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The Centre for PUBLIC POLICY

Flexibility with security

Driving a new compact down under?

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Introduction

The emergence of the social inclusion agenda in Australia could be the occasion for the making of a new social contract for both a fair society and a competitive economy. Social inclusion emerged earlier as a new overarching social policy framework in the European Union and the United Kingdom. Its applicability to the domestic context has been explored by a number of commentators (see for example; Hayes et al. 2008; Long 2009; Perkins 2008; Saunders et al. 2008). But while both federal and state governments have adopted the language of social inclusion, the agenda still lacks substance and direction in Australia. It is my contention that the policy framework of 'flexicurity' can provide a key component of a much needed overhaul of our social policy system.

The tripartite EU body, the European Foundation for the Improvement of Living and Working Conditions, identified social inclusion as one of the 'three pillars of the flexicurity model', along with social protection, and labour market adaptability and flexibility (EFILWC 2007, p. 55) The social inclusion component is very apparent in the 'human capital development' focus in flexicurity, manifest most clearly in the emphasis placed on well-funded active labour market programs and strong employment assistance systems. Another key area of overlap between the social inclusion agenda and the flexicurity model is the shared focus on the role of social welfare across the life-course. Flexicurity aims to equip people with skills across the life-course through generous and comprehensive income support and social services during key transitional periods. This paper will argue that the appeal of flexicurity to the interests of governments, business and social partners may be the springboard to launch Australian social policy into a new phase. Policy makers should examine the development of flexicurity across the EU in order to develop a flexicurity policy suite adapted to the Australian context. This would facilitate the uptake of the wider social inclusion agenda and avoid some of the pitfalls involved in any major policy overhaul.

Flexicurity: defining the concept

Policy commentators and governments alike have long debated ways to resolve the tensions arising from the flexibility–security nexus: the intersection of the particular interests of business (flexibility) and workers (job security) (Van Oorschot 2004; Sharkh 2008; Wilthagen & Tros 2004). 'Flexicurity' has emerged as the dominant conceptual model in Europe, with Denmark and the Netherlands highlighted as key success stories (Madsen 2007b). The origins of the neologism are contested, but are generally located in debates about labour market policy in these two states in the early 1990s (Viebrock & Clasen 2009). Although there is no standard definition of flexicurity, it can be broadly understood as an attempt to overcome tensions arising from the flexibility–security nexus by making it easier for business to hire and fire on the one hand, while providing workers with improved unemployment benefits and training and assistance in regaining employment on the other. According to the flexicurity model, security is understood not as narrow 'employment security' (that is, maintenance of employment in a single job secured through long-term contracts and strong employment protection legislation) but rather as broad 'labour market security'. Labour market security means that although workers may not stay in a single job for a long period, they will be able to gain employment with relative ease repeatedly across the life-course. This type of security is generated through policies that embrace relatively non-targeted and generous unemployment benefits, alongside comprehensive training programs.

The rise of flexicurity from buzzword to EU policy doctrine can be attributed to a range of factors. Globalisation has altered the structure of the global economy in myriad ways. For example, labour markets are increasingly populated by employees engaged in non-standard forms of work (i.e. casual and part-time jobs) while the sectors of the labour market that once provided 'jobs for life' (for example, the manufacturing sector) and drove the postwar economy are in decline. Demographic change has also had an impact. For example, the ageing of the workforce makes it all the more imperative that those of working age are actively attached to the labour market.

The need for new policies that respond to these changes is further compounded by the fact that in the modern workplace workers and business want both flexibility and security. As Wilthagen and Tros (2004) have pointed out, the need for flexibility is not the sole prerogative of employers. Employees may also desire a flexible work environment in order to meet other non-work commitments (for example, family or caring responsibilities) or to maintain a healthy life–work balance. However, while the increase in non-standard work may in part reflect workers' preferences, atypical forms of work, such as casual or part-time, are generally understood to be disproportionately advantageous to business. Conversely, employers have good reason to value employment security: a labour market in which employees feel secure will generally enhance business operation. What this means is that stakeholders in the flexibility–security nexus have vested interests on both sides of the dialectic, which in turn suggests the possibility for balanced policy and a win–win outcome (Madsen 2007a).

