

Exploiting Europe's Knowledge Potential: 'Good Work' or 'Could do Better'

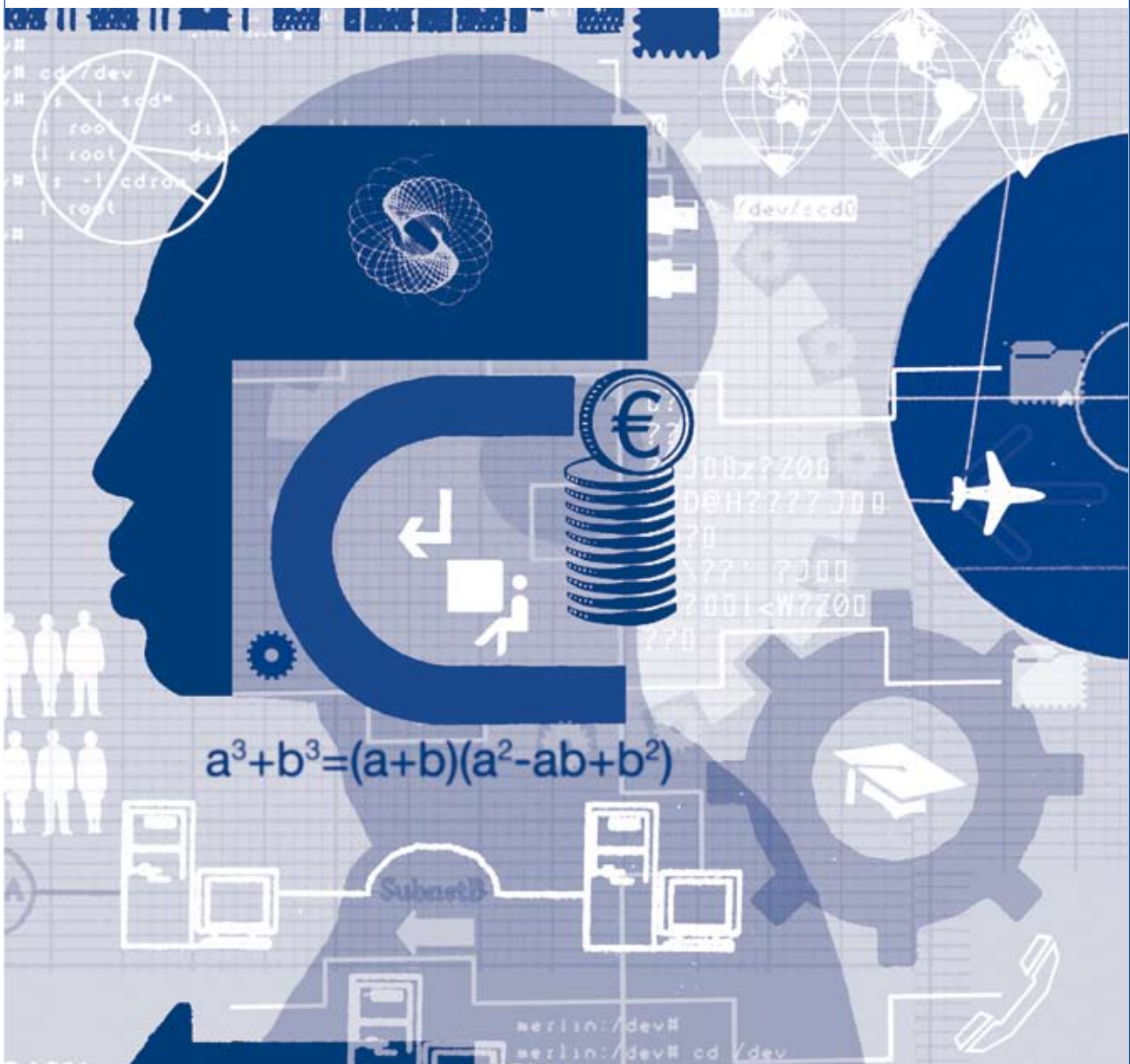
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Knowledge Work and Knowledge Workers in Europe

A report prepared for the Knowledge Economy Programme
November 2007

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Acknowledgements

The authors would like to thank the European Foundation for the Improvement of Living and Working Conditions for providing us with the data from the fourth European Working Conditions Survey (EWCS). All our graphs and the analysis of this paper are based on the EWCS data but the analysis and views presented here are those of The Work Foundation. We are grateful for the support of sponsors of the knowledge economy programme. Details of the programme are available on The Work Foundation's website and in the Knowledge Economy brochure available free from The Work Foundation.

The views and conclusions set out in this paper do not however necessarily reflect the views of all sponsors.

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Contents

Acknowledgements and about the authors	2
1. Introduction	4
2. Towards a European knowledge economy	8
3. Who are the knowledge workers?	15
4. The concept of 'good work' in the knowledge economy and the impact of national and EU policy	23
5. Conclusions	34
Bibliography	36
Contact details	38

Figures

Figure 1: Proportions of knowledge and non-knowledge workers in Europe	17
Figure 2: Educational qualifications of Europe's knowledge and non-knowledge workers	17
Figure 3: Average job tenure for Europe's knowledge and non-knowledge workers	18
Figure 4: Flexibility of working time for knowledge and non-knowledge workers in Europe	19
Figure 5: Average scores for good work variables across Europe - Is knowledge work 'good work'?	26
Figure 6: The Good Work Index	27
Figure 7: Percentage of knowledge workers unhappy with career advancement opportunities, job and skills match and level of pay	27
Figure 8: Proportion of knowledge workers having access to training	31

1. Introduction

*'...().we have not reaped the benefits in Europe of knowledge-led growth...A policy of activating knowledge should aim at activating competencies, risk taking and readiness to innovate. It should be directed towards the activation of the many forms of unexploited knowledge.'*¹

The key question Europe has to address today when it comes to economic competitiveness and social cohesion is how to make the best use of its most important asset: its work force. The availability and quality of human capital determines the dynamism of Europe's markets and the effectiveness of our investment in research and development. Human capital is the bedrock of Europe's emerging knowledge economy.

This idea is partially reflected in the current EU policy discussions on the reform of the European social model and more specifically, the debate around 'flexicurity'²: how to guarantee new forms of security to workers through supporting employability in return for more flexibility in the labour market allowing companies to adapt their production methods and their workforce to suit a changing economy. This discussion however is often dominated by rather ideological talk of balancing the 'economic' with the 'social' as if they were mutually exclusive instead of reinforcing each other.

The broader debate on 'social Europe' and what it means in the age of globalisation and rapid technological change also reflects this perceived dilemma created by the assumption that there must be a big 'trade-off' between economic efficiency and social justice.

The debate is split between those who argue that this new struggle for European competitiveness will spell the end of Europe's welfare systems as we know them and thus translate into a 'race to the bottom' on social conditions and a widening of new inequalities. Then there are those who argue that an increasingly global and open Europe also allows social justice to be placed at the heart of a European strategy combining economic openness and dynamism with social justice and cohesion³.

¹ Luc Soete, '*Activating Knowledge*', United Nations University, Maastricht, Discussion paper prepared for the UK Presidency, October 2005

² See European Commission, Communication: Towards Common Principles of Flexicurity: More and better jobs through flexibility and security, COM(2007) 359 final, Brussels, 27/06/2007

³ See Roger Liddle, 'A new social Europe', Freethinking Paper, The Fabian Society, September 2007

The objective of the Lisbon Strategy was not only to make Europe the ‘most dynamic and competitive *knowledge economy* in the world’ but also to create ‘more and *better jobs*’⁴ yet, policy makers seem too often to focus solely on the quantity of jobs rather than the quality. Indeed, the concept of the quality of work and what it means in the context of the knowledge economy rarely enters the discussion.

With the help of the data of the fourth European Working Conditions Survey (EWCS), we have taken a closer look at Europe’s workforce, through the lens of the knowledge economy. Our aim was to find out who Europe’s knowledge workers are, what characterises them, how they work and what the differences are between different European countries⁵. Looking at the *work characteristics* for knowledge workers we aim to establish an overall picture of the knowledge workers and what differentiates them from non-knowledge workers.

By analysing the *job characteristics* of knowledge workers, we have created a ‘good work’ index based on nineteen working condition indicators we judged important for knowledge work, reaching from ‘problem solving’ to ‘learning new things’ as well as the degree of job autonomy.

The purpose of this index is not only to establish what characterises the work of knowledge workers in Europe and how they differentiate themselves from non-knowledge workers but also, and more importantly, to find out how different policy choices impact working conditions for knowledge workers and how these relate to the quality of human capital, which is so vital for Europe’s future economic success⁷.

Southern Europe lags behind....

Our analysis of the EWCS data for knowledge workers shows that, unsurprisingly, we still have a lot to learn from the Nordic countries.

Not only do they have the most developed knowledge economy in terms of both knowledge industries and the number of knowledge workers amongst their work force, they also come top in our ‘good work’ index. Indeed, Scandinavian as well as Dutch knowledge workers have less monotonous jobs, they have a higher skill to job match

⁴ Lisbon Strategy, Brussels, Doc/00/7 28 February 2000

⁵ Based on the 4th European Working Conditions Survey, European Foundation for the Improvement of the Living and Working conditions, Office for Official Publications for the European Communities, 2007

⁶ Defined as the top three occupational categories: professionals, associated professionals and managers

⁷ We have kept the EWCS’s methodology of grouping countries according to the Esping-Anderson typology of Nordic, Continental, Anglo-Saxon and Mediterranean models plus Eastern Europe

and more career advancement opportunities compared to their peers in other European countries.

