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journal homepage: [www.elsevier.com/locate/ssci](http://www.elsevier.com/locate/ssci)

## European flexicurity policies: Multilevel effects on employee psychosocial reactions to job insecurity

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### ARTICLE INFO

#### Article history:

Received 30 June 2016

Received in revised form 14 December 2016

Accepted 10 March 2017

Available online xxxxx

#### Keywords:

Job insecurity

Job stress

Flexicurity

Employment security

Flexible work arrangements

### ABSTRACT

Increasing emphasis has been placed within the European Union on the development of flexicurity policies, which seek to simultaneously foster organizational competitiveness while ensuring employment security for workers. The purpose of the current study was to examine how country-level differences in European flexicurity policies impact employee psychosocial reactions to perceived job insecurity. By combining individual-level international survey data from 13,738 individuals nested within 19 European countries with country-level indices of flexicurity, multilevel modeling was used to empirically test whether and how employees in countries with differing levels of employment security protections and flexible work arrangements react differently to the perception that their job may be at risk in terms of their affective and stress reactions. Analyses indicated that employee perceptions of job insecurity were significantly related to greater affective insecurity and higher levels of job stress. However, greater enactment of country-level flexicurity (i.e., high flexibility coupled with high employment security) attenuated those relationships. These findings are discussed in light of recent European events, as well as implications of flexicurity policies on the health and well-being of employees during times of organizational change.

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### 1. Introduction

Over the past decade, the global economy and Europe in particular has been rocked by recession, austerity measures, surging diasporas of immigrants fleeing war-torn countries, and persistently high unemployment rates (IPPR, 2015). Amidst this backdrop, and given rapid developments in technology and increasing global competition, European organizations have argued that they need to have the ability to be flexible and ready to adapt to the ever-changing economic environment in order to meet the demands for innovation and corporate competitiveness (European Commission, 2007). At the same time, the European Union asserts its desire to “reinforce the European social models, which are committed to social protection, social cohesion and solidarity” by providing workers with “sufficient security to plan their lives and careers with support to make it through all these changes and stay in employment” (p. 8, European Commission, 2007). The notion of providing workers with employment security while simultaneously allowing for greater flexibility in the labor market

in order to foster organizational competitiveness has been termed *flexicurity*.

According to the European Commission's (2007) Common Principles of Flexicurity, there are four components related to design and implementation of flexicurity policies: (1) flexible and reliable contractual arrangements; (2) comprehensive lifelong learning strategies; (3) active labor market policies; and (4) modern social security systems. *Flexibility* involves the combination of easing rules related to the hiring and firing of employees, and the development of more flexible work arrangements such as contingent contracts, telecommuting, and flexible work hours. *Security* involves the utilization of proactive labor market policies that provide employees with marketable and up-to-date job skills and the provision of robust unemployment benefits in the event of unexpected employment. By combining these elements, employers have greater freedom to expand their workforce (with the understanding that reductions can be implemented, if needed, in the future) and employees have greater access to jobs with a robust social safety net and marketable job skills should they lose their job in the future. Thus, the EU's emphasis on the notion of flexicurity shifted the focus from providing employees with job security (i.e., retaining their current job) to enabling employment security

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(i.e., the ability to obtain employment; EMCO, 2006; ICF-GHK, 2012).

The purpose of the current study is to examine how country-level differences in European flexicurity policies impact the way in which employees react to perceived job insecurity. As noted earlier, job insecurity is distinct from employment insecurity, in that job insecurity refers to the perception that one's job is unstable or that one is at risk of job loss (Probst et al., 2014). Our study contributes to the extant literature by evaluating the extent to which country-level flexicurity policies (i.e., high flexibility coupled with high employment security) are effective at attenuating the adverse short- and long-term psychosocial impacts of effects of job insecurity.

By combining individual-level international survey data from 13,738 individuals nested within 19 European countries with country-level flexicurity indices provided by Tangian (2008), we compiled a unique multilevel dataset that allows us to empirically examine whether and how employees in countries with differing levels of employment security protections and flexible work arrangements react differently to the perception that their job may be at risk. The overarching model tested is summarized in Fig. 1. Below we discuss the concept of flexicurity in greater detail and develop the theoretical and empirical foundation for our specific hypotheses.

### 1.1. Models of flexicurity

Whether the twin ideals of flexicurity are able to be jointly achieved has been hotly debated (Muffels and Luijckx, 2005). Proponents of the "trade off" theory argue that greater employment flexibility is associated with less security. In other words, the policies that enhance flexible employment arrangements are incompatible with achieving employment security. Thus, high flexibility can only be achieved at the expense of employee security. A recent analysis by Tangian (2008) found empirical support for the trade-off argument. On the other hand, supporters of the "flexicurity" hypothesis argue that flexibility and security are not mutually exclusive, but rather can be reinforcing given the right labor market policies (see Madsen's (2002) analysis of the Danish system) that jointly combine so-called internal and external flexibility (in the form of temporary contracts, variable working hours, and other flexible work arrangements) with the provision of generous social security benefits and transferable job skills and training. Research (Muffels and Luijckx, 2005) suggests that both sides may be correct in that some countries have demonstrated the trade off, whereas others have more successfully balanced the two.

