

FLEXICURITY IN CROATIA: TRANSITIONAL SOCIO-ECONOMIC PUZZLE

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ABSTRACT

Effects of globalised flexible capitalism drastically influenced job security for employees. Flexicurity, which stands for flexibility and security, is a welfare state model with a proactive labor market policy. In the paper the concept of flexicurity is analyzed with questioning the possibility of its utilisation in Croatian transitional socio-economic context. Namely, the practice has already revealed several regional models of flexicurity, which contributes to the fact that a unique model seems rather improbable. The trust of European citizens and companies in future employment opportunities, decent work and labour market developments and in a supportive business climate needs to be enhanced.

Keywords: flexibility, flexicurity, transition

1. INTRODUCTION: FLEXICURITY IN SOCIAL AND HISTORICAL PERSPECTIVE

The concept of flexicurity has arisen through last decades of XX century in several European countries as an attempt to formulate new strategy of industrial development yet combining more work productivity with social cohesion as a necessary part of social stability. With regard to general phases of human work in modern Europe – proletarian, salariat, and precarious phase – flexicurity is primarily the model constantly to be raised as effort to resolve unforeseen consequences of post-fordist, flexible frame of neo-liberal capitalist accumulation and reproduction. Post-fordism and flexibility reflected significant changes that had covered a main problems of capitalist restructuring from 1960s: keeping a prospects for full employment, "welfare society", high level of productivity and existing level of wages altogether with evident need for specialized and flexible production. Considering paralel rapid shift in technological development, Castels [1] summed up the most important trends in organisational aspects of industrial production:

- shift from mass to flexible production;
- redefining images on implicit success of big corporations, with accent on importance of small business enterprises;
- predominance of Japanese organisational models;
- improvement of interorganisational communication;
- strategic merging of corporations for the purpose of development of high technology;
- improvement of "horizontal corporation", and uprise of business networks.

At societal level, it seemed that *social capitalism* at the late twentieth century "would become a nostalgic memory" [2]. Sennett has selected main aspects of capitalist restructuring that directly affected societal institutional configuration in Western societies. First, large companies faced a drastic shift from managerial to shareholder power; second, investors' aims have turned to short-term rather than long-term profit making; third, technological revolution in the fields of communication and manufacturing has affected corporate configurations with raising not only already celebrated possibilities for decentralisation, but also imposed threats of greater control of workers, greater work pressure and idealized new self – "an individual constantly learning new skills, changing his or her 'knowledge basis' ... In reality that ideal is driven by the necessity of keeping ahead of the machine" [2].

But, it is claimed that global *flexible capitalism* has ruined basic values of work-society – and broke historical connections between capitalism, welfare state and democracy. So, as instrument of neo-liberal free market utopia, flexibility resulted in significant trends that has undermined promises of stable social development. These trends are most visible in high rate of unemployment in Europe, spreading of temporary and unsafe employment, work discontinuity, and cranky private sphere in the lives of individuals. For the most of people, even among the prosper members of broad middle-class, basic existence is framed in terms of "endemic unsafety" [3].

Flexicurity concept has attempted to by-pass widening of inherent contradiction between work and capital which manifested itself during the period of the most intensive flexibilisation of work arrangements. This contradiction reflects employers' demands for more work flexibility vs., workers' (employees') demands for more work and social security. In that sense, flexicurity is trying to bring together all social partners into new mutually supportive perspective. Apart from different fields of conceptualisation, flexicurity is mainly defined as a "certain state or condition of the labour market": "Flexicurity is (1) a degree of job, employment, income and 'combination' security that facilitates the labour market careers and biographies of workers with a relatively weak position and allows for enduring and high quality labour market participation and social inclusion, while at the same time providing (2) a degree of numerical (both external and internal), functional and wage flexibility that allows for labour markets' (and individual companies') timely and adequate adjustment to changing conditions in order to enhance competitiveness and productivity" [4].

Originally, the concept has referred to Danish model which combined flexible labour market with social state and high level of social security. It has resulted in lowering of work-contract security, greater possibilities for firing, but has been supported with constant creation of new workplaces, social insurance for fired workers and compensations for unemployed workers. It created so called "transferable" or "negotiable" social security that include more efforts from all sides in process – state, employers and employees – to be made [4]. As a effort toward stabilisation of risky and socially turbulent consequences of flexibilisation, flexicurity manifested itself as interesting model for post-socialist and countries in economic transition, and as such will be analyzed in sections that follow.

2. CROATIA – FLEXIBLE AND RELIABLE CONTRACTUAL ARRANGEMENTS

The labour market in Croatia is coming through some radical changes. Reform of the the labour legislation, decrease of fiscal burden, strengthening of institutions and first attempts of gradual realization of a more effective social dialogue and improvement of capabilities of creating effective opportunities are all happening simultaneously, brining significant changes in the system.

The Croatian labour market is segmented and relatively undeveloped, with a low level of spatial and inter-sector mobility of the work force, but with increasing fluctuation of the labour turnover and workplace. This indicates the existence of a significant reserve of unused workforce with room for further increase of the job rate, although this concerns all age, gender and education groups.

The expected impact of flexicurity on a national scale is that it creates a frame for the process of establishing national goals for changes and adjustment on the field of employment, productivity, flexibility and security.

Flexibility with simultaneous reliability of contractual arrangements on the labour market in the Republic of Croatia is viewed differently by the employers and the syndicates. The position of the employer criticizes work rights in Croatia as insufficiently flexible. The main reasons for this are seen in the content of the work legislature, which provides high legal protection of the workplace, and not employment, while protecting insiders and excluding outsiders. Employment as well as discharge in

the form of measures of flexibility are expensive, complicated and slow. A state of legislative protection of employment produces multiple effects; by increasing the incidents of allowed work contract forms that are not definite (long term); segmentation of contracts on that basis (high level of protection for insiders, high flexibility for outsiders); difficult access to the labour market for unemployed persons.

