility and Security’, after the Minister of Social Affairs and Employment issued a policy memorandum on this subject in 1995. Both initiatives formed the basis for the *Flexibility and Security Act* which came into effect on 1 January 1999. This ‘flexwet’ led to a large number of changes in the law governing dismissal and social security law (see Figure 5).

Figure 5: *Main points of the Flexibility and Security Act*⁵

Flexibility	Security
<ul style="list-style-type: none"> - amendment to rules covering short-term employment contracts: after three consecutive contracts or if the total length of consecutive contracts has been three years or more, an employment contract for an indefinite period comes into being (was after one extension) - the permit obligation for temporary employment agencies is withdrawn and the maximum length of time for temporary work scrapped - the period of notice is one month in principle, with a maximum of four months (was six months) - the dismissal procedure is shortened and in the case of redundancy due to the economic situation of the employer, employees no longer need to register an objection as a formality in order to secure their unemployment benefit 	<ul style="list-style-type: none"> - introduction of two legal presumptions: the existence of an employment contract is assumed at an earlier stage - a minimum claim for pay per call-out: each time a temporary employee is called to work, a minimum amount of three hours must be paid - regulation of the division of wage payment risk if there is no work for a temporary employee: the maximum period during which employers are not required to pay wages for non-worked hours is six months - from now on, the temporary employment agreement is deemed an employment contract, although during the first 26 weeks of the temporary employment period, the agency and employee have a certain degree of freedom in terms of entering and severing the employment relationship - protection from dismissal is introduced for employees carrying out trade union work in the company - requests to dissolve the employment contracts of occupationally disabled employees must be accompanied by a reintegration plan

The Dutch government submitted the Flexibility and Security Act as a ‘good practice’ in the National Plan of Action on Employment 1999, drawn up on the basis of European agreements (Treaty of Amsterdam, Luxembourg Summit in 1997). Evaluations were carried out. Employers and employees were guardedly positive (Grijpstra et al., 1999; De Klaver et al., 2000; Van den Toren et al., 2002). There has been a shift from loose to fixed employment

⁵ Collective agreements may deviate on a number of provisions; this cannot be elaborated on here.

relationships, and the new legislation has not formed an obstacle to this positive development on the labour market. The social security position of ‘external-flexible’ employees has improved somewhat, but the many interruptions in work patterns continue to cause problems in obtaining unemployment benefit.

Another aspect that has affected flexibility and security in Dutch policy orientation is, of course, the stimulation of part-time work. The extremely strong growth of part-time work has been partly autonomous, but the act has provided an extra impulse. As of 2000, employees have had a conditional right to expand or reduce their working hours. Also related to this is the introduction of other laws in 2001 that are intended to facilitate an improved combination of ‘work and care’. This involves among other things pregnancy and childbirth leave, adoption and foster care, emergency leave, short-term sick leave, parental leave, career interruption and sabbatical leave.


A relatively new Working Hours Act (1996) is aimed at increasing both the internal numerical flexibility for companies and the combination security for employees. Employers have been given greater opportunities to make the length of the workdays and workweeks dependent on the level of business activity, but must take the employees’ personal situation into account. Tailor-made work is encouraged by providing space at a sectoral and company level for self-regulation, which deviates from the standards set by law. The design of the act is a typical example of coordinated and centrally regulated decentralisation. Many of the collective agreement partners at sectoral level have been following the line of ‘coordinated and regulated decentralisation’ by giving companies and works councils room within collective agreement frameworks for their own rules on working hours and breaks (Tros, 2002). Evaluation of this act has shown that the objective of increasing flexibilisation for employers has been achieved in particular (Mevisen et al., 2001). Trade unions and works councils are having difficulty implementing the objective of ‘combination security’ in rules at a business sector and company level. Where both objectives are partly at loggerheads to one another – such as in the case of unpredictable working hours – win-win situations are achieved at a decentral level.

