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### **Going Beyond the Zero-Sum Game: Flexisecurity as a Tool for Worker Advancement in the Asia-Pacific Region**

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# Going Beyond the Zero-Sum Game: Flexicurity<sup>1</sup> as a Tool for Worker Advancement in the Asia-Pacific Region

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<sup>1</sup> Also noted by variations such as flexisecurity and flex-security.

# 1. Introduction

The history of social and economic advancement for all members of society, particularly the working class has one of uneven and patchy development. Indeed, since the industrial revolution inadvertently brought forth the ingredients for potential collective action, to the present period of globalisation and post-industrialisation the world has borne witness to periods of both cordial and fraught relations between labour and owners of capital. These relations have often-times involved governmental intervention in various guises, ranging from a ‘hands-off’ approach to minor agreements and conflicts to playing key roles either as independent arbiters or as active and biased participants in more significant matters.

It is within this historical framework of economic and socio-political change and dislocation that we can better frame and understand the concept of flexicurity (Bredgaard et al., 2005; Jorgensen, 2011) as well as its hypothetical future role in the Asia Pacific region as the winds of change driven by globalisation and the collapse of the Bretton Woods world order alter the political, economic and social landscape of the region. In an era of disequilibria and flux, it is difficult at best, and heroic at worst to make definitive statements of the outcome of current convoluted events. Nevertheless, borrowing on from the concept of rational expectations,<sup>2</sup> this study will make use of historical events and institutions, married together with currents happenings and realities in order to better understand and predict the future trajectory of flexicurity as a tool for economic and social advancement for workers in the Asia Pacific region.

This investigation will begin by providing an overview rather than a fixed determination of the term. This is important as flexicurity only comes to life contextually, as it is married together with country specific historical, social, economic and political characteristics (Bredgaard et al., 2005). Eschewing specific case studies owing to the heterogeneous nature of flexicurity policies nationally that make cross-country comparisons tenuous (Bredgaard et al., 2005; Barbier et al., 2007), we instead introduce the main characteristics of flexicurity and compare and contrast different policy tools utilised across countries within continental Europe.<sup>3</sup> Finally, we attempt, using past experience and current information (i.e rational expectations), to gauge the feasibility of flexicurity as a tool for managing changing labour market relations in the Asia Pacific region.

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<sup>2</sup> Rational expectations is an Economics concept that attempts to explain how rational (i.e. logical) decisions are made in the face of an uncertain future. The theory posits that individuals will base their expectations of a future event not just on past experience (also known as adaptive expectations) but also on all relevant current information. Should the current information set be similar to past events, then it is rational to deduce that expectations formed of the future will closely mirror past events. These situations tend to arise in moments of static equilibria. However, in dynamic and fluid situations as the world now faces, our rational expectation of the future may not closely mirror past actions as new information becomes available to both individuals and societies. When future outcomes have the potential to be far removed from the past, rational expectations can play a significant role in preparing individuals and societies make the move from present realities to less than certain future events.

<sup>3</sup> The literature at present makes it clear that this is an issue pursued only in the wider European region.

## 2. Flexicurity – towards a contextual understanding

Flexicurity is a hybrid term of security and flexibility as generally understood within the labour market context. It can be viewed as an oxymoron in terms of the classic or orthodox view of labour relations, whereby there exists an inverse relationship between job security and the right to hire and fire (Ozaki, 1999). In such a static representation of reality, job security is achieved via restricting employers' ability to alter their labour composition without having to provide a significant compensatory payment to laid-off employees. Thus, a move towards easing the restrictions on hiring and firing would *ipso facto*, reduce job security.

This static analysis is not however an abstract concept devoid of historical context. Post-Great War Europe, awash with Bolshevik agitation, demobilising soldiers and new ideas of democratic representation was ripe for revolutionary change. The rise of social democratic parties played a significant role in bonding many labour unions under a banner demanding better working conditions and standards of living. This process was never straightforward and progression was intertwined with regression, but reached its zenith in Western Europe under the Bretton Woods era (c. 1945-1973), where employers, labour unions and governments reached a general consensus on economic, social and political stability. Full-time, even life-time jobs were the undisputed norm, as opposed to the present day labour-market employment mix of full and part work, increased casualisation as well as self-employment. Unions were powerful in the industrialised countries, and workers gained a plethora of rights to maintain their employment. Job security was strong, and employment flexibility, with respect to sackings, casualisation and variations in working hours was difficult to implement.