Taking into account the relatively flexible labour market and the generosity of the welfare systems in those countries, this lends credit to the argument that combining flexibility with high levels of social benefits is good for the knowledge economy. It also highlights the impact policy choices have on working conditions.

Southern Europe on the other hand, fails to make the most of the potential of its knowledge workers; they are at the bottom of the index, below Eastern Europe. Despite recent reforms in the labour market, Spain, Italy, Greece, Portugal, Malta and Cyprus are still struggling with dualism in their social protection and gaps in the welfare system, resulting in a segregated labour market.

The consequence of this is reflected in the number and characteristics of their knowledge workers as well as their working conditions and lack of investment in education and training. Southern European countries have the strictest employment protection in Europe, yet one in five knowledge workers are not on a permanent contract. This again indicates a segregation in the labour market showing the need for reform of social systems which are increasingly inadequate for the knowledge economy.

...but all European countries still need to get the basics right

Overall, we can say that, although most knowledge workers in Europe enjoy a relatively high level of autonomy in their jobs, there is an alarming under performance when it comes to indicators which we would expect to be the basic foundation of a well functioning knowledge economy. There is a high skills mis-match, indicating that Europe does not make the most of it's knowledge workers. This is confirmed by a lack in career advancement as well as financial reward for knowledge work. These results should be taken as a clear warning sign for the further successful development of the knowledge economy and thus the achievements of the Lisbon agenda.

The European social model and Europe's knowledge potential

In this paper we argue that in order to further encourage the shift to a knowledge-based economy and for Europe to fully reap the benefits of existing transformations, we need a tailored policy frame work and common principles to support 'knowledge workers'.

In order to support this argument, we will:

Firstly, demonstrate that while knowledge and skills, in other words high quality human capital, are the decisive factor of production in the knowledge economy. It is almost as important how those skills are deployed and what opportunities knowledge workers have to apply themselves, share and expand their knowledge.

In order to establish this link we will look at the *job characteristics* of knowledge workers and how they might impact on performance. We will argue that a concept of 'good work' is not only an objective for social cohesion, but also a tool to increase returns of human capital in the knowledge economy.

Secondly, we will look at how the utilisation and maximisation of human capital in the knowledge economy is closely linked to the opportunities offered by different countries' social models.

European policy-makers are on the right path towards a knowledge economy in Europe by putting forward principles supporting investment in individual workers and their employability combined with higher flexibility. But we will also argue that European social models, some more than others, have to undergo a more profound transformation in order to be able to maximise the potential of their workers and support knowledge activation, application and diffusion.

2. Towards a European knowledge economy

*'The strength of its knowledge industries and Europe's capacity to diffuse knowledge across the totality of the economy are fundamental to its success and are key to lifting its growth of productivity to compensate for failing population growth and pay for its social model.'*⁸

The purpose of the Lisbon strategy 'to make Europe the most competitive knowledge-based economy in the world by 2010', decided by the EU leaders in 2000, was to enable the Union to regain conditions for full employment and to strengthen cohesion while recognising the obvious fact that Europe cannot maintain international competitiveness in the low wage and low skill segment.

Changes in both the geopolitical reality and the internal socio-economic structures of EU Member States have triggered the relatively recent debate about the social dimension of Europe – in contrast to the economic and monetary dimensions – and the perspectives of different welfare states.

However, even in the absence of a common social policy, balancing the 'economic' with the 'social' has long been a key feature of the European Union. Some of the internal challenges the EU is facing today are in some ways a consequence of the success of past EU achievements which also had an impact on the social sphere.

Combining the 'economic' with the 'social' – a European success story

Indeed, the EU has provided an institutional framework that has helped to foster peace, democracy and stability. Most Western European countries have enjoyed unprecedented prosperity for much of the last fifty years. This success story is based on a complex interaction between different economic and social elements, which vary widely between the European member states. Indeed Europe is home to different social models, with different features and different performance in terms of efficiency and equity.

Common values, common challenges

Nevertheless, we can identify a number of shared – albeit not exclusively European – values such as universal access, solidarity and social justice. These common elements have contributed to the development of a modern welfare state whose original objective was to mitigate the negative consequences of industrialisation. The European social model is thus based on the recognition that social justice can contribute to economic efficiency and progress.

⁸ Report from the High Level Group chaired by Wim Kok: 'Facing the challenge: The Lisbon strategy for growth and Employment', E Office for Official Publications of the European Communities, November 2004

An earlier typology of Gosta Esping-Anderson⁹ identifies three welfare regimes, each with a unique welfare design and institutional attributes, reflecting different national takes on equality, social justice and solidarity:

- A *Nordic model* with generous unemployment benefits but low levels of employment protection legislation (EPL) and the highest level of social expenditure and universal welfare protection.
- The *Anglo-Saxon model* with low levels of employment protection, lower unemployment benefits and cash transfers focusing on working age people.
- The *Continental European model* with relatively high unemployment benefits but stricter EPL, insurance-based benefits and a spending emphasis on old age pensions¹⁰.

The three vary significantly in their relative vulnerability to the new challenges of post-industrial change¹¹.

The Southern European countries resemble the continental model with their employment related-insurance and contribution-biased revenue dependency, strict levels of EPL and passive family policies focused on the conventional male bread winner family¹². Esping-Anderson classified them, initially, as late comers on the same path as other 'conservative corporatist' countries, like the continental model. Others, however, argued that the Southern European countries needed to form a separate cluster. Maurizio Ferrera was one of the first to argue that there is a distinctive Southern Model.¹³ Still today different views are expressed in the literature on whether Italy, Greece, Spain and Portugal constitute a 'fourth world of welfare capitalism'¹⁴ or simply a sub category of the conservative welfare regime of Continental Europe. In addition to that, we have the new Eastern European Member States, which do not fit any of those categories. The old welfare typologies are therefore slowly breaking down and other, more nuanced, 'worlds of welfare' are emerging.

⁹ Esping-Andersen identified three types: the liberal, conservative and social democratic models, see Gosta-Esping Anderson see 'The Three World of Welfare Capitalism', Princeton University Press, New Jersey, 1990

¹⁰ Gosta Esping-Andeson, 'The Social Foundations of Post-Industrial Economies, 1999, Oxford University Press

¹¹ Maurizio Ferrera, Anton Hemerijck and M.Rhodes: 'The Future of Social Europe: Recasting Work and Welfare in the New Economy' Oeiras, Celta Editor, 2000

¹² Anton Hemerijck, 'The self-transformation of social models' in 'Why we Need a New Welfare State', edited by Gøsta Esping-Andersen, Oxford, 2002

¹³ See Maruzio Ferrare, Maurizio Ferrera, 'The 'Southern Model' of Welfare in Social Europe' Journal of European Policy, 17 June 1996

¹⁴ Arts, W. and Gelissen, J., 'Three worlds of welfare capitalism or more? A state-of-the-art report' Journal of European Social Policy, 12, 2002

However, despite all these diversities, Europe now faces common challenges posed by a number of transformations; the rapid international economic integration, the development of new, general purpose technologies and the demographic ageing of European societies, which puts pressure on social protection systems. On the continent this has been reinforced by low average employment rates, high long-term unemployment and the development of segmented labour markets for relatively protected ‘insiders’ and unprotected ‘outsiders’¹⁵.

Furthermore, in comparison with the US, Europe has been failing to deliver satisfactory growth and productivity for some time. But Europe’s economic imperative is not only to catch up with the US, it must also move up the value chain to fully reap the benefits of globalisation and be able to compete with emerging economic forces such as China and India.

The core idea, upon which the Lisbon process was built, was therefore that growth should be knowledge-based. More specifically, the transition to a knowledge-based economy and society, as subsequent reviews of the Lisbon strategy highlighted, should be achieved by policies favourable to the information society, research and development (R&D) and innovation but also by completing the internal market.

Following the mid-term review of the Lisbon Strategy conducted by an independent high level group chaired by Wim Kok in 2005, the Commission presented a communication on growth and jobs which proposed a re-launch of the Lisbon strategy refocusing efforts on two goals: delivering a stronger, lasting growth and more and better jobs.

Social policies, however, remain primarily a matter for each individual EU Member State as welfare states in Europe are, as we have seen, still national, even if they are based on common values. EU labour legislation was designed to ensure that creating the Single Market would not lead to a lowering of labour standards. It is also a tool which underpins efforts to achieve the Lisbon Agenda objectives. It sets targets for labour-market reform and participation within Member States, with the EU playing a coordinating role while leaving the implementation of the necessary reforms up to national governments. The Open Method of Coordination (OMC) was invented precisely because the EU institutions lack the power to intervene in most aspects of fiscal and social policy.

¹⁵ Roger Liddle and Frederic Lerais: ‘Europe’s Social Reality’ European Commission, 2007

What is the knowledge economy?

The knowledge economy has most commonly been defined in terms of technology and knowledge-based industries reflecting R&D intensity, high ICT usage, and the deployment of large numbers of graduates and professional and associate professional workers – the knowledge workers.