Indeed, it appears different countries have been able to implement the guiding principles related to flexibility and security to varying degrees. Sapir et al. (2004) noted that there are four different models of social systems within the Europe, each emphasizing security vs. flexibility to different degrees and with varying success. The so-called Mediterranean model (including Italy, Spain, and Greece) emphasized employment protection and the funding of retirement pensions and early retirement schemes. This model was neither effective at creating jobs nor reducing poverty. The Continental model (including France, Germany, and Luxembourg) similarly emphasized a high level of employment protection, while also providing insurance-based benefits and retirement pensions. This model was considered to be effective at reducing poverty but ineffective at job creation and led to long-term unemployment. The Anglo-Saxon model (involving Ireland, the UK and Portugal) resulted in low-wage jobs, increasing income inequality, and low job security. This model was effective in creating employment opportunities but ineffective at reducing poverty. Finally, the Scandinavian model (adopted by Denmark, Finland, and the Netherlands) was characterized by high taxes, a robust social safety net,

few job protections, but high employment security. Thus, this latter model could be considered to be the epitome of flexicurity, in that it was successful at job creation and a secure high standard of living.

Given these differing implementations of flexicurity models,<sup>1</sup> it would appear that nations within the European Union have generally emphasized either: flexibility over security; security over flexibility; neither; or both. Tangian (2007) refers to these different models as flex-insecure (e.g., the UK), inflex-secure (e.g., Sweden), and inflex-insecure (e.g., Spain), and flexicure (e.g., Denmark). The current study examines whether country-level flexicurity (determined by their employment flexibility and employment security policies) directly predicts employee fears about their job insecurity and stress levels at work. More importantly, we will test whether these country-level differences operate as cross-level moderators of employee reactions to perceived job insecurity.

### 1.2. Job insecurity and psychosocial outcomes

Despite the increasing emphasis on employment security, survey research indicates that employees still desire job security. In other words, while marketable job skills may ease one's job search, employees still prefer to have job security in their current position. For example, a 2010 survey conducted by the Society for Human Resource Management (SHRM, 2010) found that "having job security" was the most important rated aspect of the work environment above other factors such as pay, benefits, job-skills training, and career development opportunities. Fully 96% of workers indicated job security was either "very important" (63%) or "important" (33%) to them. Interestingly, this same survey found that job security was the top-rated factor for Millennials, Generation X, and Baby Boomers, indicating that preferences for job security have not changed among the more recent workforce entrants. In contrast, only 34% of respondents indicated that career advancement opportunities and job-skills training (two pillars of employment security) were very important.

Not surprisingly, a large body of research accumulated over the past four decades has demonstrated the negative psychosocial effects of job insecurity. Meta-analytic summaries of these studies (Cheng and Chan, 2008; Sverke et al., 2002) indicate that job insecurity is significantly associated with decreased job satisfaction, lower job involvement, less organizational commitment, and worse physical and mental health. A more recent meta-analysis found that job insecurity was associated with significantly increased odds of developing coronary heart disease (Virtanen et al., 2013). Cognitive job insecurity has also been demonstrated to result in affective insecurity (i.e., anxiety and worry about one's job security) as well as increased job stress levels (Huang et al., 2010, 2012; Lai et al., 2015; van Zyl et al., 2013; Sverke et al., 2000).

While a number of different theories (e.g., Hobfoll's (1989) Conservation of Resources theory; Fryer's (1986) Agency Restriction model; Jahoda's (1981) Latent Deprivation Theory; and Warr's (1987) Vitamin Model) have been proposed to explain these effects, they all take a resource-based perspective to explain the detrimental effects of job insecurity. According to Conservation of Resources (COR) theory (Hobfoll, 1989), people are motivated to conserve valued resources. When resources are lost, perceived to be lost, or threatened with loss, individuals are predicted to experience psychological stress and subsequent strain outcomes.

<sup>1</sup> Other authors have developed slightly different models of flexicurity policies within Europe. For example, in their report to the European Commission, ICF-GHK (2012) identified five flexicurity clusters including Continental (e.g., Austria, Germany, France, Belgium); Nordic (e.g., Denmark, Sweden, Netherlands); Eastern European (e.g., Estonia, Hungary, Poland, Slovenia); Southern (e.g., Spain, Italy, Greece); and Anglo-Saxon (UK, Ireland).

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