Recent research has shown that the right combination of increased flexibility and security can enhance productivity and employment while maintaining equity. For example, a 2008 analysis of the various combinations of flexibility and security across the OECD found that:

> a certain group of European countries, the European Flexicurity cluster, does not perform significantly worse on employment performance or growth while maintaining significantly lower levels of inequality. The globally most flexible labour markets, the Low-Income Full-Flex, correlate with the worst results on almost all unemployment and poverty indicators (Sharkh 2008, p.11).

Other scholars have also provided evidence to support the argument that flexibility in the labour market can work in tandem with employment (as opposed to job) security without reducing equity. According to Funk, 'empirical evidence appears to demonstrate that, ceteris paribus, decreased job protection when combined with increased unemployment benefits that aim to offset the loss of job security seems to make the economy more adaptable whilst still protecting workers' (Funk 2008, p.351). As well as noting the positive effects on unemployment rates, productivity and equality, researchers have also found that flexicurity may enhance mental wellbeing. Compared with other EU states, the Danish and Swedish economies are much more open and thus more vulnerable to foreign competition. Paradoxically, however, and in contrast to workers in more closed economies, Danes and Swedes do not feel threatened by their exposure to exogenous market forces. Funk attributes these low levels of anxiety about the impacts of globalisation in flexicurity countries to the fact there is adequate unemployment compensation and support for workers back into employment (Funk 2008). Similarly, a high level of national employment protection legislation (EPL) does not necessarily translate into workers feeling more secure. For example, when asked about their chances of regaining employment after being made redundant, French workers (high EPL) rated their chances as very low, while Danish workers (moderate EPL) rated them as very high (European Commission 2007, p.14).

Proponents argue that flexicurity is not only the best policy response to globalisation and the conflicting interests of workers and employers, but also the key to sustainable economic growth. Flexicurity allows employers to enhance their competitiveness through rapid responses to the vicissitudes of the market, expanding and contracting the workforce with relative ease, while moderating the increased exposure of workers to the risks associated with market fluctuations and minimised job security through strong unemployment benefits and rigorous labour market activation programs.

While flexicurity reforms remain hotly contested by employers, unions and other social partners across the EU, the concept has been embraced to a greater or lesser extent in most countries (for a comparative analysis of flexicurity across the EU25 see Philips & Eamets 2007). The dispersion of the flexicurity agenda across Europe involved deliberative dialogue between government, business and employee groups. The dialogical process between these key groups has been a crucial factor in shaping individual country flexicurity policies. The degree to which flexicurity has been adopted at the national level has depended upon a range of complex factors including historical trajectory, and, of course, the willingness of business, government and employee groups to agree on the appropriate balance of flexibility and security. At the end of the Howard government, the politics surrounding Work Choices would have ruled out such cooperative policy development in Australia. Today, however, we are in a new policy phase under the Rudd government when a flexicurity agenda is more likely to gain serious consideration.

Given the opportunity for real policy reform, this paper will examine the relevance of flexicurity to Australia under two primary heads. Firstly, is flexicurity a useful tool for developing a new compact to increase national competitiveness while bolstering security through the welfare safety-net and enhanced training regimes for the unemployed? Secondly, how might flexicurity be utilised as a tool for rebuilding those cooperative relationships between government, social partners and business which became seriously fractured in the neo-liberal period? The latter point has been understated in the literature on flexicurity. Many researchers have highlighted that trust between governments, business and employee representatives is a prerequisite for flexicurity-type arrangements (for example, Bekker 2009; Cox 2001). This paper also emphasises ways in which the policy framework itself could build trust and develop consensus. In order to give a flavour of how flexicurity has developed both conceptually and in practice, the paper begins with an examination of the way in which flexicurity was negotiated and subsequently pursued on a macro level across the European Union.

