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INTRODUCTORY NOTE

from : Council Secretariat
to : Permanent Representatives Committee (Part 1)/ EPSCO Council
**Subject : Implementation of the common principles of flexicurity within the
framework of the 2008-2010 round of the Lisbon Strategy
- Report by the "flexicurity" mission**

Delegations will find attached the Report on the Mission for Flexicurity, drawn up under the authority of Mr Vladimir ŠPIDLA and Mr Gerard LARCHER, co-Chairmen of the Mission.

REPORT OF THE MISSION FOR FLEXICURITY

DRAWN UP UNDER THE AUTHORITY OF

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1. FLEXICURITY: LABOUR MARKET RESPONSES TO CHANGE

1.1 Context, mandate and objectives of the Mission for Flexicurity

"Flexicurity", or the strategy which aims to simultaneously strengthen flexibility and security for the benefit of both parties in an employment relationship, has been recognised as one of the key objectives for European labour markets in the context of the European Employment Strategy and the Lisbon strategy.

The joint analysis of the labour market situation carried out by the European social partners in October 2007,¹ a chapter of which relates to flexicurity, showed the first signs of a European-level consensus about the concept.

The Communication from the Commission of June 2007 ("Towards Common Principles of Flexicurity: More and better jobs through flexibility and security")² aims to clarify this consensus and facilitate the implementation of this strategy in the Member States. It defines flexicurity as an integrated approach including four components:

- more flexible and secure contractual arrangements, from the point of view of both employer and worker;
- lifelong learning strategies in order to ensure workers' ongoing capacity to adapt, and increase their employability;
- effective active labour market policies in order to facilitate transitions to new jobs;
- modern social security systems providing adequate income support during transitions.

Even though all labour markets in Europe are faced with the similar challenges, the implementation of flexicurity can only be specific, taking account of national and regional characteristics. For this reason, the approach adopted does not consist of a single model but stresses the importance of a number of "common principles of flexicurity", relating in particular to the reduction of segmentation in the labour market, the need for a climate of trust with the social partners, and the search for a balance between the rights and responsibilities of employers, workers and jobseekers and the authorities.

¹ "Key challenges facing European labour markets: European social partners joint analysis", <http://www.etuc.org/a/4119>.

² COM(2007)359 final, 27/07/08.

The Member States may combine these various tools and principles to devise a flexicurity strategy adapted to their specific needs and priorities. On 5 December 2007, the Employment and Social Affairs Council adopted the common principles of flexicurity, subsequently validated by the European Council of 14 December 2007, and called on the Member States to take them into account in drawing up and implementing "national flexicurity pathways".

At the Council's request, the European Commission has launched the "Mission for Flexicurity", consisting of representatives of the French Presidency and the preceding Slovenian Presidency of the European Union and of the European social partners.³

The Mission aims to promote the implementation of flexicurity in different national contexts by raising the profile of the flexicurity approach and its common principles and by helping the relevant labour market actors to take ownership of the process.

The Mission also has the objective of promoting the exchange of good practice and mutual learning between Member States.

1.2 Challenges and opportunities for European labour markets

The work of the Mission for Flexicurity has been carried out in a context of major change affecting European labour markets. The effects on employment of the financial crisis and the economic slowdown are already becoming apparent and will have an even greater effect on our labour markets in the coming months.

In addition, the long-term challenges for labour markets are still the same. Globalisation and rapid technological progress are causing far-reaching economic restructuring, giving rise to the development of new products and services and changing employment relationships, as well as the content of workers' tasks. Demographic trends will also have a considerable impact on labour markets. These changes give rise to legitimate concerns, compounded by the deterioration of the employment outlook in the short term.

For employers, a sufficient degree of flexibility will be increasingly necessary in order to improve their adaptability, while employees will need to be able to enjoy greater job security, which will mean effective support in seeking jobs, adequate income support during transitions and training opportunities in order to adapt to change throughout the working life.

Providing greater security and flexibility in working arrangements is in the interest of both employers and workers. Flexicurity makes it possible to take a wider view, rather than thinking that security is sought exclusively by employees. Employees seek greater flexibility in order to reconcile personal and working life, while employers need security in employment relationships, particularly legal security.

Implementing flexicurity is also a challenge in itself, as it requires ambitious structural reforms based on a solid consensus. However, flexicurity is without doubt the strategy that European labour markets must adopt in order to adapt to new requirements, while providing the necessary degree of protection, particularly in the current context of economic slowdown.