However, the collapse of the Bretton Woods system, the re-emergence of free market primacy within Economics as well as political circles, the atrophy and eventual collapse of the Eastern Bloc as well as the rise of globalisation that brought forth with it a hollowing out of industrial capacity in continental Europe washed over this static equilibrium of full employment and created the seeds for debates on flexicurity that we now bear witness to. These debates have however, never universally defined the term itself. Just what is it, and how best can we come up with a relatively uncontroversial and workable understanding of the term?

The admittedly unscholarly but contemporary and popularly sourced website Wikipedia<sup>4</sup> refers to it as “a combination of labour market flexibility in a dynamic economy and security for workers”; which is doubtlessly an uncontroversial view of flexicurity. Nevertheless, its generalist definition is open to a myriad of interpretations, which according to Bredgaard et al. (2005) is exactly how flexicurity is viewed. To the author of this study, after a sweeping

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<sup>4</sup> Accessed 25 June 2013. Whilst Wikipedia should not normally be used as an authoritative source, the author is of the opinion that owing to an absence of a universally accepted definition, it would be prudent to begin with an over-arching definition that appears in a source that is often the first port of call for most individuals interested in researching the subject area before moving into more specific and narrow scholarly work.

read of the literature it potentially means that in a fast-changing economy buffeted by both internal and external factors, flexicurity is a **government introduced** policy tool that provides employers the flexibility to change their labour input mix according to circumstances without society witnessing a dilution of set and acceptable minimum standards of social dignity for workers and those actively seeking employment. This ‘social dignity’ would encompass the right not just for decent work,<sup>5</sup> but also to live a life that does not impede the basic social rights of every citizen as viewed from the perspective of its citizens. Thus, a retrenched worker would have access to social services that allows for a re-integration into the labour force at the earliest opportunity, and in the interim maintains the individual economically and emotionally by minimising their labour market marginalisation.

Active government intervention, both in the legislative and policy spheres is necessary to bring flexicurity from the theoretical to implementation realms. Thus, flexicurity must involve the authorities, be they centralised or devolved, or even private charters provided legal recourse (Jorgensen, 2011). The role of government in the most famous and cited flexicurity model, the Danish one, is not implicit, but explicit (Bredgaard, 2005; Jorgensen, 2011). Indeed, flexicurity, in its original iteration (the Dutch model) was also one executed by The Hague. Thus, from the very beginning flexicurity policies and applications have always included a body with executive and legislative powers, rather than rely merely on the interactions of employee and employer groups.

Despite providing an in-depth study of flexicurity, Bredgaard et al. (2005) do however decline to explicitly forward a definition of the term itself, instead pointing to various other definitions put forward by other researchers.<sup>6</sup> They argue that this is as flexicurity needs to be tailored for specific national contexts, ranging from a ‘narrow’ Dutch version to a ‘broader’ Danish context and other variants found in countries like Belgium and Germany. The European Commission (Barbier et al., 2007) also note the problematic issues of defining the term. They posit that the commission’s expert working group’s definition of flexicurity “as an integrated strategy to enhance, at the same time, flexibility and security in the labour market” to be both weak and redundant (2007: 4). Overall, the various definitions found in the literature are open to criticisms regarding their accuracy and inclusions as well as exclusions, since it would be near impossible to create a set terminology that would encompass all countries and their specific labour market characteristics. This complex issue is summed up by Bredgaard et al. (2005: 23) who state “that the concept is difficult to define in precise terms, and consequently various actors are able to read their own understandings and interests

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<sup>5</sup> According to the International Labour Organisation (ILO), decent work involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men. See its agenda for decent work at <http://www.ilo.org/global/about-the-ilo/decent-work-agenda/lang--en/index.htm> (last accessed 25 June 2013).

<sup>6</sup> Strictly speaking, they do eventually present an understanding of the term (2005: 25-7) by splitting flexicurity by contextual form. These are flexicurity as a policy strategy, flexicurity as a state of the labour market and flexicurity as an analytical concept.

into the concept". Jorgensen (2011) also notes the limitations of theoretically expanding localised peculiarities across different historical, social, economic and political boundaries by stating that one should not falsely give an impression that flexicurity models can be transplanted as such.

Nevertheless, boundaries do exist, within which debates on flexicurity occur. Following on from Bredgaard et al. (2005) and earlier work by Wilthagen (1998) and Wilthagen and Tros (2004), we can view the potential combinations of flexicurity as defined by the possible interactions of flexibility and security. This is replicated below as Table 1.