Historical background: the Lisbon Strategy

Flexicurity in Europe has its roots in the so-called Lisbon Strategy which was conceived during the March 2000 meeting of the European Council in Lisbon, Portugal. The strategy outlined a decade-long framework for policy reform across the European Union (EU) in response to globalisation, pressures for a flexible labour market, and the concomitant rise of the knowledge economy. The strategy aimed to make the EU 'the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion' (Council of the European Union 2001). Lisbon delivered an ambitious schema which reflected the past decade of economic and employment growth throughout the EU. It focused on furthering growth with the goal of outstripping the United States in economic output and unemployment rates by 2010 (Huiskamp & Vos 2007). The three primary areas that underpinned the overall strategy were:

- preparing the transition to a knowledge-based economy and society by better policies for the information society and R&D, and stepping up the process of structural reform for competitiveness and innovation and by completing the internal market
- modernising the European social model, investing in people and combating social exclusion
- and sustaining the healthy economic outlook and favorable growth prospects by applying an appropriate macro-economic policy mix (Lisbon European Council 2000).

Within the overarching macroeconomic strategy, the EU aimed to achieve, *inter alia,* an overall increase in the research and development budgets to 3 per cent of GDP (the 'Barcelona target'); a more attractive domestic environment for researchers in order to combat the 'brain drain' to the US; and a more business-friendly environment through increased liberalisation, the completion of the internal market, facilitating the growth of new businesses, and reducing 'administrative burdens' on business (Criscuolo 2006). Lisbon also had a social policy dimension. In terms of education, the strategy called for training regimes that catered to specific transitional points across the life-cycle, for example, from school to work and between jobs. The Council also recommended substantial increases in funding for targeted training programs, retention of students in secondary education, standardisation of qualifications throughout the Union, and an EU-wide education push to increase 'digital literacy'. On employment, the Council called for active coordination between member states to identify skill gaps and the development of programs for the unemployed to fill them, policies to support 'lifelong learning', rewards for progressive firms, and an overall increase in employment service provision.

Evaluation of progress in the implementation of the Lisbon Strategy was achieved through the Open Method of Communication (OMC). The OMC called for policy coordination and mutual assessment of individual state progress towards the 2010 targets through comparative analysis with world leaders (Goetschy 2007). By 2004, OMC processes (and perhaps a lack of adherence to them) made it plain that the EU was not going to realise the aspirations articulated at Lisbon, particularly those around employment growth. Failure to adequately liberalise labour markets was identified by commentators as the primary reason for the lagging agenda. The so-called *Kok Report*, based on the findings of the EC High Level Group chaired by former Dutch Prime Minister Wim Kok to review EU progress towards the Lisbon Agenda on employment policy, echoed these concerns (Kok 2004). Released in November 2004, the report argued for a revision of the Lisbon Strategy and the adoption of a new approach based on increased labour market flexibility and enhanced security for workers. This was the first time a flexicurity approach had been proposed at the European level. In 2005 the Lisbon Strategy was re-launched. The renewed agenda combined a focus on microeconomic reforms overlaid by macroeconomic policy that aimed to bring about positive conditions for growth in the economy and the labour market (Funk 2008). The Integrated Guidelines (IG) of the European Council Recommendation of 12 July 2005 recommended that member states pursue employment and economic growth through the twin mechanisms of flexibility and security, or flexicurity. New reporting mechanisms, 'National Reform Programmes', were implemented to track states' progress in implementing the reform agenda.

Although by 2007 it was patent that the EU was not going to meet the new Lisbon targets, the European Council's 2007 report called for the continued pursuit of European flexicurity. The report also pointed out the beginnings of a European consensus on the adoption of a trans-European policy (Špidla & Larcher 2007). It redefined the concept as comprising the following four components and goals: more flexible and secure contractual arrangements from the point of view of both employer and worker; lifelong learning strategies in order to ensure workers' ongoing capacity to adapt, and increase their employability; effective active labour market policies to facilitate transitions to new jobs; and modern social security systems providing adequate income support during transitions. Under this definition, flexicurity is not merely a matter of removing restrictions on employers to hire and fire and ensuring a strengthened safety net for workers. Security requires maintaining the 'employability' of the worker through training and up-skilling programs available at key transitional periods (e.g. between jobs) during the course of an individual's working life (Bekker et al. 2008). Importantly, this broader definition of flexicurity was supported by EU social partners, particularly the trade unions (ETUC 2007) which continue to play a vital role in critiquing and shaping the flexicurity agenda.

Flexicurity or flexploitation?