³ Terms of reference of the Mission: <http://ec.europa.eu/social/main.jsp?catId=118&langId=en>

1.3 The Mission's approach

The Mission carried out a series of visits between April and July 2008 in France, Sweden, Finland, Poland and Spain, countries which had volunteered to host the Mission. These visits enabled the members of the Mission to hold talks with high-level participants from the countries concerned, including Ministers and Secretaries of State responsible for labour, social affairs and employment. The visits included seminars with contributions from the social partners, MPs and experts, discussing the flexicurity strategies in each country and their specific characteristics. With a view to mutual learning, the visits were opened up to participants from other countries, and particularly to members of the Employment Committee. A detailed report of these visits is available on the Mission's website.

The participation of the European social partners within the Mission increased its legitimacy and enabled it to hold a concrete dialogue with national players during its visits to the Member States. The Mission welcomed this tripartite cooperation in promoting the common principles of flexicurity.

The Mission's visits were aimed at reducing the gap between European debates on the common principles of flexicurity and actual national situations, and made it possible to observe the development of flexicurity strategies in the Member States. This report aims to underline some of the measures introduced in the various countries visited, and to take from them lessons which can be applied across the board. All Member States may learn useful lessons from the examples implemented in the five countries visited by the Mission, which provide a fairly representative sample of the diversity of European labour markets.

This report also benefits from the conclusions of a seminar on establishing flexicurity policies in the EU as part of the mutual learning programme of the European Employment Strategy, in which Mission members took part,⁴ and from exchanges with the European Economic and Social Committee. In addition, the report is also based on the Commission's expert report and the opinion of the European Public Employment Services (PES), which demonstrated their willingness to contribute to the implementation of flexicurity⁵.

⁴ <http://www.mutual-learning-employment.net/thematicreviews/en/>

⁵ Opinion of the network of Public Employment Services on the contribution of the PESs to flexicurity: <http://ec.europa.eu/social/main.jsp?catId=139&langId=en>

The European PESs are in a position to contribute to the implementation of flexicurity via its four components:

- in the field of active labour market policies, through its ability to manage transitions in the labour market and the implementation of measures enabling candidates to seek jobs and employers to seek workers;
- with reference to global learning strategies, the PESs have a guiding and prescribing role and, in certain cases, can act as providers of the necessary training;
- as a result of strengthening the link between bodies supporting jobseekers and compensation bodies or social assistance payment bodies;
- through the effect of contractual arrangements on the volume and nature of flows in job vacancies and transitions by persons.

2. OBSERVATIONS OF THE MISSION ON THE IMPLEMENTATION OF FLEXICURITY STRATEGIES IN THE MEMBER STATES

The following section sets out examples of flexicurity measures already implemented or being drawn up in France, Sweden, Finland, Poland and Spain, stressing their contribution to the strategy for growth and jobs.

This contribution looks at three particularly relevant topics: access to employment for all, improving the quality of employment, and anticipating and adapting the labour market to change. Within these three topics, flexicurity measures may be grouped in accordance with more specific contributions.

2.1. Flexicurity and access to employment

Flexicurity is intended to create conditions conducive to entering and staying in the labour market, particularly for vulnerable groups, which is an objective of employment policies in all the countries visited.

Developing new modes of access to employment through the framing of new labour law provisions.

New contractual arrangements may create a favourable framework for job creation. In **Poland**, the concept of "distance working" has been introduced into labour law on the basis of an agreement between the social partners implementing the framework agreement concluded at European level. This form of employment meets certain needs in the new economy and brings potential benefits to the employee.

In **France**, a new type of "specified-purpose" contract (*contrat à objet défini*) or "mission contract" (*contrat de mission*) lasting not more than 36 months has been created to take account of situations where a company is reluctant to recruit on an open-ended contract. At the end of the mission, the company may retain the employee, whose contract becomes open-ended.

Facilitating jobseeking

The PES play a crucial role as intermediaries in the labour market. In **Finland**, a reform in 2005 introduced more individually-oriented services aimed at providing guidance and advice. Some agencies have set up jobseeking centres to enable direct contact between employers and jobseekers.

In **France**, the PES *Agence Nationale pour l'Emploi* will be merged from 1 January 2009 with the body responsible for unemployment insurance (UNEDIC) in order to improve the effectiveness of their services and facilitate action by jobseekers and employers. In tandem with this reform, monthly monitoring of jobseekers will be reinforced.