A universal process transforming our economies

But it's also a story of how new general purpose technologies have combined with intellectual and knowledge assets – the 'intangibles' of research, design, development, creativity, education, science, brand equity and human capital – to transform economies across Europe.

According to the Eurostat definition, the knowledge economy comprises the following industries: high to medium tech manufacturing and communications; financial and business services and health and education; recreational, cultural and sporting services; and some travel services (sea and air), industry sectors that the OECD excludes in its definition. However, as our research shows, an industry-based definition does not manage to capture the transformation fully, as the concept of the knowledge economy applies across all industries¹⁶.

Indeed, it is a universal process, operating across all sectors of the economy – manufacturing and services, high tech and low tech, domestic and internationally traded, public and private, large corporation and small enterprise. In that regard, the traditional boundaries between sectors such as manufacturing and services are disappearing and previously unnoticed industries – such as the creative sector – have emerged as major employers, generators of value-added, and exporters¹⁷.

However, although the EU was committed to creating the most competitive knowledge-based economy in the world, remarkably little hard evidence exists on the underlying economic and social drivers or the most appropriate measures that would allow policy makers to determine whether this ambition had been achieved.

We see the key drivers of the knowledge economy as market *demand* from consumers and businesses, new *technologies* and *globalisation*.

Firstly, over the past forty years more affluent, better educated and more demanding consumers have driven a decisive shift in consumption towards high value added

¹⁶ Ian Brinkley, 'The Knowledge Economy in Europe', The Work Foundation, October 2006

¹⁷ *ibid*

technology and knowledge-based goods and services; business to business trade in intermediate knowledge-based services has also increased, blurring the distinction between manufacturing and services. We have also seen a rise in collective consumption of health and education services.

Secondly, technology acts on both the demand and the supply side, but primarily as a supply side enabler. The internet and very powerful cheap computers have created the global information networks that enable much of the knowledge economy and have found their way into most aspects of the production process, reducing transaction and investment costs substantially. New technologies have also allowed niche markets to be exploited.

Thirdly, globalisation has led to the opening up of markets and the internationalisation of trade in knowledge sectors exposed to international competition. The labour markets for highly skilled workers are becoming increasingly global and the provision of investment capital and access to new technology, information, ideas and knowledge flows from around the world have accelerated the transition to a knowledge economy¹⁸.

Employment in the knowledge economy in Europe

So whatever the strength and weaknesses of the Lisbon strategy, Europe has seen a significant expansion in her knowledge industries over the past decade and at a similar rate to the expansion of knowledge-based employment in the US.

Indeed, Europe has a well-developed knowledge economy measured by employment in knowledge-based industries. As our analysis shows, employment structures across Europe have been shifting, seeing more skilled workers in knowledge-based industries.

In 2005 just over forty per cent of the European workforce¹⁹ was employed in knowledge-based industries as defined by Eurostat. The Nordics and the UK had the biggest shares of employment in the knowledge economy. Sweden had fifty-four per cent of employment in knowledge-based industries, followed by, Denmark the UK, and Finland with close to fifty per cent of total employment in knowledge-based industries.²⁰ By comparison, Germany had forty-four per cent, France forty-three per cent and Italy only thirty-seven per cent²¹ of total employment in knowledge-based industries.

¹⁸ Ian Brinkley, 'Defining the Knowledge Economy', The Work Foundation, July 2006

¹⁹ Here defined as EU-15 because of availability of data. See Brinkley (October 2006)

²⁰ Note the difference of *employment* in knowledge-based industries as opposed to knowledge workers (top three occupational categories or graduates). Workers in the those industries are not per se knowledge workers even if they are more likely to be knowledge workers than non-knowledge workers

²¹ Brinkley (October 2006)

The European productivity conundrum

However, this has not been matched by faster economic growth and higher productivity. Productivity growth has fallen rather than accelerated in many EU Member States, in marked contrast to the US. One reason may be that Europe has expanded the number of knowledge jobs but has not made the underpinning investment in knowledge that would release wider economic benefits. However we define knowledge investment, most European economies have not significantly increased their investments in this area over the past decade²².

Is the Knowledge Economy here to stay?

Globalisation is used to justify many policy changes, in particular the need for investment in skills and education and for European economies to move towards high value products in world markets. The development of a knowledge-based economy is indeed seen as a logical response to global changes in the location of production. However, some argue that this policy is being overtaken by the next wave of technology driven globalisation that will see tasks across a wide range of industries offshored to low wage economies.

Our research shows that this perceived threat from offshoring has been largely exaggerated²³. The change to a knowledge economy is happening on a global scale, but as a result, global markets in ideas and knowledge are being created which offer a new comparative advantage for advanced economies like the EU facing the challenges of competition from low wage economies.

The downsides of structural change

However, as with all big structural changes, there are potential downsides. The debate on the socio-economic consequences of this transition to a post-industrial knowledge and service economy has focused on the sustainability of our social models.

Whilst the debate is still shaped by myths and assumptions on globalisation, frequent job change and labour market polarisation, there are indeed issues which we will have to consider. One, for example is how to increase the skills of the whole workforce and the new types of skills that are needed in the knowledge economy. We also need to consider the position of unskilled workers as well as the new emerging forms of capitalism.

²² The OECD has developed a composite indicator of knowledge investment comprising investment in R&D, investment in IT software and investment in higher education as a share of GDP. By this measure the most EU economies, with the exception of the Nordics, failed to increase knowledge investment between 1994 and 2002. See: *ibid*

²³ Katerina Rudiger, 'Offshoring, a threat to the UK's knowledge jobs? The impact and extend of offshore outsourcing, The Work Foundation, July 2007

Previously, inequalities only occurred between EU countries; however, we are now also starting to see regional differences between 'knowledge cities' and old industrial towns leading to a growing income gap between richer and poorer areas within the same country.²⁴

²⁴ Liddle and Lerais (2007)

3. Who are the knowledge workers?

*'The survey results also show that one of the most important changes in the workplace is the increasing use of information technology...(..) However, a sizeable proportion of workers still never use internet or email. Alongside these dimensions, it is important to highlight that the survey provides the possibility of assessing how work in itself is changing; it is becoming, possibly less rapidly than expected, more knowledge and technology based and is developing a stronger customer orientation.'*²⁵

The European Working Conditions Survey is a useful tool to identify public policy priorities as it provides a complex portrait of work and working conditions in an enlarged Europe, by measuring results and monitoring trends and change.

The survey does not look specifically at knowledge work, but the fourth EWCS does note that computer use has risen considerably across Europe in general and for all workers. It highlights that, unsurprisingly, younger workers use computers twice as much as older workers. Indeed, around a quarter of Europe's workforce now work with computers all, or almost all, of the time. In 1990 the equivalent figure was around thirteen per cent. It also shows that workers see the use of new technology as a way to improve their career prospects²⁶. However, as we will see later, to what extent this is true may well depend on which European country they live in.

Who are Europe's knowledge workers?

Conventionally, knowledge workers are either defined as the top three occupational categories or as graduates. This is irrespective of their exact economic activity or what kind of task dominate their daily work routine²⁷. Depending on which definition we use, the proportion of knowledge workers varies a lot. This suggests that neither definition perfectly captures who knowledge workers are. Indeed, we lack explicit insight into who knowledge workers really are, how they differentiate themselves from non-knowledge workers and how they perform their jobs. Consequently, both employers and policy makers seem to struggle to find a way of making the most of the potential of these workers. Human capital is, it appears on more than one level, the great 'intangible' asset of our knowledge economies.

²⁵ EWCS (2007)

²⁶ *ibid*

²⁷ The Work Foundation is currently undertaking a major survey within its Knowledge Economy Programme in order to establish who the knowledge workers really are independently of their job category or degree level. Results to be published Spring 2008

Who are the knowledge workers?

Why should we differentiate between knowledge and non-knowledge workers?

When we talk about the potential of Europe's work force we refer to the entire workforce regardless of whether they are knowledge or non-knowledge workers. However, in order to better understand the knowledge economy and how to best invest in human capital it is useful to make that differentiation. Looking at how workers in the knowledge economy work helps us also to define how the way we work is changing in general.

When we assess the impact of investment in knowledge with regards to workers, i.e. education, it is worthwhile to point out that this does not only include formal education. On the contrary, those countries who have done well in terms of knowledge work have invested a lot in adult education and learning on the job. This has the double advantage of generating skills to incorporate new technologies that foster innovation as well as having faster returns than formal education. This is particularly important in light of an aging work force.

Two-thirds of the employees who will make up Europe's workforce in 2015 are already in the labour market today – and they will need to be equipped with the skills required to adapt to changing circumstances²⁸.

Knowledge workers and non-knowledge workers within Europe

Looking at the work characteristics for knowledge workers and non-knowledge workers, we are able to provide an overall picture of knowledge workers in Europe and what differentiates them from those classified as non-knowledge workers.

A majority of Europe's workers are still non-knowledge workers (sixty-two per cent) while thirty-seven per cent are knowledge workers (as defined by the top three occupational categories – see Figure 1 on page 17), whose average age is approximately 41 compared to 39 for non-knowledge workers. Within gender groups a higher proportion of women are knowledge workers than men, however in general, there is a higher percentage of male knowledge workers, reflecting participation rates. Not surprisingly, a significantly higher number of knowledge workers than non-knowledge worker are graduates or have completed a secondary education (A-levels) – see Figure 2 on page 17.