**Table 1: Potential combinations of flexibility and security<sup>7</sup>. Please see the appendix section for a brief explanation of each flexibility and security term.**

	Job security	Employment security	Income security	Combination security
Numerical flexibility				
Working time flexibility				
Functional flexibility				
Wage flexibility				

A broad(er) definition will combine the majority of possible outcomes within this matrix of possibilities, whilst a narrower classification will encompass only a select number of potential pairings. These outcomes are not random; they are progeny of a particular country's social, economic and political characteristics, both past and present. This is precisely why Bredgaard et al. (2005) are reluctant to posit a definition of flexicurity and is also why the European Commission has a negative opinion of their own definition (Barbier et al., 2007).

Given this paper's focus on various countries across the vast Asia Pacific region, it would be an error to posit an exacting definition, as it would be unable to contextually encapsulate the term across countries with extremely varied historical, social, economic and political conditions. A more elastic understanding of the concept is thus preferred; one that works on the basis of obtaining a holistic understanding of the concept rather than one which attempts to pin it down in a straightjacketed manner. In sum, it is preferable that one is more attuned to the idea of flexicurity within set contexts since, as Bredgaard et al. (2005) suggest its meaning changes across not just borders, but time as policies and circumstances alter. Thus,

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<sup>7</sup> See Wilthagen (1998) and Wilthagen and Tros (2004) for more detailed definitions of these concepts.

this paper eschews coming up or following a set definition in favour of contextualised understandings.

### 3. Flexicurity – machinations and underpinnings for success

Flexicurity is a term that has been created and debated only in the recent past, certainly since the revival of neo-liberalism with its emphasis on labour market flexibility led to a clash with hitherto established Keynesian or state development models in Western Europe. This clash of ideas instigated a new round of political and economic fight for ideological primacy which brought to end the socio-economic compromise of full employment within a Bretton Woods economics and trade framework. This clash, while still on-going, seems to have reached some form of conditional compromises in the form of a ‘flexicurity framework’. This framework attempts to entertain the idea of a flexible labour market, which allows firms to change their labour demand according to economic circumstances whilst still maintaining social conditions for a dignified life as defined by what ‘society’ within a country considers to be acceptable. Thus, it encapsulates both neo-liberal ideas of free choice and instantaneous labour-market equilibrium where the quantity of employed labour and wages change as demand and supply alter as well as that of more interventionist, communitarian and/or socialist ideas that place greater emphasis on market failures and the occasional need for societal good to dwarf individual choice.

These frameworks or compromises do not occur in a vacuum. Amable and Lung (2008) posit a theory that socio-economic models are the outcome of earlier socio-political compromises. These arrangements will thus yield alternate socio-economic results, which feeds in neatly with the argument of this study that country specific flexicurity models cannot be transplanted extra-territorially in whole. Their argument that the socio-political compromises must precede the socio-economic models also alludes to political primacy relative to economic imperatives when dealing with flexicurity, consistent with the Danish narrative presented by Jorgensen (2011).<sup>8</sup> They further argue that such compromises are consistent with further debates on given models (in our case flexicurity) because it does not eliminate continuing deliberations of agreed-to models. Specifically, they state that “finding a compromise does not imply that the underlying conflict between diverging social expectations is eliminated, but that the contestation of social structures can be limited to a controllable social or political opposition” (2008: 6). To this end, they unambiguously make clear that the **prime motivator is not economic efficiency but rather political stability**. Protagonists on all sides would have to make certain sacrifices in order for all sides to have a seat at the table. Flexicurity deftly fits this categorisation.

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<sup>8</sup> Insofar as flexicurity is viewed as a socio-economic model. As well, we note that the causal path is implicitly posited as being uni-directional. Nevertheless, there is another theoretical possibility not covered by Amable and Lung (2008), whereby the direction of causality could be dual-track. If so, then this theory misses out on feedback loops (and in effect potential endogeneity) that mutually reinforce both socio-economic models and socio-political compromises.

Flexicurity arrived as a set of socio-political compromises due to changing circumstances in the various European labour markets (Hemerijck, 2002). These changed circumstances have received attention from economists, but largely from the point of view of labour market reforms based on efficiency arguments, which is inconsistent with the Amable and Lung (2008) thesis. Other viewpoints did however encompass the socio-political compromise noted above. Hemerijck (2002) does not downplay the economic need for reform but includes as well the political challenge in the reform process. In other words, labour market reform cannot be initiated without first achieving certain political agreements *a la* Amable and Lung (2008). This poses a challenge that he sums up as one of adjustment to political compromises rather than any overthrow of existing political orders. He notes in particular (2002: 3) that “the challenge is not so much to design, in the abstract, a completely new welfare architecture, but to *recast*<sup>9</sup> prevailing social and economic policy to make them more responsive to the new demands of post-industrial economies”. Bredgaard et al. (2005) provide telling contributions as to such holistic reforms in the Netherlands and Denmark that brought forth flexicurity from the theoretical realm and into the policy sphere.

