

# Labour market change: Trends and policy approaches towards flexibilisation

Eurofound's work consistently seeks to document and analyse the past with a view to helping to better shape and improve the future. Drawing on its wide-ranging analysis of labour market changes in the European Union over many years, Eurofound aims to use this information, data and analysis to assist policymakers in understanding the progress made, defining the challenges which have emerged and outlining the steps that could be taken to further contribute to well-functioning and inclusive labour markets in the EU.

This flagship report addresses trends and policy developments in relation to the flexibilisation of employment in the EU between 2008 and 2018. Labour markets in the EU are diversifying in terms of working time patterns and the nature of employment relationships. These changes are driven by socioeconomic trends, such as the shift to a service-based economy and the growing share of women in work, as well as technological developments. In addition, labour markets are responding to the needs of workers for employment that fits in with their non-work activities and to the demands of employers for flexible labour inputs – a consequence of enhanced global competition.

**As economic contractions impact particularly on workers with more precarious employment status, so the issues – and policy responses – highlighted in this report are likely to take on added significance during and after the COVID-19 crisis.**

The challenge of how to strike the right balance between flexibility and security in the labour market predates the debate around the concept of 'flexicurity', which dominated the EU social and labour market policy discourse in the wake of the Commission's publication of the common principles of flexicurity. The resulting policy discussion contributed to awareness of the importance of the different elements in the composition of a balanced labour market model: flexible and reliable contractual arrangements, comprehensive lifelong learning strategies, effective active labour market policies and modern social security systems. These concerns remain at the centre of EU-level – and national – policymaking and are enshrined in principles 5, 6, 7 and 12 of the European Pillar of Social Rights (EPSR).

At the EU level, a number of initiatives have been taken aimed at ensuring equal employment rights, access to social protection and the right to request a better employment contract. However, arguably the rights enshrined in the Part-time Work Directive, the Fixed-term Work Directive and the Parental Leave Directive have (at least to some extent) failed to deliver their original goals. On the basis of the EPSR, more recent legislative measures have been taken to enhance such rights, including in the Directive on Transparent and Predictable Working Conditions and the Work-life Balance Directive, both adopted in 2019.

## PROGRESS

- **EU employment has proven resilient to crisis: before the COVID-19 pandemic, the EU employment rate had increased by 2.7 percentage points between 2008 (and the beginning of the global financial crisis) and 2018.**
- **Gender gaps in employment have reduced:** Although there remains a gender employment gap of 8.0%, this declined by 2.5 percentage points.
- **Older workers are more likely to participate in the labour market:** The share of workers aged over 55 in employment increased by 5.7 percentage points.
- **Demand for high-skilled labour has increased:** The need for workers with tertiary education has been matched with greater supply, resulting in a rise of 9.3 percentage points in the share of graduate employment.

## CHALLENGES

- **Recovery from the impact of the COVID-19 crisis:** While many governments have introduced measures to soften the economic, employment and social welfare impact of the crisis, the short- to medium-term impact is likely to be significant. Previous crises have shown that retaining workers' attachment to the labour market and, where possible, enhancing skills are important ways to ensure a rapid recovery.
- **Flexibilisation:** Although the overall share of non-standard employment remained relatively stable, there has been an increase in 'compound' non-standard employment, such as very marginal part-time work, very short temporary contracts, working without a contract and casual work. Most new job creation has been in non-standard employment, and one of the main ways in which the share of non-standard employment has increased has been in compound non-standard employment.
- **Part-time work:** Low-hours part-time work is often linked to difficulty making ends meet, and low-hours part-time workers are over-represented among multiple job holders. One-quarter of part-time work is involuntary.
- **Temporary contracts:** Although the overall share of temporary contract workers remained unchanged (14%), there has been an expansion in the use of such contracts for new labour market entrants. The share of involuntary temporary work is high (at 60%), and transitions to open-ended employment are low, particularly in countries making significant use of temporary contracts.
- **Self-employment:** Sectoral and structural shifts have occurred in the composition of self-employment, away from agriculture and with rising numbers of self-employed without employees. Self-employment is mostly voluntary, but one-quarter of self-employed can be characterised as precarious.
- **Polarisation:** Overall, the EU experienced increasing polarisation, as employment growth was strongest in high- and low-paid jobs and weakest in mid-paying jobs.
- **New business models:** A number of the observed trends go hand in hand with the emergence of new business models, such as platform work.
- **Rising insecurity:** Individuals on non-standard contracts are less likely to have access to full employment rights, social protection and

representation. A high share of temporary and part-time workers do not have access to a range of social benefits. Over the observed period, there has been an increase in the share of workers at risk of poverty.

## WHAT NEXT?

- **Learn lessons from the COVID-19 crisis on measures to maintain labour market attachment to ensure a rapid recovery, and the steps to be taken to protect non-standard and self-employed workers.**
- **Ensure a better match between desired and actual working hours,** addressing both too high and too low working hours. A right to request additional hours and a right to disconnect are examples of measures in this area.
- **Enhance the predictability of working hours and schedules,** for instance, through the ban of exclusivity clauses and the right to minimum notice periods regarding working hours, as well as stipulating reference hours.
- **Help those on low-hours contracts to make ends meet** through measures aimed at overcoming barriers to increasing working hours – for example, enhanced access to affordable and high-quality care services – and the delivery of tailored family and in-work benefits.
- **Enhance access to employment and social protection rights for non-standard workers** by addressing challenges such as the misclassification of dependent self-employed and by extending the coverage of self-employed and non-standard workers to such rights and entitlements.
- **Encourage transitions from temporary to open-ended employment** by finding the right balance in the regulation of these employment relationships. More evidence is needed on the impact of changes in employment protection legislation to inform policymaking.
- **Better exploit the employment-creation potential of self-employment** through holistic approaches to support entrepreneurship and an enhanced focus on its sustainability.
- **Ensure the transposition and full implementation and enforcement of EU law,** which has sought to address many of the above issues in the new Directive on Transparent and Predictable Working Conditions and the Work-life Balance Directive.

## Further information

The report *Labour market change: Trends and policy approaches towards flexibilisation* is available at <http://eurofound.link/ef19034>

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