²⁸ Katerina Rudiger, Policy Brief, European Policy Center, November 2006

Figure 1: Proportions of knowledge and non-knowledge workers in Europe

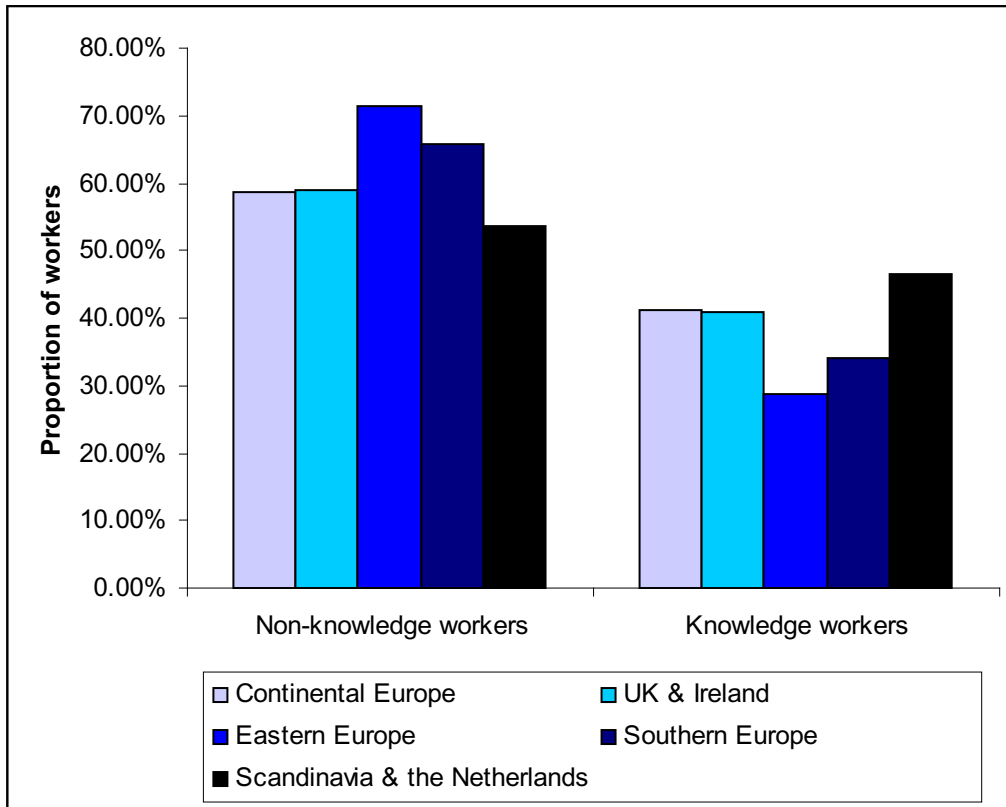


Figure 2: Educational qualifications of Europe's knowledge and non-knowledge workers

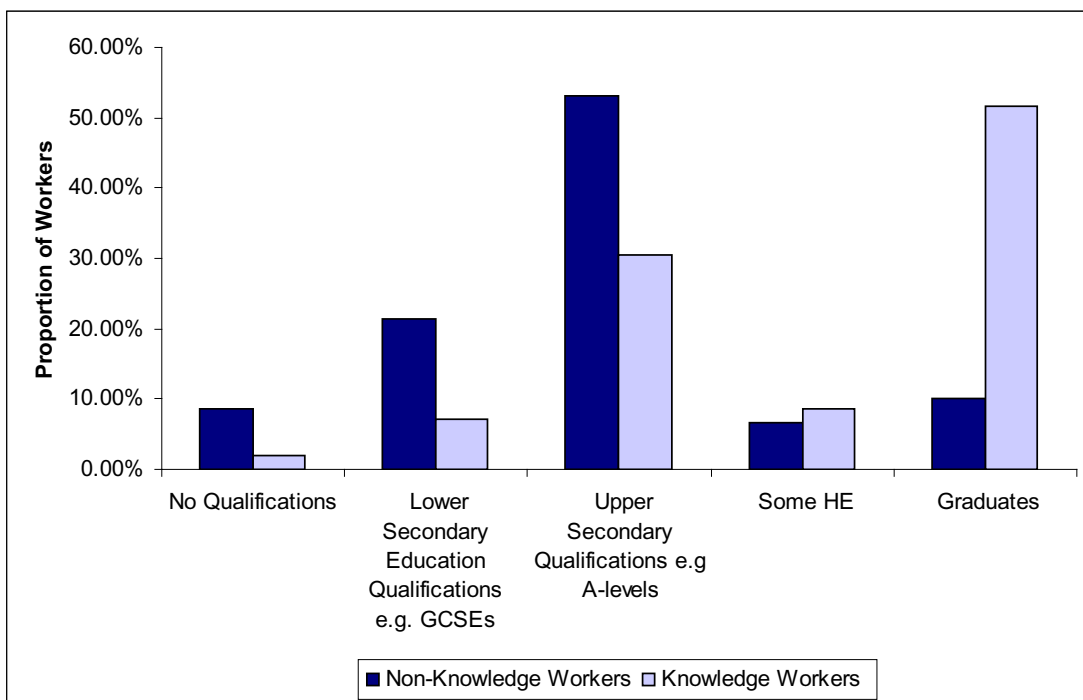
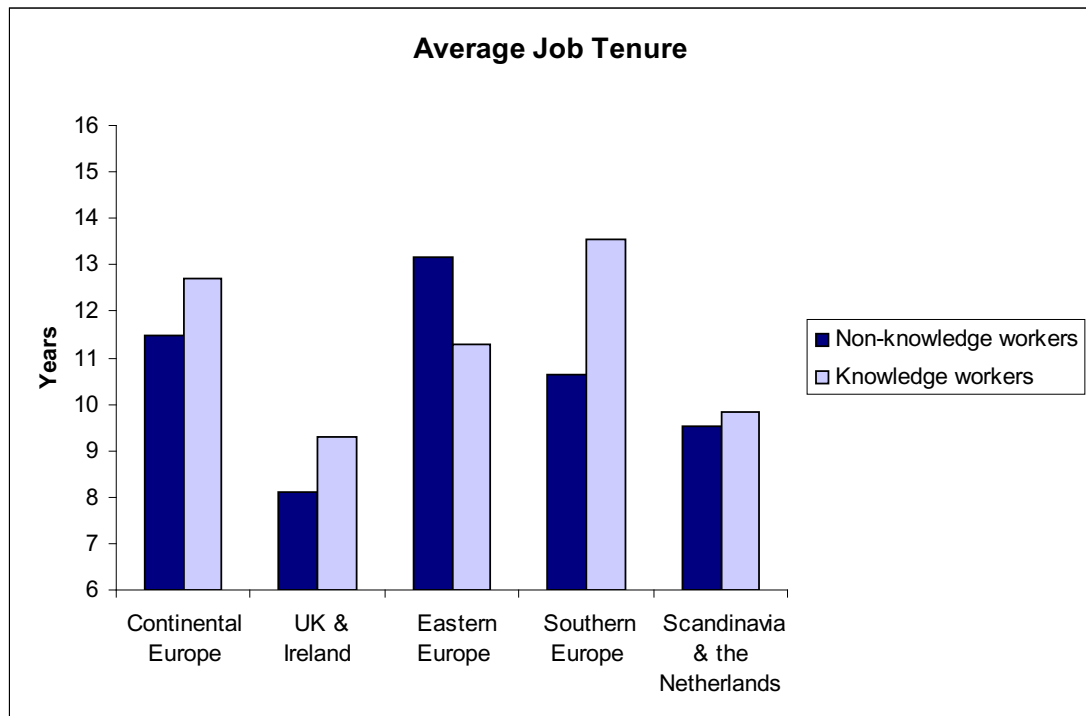