Hemerijck (2002) also acknowledges the importance of ‘path-dependency’. This is the role of history that, in the flexicurity realm is also played up by Bredgaard et al. (2005), Barbier et al. (2007) and Jorgensen (2011). Thus, the amount of ‘policy space’ available to politicians will be determined by prevailing political institutions, though this should not necessarily be viewed restrictively since these institutions “may also act as a resource, encouraging particular styles of decision-making” (2002: 18). Given that flexicurity is currently limited to the European context, we note that these path dependent political institutions have created a multitude of economic systems ranging from liberal market economies to social-democratic economies as well as variants in between found in continental and southern Europe (Amable and Lung, 2008; Vesan, 2012). All of these should be expected to produce different models of flexicurity, not just between systems but within systems as no two countries are identical. Indeed, efforts by the European Commission to come up with uniform directives on flexicurity have come to nought (Barbier et al., 2007; Vesan, 2012). Attempts to replicate the Danish model were rejected as the ‘one size fits all’ argument was viewed as being inappropriate.

Nevertheless, concentrating too narrowly on socio-political features alone while formulating flexicurity policies is inadequate. Whilst it is undoubtedly true that political agreements are necessary to legislate and execute flexicurity policies, one must entertain a more holistic approach as a better harbinger of the realisation of the formulated goals. Bredgaard et al. (2005) and Jorgensen (2011), in explaining Danish flexicurity both point to the necessity for accounting for macroeconomic policy and external shocks such as the downward spiral in the international business cycle due to the global financial crisis of 2008. In fact, the first policy implementation of flexicurity, that of the Netherlands in the mid-1990s, arose partially due to changed circumstance in the labour market as the global economy changed.

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<sup>9</sup> Italics in original.

There is little in terms of flexicurity case studies bar Denmark, which, as noted earlier should not be taken as a transferrable model (Bredgaard et al., 2005; Jorgensen, 2011). Nevertheless, it is worthwhile to take a brief look at how flexicurity has evolved in Denmark over time in order to marry together its execution with the theoretical treatises discussed earlier.<sup>10</sup> For example, Bredgaard et al. (2005: 8) posit the following ‘golden triangle’ figure to elucidate flexicurity within the Danish context, where social welfare schemes, flexible labour markets and active labour market programs (LMPs) all require governmental involvement.