Promoting a return to the labour market for persons with poor employment prospects

In **Poland**, the "45/50+" programme and the "Solidarity between Generations" strategy aim to promote employment for older workers in the labour market through action in a number of areas. Active labour market policies have been refocused on the most disadvantaged groups and the long-term unemployed.

In **Sweden**, reforms have been introduced in order to facilitate a return to employment by persons on long-term sick leave, including reductions in social contributions, tax credits and enhanced medical and occupational rehabilitation schemes.

In addition, social benefits are designed to ensure that returning to employment also generates an increase in income. In **France**, the "solidarity income" (*revenu de solidarité active*), which will be generally applicable from mid-2009, is both a minimum income for those not working and an income supplement for those finding a new job but with a wage lower than the allowances previously received.

Promoting access to employment for young people

The ability of the PESs to facilitate the entry of young people into the labour market is to be reinforced. In **Poland**, every young jobseeker is offered personalised support within 7 or 30 days, as required.

With regard to contractual provisions, in **Sweden** the opportunity to make use of fixed-term jobs, together with reductions in the contributions paid by employers, is designed to encourage the recruitment of young people.

2.2. Flexicurity and job quality

Flexicurity is intended to help improve job quality and opportunities for all to stay on the labour market in good conditions and make progress there.

Developing innovative practices in the workplace contributing to job quality and gender equality in the labour market

The flexicurity model introduced in **Finland** stresses the importance of job quality and of the work environment, linked to the search for innovative practices in terms of work organisation and the development of employees' skills. Such practices should also help to improve reconciliation between work and private life and combat discrimination in the workplace.

In **Spain**, the "equality plans" which must be introduced in companies with more than 250 employees should help to improve the quality of jobs held by women. These plans relate to working time, the adaptation of working hours in accordance with family responsibilities, and pay.

Improving opportunities for social mobility for workers in need of greater integration into the labour market

In **France**, the individual right to training is to be transferable, and the ongoing reform of vocational training should tilt the balance in favour of those groups most in need of it.

In **Sweden**, subsidised jobs, the validation of training acquired abroad and the organisation of specific training and language courses should improve the integration of immigrant workers into the labour market.

Addressing segmentation in the labour market

In **Spain**, a tripartite agreement has enabled restrictions to be placed on the successive use of temporary contracts. Since 2007, grants have been awarded to companies offering open-ended contracts to certain target groups. In addition, an amendment to the status of self-employed workers in 2007 enabled social security coverage to be extended to over 3 million workers.

It should be noted that in a country such as **Sweden**, where contractual segmentation is less significant, the primacy of collective agreements ensures a high capacity for adapting labour law. This has enabled the development of flexicurity negotiated at branch level and reduced the need to use atypical forms of contract.

2.3. Anticipating and adapting the labour market to change

Flexicurity aims to develop security "in employment" and to "secure" increasingly complex occupational pathways within but also between companies by facilitating transitions between jobs.

Developing the adaptability of companies while increasing the employability of employees

The adaptability of companies may be increased by means of flexible working hours in order to increase flexibility. It is also crucial for businesses to promote the development of functional internal flexibility in relation to the type of tasks, the forms of work organisation and employees' skills.

In **France**, a system for "forward-looking labour force and skills management" (*gestion provisionnelle des emplois et des compétences*) has been introduced in companies with over 300 employees. Negotiations on business strategy and future job and skill requirements should enable the implementation within the company of better human resources management and the consequent mobilisation of vocational training tools.

In **Spain**, improving vocational training systems is a key objective. Since a tripartite agreement on training and employment was enshrined in law in 2007, employees are entitled to individual training leave, while companies may receive financial aid to support their training projects.

Facilitating transitions between jobs and anticipating departures from the labour market in the case of economic restructuring

Following economic restructuring, employees who have lost their jobs risk being trapped in long-term unemployment. Since 2005, following a tripartite dialogue, **Finland** has developed what it calls a "change security model" to support the retraining of employees made redundant for economic reasons. They are able to take leave during the period of notice in order to look for a job, and have access to higher redundancy allowances and a specific training and jobseeking programme introduced by the PES. Such programmes have already received financial support from the European Globalisation Adjustment Fund, European Social Fund and European Regional Development Fund.

In **Sweden**, "transition agreements" sharing the same objective are introduced by branch and managed by the social partners. They cover 2 million employees and aim to facilitate the placement of employees in the event of restructuring.