'Inflexicurity' describes the combination of underinvestment in workers' skills and mobility (hindering their ability to move between jobs) and a heavily regulated labour market (restricting the dynamism and productive capacity of business). The push for implementation of flexicurity was premised on a view of the European labour market as characterised by conditions of 'inflexicurity' (Muffels & Luijkx 2008). One of the strongest challenges to this reading of the labour market was put forward by Europe's peak trade union body, the European Trade Union Confederation (ETUC). The ETUC acknowledged the pressures of globalisation on business and recognised the need to get the balance between flexibility and security right, but was sceptical of the EC's reading of the European labour market. It argued that the labour market was already dynamic and flexible, pointing to the relative ease with which member states continued to create and destroy jobs (ETUC 2008). It was at pains to emphasise the importance of the security side of the flexicurity equation and the need to strike the appropriate balance. ETUC General Secretary John Monks described flexicurity as 'about improving job security and complementing job protection by investing in more secure professional transitions. It is not about "free firing" of workers' (ETUC 2007, p.2). Their proposal for a flexicurity agenda was based on the following seven objectives:

- Fight precarious jobs and promote the quality of work.
- Focus on upwards instead of downwards flexibility and improve work organisation.
- Safeguard employment protection legislation and complement it with labour market policies promoting upward mobility.
- Maintain a broad approach to balancing flexibility with security.
- Improve social welfare systems.
- Integrate flexicurity policy with macroeconomic policy.
- Improve social dialogue and collective bargaining. (ETUC 2007)

In order to ensure well-informed and balanced policy, the ETUC warned against a blanket EU flexicurity model. They argued for the development of idiosyncratic flexicurity typologies that sketched out the historic policy trajectories of individual states. These typologies would then inform the development of state-specific flexicurity agendas to be drafted through deliberative dialogue between all interested parties. Having taken into account the concerns raised by the ETUC, an agreement on the core components of the flexicurity agenda 'towards common principles of flexicurity' (Council of the European Union) was endorsed by the EU in December 2007. In early 2008, the ETUC applauded the fact that the EU had 'adopted a more balanced approach to the principle of flexicurity, and recognised the need to offer workers on temporary contracts more security' (ETUC 2008). In hindsight, it is clear that national governments actively included social partners in the development of the principles (Bekker 2009). The importance of cooperation with social partners in order to implement and, importantly, to *legitimise* flexicurity is emphasised repeatedly by governments, social partners and commentators (Bekker 2009; Bekker et al. 2008; ETUC 2008). According to the European Expert Group on Flexicurity:

> social partners are often best placed to address the various needs for flexibility and security on the part of employers and workers, and to define the modalities of flexibility and security that are most appropriate for the national or sectoral situation, and in doing so legitimise the change and adaptation of the rules governing labour markets and work organisations. Mutual trust and highly developed industrial relations are important for achieving a high level of flexicurity. This is one of the reasons why good practices, such as the Danish model, cannot simply be copied to other countries (EEGF 2007, p.26)

The Expert Group's final point regarding flexicurity's transferability is a crucial one when considering the relevance of flexicurity to Australia. Creating the initial conditions conducive to inclusive and cooperative policy development is a major challenge of adopting flexicurity in the Australian setting. The history of Australian industrial relations is distinct from that of Denmark and other progressive models of flexicurity in a number of ways. Cooperation and mutual trust have certainly not been defining features in more recent times. However, the election of the Rudd Labor government certainly signals the best opportunity to pursue inclusive, dialogical policy development for some time. Moreover, changes in the structuring of Australian labour markets and the impacts of globalisation and unprecedented deregulation have strengthened the case for rethinking policy settings in order to respond to contemporary social and economic realities.

Why flexicurity down under?

According to a report by the European Foundation for the Improvement of Living and Working Conditions (EFILWC 2007c), the main drivers of the flexicurity agenda in Europe were:

- the economic challenges of globalisation
- an ageing society
- the changing dynamics of the workforce.

Each of these 'drivers of flexicurity' clearly applies to the Australian scene. The challenges of globalisation and societal ageing are well-known, and here I emphasise Australia's changing workforce dynamics.

Certainly policies are required that relieve the pressure of an ageing workforce by boosting employment rates and supporting part-time and casual work. More broadly, we face a labour market segmented in ways unimaginable in the long postwar boom with its unemployment rates of 1 and 2 per cent. Between 1981 and 2000 the proportion of single breadwinner households fell dramatically from 51 per cent of all couples with children to 31 per cent, with a concomitant growth in all other household types (Watson et al. 2003). In April 2009, women represented 46 per cent of the total labour force. However, compared with men, women spend less time in paid work, due to non-paid work commitments such as family and caring responsibilities. As a result, women now make up close to 71 per cent of part-time workers (FaHCSIA 2009, p.1).