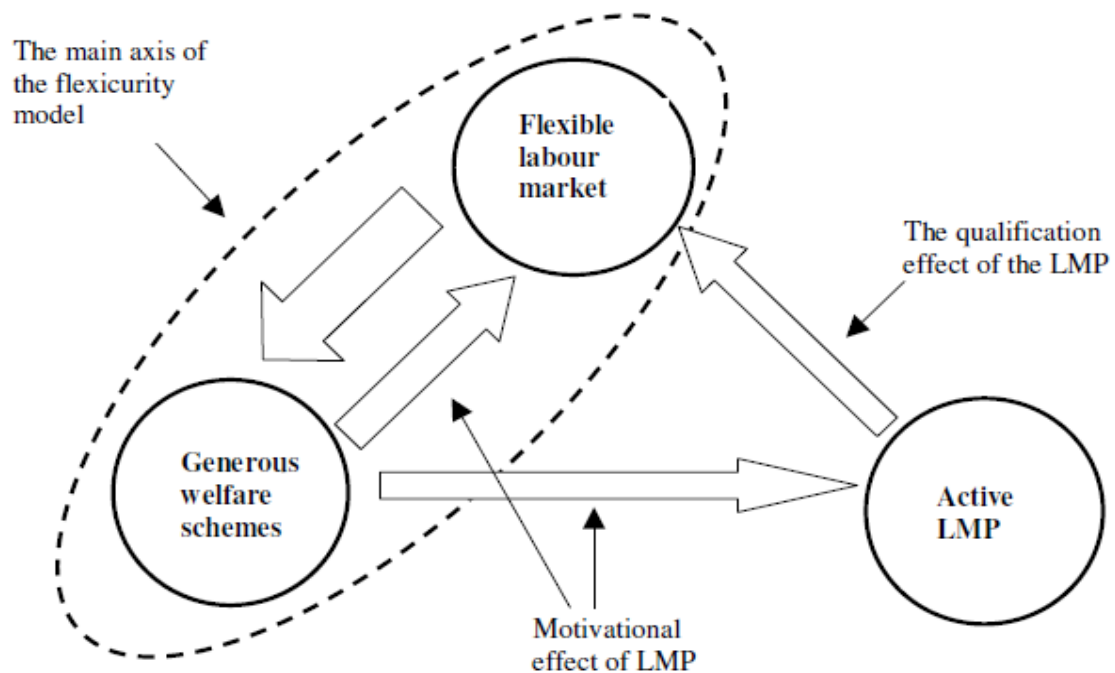


Figure 1: The Danish flexicurity model

While the figure encapsulates Danish flexicurity, it is merely a snapshot of a much more nuanced picture. The historical, social, economic and political factors that led to its creation are absent in its caricature. To contextualise, Denmark practices a flexicurity model that combines numerical flexibility (i.e. flexible labour market), income security (i.e. generous welfare schemes) and employment security (i.e. active labour market policies) (Bredgaard et al., 2005). In other words, it is easy to hire and fire (hence in effect job security is low), but this is balanced by the ease in which alternate employment is found and the many mechanisms that exist to re-train for new jobs are also coupled with government transfers to the unemployed to maintain a dignified life. This was summed up in 2004 by then Prime Minister Anders Fogh Rasmussen who said:

<sup>10</sup> This is not a case study as it eschews details commonly found in such investigations. It is merely a brief overview of the Danish example.

By international standards, we have a very flexible labour market. It is actually highly praised abroad and the envy of many other countries. One of the reasons it is so flexible is that it is easy for Danish employers to hire and fire employees. There are hardly any restrictions at all. This is the way we have chosen to organise the Danish labour market. This is, however, only possible because we have a high level of social security. Our level of unemployment benefit is high by international comparisons, and for those who have no unemployment insurance we have cash benefits, also at a rather high level. We have flexibility because we have a labour market with social security.<sup>11</sup>

(Bredgaard et al., 2005: 25)

Bredgaard et al. (2005) go on to explain that the main axis of the model (flexible labour markets and generous welfare schemes) have a long historical record, going back as far as 1899, though the current system can be directly traced back to the 1960s. The active labour market training policies, on the other hand were only introduced in the mid-1990s, partially as a response to structural changes in the domestic and global economies. Without playing down the role of macroeconomic and other external factors in the success of the Danish flexicurity model of the 1990s, they do emphasise the historical perspective. They note that:

the combination of high mobility between jobs and a well-developed social safety net has been characteristic of the Danish labour market for decades, and has been an important factor in the successful shifts from an agricultural to an industrial and to a service economy, which Denmark has completed since the Second World War. Even though the term “flexicurity” is new, it is in fact only trying to describe and rephrase some deep-rooted characteristics of the Danish labour market.

(Bredgaard et al., 2005: 8-9)

This can be tied in to the earlier narrative on socio-political compromises. Numerical flexibility has been characteristic of this labour market for over a century and income security for half a century or so. There can be little doubt that (as a socio-economic model), they have been sustained in a peaceful and stable democracy partially due to socio-political compromises. Neither are they static models, but reform with changing circumstances. For instance, the ease to hire and fire was complemented with worker protection as Europe moved on from an earlier era of globalisation and liberalism at the turn of the 19<sup>th</sup> century to a new *weltanschauung* largely influenced by Keynesian thought. New political compromises were made as society changed over the decades. No more is this more evident in recent times as flexicurity came to the fore once active labour market policies were introduced to complete the ‘golden triangle’.

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<sup>11</sup> Hence, the Danish example may not exactly be the ‘default’ model of flexicurity most think about when asked to think about the balance between flexibility and security, given its high rate of job turnover. This is thus a timely moment to re-emphasise the broad context within which flexicurity operates (see Table 1 and the appendix).

Indeed, new compromises have been sought and achieved in Denmark in the last decade as the success of its 1990s flexicurity formula fades into the distance (Jorgensen, 2011). In the face of a rise in popularity of more (economic) liberal parties and adverse macroeconomic and international conditions, reforms within the ‘golden triangle’ arenas have been commonplace, such that some commentators have announced that Danish flexicurity is in its death throes. Jorgensen (2011) refutes this assertion, and provides evidence that instead suggests that these reforms are still within the boundaries of the flexicurity debate. In other words, Danish flexicurity is sensitive to fluctuations events, and changes accordingly.

