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LABOR MARKET SECURITY CONCEPT AS A PARADIGM OF SOCIAL STABILIZATION

Article is discovering the conceptual approaches to the creation of labor market security mechanism. Authors consider modern principles of the flexicurity concept. We summarized scientific research on the labor market security concept to provide labor safety. Tasks which have been solved in our research are: 1) description of scientific approaches to the labor market security concept and flexicurity concept; 2) analysis of different approaches to the assessment of labor market security indices (LMSI); 3) identification of ways to improve labor safety.

Key words: labor market security; insecurity of labor market; labor market security indices (LMSI); active policy on the job market; mobility.

Розглянуто сучасні принципи концепції флексик'юриті. Підсумовано результати сучасних наукових досліджень у сфері забезпечення безпеки на ринку праці для його стабілізації. Завдання, які було виконано в нашому дослідженні: 1) характеристика концепції безпеки ринку праці та концепції флексик'юриті; 2) аналіз різних підходів до оцінки показників безпеки ринку праці (LMSI); 3) визначення шляхів посилення безпеки ринків праці.

Ключові слова: безпека ринку праці; небезпека ринку праці; індекс безпеки ринку праці (LMSI); концепція флексик'юриті; активна політика на ринку праці; мобільність.

Problem formulation. Both globalization and fast technological progress influence at national labor markets and imply that labor market risks of employees increase. Thus, it is necessary to think on adequate employment insurance by new types of security. That is why flexicurity has become an actual as never before to influence both labor market flexibility and security. It is becoming attractive as an alternative to flexibility only. Our article is devoted to the description an authorial point of the view for providing labor market security as an insuring regulative mechanism, which makes possible to have flexible labor markets and employees' security, if certain conditions are satisfied. Indeed, it requires investment in labor market and social policies, balancing of employer and employee oriented flexibility, internal and external flexibility and, on the process side, a genuine social dialogue.

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Analysis of recent researches and publications. Analysis of certain EU-members shows that some countries have succeeded in organizing their labor markets in a manner that combines flexibility with security with beneficial effects on decent work (e. g. Scandinavian countries). Flexicurity supports so called innovative, i. e. atypical jobs yielding less security. Development such forms looks like combination of flexibility and security. It is concept for employment security in EU labor markets. That is why it is important to study the advanced EU-experience in order to create protective mechanism of labor market security in EU-neighbors countries.

Purpose of the article is to summarize scientific research on the labor market security concept to provide labor safety.

Tasks what are necessary to solve are:

- 1) description of scientific approaches to the labor market security concept and flexicurity concept;
- 2) analysis of different approaches to the assessment of labor market security indices (LMSI);
- 3) identification of ways to improve labor safety.

Main material. In our previous investigations we consider labor market security as a state, which aims to provide employees (economically active labor forces) with all necessary social security [1]. Labor market security must be a concept between business entities and government as a common project to raise prosperity of the population, to attract foreign investment, to establish payable social security and domestic markets development. Thus, labor market security should ground on the combination of social responsibility, economic development and innovations based on a high level of education.

In our opinion, to reach state of security (protectivity) in the labor market is only possible only to follow by flexicurity model. Flexicurity is the concept in EU socio-economic policy as one of the important pillar of the European social and economic model. It is an ILO-efforts to further conceptualize and implement decent work. Until now the European Commission and the EU-members have reached a consensus on the flexicurity definition, which comprises four components [2]: 1) flexible and secured contracts both from the perspective of the employer and the employee through modern labor law and job institutions; 2) active labor market policy, which helps employees to cope with rapid changes, unemployment spells, reintegration and transitions to the new jobs; 3) effective lifelong learning system, which ensures the adaptability and employability of all employees; 4) modern social security systems which provide adequate income support and facilitate labor market mobility.