Apart from the hefty option schemes for top managers, the Netherlands has relatively little flexible remuneration. The social partners are ambivalent. While on the one hand, the message preached since 1982 has been pay differentiation at a business sector and company

level, on the other there is a fear that this will undermine the national policy of wage moderation (Tros, 2000). An increase of this form of flexibilisation can also be expected in the Netherlands. Particularly in the context of individual performance-based pay, employers are attempting to include provisions in the collective agreements. The larger companies are experimenting with this concept. The trade unions are more prepared to make agreements on performance-based pay than they previously were, because part of their grass roots membership is in favour of it.

And as the National Plan of Action on Employment 2001 has shown, the emphasis in future will no longer be on numerical flexibilisation. Policy orientation is now targeted at multi-employability and training / participation of employees. Figure 6 sums up the direction of the Dutch developments.

Figure 6: *Focus and direction Dutch policy orientation regarding flexibility and security*



Forms of flexibility	Policy focus	Direction	Direction	Policy focus	Forms of security
Numerical- External	+			+	Job security
Numerical- Internal	+		+		Work security
Functional/ Internal		+		+	Income security
Wage flexibility		+	+		Combination security

2.4.2 GOVERNANCE

Since 1945, the Netherlands has to a large extent relied for coordination of the labour market on consultative bodies at a national level (the bipartite Labour Foundation and tripartite Social and Economic Council). Since 1982, the developments in the governance model in the

Netherlands can clearly be defined as ‘coordinated decentralisation’: control, direction and facilitation at central levels, but with increasing room for a decentral approach. Business sector collective agreements have remained highly dominant, despite the absolute growth in the number of company-wide collective agreements. Collective agreements have been gradually adapting by taking a framework structure which has been giving companies and individual employees increasing levels of choice (Tros, 2000, Tros, 2002). Both the market as coordination mechanism (employment provision) and the government (social security) have been more prominent.

Since the mid-1990s, the Netherlands has received international praise for the way in which it has pursued and realised a new balance between flexibility and security. This success story is backed up by the strong growth in employment levels and by unemployment, which has dropped to a very low level. A key role in this has been played by self-regulation by employers and employees at a national level, under the shadow of hierarchy and the high level of attitudinal structuring (Visser, 2001). Nevertheless, the governance model in the Netherlands is under pressure. There is criticism of the slow speed of decision making, of the weakening of the primacy of government and the lack of differentiation in wage base determination (Wellink & Cavelaars, 2002). The criticism is being voiced primarily at an international level. But in the Netherlands as well, there is a growing demand for transparent and rapid decision making, which can be illustrated by the decline of established political parties which are more geared towards reaching a compromise.

Secondly, the Dutch trade unions are being increasingly pushed into a corner due to their low levels of organisation (28% of the working population) and the political debate about their low level of representativity. Thirdly, there has been criticism of the increasing level of government interference in the area of work and care. Finally, pay restraint has been in decline since 1997. It is still too early to say what the effect of the coalition that came to power in July 2002 will be on the governance system.

3 SIMILARITIES AND DIFFERENCES BETWEEN COUNTRIES

A number of conclusions can be drawn from the descriptions on the previous pages. Firstly, it has been shown that each country has specific forms of security and flexibility and that ‘balances’ often came into being a long time ago. Secondly, the debate in each country on the issues of flexibility and security has, as expected, intensified during the past two decades. A third conclusion is that different emphasis is put in the countries studied on the forms of flexibilisation and security and on the relationship between these two factors. The emphasis in Germany and Belgium remains on more Fordist or ‘industrial’ forms of flexibility, in particular on internal-numerical flexibility. The Netherlands and Denmark, two countries that have more of the nature of a service economy, focus more on external-numerical flexibility. A similar division can be seen in the area of security. In Belgium and Germany, the emphasis remains on income security, while the Netherlands and Denmark are focusing increasingly on work security instead of (only) income security. Notwithstanding this continuity all 4 countries show various dynamics of change, to some extent in similar directions (e.g wage flexibility).