In Australia, workers in non-standard employment now represent three-quarters of the total workforce—only one-quarter remain in full-time, permanent jobs (Ziguras 2005). With this epoch-changing growth in the diversity of types of households and forms of employment, progressive policy arrangements that support flexible work while providing adequate financial and social security are emerging as vital to the increasing number of Australians marginally attached to the labour market. In October 2009, Australia's unemployment rate was 5.8 per cent (ABS 2009b) and the number of people on unemployment benefits had soared by 32 per cent over the past year (ACTU 2009b). Moreover, according to Horn (2008, p. 20), there are

> over 1 million Australians of working age who are either unemployed or are seeking more work. The *underutilisation* rate is about 10 per cent—double the official unemployment rate in any given month.

These statistics point to a significant body of 'underutilised' labour that is willing and able to contribute more to the Australian economy.

Changes to labour market dynamics have had far-reaching social effects. As in numerous European countries (for example, the UK) the gap in Australia between those at the top of the income spectrum and the rest has widened considerably over the past decade. In 1989–90 chief executive pay was on average 18 times that of average workers; however, by 2005 the gap had risen to 63 times as much (Masterman-Smith & Pocock 2008, p.15). Current studies estimate that around a quarter of Australians are low-paid (i.e. their wage is two-thirds of average full-time earnings) (p.16). The effects of low pay and long-term unemployment on individual and family wellbeing are multidimensional, and can often form the basis for social exclusion. Flexicurity offers a framework for driving policy reform to combat social exclusion, by enhancing employment security across the life-course, facilitating transitions from unemployment to work, establishing training programs to drive up wages, and providing business with the highly skilled workers needed in today's globalised and knowledge-based economy.

Taken together, these points highlight the need for policies which consider the interests of both business and workers in the context of globalisation, an ageing workforce, the pool of underutilised labour, and the increasing incidence of social exclusion through poorly paid part-time and casual work. On the one hand, policies must be tailored to enhance the competitiveness of Australian businesses in the global market. On the other hand, policies must work to boost employment rates, respond to the rise of casual and part-time work, and address the concomitant risks of a more precarious labour market. More flexible working arrangements give business a competitive edge, but the ability to hire and fire must be offset by a strong safety-net and training programs matched with improved essential services such as affordable child care that support the growing numbers of Australians in non-standard employment. An Australian version of flexicurity may be the ideal policy framework to guide a response to these demands.

The remainder of the paper will focus on the ways in which Australian policies, in relation firstly to education and training and secondly to employment assistance, might be fashioned into integral elements of an Australian flexicurity regime.

Revamping Australian training regimes

During the 1960s, the expansion of tertiary education brought an influx of skilled professionals into the Australian labour market. An unexpected consequence of the availability of tertiary education was that an individual career path was determined to a great extent by the degree and quality of education and training undertaken when young. Watson et al. (2003) have called this 'front-end training' which 'profoundly shaped one's options for the rest of a working life [...] especially for women' (p. 153). In other words, choices (or circumstances) that took an individual out of education or training early in their life dramatically increased the chance of continued low-skilled, low-paid employment across the life-course. During the 1980s, Australian trade unions launched a campaign to combat the overly deterministic effects of front-end training. Their goal was to open up education systems and develop accreditation schemes for skills acquired on the job. Workers were to be formally recognised for experience gained at work, which would in turn further their career path and, more broadly, open up access for them to trades. By the 1990s, however, union-led efforts to bring skill development to a wider section of society had been largely overrun by a market-centred neo-liberal agenda that positioned individuals as responsible for their own education and skill acquisition. Government played a minimal role and put little pressure on business to train their workers, while industry groups increased their influence over funding for vocational education and training (VET). By the late 1990s, almost a quarter of the training market had been captured by private providers (Smith & Smith 2007).