Peter Auer has proposed some common principles, which shall provide labor market security, i. e.: 1) medium-level employment protection through innovative employment contracts; 2) high social protection by activated labor market policies; 3) social rights such as maternity, parental and training leave, possibilities to shift between part- and full-time work etc.; 4) complementarity between employees and employers oriented to the flexibility; 5) high internal flexibility in the working systems; 6) effective social dialogue. In his opinion, developing and enhancing such a system implies a social dialogue that allows balancing responsibilities and costs at the institutional level. In our opinion, costs of employers to the flexicurity are the most effective investment to prevent

the risks inherent in the labor market. We agree with the Auer's thesis on spending cost necessity on labor market protection in average 4 % of GDP. Moreover, our own research shows that average expenditures on labor market security should be amounted 4,7 % of GDP. Such expenditures could have a positive macroeconomic nature as they can act as an automatic stabilizer in downturns and might be seen as investment rather than a cost in the state budgets.

Labor market security calculation. As it is noted in the scientific research of A. Hijzen and B. Menyhert [3], in the view of OECD, labor market security is measured often in terms of the temporary work or the proportion of short-tenured workers in employment [4]. While both indicators focus on important determinants of job loss, they do not take account of the expected costs associated with it. Further shortcomings involve the incidence of temporary work being primarily a measure of labor market duality rather than labor market security [5], and the incidence of short job tenure being more closely related to voluntary movements between jobs than to job loss per se. However, both incidence of temporary work and short-tenured employment have decreasing during recessions. Thus, measuring job security with the help of these indicators can be wrong. Eurofound [6] has found out more complicated approach by using indicator of "prospects" based on the employees' survey on job security, career perspectives and contracts quality. This approach has several appealing features: the focus on individuals and their labor results, the forecast availability of the indicator as well as the fact that all of its components are measured using a single dataset. However, the reliance on subjective expectations on job security and career advancement makes it difficult to compare results across countries and employees groups [3].

Hijzen-Menyhert Method goes beyond the current employment and the probability of losing jobs; it takes into account the prospects of those, who are out of the work. According to this method, expected cost of job loss depends on the: 1) probability of becoming unemployed; 2) expected duration of unemployment; 3) degree to which unemployment benefits compensate for lost earnings during unemployment. This concept is built by means of three important modeling rules: 1) job displacements which don't cost unemployment are not considered; 2) reduction of expected earnings due to job displacements in future can be ignored; 3) moral hazard issues associated with unemployment insurance are ignored, implying that all transitions from employment to unemployment are considered involuntary. That is why it worth noting that mentioned method studies the *labor market insecurity*, as where the risk of extremely low-paying employment may be an equally important source of labor market instability as that of unemployment. The overall labor market insecurity indicator is defined as unemployment risk times one minus unemployment insurance, it measures expected proportional loss in earnings due to unemployment by formula: $Labor\ market\ insecurity = Unemployment\ risk * (1 - Unemployment\ insurance)$.

Hijzen-Menyhert analysis of the statistical relations between labor market insecurity and well-being confirms that labor market insecurity has strong negative consequences for employees' life satisfaction and perceived labor market prospects. Reducing unemployment does not just benefit for those currently out of the work, but also increases the welfare of employed workers by reducing the unemployment risks. *Concept of labor*

market insecurity may be reductive for emerging economies, where the risk of low-paying employment can be an equally important source of labor market insecurity as that of unemployment.

In our point of view, labor market security and labor market insecurity are reciprocal performance. Labor market security is started from the job security, which comes to the employment security process. Schematically it looks like step-by-step mechanism of social security providing (fig. 1).

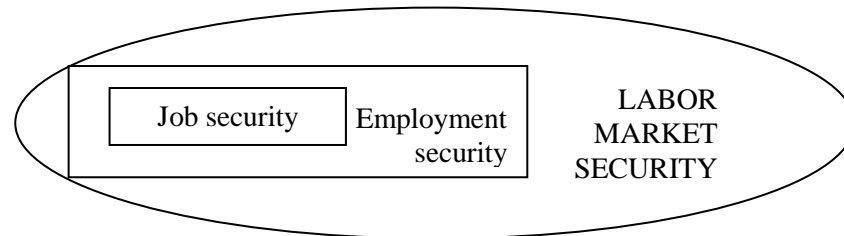


Fig. 1. Inter-determination of labor market security categories
(source: completed by authors)

It is important to estimate the level of influence of unemployment risk, unemployment insurance and overall labor market insecurity across socio-economic groups by: gender; educational background; type of employment contract (permanent employee, temporary employee, self-employed). The effectiveness of unemployment insurance is likely to be the highest, when unemployment turnover is low and unemployment spells are long. Thus, A. Hijzen and B. Menyhert advice to increase the share of unemployed that receive some form of income assistance, and to fine-tune the replacement rates of benefits so as to alleviate the financial distress among the most unemployed without reducing their job search efforts and training intensity.