It also appears that existing, tried and tested bodies and coordination mechanisms are being used in the four countries in order to facilitate and direct adjustment processes. Fourthly, similar trends appear to be occurring in the countries: wage flexibility, internal/functional flexibility and combination security are being seen as increasingly important in all the countries.

There are differences between the countries in terms of the extent to which coordinated flexicurity is realised. In Denmark, there is a clear trade-off between a high level of external-numerical flexibility and a high level of income and (increasingly) work security. Since the end of the 19th century, Danish workers have had little protection from dismissal, but with income protection, they have the security of being able to find a new job quickly, thanks to training, mediation and reintegration. In this respect, Germany differs most from Denmark. The security factor in Germany is very prominent and in practice it has proved to be difficult to introduce new forms of flexibility and security. The German situation can therefore be typified as a low-flexibility equilibrium. The flexicurity strategy in the Netherlands can be

demonstrated most clearly by new legislation and policy on external flexibility and work security. The Belgian situation can best be typified as a trade-off between internal numerical flexibility and job security. The Belgian system is difficult to define – it could be deemed traditional, but in any case it has a more limited level of balance between flexibility and security.

Flexicurity strategies, which in the Netherlands and Denmark appear to focus on enhancing both numerical (external and internal) flexibility and work security, seem to have favourable effects on labour market participation. Recent figures published by Statistics Netherlands over the year 2001 reveal that Denmark and the Netherlands rank respectively no. 1 and 3 with respect to labour market participation rates in the EU (76% and 74%⁶), whereas Germany and Belgium rank 8th and 12th

⁶ It should be mentioned that quite a large part of labour market participation in the Netherlands is in part-time employment. The reported figures are not based on full-time equivalents. See Statistics Netherlands Web Magazine: www.cbs.nl

4 BARRIERS AND OPPORTUNITIES

On the basis of the analyses of the four countries, which characteristics of and developments in governance systems appear to be beneficial or unfavourable to the formation and operation of flexicurity strategies?

4.1 COORDINATED DECENTRALISATION

Decentralisation appears to be having a beneficial effect on the introduction of flexicurity. Decentralisation has been set in motion under central control in both Denmark and the Netherlands. As a result of this, collective agreement parties, local organisations, companies and individual employers and employees have been given more room for tailor-made solutions with regard to flexibility and security wishes and needs. Furthermore, this process has been accompanied in both countries by good economic performance, which seems a positive condition for drawing up new rules on flexibility and security. One condition appears to be that decentralisation is coupled with strong coordination at a central level. Reference is increasingly being made in the literature to the simultaneous occurrence of decentralisation and increasing – although perhaps more gentle – central coordination (Léonard, 2001; Sisson & Marginson, 2002). In Germany, it would appear that decentralisation is less able to be coordinated by central parties, due to the lack of national coordination and the fact that the sectoral collective agreements have remained more rigid. The range of trade-off options available to employers and employees in Belgium at decentral level has been greatly limited by the fact that the state has intervened strongly in wage base determination

National coordination appears to be important, among other things, for:

- (1) ‘Mutual stimulation’ between government and the business community, and between legislation and self-regulation.
- (2) Adequate response to European developments.
- (3) Winning over smaller-scale interests in sectors/companies and promoting collective benefits.

- (4) Getting flexicurity strategies on the agenda at decentral levels and facilitating such strategies at these levels.
- (5) Promoting learning processes in the area of flexicurity strategies between companies, sectors and regions.
- (5) Monitoring the effects of flexicurity strategies at decentral levels.

There are, however, extensive limitations attached to the substantive content of flexicurity arrangements at a national or sectoral level. There are risks in the areas of:

- (1) excessively strict/rigid rules, which are unworkable due to the heterogeneity of employers and employees
- (2) too little support and commitment at decentral levels
- (3) obstacles to efficient and effective trade-off possibilities at decentral levels.