The Training Guarantee Scheme was an attempt by the government to encourage employers to provide a minimum level of training to their workers. The scheme was enforced through the *Training Guarantee Act 1990* which required businesses with a payroll in excess of $200,000 to contribute 1.5 per cent of their payroll expenditure to training (otherwise this amount would go to the tax department). Many businesses chose to pay the levy rather than invest in training, as the projected costs of training (for example, record keeping and reporting) exceeded the fee to the tax department. Critics of the scheme also point out that the imposition of training minima caused some businesses with established training schemes to reduce provision to match the minimum level. Others highlight the lack of focus on the quality, as opposed to quantity, of training, and the punitive nature of the scheme (Smith & Smith 2007).

Over the 1990s, employers relied increasingly on hiring fresh blood to bring new skills into their businesses, rather than training the existing workforce. An Australian Industry Group survey in 1997 found that over 70 per cent of companies viewed recruitment as the primary vehicle for access to skilled workers. The report noted that ‘if companies continue to seek to recruit skills, rather than train for them, the basis of the development of future skills could be eroded’ (2009c, p.19) This trend has slowed somewhat, but, in the aftermath of the global financial crisis, business funding for workforce training in 2009–10 is projected to be cut by a further 4.1 per cent. Cuts to training expenditure fly in the face of the importance of developing a highly skilled workforce. This is not lost on employers. An Australian Industry Group (AIG) report, *World class skills for world class industries* (2006), found that 74% of employers identified the difficulty of finding adequately skilled workers as the biggest barrier to remaining competitive—sentiments which were echoed in *Skilling the existing workforce* (AIG 2008). This difficulty could also be the result of stagnation in the growth of apprenticeships over the last few decades. In 1985, there were 128,600 apprentices in Australia (traineeships had not yet been conceived); by 2002, the number of apprenticeships had actually declined to 126,400. Although in the same year there were 248,000 active trainees, the proliferation of traineeships does not necessarily translate into the development of a highly skilled workforce (Watson 2003, p. 155).

As Watson et al. (2003) point out, traineeships are comparatively low-paid and ‘have the characteristics of a labour market program, rather than a skill formations program’ (p. 155). Despite the clear differences between them, statistics on apprenticeships and traineeships are amalgamated. Data from the National Centre for Vocational Education Research (NCVER) shows that the numbers of commencements and completions across all areas of apprenticeships and traineeships have not increased significantly since March 2003. Most recently, the March 2009 quarter saw decreases in commencements in trades, non-trades, overall completions and in-training numbers (NCVER 2009). Governments need to address this trend by investing heavily in diversified, quality, pre-vocational, entry-level training that develops real skills to increase the long-term employability of the workforce. In a technologically driven, knowledge-based economy, highly skilled workforces are best placed to take advantage of modern labour market conditions. Building worker competencies across the life-course is vital to both employers and employees.

Peak trade union bodies are in agreement with employer groups on the need to provide increased training for workers. A recent report by the National Skills Policy Collaboration (comprising the AIG in conjunction with the ACTU and other industry groups) highlights the need to invest in a skilled, innovative workforce through a revamped training scheme (NSPC 2009). It is also worth nothing that the collaboration between trade union and business groups in compiling this report speaks to the ability of peak Australian institutions to develop consensus on the needs of workers and employers. The report singles out four 'aspirations' for the future of the Australian workforce:

- accurate information about skill needs, and mechanisms that shape public policy and funding decisions
- a prevailing industry culture that values investment in skill development and makes the most of the skills at its disposal
- individuals with the skills and opportunities they need to participate in society and the economy
- government funding which supports the development and use of the right skills (NSPC 2009).

The Rudd government has gone some way to addressing these points. The *Productivity Places Program* (PPP) is an industry-directed program that is expected to deliver 711,000 training places over five years. The program is well funded ($25 million) and is responsive to skill gaps indentified in 'priority occupations' by industry (Gillard 2009). This is a positive first step in improving the skills of the Australian labour force through an inclusive, demand-driven system.

