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WS-PS MODEL AS A THEORETICAL BASIS FOR FLEXICURITY POLICY¹

***Abstract:** The unfavourable performance of the EU labour markets in the 1990's was generally blamed on their high rigidity. International organisations (particularly OECD) nowadays bring employment-related recommendations which are based on WS-PS Model. The authors of the paper argue that since this model provides various solutions to reduce the unemployment rate, and since it focuses on institutional factors of the labour market, it remains relevant also in the present period of flexicurity policy implementation.*

***Keywords:** WS-PS model, rigidity of the labour market, flexicurity, institutional factors, EU labour markets*

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Introduction

The term “flexicurity” has been used in economic literature since the second half of the 1990's. It has become widely used particularly in connection with the “Flexibility and Security Act” which was passed in the Netherlands in 1999. This act aims to moderate the level of legal protection of employment in case of contracts of indeterminate duration ([9], p. 1). At that time flexicurity was regarded as a reaction to weak performance of the EU labour markets in the 1990's. Flexicurity, or strategy focused on increasing flexibility as well as security to the benefit of both contractual parties in the employment relationship, was recognised as one of the key targets for improving the EU labour markets under the EU employment strategy and the Lisbon strategy. Adaptation to changing conditions requires a flexible labour market combined with a certain degree of security which suits both employers and employees. A model for implementing flexicurity policy is Denmark with its “golden triangle” consisting of the following three pillars: weak employment protection, high unemployment benefits and active employment policy. The European Commission

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