Combining the advantages of coordination and those of decentralisation points towards a new role for the social partners at the national and sectoral levels. The nature of legislation and national agreements will, to a limited extent, be substantive (let alone detailistic) and more generally controlling, procedural and facilitary in nature. There is also a great deal to be said for creating more room within the structure of sectoral collective agreements at company or regional levels. Though decentralised coordination may perhaps be easier to achieve in smaller countries such as Denmark and the Netherlands than in bigger countries as e.g. Germany, it is by no means self-evident that this strategy develops in smaller countries, as the Belgian case illustrates.

4.2 FLEXIBLE MULTILEVEL GOVERNANCE

Linked to the importance of coordinated decentralisation, a flexible multilevel governance system appears to provide a beneficial condition for flexicurity strategies. In terms of the joint

definition of problems ('joint observation of facts'⁷), it appears that consultation, negotiation and feedback can be 'switched' between various levels relatively quickly. This is e.g. far less the case in Germany, due to the lack of the link in the chain of a national bipartite consultative body and due to the far-reaching autonomy of the social partners at a sectoral level.

4.3 EXTENDING THE SCOPE OF BARGAINING AND 'NEGOTIATED FLEXIBILITY'

The hypothesis can be forwarded that a high degree of negotiated flexibility (see: Anxo & O'Reilly, 2000: 73-74) and broad negotiation agendas have contributed to the Netherlands and Denmark achieving a relatively high level of balance between flexibility and security. This is illustrated by the Danish "inclusive" approach to leave, training and job rotation. It is also demonstrated by the many flexicurity aspects, which together have been implemented in Dutch laws and regulations.

Extending the scope of collective bargaining leads to an increase in the range of trade-off options between flexibility and security. By negotiating not only about wages and working hours, security for employees need no longer be sought only in income security, but also in the maintenance of a good position in the internal and external labour market (e.g. in terms of training, employability, flexible organisation of work, etc). Adding the flexibilisation strategies of employers to the bargaining agenda and discussing them in an integrated manner along with security for the employees results in an increase in the acceptance of flexibilisation among employees. This encourages "positive coordination", 'integrative bargaining', 'positive-sum-games' and 'negotiated flexibility', enabling mutual gains to be achieved and better enabling achievement of the double requirement of flexibility and security. Mutual trust, based on an understanding for mutual interests, forms a crucial factor here.

⁷ Streeck, cited by Visser, 2001: 226.

5 FURTHER RESEARCH INTO FLEXICURITY

Much of that which has been described in this paper has had to be kept short and hypothetical, due to a lack of empirical and theoretic research. In order to obtain greater insight into the backgrounds, objectives and forms of flexicurity strategies, more in-depth research will have to be carried out into existing flexicurity strategies, whether they have been identified as such or not. It would be interesting to find out whether certain trade-offs are obvious, which trade-offs can be brought about synchronously and in a deliberate manner, and whether shifts are taking place towards new forms of flexibility and security. Evaluation studies are also needed into the effects of flexibility and security regulations and policies.

It is important to ensure that the empirical research is guided by theory, reflecting on the nature and political economy of the flexibility-security nexus. In view of the various positions and interests of the parties at various governance levels, it is important to carry out research into flexicurity strategies at various levels. Research into the HRM policies of companies is necessary, in view of the tendency towards decentralisation and the specific social position of individual companies.

Furthermore, cross-national comparisons are required for obtaining insight into the beneficial or non-beneficial conditions for the formation and operation of flexicurity strategies. The question can also be asked in this context as to whether the content and design of flexicurity in various countries differ greatly or whether there is a form of convergence, resulting from learning and benchmarking processes and/or EU-regulations. Experiences during the 1980s and 1990s in the context of the flexibility-security nexus in the four countries seem to point towards a continuing diversity. Companies are getting round existing nationally bound rigidities by looking for flexibility in other areas (Kalleberg, 2001) and, likewise, employees will move over to other aspects of security if certain aspects of security are not forthcoming. The question of the influence of various forms of coordination and the relationships between national and international learning processes with regard to flexicurity strategies is crucial from an academic perspective. It can increase insight, in particular, into the question of whether employment relationship systems are really developing in the direction of multilevel governance systems that provide both flexibility and security.

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