Position of the unions naturally expresses disagreement with the thesis of the employer, issuing that the problem is not in the legislative, but in the employers. They call on non-flexibility, but don't use instruments for creating flexibility.

3. LIFE LONG LEARNING STRATEGIES

The Adult Education Law, adopted in 2007, completed by State support education law later that year, includes the implementation of vertical mobility (that is, integration of adult education into the education system). However, the overall state is still characterized by low quotes of participation, unreformed system of formal education, no cost sharing system in stocks and an unmanaged system. The level of life long learning, that is, quotes of adult participation in various forms of education and professional training in Republic of Croatia are extremely low: in 2002-2004 it was 2%, in 2005 it was 2.4%, and in 2006 it was 2.2%. There is still a low level of conscience among workers about the meaning of life long learning and the need of their participation in different forms of professional training. Employers do not invest in the development of human resources, and there is insufficient engagement and responsibility of the government to conserve employment. Assumptions about which skills and knowledge will be needed are still not developed. Concerning experts, there is an insufficient number of engineers, business and science experts. To neutralise effects of demographic aging, a higher degree of workforce participation is needed in terms of increasing the degree of activity of the age group 50 – 64, and highly increasing the degree of activity of the age group 25 - 49, especially women. Furthermore, there is a deficite of industrial workers needed by the civil industry, as well as for personal services, which is accompanied with great supply of administration staff. There is an especialy high demand for experts in information technology and communication, although the number of applicants in this sector is much higher. [5]. Croatian employers need twice the amount of time to fill work places for qualified workers than it is needed for their Bulgarian or Romanian colleagues.

4. EFFECTIVE AND ACTIVE LABOR MARKET POLICIES

Croatian labour market is constantly characterized by a relatively high rate of unemployment and a low rate of employment, a highly segmented labour market (with significant representation of the young, the elderly, women, long-term unemployed, significant regional differences), disagreement of supply and demand on the labor market, including a low degree of mobility of the working class and immigration politics as a system which combines work permits and quotes, as well as a relatively low consumption on measures of active employment policies.

The rate of unemployment (population aged 15 – 44) has decreased from 11.2% to 9.6% in 2007 and in the third trimester of 2008 it has reached 7.0%, and has so connected with the rate of unemployment of 6.8% in the European Union. Positive trends in the recent years have been dramatically reversed as a consequence of the global crisis [5].

Employers go along with research results of International Monetary Fond from Report nr. 08/159, May 2008, for the Republic of Croatia, which presumes that this kind of level and structure of social protection contribute to the rate of employment which is one of the lowest in Europe, while unions emphasize the statement about the insufficient ratio of unemployment benefites and life costs.

5. CROATIAN SOCIAL SECURITY SYSTEMS

The Croatian labor market is characterized by a relatively inflexible formal economy, which is regulated by national legislation, and flexibility of the informal economy, which is in one part a legal, but unregistered, and in the second part unregistered and illegal [6]. These two economies are inter-connected as well as their reactions to policy measures: if regulation of the labor market increases without growth of supply in the formal sector, there is a proliferation of the informal sector.

Rates of activities in Croatia have always been low, and still are in comparison to European standards. Informal employment is the essence of insufficient demand for labor in the formal economy, but most

of the transfers from the state, such as financial compensation for unemployment insurance and social support, are related to the formal status of unemployment. Formal employment is always covered by a contract, which can be fixed or for an indefinite period of time. More than 75% of all new contracts are now for a limited period of time.

Social dialogue, aimed at formulating a policy and negotiations on a package of measures for acceptance of national flexicurity strategies, based on trust among the social partners and the government, seems to be not even close to realization. Problems of implementation that are present on the Croatian labor market are particularly characterized by slowness of the courts, a this points to the inconsistency of the jurisprudence, lack of credible analysis and examples of alternative ways of resolving labor disputes that our courts do not have the custom to practice.

In Croatia there is no independent expert body that deals with work-related research, whose research results represent a credible and relevant basis for negotiations among the social partners and the state.

Today the slogan is "adapt or die", and these requirements increase the need for greater flexibility on the labor market. It is no surprise that in a world where a tradition of labor rights has deep roots (in the socialist and capitalist European economies) there is great opposition to this process. One of the worst effects of globalization is the deepening of the divide between the skilled workers who have the ability to learn on and off the job, especially in advanced technological sectors, and those who have no skills and have little opportunity to acquire them [6].

Safety of workers based on retaining existing jobs at any cost is an element that is going to create problems for a small open economy which aims to achieve global competitiveness, such as the Croatian one. The key to safety on the job market still lies in education, personal development and advocacy.

6. CONCLUSION

Croatia is going through measures for increasing flexibility of the labor market, and more recently security measures of the right to work are being implemented. In Croatian companies, flexibility is mostly applied by violating the regulations, so a good portion of the workforce in Croatia, even though the laws say otherwise, is employed for a specified period of time; work hours are determined through rigid regulations and workers employed part-time in fact work more than full time. The flexicurity paradigm as combination of flexibility and security can be implemented only as a matter of consensus between main interest groups at labor market where they meet as potential social partners [7]. In that sense, flexicurity is a result of social dialogue and, consequently, can reach different manifestations. In reality, flexicurity in Croatia still doesn't exist because there is no real co-operation among key actors in labor market – government, employers and trade unions.

7. REFERENCES

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