

## MAURIZIO DEL CONTE

It must be noted that the 21<sup>st</sup> century has made a rather marked change in the European Community's social policy compared with its efforts in the previous decades to promote a general increase of workers protection. Starting in 2000 with the so-called Lisbon strategy, the main objective of the community has been to inject flexibility in Europe's labor market to bolster both employment levels and labor productivity, aiming at the so-called "good employment", which alludes to a type of employment that generates higher value added to better compete on the global market.

At the close of 2006, the European Commission launched a new political manifesto on the issue of social policy, just before the economic downturn and the business slump that followed the financial crisis of 2008: the Green Paper titled "*Modernising labour law to meet the challenges of the 21<sup>st</sup> century*".

The state objective of the Green Paper was to promote a public debate inside the EU to reflect on the way to modify labor law so as to uphold the objectives of the strategy of Lisbon, namely, generating sustainable growth with more and better jobs. From that perspective, Europe's labor markets were to meet the challenge by combining greater flexibility with the necessity of maximizing security for all.

Fearing the risk of a two-track labor market with, on the one hand, workers enjoying permanent contracts and, on the other hand, those "excluded" - in particular the jobless, persons separated from the labor market and those who hold precarious or informal jobs - the Commission asked the member States to evaluate and in the event review the level of flexibility provided by standard contracts, in terms of notice periods, costs and procedures for individual or collective dismissals or the definition of unfair dismissal.

Such measures were to be part of a broader social policy inspired by the model known as "*flexicurity*", which includes continuing learning, designed to enable workers to keep abreast of new competence; affirmative labor market policies designed to help the jobless and idle people to get back into the market; more flexible rules with respect to social security to better meet the exigencies of people changing jobs or temporarily leave the labor market.

However, the official response to the Green Paper of the Italian government, at the time supported by a centre left majority in Parliament, was distinctly cool and particularly critical on a number of points.

Thus, the Italian statement in 2007, in answer to the recommendations of the Commission, points out that: "*the Green Paper suggests that a more adequate solution would be to loosen up the binding force of regulations on standard employment relationships, inclusive of guarantees for termination, alongside a bolstering of protections on the labor market to encourage mobility and employability of workers, and increase employment.*

*Not to mention the fact that there exists no such empirical evidence as may prove beyond doubt the existence of a positive correlation between fewer binding rules*

*on termination and an inclination of companies to recruit, this hypothesis qualifies as a change from protection of employment to protection of the market when, instead, both are necessary to ensure stability to labor and create good employment".*

Thus, according to the opinion of the Italian government, protection of workers comes first and flexibility only ranks second and, in particular, behind the objective of a generalization of the standard type of permanent employment contract. Indeed, the significant passage of the Italian answer contends that: "To prevent flexibility from transmuting into precariousness, it is necessary that non-standard employment contracts be sustainable both by way of legislative and contractual legislation and by developing protections on the labor market and incentives aimed at transforming employment relationships into permanent contracts. Recent Italian legislation moves in this direction and wants to make it "convenient" for companies permanent employment contracts".

Despite resistance to the objectives to inject more extreme forms flexibility, the European notion of "*flexicurity*", that is, to create a labor market where greater freedom to lay off personnel could be compatible with a welfare system that would have the capacity to help workers losing their jobs as a consequence of company restructuring and by way of benefits and professional re-qualification, somehow fell into the complacent ears of the political establishment and the business community in Italy too.

In point of fact, the base notion of *flexicurity* looks like the expression of Pareto's optimal: companies are free to employ any numbers of workers as are necessary from time to time, but workers should not worry about losing their jobs because the state is at all times ready to fork out funds for their unemployment benefits and to help them find in no time another job. Put briefly, an efficient and dynamic welfare system which benefits everybody. Yet "real *flexicurity*" systems, i.e. put into practice and successful, are extremely rare wherever one looks in the industrialized world. Why so? A first answer suggests that such system requires a particularly favorable context and environment to take root. On that score, the oft-cited example of Denmark frankly does not provide any reason to be overly optimistic on the possibility of transplanting this model beyond the Baltic states, never mind in Italy. If, indeed, Denmark's socio-economical structure is characterized by a transparent and inspiring taxation system, a substantially homogeneous social and cultural community, a unified and participatory union and a lean and efficient bureaucracy, Italy hardly qualifies as the appropriate environment for the introduction of *flexicurity*.

Arguably, in addition to structural obstacles, *flexicurity*'s sustainability requires substantial funding. Just to give an idea of the financial burden such scheme entails, according to the OECD data social expenditures in Denmark accounts for about 41% of retribution before tax, against about 27% in Italy, and the tax burden in Denmark reaches about 30% against 18% in Italy.

There is another and altogether different point that explains the resistance of other important countries in Europe (among which Italy) to the concept of labor volatility compensated by guarantee of economic benefits by the state. Indeed, the logics whereby what matters is not so much labor stability, as income stability, provides an answer to the abstraction of the economic value of labor itself, but does not consider the latter as an incontrovertible avenue for the personal, social and economical development of the individual. To consider income as perfectly substitutable for labor, reflects a short-term vision not only of labor itself, but also of the economy.

That is why I think that flexicurity gives an answer just to a part of the problem, but a stable job is still a target to reach for a large part of the Italian and European workers.