Figure 3: Average job tenure for Europe's knowledge and non-knowledge workers

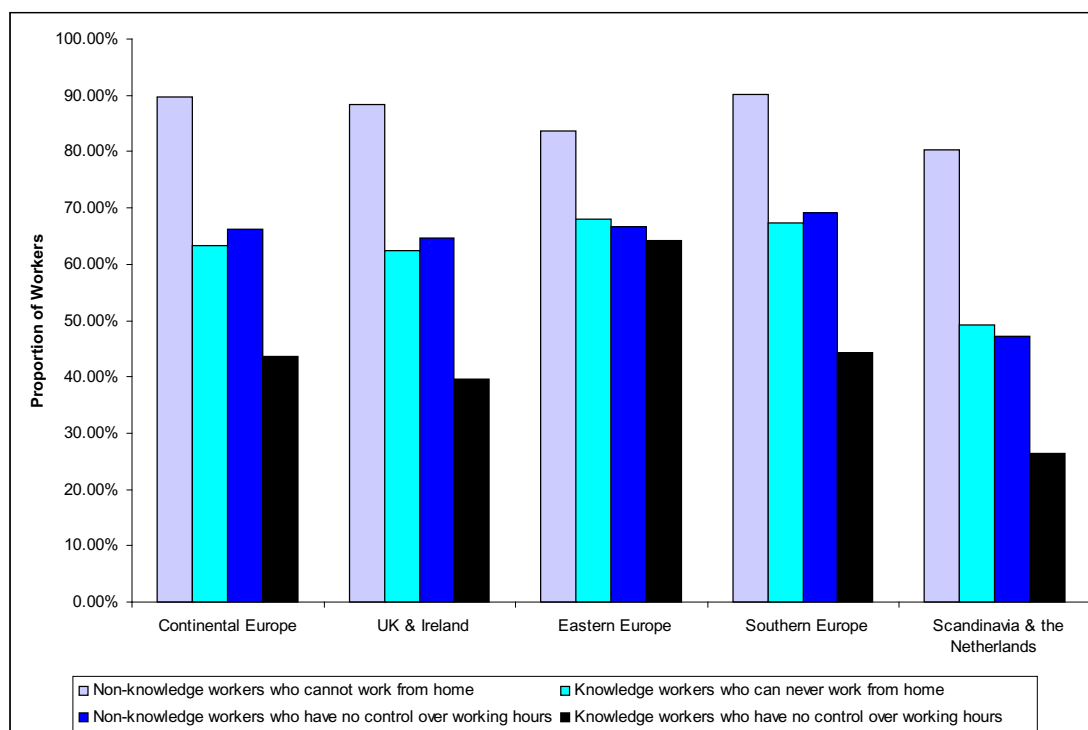


Knowledge workers are spending an average of 12 years in the same job. This is slightly longer than non-knowledge workers who change jobs after an average of 11 years. Over half of the knowledge workers have been employed in the same firm for over five years – see Figure 3 above.

A higher proportion of knowledge workers than non-knowledge workers are employed in the public sector. Knowledge workers in Europe are mostly working in the sectors of health, social work and education. Non-knowledge work in Europe seems, not surprisingly, to be concentrated in the retail sector.

The majority of all workers are employed in full time jobs working a regular 40-45 hour week. The percentage of part time workers is around 14 per cent for both knowledge and non-knowledge workers. Over a quarter of knowledge workers claim to work long hours, defined as more than forty-five hours per week and eight per cent work over sixty hours per week. This is quite similar to the non-knowledge workers who work slightly shorter

Figure 4: Flexibility of working time for knowledge and non-knowledge workers in Europe



hours, however this average hides a vast difference between different EU Member States.

Overall, the majority of both knowledge and non-knowledge workers work on a permanent contract. However non-knowledge workers are, overall, less likely to be on a permanent contract apart from those in Continental Europe where the opposite is true.

The proportion of workers working without a contract is higher for non-knowledge workers than for knowledge workers but a higher proportion of knowledge workers reported themselves as self-employed.

When looking at flexibility, specifically in terms of where and when work is performed, over half of all knowledge workers in Europe – a higher proportion than non-knowledge workers – say they can adapt their working hours – see Figure 4 above. Relatively high numbers of knowledge workers, sixty-five per cent, however said they could not work

Who are the knowledge workers?

from home. Not even half of all knowledge workers seem to believe that they have a good work-life balance, as only thirty-four per cent claim their job fits well around their social lives. However, the number who believe that they have a good work-life balance is even lower for non-knowledge workers.

Individual knowledge worker characteristics might differ considerably across Europe, which is why, after having established the differences and similarities between knowledge and non-knowledge workers within Europe, we will now look at the difference between knowledge workers across the EU member states. This will also help us to establish the impact national policy choices have on knowledge work.

Characteristics of knowledge workers across Europe

In Continental Europe, the UK and Ireland and Scandinavia and the Netherlands knowledge workers tend to work longer hours than in Southern and Eastern Europe.

Continental Europe

Forty-one per cent of workers in Continental Europe are knowledge workers. The Austrian, Belgian, German, French or Luxembourg knowledge worker is most likely to be an associate professional or a physical or social science engineer working for the private sector in health or social work.

Average job tenure is – at almost thirteen years – the second longest in Europe (just behind Southern Europe) and eight and a half out of ten knowledge workers will be on a permanent contract, compared to nine out of ten non-knowledge workers. This reflects the relatively strict EPL and strong labour unions of the continental social model.

UK and Ireland

The percentage of knowledge workers in the UK and Ireland is the same as in Continental Europe (41 per cent), slightly more than the EU average. They are mostly managers or associate professionals working in the education sector. Just to over half of them work in the private sector. The UK and Ireland have a very flexible labour market with significantly less strict 'hire' and 'fire' protections compared to other European countries. This is reflected in the job tenure of knowledge workers which, at just over nine years, is the shortest in Europe (although closely followed by Scandinavia and the Netherlands). Knowledge workers in the UK and Ireland, at forty-four hours per week, work the longest hours in Europe. They also report that they frequently work more than ten hours a day. In

addition, the UK and Ireland also have the highest number of knowledge workers without a contract (7.6 per cent) possibly reflecting the low levels of employment protection and weak unions.

Eastern Europe

With twenty-nine per cent, Eastern Europe has the lowest number of knowledge workers in Europe and with an average age of 39 years, a slightly younger knowledge worker population than the European average. A fifth of those work very long hours, more than sixty hours per week, and Eastern European knowledge workers are also more likely to work in shifts than the rest of Europe.

Southern Europe

Southern Europe has, after Eastern Europe, the second lowest number of knowledge workers (34 per cent). Knowledge workers in Spain, Cyprus, Italy, Greece, Portugal and Malta are, with an average age of forty-two years, the oldest knowledge workers in Europe and with an average job tenure of 13.6 years they also tend to stay the longest in their jobs, reflecting a lack of flexibility due to strict EPL (at least for permanent workers).

These workers tend to be managers of small companies or teaching professionals and sixty-six per cent of them work in the private sector. Despite very strict EPL only seventy-eight per cent of knowledge workers in Southern Europe are on a permanent contract, exactly the same percentage as the UK and Ireland who, on the contrary, have a very flexible labour market. This might also show the result of a dual labour market, with some knowledge workers on permanent contracts and others on temporary ones. Southern Europe also has the highest number of self-employed knowledge workers and almost two-thirds of them can never work from home.

Scandinavia and the Netherlands

Only in Scandinavia and the Netherlands are knowledge workers and non-knowledge workers in relatively equal proportions: forty-six per cent of the work force are knowledge workers versus fifty-four per cent of non-knowledge workers. With an average thirty-nine hours per week they work the shortest hours in Europe. Indeed, only about three per cent work more than sixty hours a week, and they are also more likely to work from home than any other worker in Europe. Only one per cent claim to work frequent long hours and a very high eighty-three per cent say they never, or less than five days a month, work ten

Who are the knowledge workers?

hours a day. Most of them tend to be on a permanent contract but with an average of 9.8 years they do not stay in their jobs much longer than knowledge workers in the UK or Ireland, which reflects the relatively low level of EPL but also the higher flexibility and mobility of workers.

Overall, looking at the work characteristics, there are of course many similarities among knowledge workers across Europe but there are also significant differences reflecting different social policies and welfare models. By simply looking at those work characteristics we can conclude that knowledge workers in Scandinavia or the Netherlands seem to have a better work-life balance and more opportunities than their colleagues in other countries, reflecting the efficiency and equity of the Nordic model, which invests heavily in the individual workers.

As we will see this is even more pronounced when it comes to the job characteristics for knowledge workers, this essentially reflecting different national policy choices.

4. The concept of 'good work' in the knowledge economy and the impact of national and EU policy

'But people also have strong feelings about what kind of work they do. Their job satisfaction depends on their income from work but also on the other qualities of the work: the amount of autonomy, job security, human contact, quiet, and stress. Research on job satisfaction tells us how much this matters'²⁹.

The quality of work in Europe and the working conditions of European workers obviously have an impact on competitiveness and social cohesion. When it comes to productivity and performance, there is plenty of evidence suggesting that the investment firms make in people has important business performance benefits. People management practices are especially important for this link.³⁰

Indeed, high performing firms have a higher degree of informality and continued dialogue supported by processes that allow faster decision-making. They openly share information between peers and networks of managers. In addition, they improve their performance through accessible leadership and management as well as high expectations from those in decision-making roles. They also value quality rather than quantity, and have a focus on long-term outcomes. The culture and employee relations of those successful firms are characterised by pride, innovation and strong interpersonal relations³¹.

Good jobs, bad jobs

We argue, that in order to design policies supporting the maximisation of the work force, such as the proposed common principles for 'flexicurity', policy-makers must have a clear vision of what constitutes 'good work' in the knowledge economy.

The concept of 'good work' is however complex, and the factors that characterise 'bad jobs' are far better known and understood: a lack of control over the pace of work and the key decisions that affect the work place, limited task discretion and monotonous and repetitive work, inadequate skill level to cope with periods of intense pressure, an imbalance between effort and rewards and limited 'social capital', i.e. formal and informal relationships which make workers more resilient³².