The Danish example provides ample anecdotal evidence that flexicurity is neither static nor ahistorical. Its theoretical representations are only simplistic depictions of reality, devoid of context. Flexicurity comes to life once the theory is placed into past and present economic, social and political realms. It is a creation of evolving societies, under the guise of economic and political revolution and evolution. It is also subject to external shocks that may jolt the system and require significant change. The Danish experience has shown that flexicurity’s suppleness is a boon in maintaining itself, rather than turning into a historical relic. It is its ability to transform itself without losing its core meaning that allows debates on flexicurity to continue without necessarily questioning its role in creating a fair and just society.

#### **4. Assessment for feasibility in the Asia-Pacific Region**

The Asia Pacific region holds a multitude of extremely heterogeneous countries that consist of many different cultures, languages, histories, economies and political thought. Given the European Commission’s difficulty in implementing uniform diktats on flexicurity upon its far less diverse member countries (Barbier et al., 2007; Vesan, 2012), one can safely deduce that the creation of a similar supra-national organisation in the Asia Pacific region to oversee and implement flexicurity would be an unsuccessful venture. It would be preferable instead to agree on broad policy frameworks across countries that can then be implemented with unique characteristics that suit each country’s peculiarities. This begs the question as to what these broad understandings should encompass, and how best individual countries can implement efficacious flexicurity policies.

We use a rational expectations framework to clarify these issues. Briefly, this framework demands that our future expectations be set by fully utilising all current and past information. It does not thus relegate history to the margins of analysis, but instead emphasises that past occurrences, while usually good predictors of future events, should not be expected to repeat themselves *ad nauseum*, especially if structural breaks occur. Thus, history matters, but only as part of a larger mosaic of information and knowledge that should be used to form our rational and logical future expectations.

It is clear that socio-political compromises are required within countries in order to legislate and prosecute a set of policies based on the ideals of flexicurity. This would require that governments can broker and achieve an understanding between the two traditional opposing camps in the labour market; the workers who traditionally prioritise security and the

employers who are assumed to emphasise flexibility. The government, as the ultimate arbiter can, in theory do this as an independent broker. Nevertheless, reality suggests that this is not actually the norm as governments are made up of individual and institutions with certain ideas and ideologies. Nevertheless, it is relatively rare to witness governments implement policies that do not, at least make concessions to opposing forces. Thus, even a biased government is able, and indeed often does broker socio-political compromises within which debates can continue unabated.

The historical perspective on flexicurity in continental Europe paints a less than bright future for flexicurity in the Asia Pacific region. We have seen socio-political compromises created in continental Europe between two relatively powerful forces; the owners of capital and labour. As we saw with the Danish example, labour relations moved away from favouring employers at the turn of the 19<sup>th</sup> century to a more balanced approach as the labour movement grew more powerful post-World War II. It is fair to say that flexicurity (a socio-economic model) in Europe reflects a socio-political compromise between these two disparate groups. These compromises are probably only possible when neither side can decisively tilt the balance heavily in their favour. Labour movements in Europe, whilst less powerful than before due to the advancement of less traditional types of employment, remain powerful partially due to historical reasons, and also enjoy relations with left of centre political parties such as the SDP in Denmark and Germany, the Socialists in France and the Labour Party in Great Britain.

The power of the working class in the Asia Pacific region is doubtlessly weaker relative to continental Europe. Union membership is lower, and even then many unions are part of the government machinery or at least indirectly related to governmental actions and policies. Less traditional forms of employment, which do not then lend themselves to unionisation also further marginalises the voice of workers. For instance, most developing Asian countries receive a significant source of their gross domestic product (GDP) from informal parts of the economy (Schurman et al., 2012).<sup>12</sup> Nevertheless, developed countries in the region (e.g. South Korea, Japan, Singapore) have a more formalised employment structure that can better lend strength to the voice of employees should they coalesce successfully behind a unified banner when representing their interests. Overall, on the surface, historical analysis leads to a pessimistic prognosis. Flexicurity, as a socio-political compromise has developed in European countries with a history of working class consciousness that has led to discussions and understandings with employers. This is patently absent in the wider Asia Pacific region.