Skills Australia (SA) is an independent body established by the federal government to advise the minister on the current state and future directions of workforce skills development. Its most recent report outlines a workforce development initiative that advocates a coordinated approach at the enterprise, industry and national level to develop 'a more innovative, competitive and productive economy; workplaces characterised by collaboration and cooperation, not conflict; and a society where all people have the opportunity to develop the skills for and gain access to employment' (Skills Australia 2009, p.50). The report goes on to acknowledge the role of government, but stresses the importance of cooperation with the social partners in developing policy that fosters a highly skilled workforce. Action at the industry level (that is, systemic intervention as opposed to individual enterprise level action), involving a broad spectrum of stakeholders (employers, unions, business and independent experts) is also recommended. This approach fits with security as defined in the flexicurity discourse—that is, security derived from the labour market writ large, as opposed to sustained employment in a particular enterprise. The collaboration between stakeholders in furthering workforce skills development also lends itself to the adoption of a corporatist, flexible policy framework that shifts the emphasis from flexibility in the workplace to broad labour market security.

Given the increase in non-standard employment and the roles workers may fulfill throughout their careers, well-funded training and education programs together with adequate employment assistance are clearly crucial elements of a dynamic and highly skilled workforce. Moreover, in the modern labour market, the acquisition of skills across the life-course is increasingly crucial to career development.

Employment assistance: history and reform

During its incumbency, the Howard government sought to place responsibility for joblessness on the shortcomings of individual welfare recipients, while playing down the impact of systemic forces (for example, lack of available work and other exogenous economic factors) and the value of investment in quality labour market programs. Improving employment outcomes will require a rethink of the Howard government's punitive 'work-first' approach to welfare reform which focused on moving job seekers from benefits to work as quickly as possible, with little consideration of the quality of employment, its suitability to the needs of the individual job seeker, or the longevity of employment outcomes.

Although the Rudd government's Productivity Places Program (PPP) has gone some way to addressing these concerns, the current model is still characterised by underinvestment in training, skill development, and education, both pre and post-placement. The key assumption is that participation in the labour market is the best way to improve an individual's long-term employment prospects and so moving the individual off benefits and into a job, whatever its quality or suitability, should be the guiding policy principle. However, as Perkins and Scutella (2008, p.99) have pointed out, there are a number of features of the work-first approach that preclude long-term, quality employment, including:

- a strong focus on short-term outcomes (usually between 13 and 26 weeks), which directs case manager effort to achieving employment outcomes of the set duration rather than sustainable employment
- insensitivity to the skill development needs of individuals due to pressure to achieve rapid outcomes
- inability to overcome more substantial barriers (vocational and non vocational) to work because of the emphasis on short-term, low-cost interventions and rapid movement into employment
- no emphasis on job quality, resulting in pressure to attain any job regardless of the match with individual skills or preferences, or opportunities for career development. Advancement is then left to individual and employer initiatives.
- limited ability to place disadvantaged job seekers into jobs in skills shortage areas somewhat above entry level, due to the lack of incentive to invest time or resources in training required
- minimal investment in employment retention and typically no investment in advancement, due to the privileging of the initial transition into employment.

In July 2009, the Job Network was replaced by a new employment services system—Job Services Australia (JSA)—which has addressed some of these concerns. For instance, payments to providers have been weighted more heavily in favour of employment outcomes at the 26-week, as opposed to 13-week, period, while penalties attached to non-compliance have been softened. However, as Perkins and Scutella point out, the system still reflects a work-first approach and 'there is no addition of longer term case management or other retention and advancement strategies' (2008, p. 101). Providing tailored, long-term assistance across the spectrum of unemployed persons through strong active labour market programs is a key component of flexicurity. Flexicurity could provide the overarching framework to develop a more differentiated, better resourced, holistic approach to employment assistance that incorporates tailored streams with varying levels of support to 'job ready' and highly disadvantaged job seekers. With its strong focus on human capital development, flexicurity could help lift the Rudd government's initial employment assistance reforms to a new level. Further reform of our employment services system and training regimes along the lines of a flexicurity model would work towards unlocking the productive potential of the Australian workforce and combating the compounding negative effects of social exclusion.

Can business, labour and welfare work cooperatively?

As noted above, high degrees of cooperative dialogue between business, unions and welfare have been typical of Europe's paragons of flexicurity. The prospects in Australia are less clear (Madsen 2002, 2006). Although cooperative policy development through corporatism worked to a degree in the past, the collapse of the Accord in 1996 left a real question mark over the possibility for future cooperative action (Brown 2006; Hampson 1996; Hampson & Morgan 1999). Australia will have to develop its own flexicurity pathway through a considered evaluation of our particular historical trajectory.