A vision of 'good work' should naturally include a number of basic elements, such as fair pay, absence of all kinds of discrimination, secure and interesting jobs that employees

²⁹ Richard Layard, 'Good and Bad Jobs' Centre for Economic Performance, CEP Occasional Paper No 19, April 2004

³⁰ Penny Tamkin, 'Skills and the bottom line, The Work Foundation, forthcoming

³¹ Stephen Bevan, et al 'Cracking the performance code', The Work Foundation, 2005

³² David Coats, 'An agenda for work: The Work Foundation's challenge to policy makers' Provocation Series, Volume 1, Number 2

The concept of 'good work' in the knowledge economy and the impact of national and EU policy

find fulfilling, a trust-based style and ethos of management, flexibility, autonomy and control over the pace of work and the working environment, statutory minimum standards to protect the most vulnerable workers and a voice for workers in critical employers decisions.³³

This of course applies universally to all workers, whether they are knowledge or non-knowledge workers. But for knowledge workers, the concept of 'good work' is arguably even more complex, as it will include more complicated factors such as how to make the most of tacit knowledge or whether the job is intellectually challenging. By 'challenging' we do not mean over demanding or over stretching, as this can have adverse effects on workers well-being and performance.

A job that makes cognitive and intellectual demands is more likely to provide opportunities for the worker to develop their intellectual skills. In this respect, the level of learning demanded in a job and the degree of intellectual challenge involved are also indicators of the extent to which jobs offer skill development.

Being able to learn and have development opportunities in a job also increases general employability. Employability – a key concept in the current Lisbon strategy as well as a vital element of the 'flexicurity model' – depends on a worker continually updating skills, both to progress in the current job and to retain the flexibility to find another job, hence ensuring greater employment security³⁴.

We mentioned earlier the importance of skills for productivity and economic competitiveness. Indeed, the skills and abilities of the workforce constitute, at corporate level, the quality of people that an organisation has at its disposal to innovate and to increase productivity. At a macro-economic, national and European level they represent the capacity to move up the value chain and stay competitive in a global market.

However, it is clear that skills are not the only factor which determines whether people do a 'good' job or not. The engagement, motivation and morale of the workforce, the meaning they find in work, their beliefs about the workplace and their willingness to put in discretionary effort also contribute to performance. Opportunities made available to

³³ *ibid*

³⁴ EWCS, (2007)

The concept of 'good work' in the knowledge economy and the impact of national and EU policy

individuals to apply themselves also count. Indeed, people need an appropriate working environment to prosper, best provided through information, job design, organisational structure and business strategy³⁵.

'Good work' and knowledge workers in Europe

Our 'good work' index takes into account the importance of the development of capability and its deployment, recognising that capability is about more than just potential. The index includes nineteen job characteristics related to autonomy, career opportunities, job security and job satisfaction which we think reflects the quality of knowledge work.

This includes the following indicators:

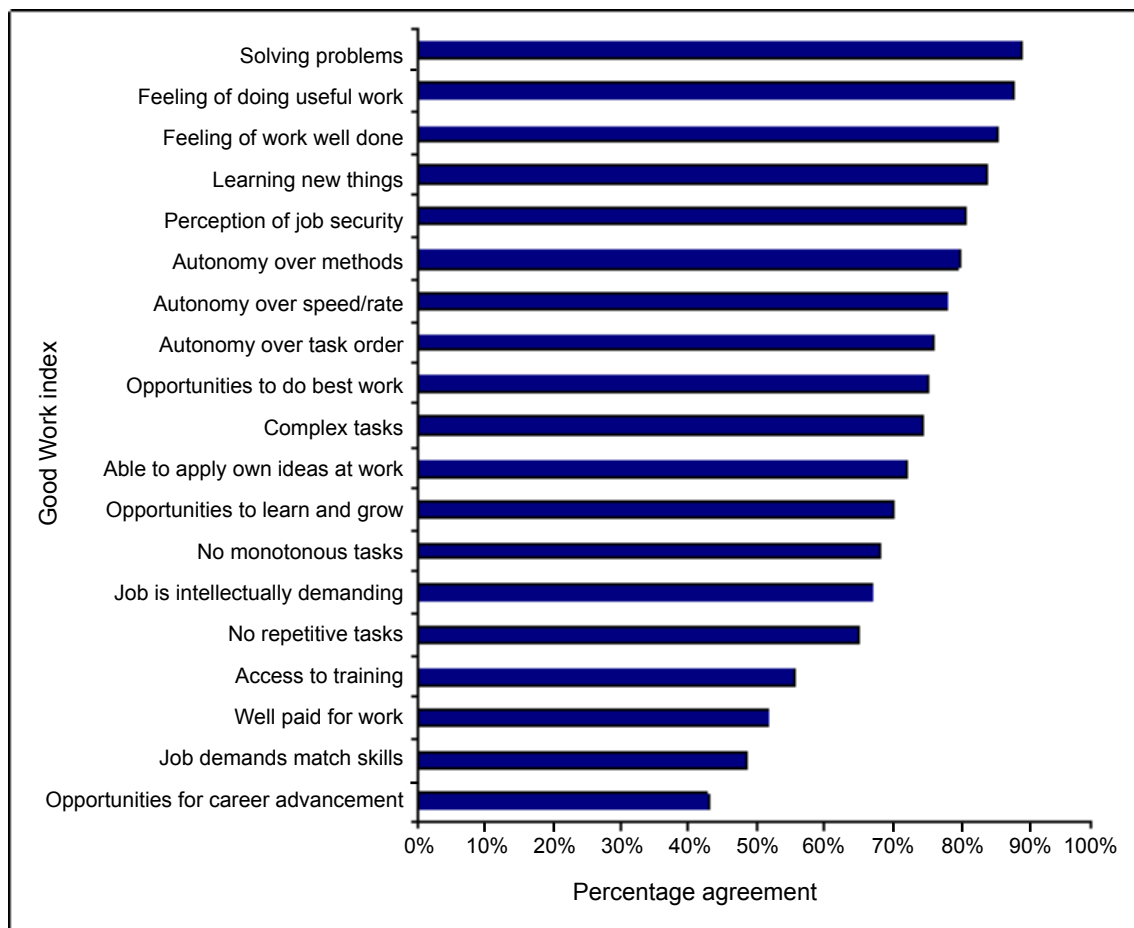
- the amount of repetitive and monotonous tasks performed
- the solving of unforeseen problems
- the opportunity 'to do what you do best' at work and 'the feeling of work well done'
- the ability to 'apply your ideas at work'
- the feeling of performing 'useful work' and whether workers find their job intellectually demanding and if the job duties match workers skills
- the training paid for by the employer, opportunities for career advancement, opportunities to learn and grow, fair pay and whether workers think they are likely to lose your job in the next six months
- the opportunity to work on complex tasks, ability to learn new things, as well the control over the order of task, methods and speed of work.

Overall Scandinavia and the Netherlands scored the highest on our index, with 14.53 out of a possible 19, followed by the UK and Ireland with 13.85 and closely followed by the continental countries with 13.48. The Eastern European countries score 13.05 and Southern Europe trails behind with 12.76 out of 19. Whilst the UK and Ireland, Continental Europe and Eastern Europe are all relatively close, there is a significant gap between Southern Europe and the Nordic countries plus the Netherlands, lending credit to the argument that there is indeed something 'special' about the Southern European countries, who still seem to be catching up with the rest of Europe.

European knowledge workers (in Scandinavia and the Netherlands more than in other countries) generally feel that they are doing useful work, solving problems and are rather satisfied in their jobs. However nearly half of all knowledge workers in Europe do not

³⁵ See Penny Tamkin (forthcoming)

Figure 5: Average scores for good work variables across Europe – Is knowledge work 'good work'?



have opportunities for career advancement or think that their job duties do not correspond well to their skill set and just half of them think they are well paid for what they do.

Eastern and Southern Europe score the lowest on opportunities for career advancement, Eastern Europe the lowest on pay and Continental Europe and the UK and Ireland the lowest on skills match, indicating that, in general, knowledge workers need more opportunities to deploy and improve their skills – see Figure 7 on page 27.

The concept of 'good work' in the knowledge economy and the impact of national and EU policy