Nevertheless, the size of these informal economies should not necessarily be seen as a negative in the creation of flexicurity arrangements. This is as the informal economy is closely linked to the formal economy (Schurman et al., 2012). Indeed, even in Europe,

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<sup>12</sup> For example, it is estimated that 20% of The Philippines GDP comes from the informal economy. Around 98% of India's workforce is estimated to be found engaged in informal or precarious work (Schurman et al., 2012).

flexicurity mainly concentrates on their (admittedly legal) informal or marginalised economic sector. The first instance of flexicurity (in the Netherlands) specifically addressed the security of such workers by reducing a certain amount of job security for traditional employees in full-time work in return for greater security for marginalised workers such as casual staff (Bredgaard et al., 2005). Thus, the huge informal sector in the region can impact upon the formal sector, and as such is a potential conduit in instigating policies on flexicurity in the region. Schurman et al. (2012) provide examples of how the informal sector is unionising globally and making representations to governments, with varying degrees of success. Their demands are limited from a traditional perspective, encompassing the rights of domestic workers to be registered as a union to demanding an eight hour working day, but these are concepts parallel to flexicurity in Europe-to improve the situation of marginalised workers (Bredgaard et al., 2005; Barbier et al., 2007; Jorgensen, 2011). In this sense, the potential role of flexicurity in the Asia Pacific is immense.

Historical information is only part of the story however. Rational expectations also makes full use of current information. The fact is that current information includes our knowledge of the pros and cons of labour market relations in continental Europe. The Asia Pacific region is thus not necessarily doomed to follow European errors. As different countries develop on their own pathways, lessons can be learnt from the European experiences, not to mention that of other regions. Governments of countries with weak worker representations need not ignore the needs of marginalised workers, especially if they seek to avoid societal dislocation that may impede future economic growth and development. Even the much respected neo-liberal publication, *The Economist* has recently run a special issue on why Asia must implement social welfare to complement labour market flexibility, and provides prescriptions as to how they can avoid the mistakes made in the West.<sup>13</sup> This suggests a social welfare state that is both pro-growth and pro-employment. Indeed, to this author it is an argument for flexicurity in all but name. It certainly calls for broad principles but localised adjustments, thus alluding to the notion that national peculiarities must not be ignored.

In sum, the historical set of information within the rational expectations framework would lead to a faulty, but logical conclusion that flexicurity in the Asia Pacific region would be difficult to implement because the balance of power in the labour market is too heavily skewed towards the owners of capital. However, the second component of rational expectations, that all current information must also be incorporated lends a more optimistic picture. The immense size of the informal sector can be viewed as a boon rather than a bane in implementing flexicurity, as well as the easily obtainable knowledge of the European experience. The Asia Pacific region is not fated to repeat Europe's mistakes, once we account for all available information. It can, and should learn from Europe's experience.

This does assume however, that the political and social institutions in each country is strong and mature enough to handle this information and come up with the correct prescriptions that

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<sup>13</sup> Rethinking the welfare state. Asia's next revolution, September 8, 2012.

can lead to the implementation of flexicurity. Not all countries in the region are fully-functioning democracies where the voice of labour can be heard (even if the voice is not unified), and some even have strong union memberships (e.g. China) but where the unions are beholden to the government rather than its members. It may well be the case that flexicurity makes sense in the region; the economies of most countries are open to external shocks and labour markets tend to be highly informal (with some exceptions). The necessary ingredients for flexicurity exist-the only question is whether a socio-political compromise can be reached.

Bredgaard et al. (2005) implicitly suggest that the role of political leadership in successfully implementing flexicurity is vital. In less than dialectically verbose terms, one can simply suggest that political, employer and employee leaders sell the idea of flexicurity as a 'win-win' formulation, thus disavowing the zero-sum game that labour market relations often seem to depict. Flexicurity can be sold as a mechanism that bridges demands normally viewed as being incompatible with each other. Indeed, they argue (2005: 23) that "the fundamental idea that the flexicurity concept rests on is that flexibility and security are not contradictory, but mutually supportive". They continue to state that

the idea behind the flexicurity approach is that flexibility is not the monopoly of the employers, just as security is not the monopoly of the employees. In modern labour markets, many employers are beginning to realise that they might have an interest in stable employment relations and in retraining employees who are who are loyal and well-qualified. On their part, many employees have realised that to be able to adjust their work life to more to more individual preferences they too have an interest in more flexible ways of organising work, e.g. to balance work and family life....so, the foundation is there for a new interaction between flexibility and security.

