

The Microfoundations of Flexicurity

Employees' well-being and attitudes to labour market policy in a Swedish and Nordic welfare state setting

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Abstract

This thesis examines the microfoundations of flexicurity, an arrangement of policies that proponents claim can deliver a 'win-win' situation in the labour market. These policies include lax employment protection legislation (EPL) to provide employers the flexibility to hire and fire with ease, and others supposed to provide employees with a high level of 'employment security' (high ability to find new quality jobs if they lose their current job) and 'income security' (low likelihood of suffering economically during periods of transition between jobs). More specifically, this thesis analyses how flexicurity may affect employees' well-being and to what extent they favour flexicurity policy proposals in Sweden and (to lesser degrees) other Nordic countries, using data obtained from responses to a questionnaire concerning security in the labour market distributed to employees, with additional data from the Labour Force Survey.

The theoretical framework applied relates flexicurity theory to the two central concepts of flexibility and security, and the need for institutional arrangements that compensate for losses of job security (caused by weakening of EPL) in the labour market. Furthermore, it includes a multidimensional understanding of security and its relation to well-being, as well as ways in which class and insider-outsider divisions may structure employees' attitudes to labour market policy and the main components of the flexicurity arrangement.

Empirically, the thesis is based on four studies, designated Studies I-IV. Study I examines to what extent increases in employment and income security could compensate for losses of job security among employees, as envisioned in the flexicurity arrangement. Study II elaborates on this theme by examining the relation between job insecurity and poor well-being, and the degree to which losses of well-being can be countered by increases in employment and income security, using a multidimensional measure of employees' security in Sweden, Finland and Norway. Study III examines employee attitudes to deregulating EPL, a central component of flexicurity, in the Nordic welfare states and whether labour market outsiders are more in favour than insiders of deregulation. Study IV explores employees' support for the policy measures comprising the main flexicurity components, and to what extent class and insider/outside divisions in Sweden affect this support.

The main findings are that job insecurity exacerbates employees' worries about job losses, and that the worries are related to both employment and income security. High employment security is associated with low levels of worries about job losses, indicating that improvements in possibilities of finding a new job can compensate for increases in job insecurity. However, the level of job insecurity affects these worries most strongly (of the tested variables), thus improving job security could be considered the most effective measure for improving employees' mental well-being. A labour market that prioritizes provision of employment and income security could, under favourable conditions, be better for employees than an arrangement that primarily prioritizes job security. However, the success of the flexicurity arrangement seems highly susceptible to economic down-turns, since the effectiveness of the active labour market programmes it requires is heavily reliant on market forces. The likely loss of employment security during a recession would be clearly detrimental to employees' well-being. Relatively high proportions of employees favour deregulation of EPL in Sweden to allow employers more flexibility. However, the support decreases when the deregulation is associated with lower job security for employees. There is little support for the notion that outsiders would be more in favour of deregulation. In fact, there are indications of the opposite tendency, that outsiders are more in favour of strict EPL than insiders, contrary to a central tenet of insider/outside theory. Concerning attitudes to all three main flexicurity components, there is little coherent support for policy changes in line with flexicurity. Employee preferences are rather oriented towards either interventionist or neoliberal measures in the labour market, which to a large part can be explained by class position, since interventionist and neoliberal policy preferences are readily structured along class divisions. These results are problematic with regard to implementation of flexicurity, since wide support for the arrangement is considered important for its success. Insider/outside divisions seem to have fairly small, or theoretically contradictory, effects on policy preferences.

Key words: Flexicurity, job insecurity, mental well-being, employment security, income security, cognitive and affective insecurity, insider/outside divide, labour market policy, labour market paradigms, policy preferences.