3. PRINCIPAL LESSONS LEARNT BY THE MISSION FOR FLEXICURITY

The visits undertaken by the Mission and the examples presented above show the diversity of situations and approaches between Member States. The discussions held during the Mission have reaffirmed the need to develop an integrated approach to flexicurity adapted to the national context and thus confirm the validity of an approach based on common principles. The Mission also wishes to highlight three general lessons on the implementation of flexicurity.

3.1. The contribution of flexicurity in a more difficult economic context

Some of the Mission's observations take on an additional dimension in the light of the changing economic context. The Mission wishes to underline the potential contribution of flexicurity to promoting growth and employment in more difficult economic conditions. In particular, viewing problems in the short term should not lead to increased flexibility in the labour market taking precedence over the question of security.

The implementation of flexicurity may seem more difficult in such a context, but it must be stressed that both the short- and long-term gains in terms of jobs, productivity and competitiveness justify keeping the reforms on course. Securing transitions between jobs and adequate support for jobseekers are particularly necessary in the current context.

The role of active labour market policies must be strengthened to cope with the difficulties linked to the financial crisis. Mobilising all the tools facilitating occupational transitions will help to prevent a rise in unemployment and, over time, counteract the risks of a resurgence in long-term unemployment. Better targeting of active labour market policies, defining a balance between the rights and obligations of jobseekers and a search for greater efficiency in investments in continuing training are necessary.

The PESs have a crucial role to play here by providing effective support for jobseekers, including guidance and training services. It is therefore essential that the implementation of flexicurity strategies be based on the expertise of the European PESs.⁶

The joint mobilisation of various tools within an integrated flexicurity strategy will in the medium term help to bring about an improvement in the labour market situation, both quantitatively and qualitatively. However, flexicurity cannot constitute an isolated response. Economic growth is and will remain the principal factor in creating more and better jobs. Healthy macroeconomic policies and adequate financial resources are prerequisites for a working flexicurity strategy, as emphasised by the European social partners in their joint analysis of the labour market. As a result, the establishment of flexicurity must be linked to a wider strategy for growth and employment.

⁶ Opinion of the network of Public Employment Services on the contribution of the PESs to flexicurity:
<http://ec.europa.eu/social/main.jsp?catId=139&langId=en>

3.2. The crucial role of the social partners in establishing national flexicurity pathways

During its visits, the Mission noted the interest of the national social partners in the concept of flexicurity and their willingness to be fully involved in discussing the conditions for its implementation at national level. This strategy has been well taken into account by the social partners and some of its aims are already the subject of dialogue, encouraged at times by the government, including in certain countries where the term "flexicurity" does not feature strongly in national political debate.

The visits by the Mission confirmed the determining role of the social partners in creating a consensus on establishing flexicurity measures at national level. A high degree of trust between the social partners is necessary, particularly in the current context, in order to maintain the objectives of keeping a balance between flexibility and security and modernising the labour market. A wide-ranging dialogue between all national players (social partners, governments, economic and administrative players, etc.) is decisive in designing and introducing such reforms.

During the Mission's visits, the social partners stressed that a balanced approach is necessary, meaning both a balance between flexibility and security and the taking into account of the respective needs of employers and employees for flexibility and security. Flexicurity should also be introduced as near as possible to the needs of the labour market, at branch and company level.

3.3. Anticipating trends in the labour market and the demand for skills in order to promote the implementation of flexicurity

An ongoing effort to adapt to change and seek a better match between the needs of companies and the skills of employees and jobseekers forms an integral part of the concept of flexicurity.

The effectiveness of a flexicurity strategy may be strengthened by closer analysis of the development of skill requirements in the labour market. In order to do this, it is necessary to step up the monitoring of recent labour market trends and of restructuring at sectoral level. The discussions between the Mission and national players also showed the extent to which a systematic anticipation of training requirements, both medium- and long-term, is necessary in order to maintain the employability of employees throughout their career and to improve job quality. This is important both for keeping older workers in the labour market and for ensuring the effective occupational integration of young people. The ability to develop quantitative and qualitative knowledge of manpower requirements will increasingly become a key skill of the PES.

Successful anticipation requires an ongoing and in-depth dialogue between the economic players, the social partners and other public- and private-sector players concerned: local authorities, public and private employment services, and education and lifelong learning stakeholders. As underlined by the "New Skills for New Jobs" initiative launched by the Commission,⁷ this type of exercise should help to reduce imbalances between supply and demand for skills in the labour market in the long term by helping to improve occupational guidance and by defining initial and continuing training more suited to the needs of businesses, in the context of lifelong learning strategies.

⁷ <http://ec.europa.eu/social/main.jsp?catId=568&langId=en>