(2005: 23)

Thus, Bredgaard et al. (2005) do offer a political argument that may satisfy both the majority of workers and employers. Certainly their argument is based on the European experience, but the general gist is transferable. All sides can gain from flexicurity, in net terms admittedly.<sup>14</sup>

Political compromises form only one half of the argument however. The economic aspect cannot be ignored. 'Formalising' the informal sector, introducing basic social welfare standards and creating re-training programs will not come cheap. Budgetary strains will be evident, and indeed is evident in Denmark post-crisis (Jorgensen, 2011). Thus, the advice of *The Economist* magazine to start 'small' is one worthy of deep consideration. For flexicurity

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<sup>14</sup> In other words, the winners will outnumber the losers, rather than there being no losers whatsoever. As an example, the right to fight against unfair dismissal may be watered-down as a concession to employers in order for them to offer casual workers superannuation benefits for example. How the losers can be compensated is an issue outside of the scope of this study.

to succeed it must face, and pass a series of confidence-building measures. For this, ambition must be sacrificed in favour of tangible results. Policies such as introducing a mandatory rest day once a week, or a realistic minimum wage can be offered whilst also introducing flexibility in the traditional employment sector, say by making it easier (within reason) to hire and fire public servants.<sup>15</sup> For flexicurity to succeed, it must not fall at the first step.

Finally, the European example also highlights the shortcomings of supra-national bodies attempting to impose uniform laws across member states. Given the lack of such powerful bodies like the European Union in this region, this is not an issue. This is not to say there should not be supra-national level agreements or understandings. One can, for example, suggest that ASEAN countries get together and discuss broad understandings for the implementation of social welfare standards and flexibilisation of traditional forms of employment. No rules need be made. It can start off as a space for a talk-shop where ideas can be exchanged and followed through later with other arrangements. As well, national level worker organisations should engage with each other to harmonise their strategies to ensure a just outcome for their constituents.

## 5. Summary

Flexicurity is a contextual concept that escapes a set definition. What it does encompass instead is an understanding that a robust labour market that can withstand and rapidly adjust to both internal and external shocks requires a trade-off between flexibility and security. The exact nature of this trade-off depends on socio-political compromises at the national level, and involves the participation of broad society, especially that of worker and employer groups. In this the role of government as the legislator and executor of policies is of extreme importance.

The theory of rational expectations paints a nuanced picture of the potential success of flexicurity in the Asia Pacific region. Past events in Europe that led to the creation of flexicurity has involved strong labour representation, something lacking in this region. Nevertheless, Europe's history is not universal, and the region can also make full use of the European experience from knowledge rendered. It is clear that our globalised world requires flexible goods and labour market, and that flexicurity is a policy that can produce minimum standards for a dignified life without unnecessarily impeding economic efficiency significantly. For this to occur successfully, political compromises are central to the model. Strong leadership at the governmental, union and employer organisation level is required.

Flexicurity, with its emphasis to raise the quality of life for marginalised workers, has the potential to make a significant difference to tens of millions of people in the Asia Pacific region. Whilst its success cannot be guaranteed, it would be a great pity should variants of the heterogeneous European models not be attempted in individual countries, tailored to local

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<sup>15</sup> Political considerations can never be discarded however. In the example above, one group in the region heavily influential are public servants, who would oppose such a scheme. In this case, another type of flexibility reform can be initiated.

specifications. To quote the French poet Victor Hugo, “there is nothing more powerful than an idea whose time has come”. In this globalised world with its rapid changes and uncertainties, where workers, employers and societies live in constant flux, we have a concept that can bring forth some certainty in the everyday life of those in the labour market without unduly challenging or disturbing the vast forces that buttress their lives. That concept is flexicurity, and it is time it becomes part of labour market policy in the Asia Pacific region.

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## Appendix

The flexibility-security nexus in Table 1 are explained below (Bredgaard et al., 2005)

- *Numerical flexibility* refers to the scope for adjusting the number of employees at the individual workplace through hiring and firing
- *Working time flexibility* (temporary flexibility) is achieved through adjusting the number of working hours (e.g. working overtime or part-time) and their placing (working shifts or weekends)
- *Functional flexibility* is about the scope for transferring employees between job functions (horizontally or vertically) and is closely related to organisational flexibility, which is concerned with changes in the organisation of operations and management
- *Wage flexibility* refers to the rate at which nominal and real wages respond to changes in supply and demand for labour
- *Job security* refers to the security of being able to stay in the same job, and which can be expressed via employment protection and tenure with the same employer
- *Employment security* refers to the security of staying employed, though not necessarily in the same job; here the general employment situation, active labour market, training and education policies play a key role
- *Income security* refers to there being secured income in case of unemployment, sickness or accidents, and is expressed through the public transfer income systems, such as unemployment and cash benefit systems
- *Combination security* refers to the possibilities available for combining working and private life, e.g. through retirement schemes, maternity leave, voluntary-sector unpaid work etc.