An Australian model of flexicurity will necessarily be different from Europe's. The impossibility of directly transferring policies between countries is well established (Bovenberg et al. 2008; Vranken 2009). The European Council's report of the Mission for Flexicurity echoes this point, articulating the need for multivariate conceptualisations of flexicurity that consider the idiosyncratic historical and political attributes of individual states (Špidla & Larcher, 2007).'Flexicurity pathways' is a conceptual tool that identifies the importance of simultaneously retrospective and visionary roads to reform. Importantly, notions of 'path dependency' should work towards informing policy reform, not precluding it.

As proposed in the introduction, flexicurity could work not only as a driver of reform, but also as a mechanism for consolidating the divergent aspirations of labour, business and welfare into a compact for a competitive, socially embedded economy. Conflict between business, unions and governments over labour law, the extent of the welfare state, the minimum wage, and other familiar flashpoints has mellowed since the election of the Rudd government; however, predictably, combativeness continues to colour rhetoric on all sides. Especially in the long wake of the global financial crisis, the economic and social imperatives of industrial and social policy reform suggest the need for positive dialogue and more consensual approaches to policy formation. As Austrian economist Joseph Schumpeter (1962) observed, points of crisis are simultaneously times of destruction and creation. The collapse of the 'Washington Consensus' and the renewed chorus of criticism of neo-liberal policy making opens up a space for a major review of the structuring of the Australian welfare state. Flexicurity may provide the common ground on which a new era of progressive dialogue and partnership, beyond economic rationalism, can begin. Flexicurity has proven to be a powerful consensus building tool in Europe; and there is evidence to suggest that Australian unions, government and business are interested in the concept. The Australian Council of Trade Unions recently expressed as much in its *Jobs and rights charter for working Australians* (ACTU 2009a) which recommended that:

> Australia must examine new systems of income protection and employment security, comparable to international innovation in countries such as Denmark, Sweden and Germany ('Flexicurity') (p.5).

In a recent interview with *The Age*, ACTU secretary Jeff Lawrence suggested that 'we need different ways of appreciating that the economy is a flexible one and much more open' (Schniders 2010).

Commentators have also noted the potential for the development of an Australian model of flexicurity under the Rudd government. On a trip 'down under' to the ALP Conference in August 2009, David Coats of the British think tank, The Work Foundation, noted that:

> trade unions may have been disappointed by the ALP's employment law reforms ... they are getting a lot out of the stimulus package (labour standards in public contracts) and have an innovative forward agenda to develop an Aussie approach to flexicurity, learning from the success of the Danish labour market model (Coats 2009).

There are also indications from business of interest in a new compact for competitiveness modelled on flexicurity. In a recent lecture on Labor's reform agenda, the chair of the Business Advisory Group, John Denton, noted that:

> We (Australia) can also learn a lot from the EU's efforts to 'fuse' the goals of flexibility and fairness through the concept of flexicurity – and the harnessing of this concept to the project of enhancing the economic competitiveness of EU member states (Denton 2008, p.18).

Developing a uniquely Australian flexicurity pathway clearly requires input from the key players in the domestic policy setting. A summit modelled on seminars organised by the European Foundation for the Improvement of Living and Working Conditions in 2006 could be the starting point for exploring further policy development in this direction. These seminars brought together representatives from trade unions, business and government, along with leading academics in industrial relations and social policy, to discuss how to best meet the 2010 goals set out in the Lisbon Strategy. To some extent, this kind of policy dialogue presupposes the setting of targets relevant to the Australian scene and willingness from all stakeholders to work towards the common goal of a competitive, inclusive, and dynamic economy through flexicurity. There are two key points to be made here. First, due to its inherent appeal to all parties, flexicurity can be itself a consensus building tool. Second, there are early signs that unions, government and employer groups are willing to explore the relevance of flexicurity to Australia. The clear need to invest in the skills of our workforce, together with globalisation, an ageing population and the spread of transitional labour markets is placing increasing pressure on our national economy and social welfare. Further policy reform is paramount in order to address the changing internal dynamics of the labour market and increased exposure to the risks associated with globalisation that impact upon all Australians. This makes the case for exploring the flexicurity model all the more compelling.

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