Referring to the methodological basics, C. Munteanu and R. Tamošiūnienė consider Anglo-Saxon approach to the numeric estimation of economic security, which is based on the report of the ILO. Calculating an *economic security index* (ESI) includes the identification of the 7 dimensions that make up the socio-economic security. Economic Security Index (ESI) is calculated according to the formula:

$$ESI = LMSI + EPSI + JSI + SSI + WSI + 2*RSI + 2*ISI,$$

where LMSI is Labor Market Security Index;

EPSI is Employment Security Index;

WSI is Work Security Index;

ISI is Income Security Index; RSI is Representation Security Index;

SSI is Skill Reproduction Security Index;

JSI is Job Security Index.

ISI and RSI offer a double share, because elementary security wage is essential for life and safety representation is importance for those who are vulnerable. In the report *Economic Security for a Better World*, ILO researchers have divided the 90 countries

subjected to analysis, representing 85 % of the world's population into four categories, depending on their performance in terms of economic security. The first category is that of the example states, that are making tendencies (pacesetters), comprising the states, policies and institutions with good results. The second category is that of pragmatic states (pragmatists) and consists of countries with good results despite some political institutions less effective. The third category, conventionalist states (conventional), is including States with seemingly good policies and institutions, which did not have good results. The fourth category includes the states, where are many things to do (much-to-be-done) [4].

Additional key labor market security indicators include: 1) *The Labor Force Participation Rate*, i. e. rate which is calculated by dividing the number of people in the civilian labor force by the total civilian population of those 16 years old or older; 2) *The Unemployment Rate*, which is computed by dividing the number of unemployed by the number of people in the civilian labor force (that number is multiplied by 100 and expressed as a percentage; part-time workers are considered to be employed); 3) *The Employment/Population Ratio* is calculated by dividing the number of job-holding civilians, who are at least 16 years old by the total number of people in the civilian population within the same age group (this ratio will tend to go higher during economic booms and lower during recessions).

Aleman, J. in his dissertation thesis has focused on two of the indexes contained in the SES database: *The Representation Security index (RSI)* and *The Employment Protection Security Index (EPSI)*. RSI measures the employees protection in the labor market and as such it can be taken as a measure of how effectively labor is included in the policy making process. EPSI takes into account policy commitments made by governments, existing institutions or mechanisms designed to give effect to these policies and actual levels of employment security. By his researches, RSI combines measures of bargaining scope, the percentage of those employed covered by collective agreements, the share of employees in total employment, information on unionization rates (and changes in these rates during the 1990 th), respect for civil liberties, the presence of a national tripartite council, and information on whether several international conventions on employees' rights have been ratified. As such, RSI is not only a measure of the political representation, but also an indicator of how regulated the wage setting process is. Table 1 lists countries by RSI and EPSI Clusters.

Regarding EPSI, three EU countries – Portugal, Spain and Greece – come out as “Pacesetters”. These are the countries that launched the Third Wave of democratization and as such are the world's three oldest new democracies. The “Conventionals” cluster groups most Eastern European new democracies. The “Much-to-be-done” cluster includes mostly Latin American and Asian countries. RSI, while containing information on the presence of a tripartite labor council, does not provide information on whether these councils include all relevant labor confederations. Nevertheless, it is as close as we come to capturing the distinction between inclusionary and exclusionary labor market regimes. For our purposes, it is important to know not just what rights and protections workers enjoy on paper, but which of these are actually implemented and enforced.