Figure 6: The Good Work Index

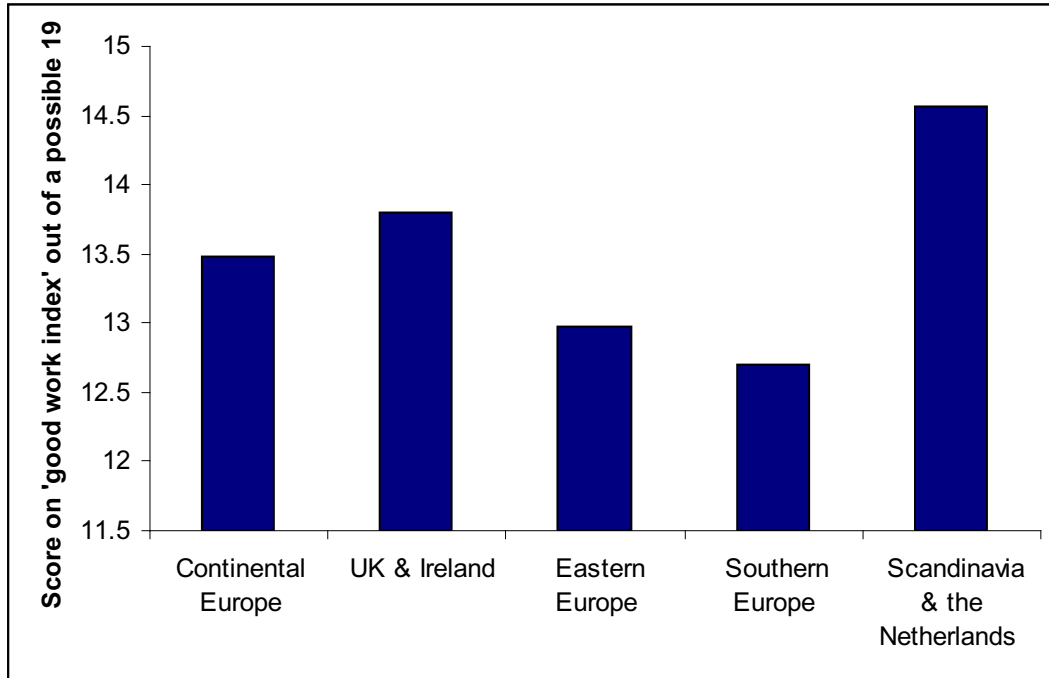
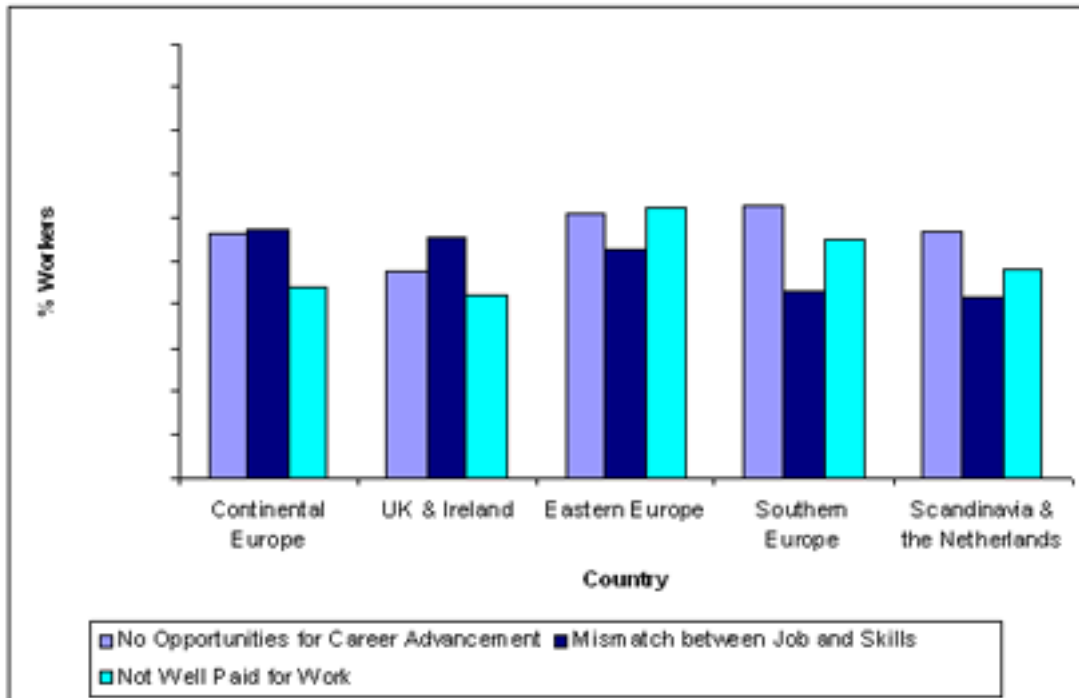


Figure 7: Percentage of knowledge workers unhappy with career advancement opportunities, job and skills match and level of pay



The concept of 'good work' in the knowledge economy and the impact of national and EU policy

Working conditions and social models

So what accounts for the differences, why are some countries' social models more supportive of knowledge workers than others and how do policy choices affect working conditions?

As we mentioned earlier, different European countries have different welfare states and social policies, giving rise to significant differences in terms of equity and equality performance.³⁶ For Luc Soete their performance is closely connected to how they adapt to the way knowledge accumulation and innovation has changed. Innovation capability today, he argues, is seen less in terms of the ability to discover new technological principles, but more in terms of the ability to systematically exploit the effects produced by new combinations and the use of pieces in the existing stock of knowledge³⁷.

'In other words, the dynamics of innovation, of entrepreneurship, of creative destruction thrives better in an environment providing higher rewards for creativity and curiosity than in an environment putting a higher premium on the security of employment, internal learning and efficiency improvements in the production of existing products³⁸'.

To put it simply: today it is more important *how* we work, in other words how we use new technology, apply skills and transform processes. The knowledge economy is about performing a job 'in a smarter way'. And while the industrial society benefited from the workforce stability supplied by the classic Continental model, there is now a need to deliver the changes and flexibility required by today's societies and the development of knowledge economies.

Both the Anglo-Saxon and the Nordic model offer higher labour market flexibility but this is achieved in very different ways. One important feature of the Nordic model is of course its active labour market policy. Instead of providing passive compensation for unemployment, it provides services which help the unemployed to develop their skills and actively search for a job. Another core element of this active labour market policy is the emphasis on continuous updating of skills and competencies.

Security and control are arguably the two factors that enable all workers to deliver higher performance. Long hours are likely to increase output but usually at the cost

³⁶ See Andre Sapir, 'Globalisation and the reform of the European Social Models', Bruegel Policy Brief, November 2005 for an analysis of performance on equity and equality of the different social models

³⁷ Luc Soete, 'A knowledge Economy paradigm and its consequences,' in: A. Giddens, P. Diamond and R. Little, *Global Europe, social Europe*, Polity Press, Cambridge, 2006

³⁸ *ibid*

The concept of 'good work' in the knowledge economy and the impact of national and EU policy

of performance and quality³⁹. However the type of job security also is important. The security workers have when they know they can stay in their job is less important than the guarantee that they will find another one and that they have the right skills for the labour market.

This is why the Danish 'flexicurity' model so successfully facilitates the transition between unemployment and employment or different jobs as it affords workers more flexibility with regard to their skills. Apart from external flexibility in the labour market, the model also offers internal flexibility. This so-called functional flexibility enables workers to acquire new skills.⁴⁰

It is worth noting the Netherlands presence in the grouping of the Nordic countries. The Netherlands has undergone a remarkable transformation since the 1980s and today stands out in Continental Europe for combining strong growth and low unemployment without abandoning the welfare state. However it took the country two decades of negotiated change to overcome the pathology of 'welfare without work', (a characteristic of a continental welfare regime) in adjusting the institutional, social and mental patterns of a passive welfare state⁴¹. The government liberalised labour laws to expand part-time work which has greatly benefited women and young people, significantly raising participation rates.

The UK in turn, which is doing well on indicators such as career opportunities and job security (eighty-nine per cent of all knowledge workers do not worry about losing their job), has increased its labour market regulation over the last decade.

Although the UK's EPL still remains less strict than in other EU member states, it now has a national minimum wage, qualifying periods for unfair dismissal have been reduced, compensation has increased and maternity and paternity leave entitlements have been extended.⁴² These social protection improvements have not had any damaging impact on employment, showing that more welfare does not automatically mean less work. It's more important what kind of social protection rather than how much, as the case of the Southern countries clearly demonstrates.

³⁹ Bevan et al (2006)

⁴⁰ European Foundation for the Improvement for the Living and Working Conditions, 'Varieties of flexicurity: reflections on key elements of flexibility and security' Background paper, March 2007

⁴¹ Jelle Visser and Anton Hemerijck 'A Dutch Miracle: Job Growth, Welfare Reform and Corporatism in the Netherlands' . Amsterdam University Press, 1997

⁴² See David Coats, 'Who is afraid of labour market flexibility?', The Work Foundation, 2006

The concept of 'good work' in the knowledge economy and the impact of national and EU policy

The distinctiveness of the southern model or why Southern Europe lags behind

'If it is true that the Southern Europeans are all to some extent engaged in a collective 'four corner game', for each Italian, Spanish, Portuguese or Greek family it is of vital importance that at least one member remain firmly anchored in the corner of garantismo'⁴³.

In Southern European countries, each family plays the 'four corner game': one corner is the protected core of the labour market, the second corner represents temporary and irregular employment, the third corner is the underground sector and the fourth corner stands for the ex-employed and unemployed. It represents four distinct socio-economic spaces characterised by significant differences in income and welfare opportunities. According to Ferrera, at least one member of the family must be in the protected corner, as if the family 'loses' the game they risk falling into poverty.

This theory reflects the selective system of the polarised spread of 'high' and 'low' social protection, which represents for Ferrera the true peculiarity of the 'Latin rim'. He argues that reducing Spain, Portugal, Greece and Italy's particularities to rudimentary welfare systems where traditional family and the church still play a prominent role provides only half of the picture. On the contrary, some cash transfers like pensions are indeed the most generous in Europe. Like in other corporatist countries, income maintenance is based on occupational status. The most distinctive trait of the Southern 'model' is the dualistic, almost polarised character of income maintenance which differentiates it from the continental welfare system. The social protection gaps not only hit the most vulnerable, but also many 'regular' workers who cannot fulfil the requirements for the generous benefits⁴⁴.

In the last twenty years the employment and welfare models of Italy, Spain, Portugal and Greece have undergone change and reforms have intensified. Spanish governments in particular have tried to limit labour market segmentation cutting down restriction for fixed-term contracts and reducing employment protection for permanent contracts. This has, however, reproduced labour market segmentation along new dividing lines. There have equally been efforts to improve the skills of the workforce in all Southern European countries, albeit with various degrees of commitment and success. Nevertheless, they still today lag behind other EU countries when it comes to participation rates, life long learning and skills⁴⁵. This is also reflected in our 'good work' index. Indeed, only about a third of

⁴³ Ferrera (1996)

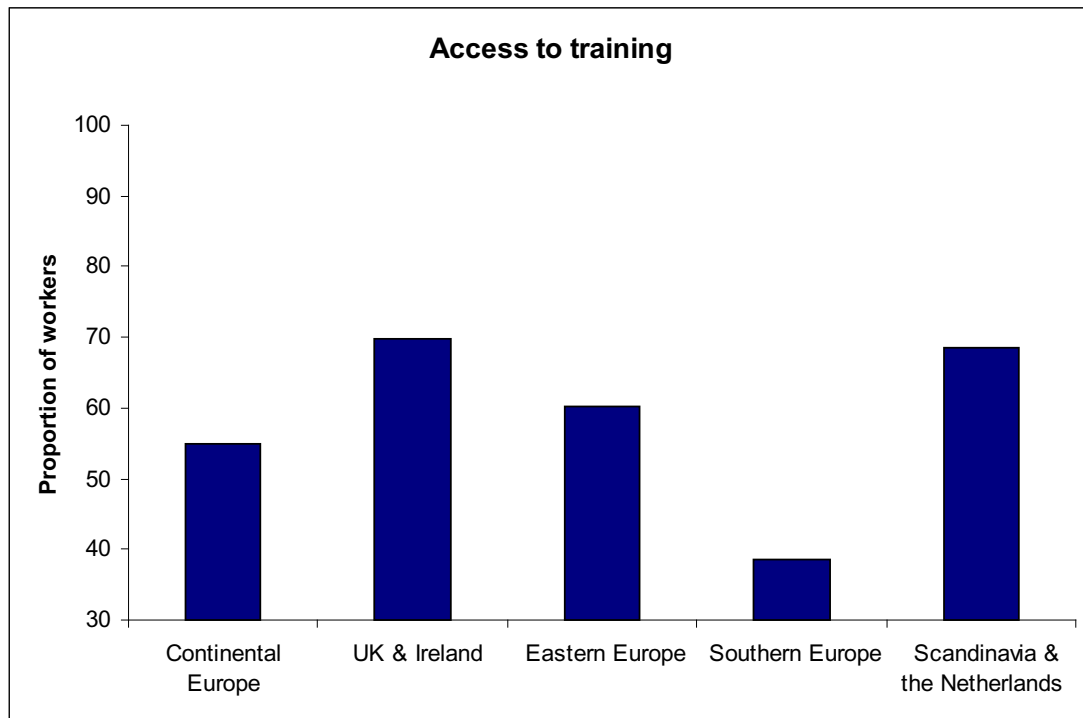
⁴⁴ *ibid*

⁴⁵ Maria Karamessini, 'The Southern European Social Model: changes and continuities in recent decades', ILO, 2007

The concept of 'good work' in the knowledge economy and the impact of national and EU policy

knowledge workers in Southern European countries had access to training, much lower than anywhere else in Europe, including the Eastern European countries.

Figure 8: Proportion of knowledge workers having access to training



The Southern European or Mediterranean social model therefore fails to develop and make the most of knowledge workers potential. Firstly, the low participation rates indicate poor human capital *utilisation*. Secondly, the lack of training, combined with labour market rigidity and segregation, does not encourage either *external or internal flexibility* of the work force, hampering the deployment of skills as well as the acquisition of new skills. Thirdly, by concentrating its *social transfers* on old age pensions, it leaves little to invest in its working age population.

As we have seen, the concept of 'flexicurity' refers to a notion based on the Danish welfare state model which successfully combines flexibility in the labour market with security for the worker, helping workers effectively with transitions from one job to another rather than protecting their current jobs. Unemployment benefits are high, but they are combined with active labour market policies and a strong incentive to work.

The EU policy debate – 'flexicurity' and the knowledge economy

The concept of 'good work' in the knowledge economy and the impact of national and EU policy

'Flexicurity' has been identified by the European Commission as an essential framework to address the changes in our societies as outlined earlier in this paper. Indeed, growing global economic integration, the demographic challenge of a rapidly ageing society and the increasing feminisation of the workforce are seen as some of the drivers behind the concept of 'flexicurity'. This model is seen as the path to growth and economic dynamism, while also allowing for a sufficient level of social protection, thus following Europe's successful tradition of combining the 'economic' with the 'social'.

Indeed, in the case of Denmark and other Nordic countries this model has produced low rates of unemployment, high levels of employability, macroeconomic stability, a high degree of social cohesion and, as our 'good work' index shows, it has also led to a higher number of better quality knowledge jobs.

Some of the perceptions around *jobs in the knowledge economy*, like shorter job tenure or more unusual working arrangements, have not proven to be true. As we have seen, the average knowledge worker is still on a permanent contract, works regular hours and stays in the same job for about twelve years. What is true is that *the way we work* has changed.

From a knowledge economy and knowledge worker point of view it makes sense to invest in people, to encourage both *external flexibility*, in order to allow companies to adapt to a changing economy and *internal or functional flexibility* in order to encourage the deployment, updating and the acquisition of new skills. We have also seen that access to training, autonomy and job content are important for knowledge workers but from looking at the poor performance of the Southern European countries we can see that social protection is also extremely relevant. Job security still matters in the knowledge economy; however, as the good performance of the UK and Ireland in our index shows, there is no correlation with strict EPL, since security is a much broader concept intrinsically linked to worker's perceptions.

The European Commission's next objective is the adoption of common principles for 'flexicurity', but as we have seen, many member states are still struggling to find ways to implement the different elements of active labour market policies, education and

The concept of 'good work' in the knowledge economy and the impact of national and EU policy

training, labour market legislation and welfare measures that are appropriate from both an efficiency and equity, point of view.

To take into account all of these different starting points and national legacies of the member states, the European Commission's strategy of advocating a variety of different pathways to 'flexicurity'⁴⁶ rather than a one-size-fits-all model is, according to our analysis, definitely the right approach. However, there should also be a common understanding and recognition that the way we work is changing and clear guidelines on how to best adapt our social systems to support this new reality.

⁴⁶ See Report by the European Expert Group on Flexicurity, Flexicurity Pathways: Turning hurdles into stepping stones, June 2007

5. Conclusions

Investment in knowledge workers and the full exploitation of their potential should be an essential part of the discussions on the reform of the European social model and the development of 'common principles for flexicurity'. Indeed, we need to integrate the wider vision of a concept of 'good work' in the knowledge economy into policy making, at both national and EU level. It is not a coincidence that those Member States which have succeeded best in modernising their labour markets and developing more efficient social welfare models are also the ones which perform best in terms of the amount, as well as the quality, of knowledge jobs and overall life satisfaction.

In theory, the knowledge economy should be able to offer better jobs which have the potential to be more fulfilling. Indeed, 'knowledge jobs' contain more essential characteristics embodied in our concept of 'good work' than 'non-knowledge jobs'. A company's competitiveness in the knowledge economy depends less on hierarchy but more on creativity and innovative processes achieved through team work, a highly skilled work force with greater autonomy and functional flexibility. This way of working should build workers' confidence in their skills and employability and increase overall job satisfaction as workers feel they are applying their skills, doing useful work and a good job.

In practice however, as we have seen, this is not always the case. Even in the best performing areas of the EU, substantial proportions of workers in the knowledge based occupations report a lack of access to training and career advancement as well as a mis-match between the demands of the job and the skills they have. This represents a substantial under utilisation of Europe's knowledge potential. Too often, social protection, not tailored for the knowledge economy, will hold workers back instead of empowering and supporting them. The social security models developed at earlier points in the history of the industrial society are increasingly inappropriate for work in the knowledge economy.

To address the new challenges Europe is facing, we need to support and encourage more workers to increase the knowledge content of work in order to move up the global value chain, increase participation rates and avoid labour market polarisation. We also, more importantly, need to unlock the potential of the existing knowledge workers by further improving and adapting working conditions to match their, and the markets, needs.

We need to change from passive welfare to a concept of 'positive welfare'⁴⁷ that helps Europe to 'activate' its knowledge potential. Skills are, of course, a decisive asset for a person's, and a nation's, productivity. But how those skills are deployed determines whether people do a good job or not. Factors like access to training and possibilities of career advancement for knowledge workers are also an important determinant for social cohesion in our societies and they can thus say a lot about the equity, efficiency and sustainability of a social model.

In order to be able to achieve this, we need to have a deeper understanding of the way the economy and, indeed the way we work has changed. Whilst knowledge-based activity and employment in Europe has increased over the last few years, policy-makers have little insight into the drivers of the knowledge economy. Indeed, looking beyond the rhetoric, there is a clear lack of understanding about what the 'knowledge economy' is as well as the social and economic impact that transformation to a knowledge economy entails.

⁴⁷ Anthony Giddens, 'Europe in a global Age' Polity Press, October, 2006

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Registered as a charity no: 290003

First published: November 2007

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