RSI and EPSI by Clusters

Pacesetters	Pragmatics	Conventionals	Much to be done
Bulgaria	Brazil	Argentina	Albania
Portugal	Chile	Greece	Bangladesh
South Africa	Czech Rep.	Mexico	Ecuador
Spain	Estonia	Moldova	Honduras
	Hungary	Panama	Peru
	Korea		Thailand
	Latvia		Turkey
	Lithuania		Ukraine
	Philippines		
	Romania		
	Russia		
	Slovakia		
Greece	Argentina	Czech Republic	Albania
Portugal	Brazil	Estonia	Bangladesh
Spain	Bulgaria	Honduras	Bolivia
	Korea	Hungary	Chile
	Mexico	Latvia	Ecuador
	Panama	Lithuania	Guatemala
	South Africa	Moldova	Peru
		Romania	Philippines
		Russia	Thailand
		Slovakia	
		Turkey	
		Ukraine	

Source: completed by authors according to research of Jose Aleman [6].

Job security vs. Employment security. Considering *job security* as a paradigm of performance job providing (at the micro-level), which include such elements as hiring security, ergonomic security, safety and health security, organizational security, labor standards security et al, we see it as a basis of formation guaranteed socio-labor attitudes. Jobs security on the each micro-object form employment security at both mezzo- and macro-levels. By ILO definition, *employment security* is an employees' protection against fluctuations in earned income as a result of job loss [7]. Job loss may occur during economic downturns as part of restructuring or it could be related to other reasons for dismissals. One of the forms of protection is provided by *employment protection legislation* (EPL). The growth over the past several decades of non-standard jobs, i.e. temporary contracts, temporary agency and dispatched work, self-employment, marginal part-time job have heightened employees' concerns over employment security. In this regards, job

security forms positive trends of statistics reflecting legal socio-labor attitudes as well as employment security. Innovative (non-standard) forms of employments (innovative non-fixed work places) make complicated exact calculation of employment/unemployment rates and indirectly create web of shadow labor attitudes, because the temptation is great to hide incomes coming from the innovative types of employment. If in the EU this problem is not so deep, in the neighbors countries (post CIS-countries, e. g. Ukraine, Moldova, Belorussia, Kazakhstan, Uzbekistan, Georgia et al) it could be deepen and it could cost unregulated black economy growth.

Labor market institutions in the labor market security providing. *Labor market mobility* is one of the few areas of integration policy, where the majority of countries are continuing to invest in reform, with improvements in 20 countries since 2010. Only the Netherlands undermined its support to target the specific needs of immigrant employees due to the new government's approach to mainstreaming and austerity. Major legal reforms in new recipient-countries of immigration use EU law to improve their legislation (e. g. Greece, Hungary and Latvia) and catch up with basic access and information for immigrant employees and entrepreneurs. More established countries of immigration continued to pilot and expand targeted support, which is relatively new and weak in most countries. Immigrants in Austria, Belgium, Spain, Finland, France, Germany, Portugal, Sweden, U.S. will use a new targeted support measures and qualifications may be better recognized in Canada, Cyprus, Germany, Luxemburg and Portugal.

Active labor market policy. Thus, summarizing scientific analysis on labor market security approaches and flexicurity approaches, we can conclude, that is one of possible way to improve socio-labor attitudes is flexibility and job-employment security. The concept of "activating" the unemployed counterbalances the generosity of the social security system. With the labor market reforms there was a shift towards a more active labor market policy, with the focus on giving the unemployed the skills and qualifications to equip them for new job opportunities while at the same time strengthening their rights to unemployment benefit, coupled with, for example, an obligation to be available for work. These labor market reforms were implemented in cooperation with the social partners.

Follow by H. Jensen and Jørn N. Larsen, the most recent labor market reforms have to focus on further reducing the length of time for which the unemployed receive benefits and increasing the availability and mobility requirements. These reforms have also increased the focus on shorter courses in job-seeking and on clarifying the possibilities available to those out of work, as well as on guidance for the unemployed [8].

The current rules of the active labor market policy suppose that unemployed benefit from an individualized program of contacts with the employment service, with every third month as a minimum. Within the first year of unemployment, an action plan for each unemployed person has to be drawn up. After the first year, those out of work have to take part in some kind of "activation" program, and must have a new offer of activation made within six months of their last contact with the labor market.

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