

Tripartite Social Forum

on the implementation of the
Europe 2020 flagship initiative

'An Agenda for new skills and jobs'

Brussels, 10-11 March

- Workshop 1 -

'Reducing segmentation and supporting transitions through flexicurity'

Strengthening the flexicurity components and implementation

- Commission background note¹ -

Background

In December 2007, the Council adopted the EU Common Principles of Flexicurity including its four components, as a means of modernising labour markets and promoting work through new forms of flexibility and security². In order to increase adaptability, employment and social cohesion, Member States were called upon to develop their own national flexicurity arrangements and to devise strategies to reform their labour markets together with social partners. Since then, the crisis has put national reform strategies and flexicurity to the test; the lessons of the last two years are both encouraging and challenging³.

On the one hand, evidence shows that flexicurity policies have helped weather the crisis. Many Member States have temporarily introduced new publicly sponsored short-time working arrangements, or have increased their level, coverage and duration, and made their use more manageable. By increasing internal flexibility, Member States countered the fall in the growth of employment in 2008-09 by 0.7 percentage points on average on an annual basis. They helped companies avoid the loss of firm-specific human capital and re-hiring costs, and contributed to mitigate hardship for workers.

Similarly, several Member States have strengthened unemployment insurance systems (i.e. the level of benefits, their duration, and their coverage for new groups). Active labour market measures have increased, including business start-up incentives, training and work experience programmes. Public Employment Services provided more targeted job-search assistance for particular groups such as young people, immigrants, workers on short-term contracts, the newly redundant, or those not receiving benefits. In some countries,

¹ Extracts from the Commission's Communication 'An Agenda for new skills and jobs: A European contribution towards full employment' COM(2010) 682 final/2

² Council conclusions on 'Towards Common Principles of Flexicurity' of 5/6 December 2007 (doc.16201/07).

³ Council conclusions on "Flexicurity in times of crisis" of 8 July 2009 (doc.10388/09).



employment services raised their staffing levels by 10% or more to cope with the rise in the number of job seekers.

On the other hand, the crisis has highlighted the urgent need to pursue labour market reforms, without reducing the scope for consensus and trust between social partners — a key prerequisite for successful flexicurity policies. Policies to reduce segmentation have been insufficient: young, temporary workers and migrants have been among those hardest hit by the recession. The unemployment rate for young people (up to 25 years) has risen by 5.8 percentage points since March 2008 to over 20%, while the rate for adults (25-64 years) increased only by half as much and currently stands at 8.3%. At the height of the recession, job losses for workers in temporary work were almost four times higher than for those in permanent employment. Unemployment has also risen sharply among the migrant population.

The crisis has also shown how hard it is to implement truly integrated policies. For example, the short-term working arrangements have not been complemented often enough with training opportunities for employees. Even in Member States offering additional incentives for training, not enough potential beneficiaries took up the offer to re-train.

Orientations of the Agenda

A new momentum: strengthening the flexicurity components and implementation

The EU Common Principles for flexicurity are well-balanced and comprehensive; they remain valid today. However, the four components of flexicurity (flexible and reliable contractual arrangements, active labour market policies, life-long learning, and modern social security systems) must be strengthened to ensure that, in the post-crisis context, countries focus on the most cost-effective reforms while providing better flexibility and security.

Member States' national flexicurity arrangements can be strengthened and adapted to the new socio-economic context, through a new balance within and between the four components of flexicurity, and in the time sequence of different policies. Labour market institutions also need to be strengthened, to ensure that workers benefit from transitions between jobs, occupations, sectors or employment statuses. Making transitions pay is essential to provide workers with the necessary security to accept and cope adequately with mobility. Lastly, implementation and governance must enhance the coordination of policies, and the involvement of social partners and other relevant stakeholders.

1. Reinforcing the four components of flexicurity

In order to strengthen labour market reform and modernisation, building on the EU Common Principles, **the Commission proposes the following key policy priorities to reinforce the four components of flexicurity, in partnership with Member States and social partners:**

Flexible and reliable contractual arrangements:

- *Focusing on the reduction of segmentation in the labour market.* Different avenues can be pursued in line with the national context such as the decentralisation of collective bargaining or the revision of existing contractual arrangements. While in some cases greater contractual variety may be needed to answer territorial and sectoral specificities, in highly segmented labour markets, one possible avenue for discussion could be to extend the use of open-ended contractual arrangements, with a sufficiently long probation period and a gradual increase of protection rights, access to training, life-long learning and career guidance for all employees. This would aim at reducing the existing divisions between those holding temporary and permanent contracts.

- *Putting greater weight on internal flexibility in times of economic downturn.* While both internal and external flexibility are important over the business cycle, internal flexibility can help employers adjust labour input to a temporary fall in demand while preserving jobs which are viable in the longer term. Employers can thus retain the skills of firm-specific workers which will be at a premium when the recovery takes hold. Forms of internal flexibility include the adjustment of work organisation or working time (e.g. short-time working arrangements). Flexibility also allows men and women to combine work and care commitments, enhancing in particular the contribution of women to the formal economy and to growth, through paid work outside the home. Notwithstanding the importance of internal flexibility, external flexibility remains essential in case of necessary structural adjustment in order to allow an efficient reallocation of resources.

Comprehensive life long learning:

- *Improving access to lifelong learning,* to help people move to high-value added sectors and expanding occupations such as those emerging from 'sustainable growth' policies, equal opportunities policy and legislation, and 'white' jobs. More flexible learning pathways can facilitate transitions between the phases of work and learning, including through modularisation of learning programmes. These pathways should also allow for the validation of non-formal and informal learning and be based on learning outcomes, as well as the integration of learning and career guidance systems.
- *Adopting targeted approaches for the more vulnerable workers,* particularly the low skilled, unemployed, younger and older workers, disabled people, people with mental disorders, or minority groups such as migrants and the Roma: Public Employment Services (PES) should provide career guidance and well-targeted and adapted training and work-experience programmes. Specific priority should also be given to i) the skills upgrading of older workers who are particularly vulnerable to economic restructuring, ii) re-skilling of parents returning to work after a period taking care of family dependants and iii) re-skilling of blue collar workers with a view to a transition towards green-collar jobs.
- *Enhancing stakeholders' involvement and social dialogue* on the implementation of lifelong learning. Partnerships at regional and local levels between public services, education and training providers and employers, can effectively identify training needs, improve the relevance of education and training, and facilitate individuals' access to further education and training. Social partners' dialogue is particularly important on effective cost sharing arrangements, on the provision of learning in the work-place, and on the promotion of cooperation between public sector organisations and business.
- *Establishing effective incentives and cost sharing arrangements,* to enhance public and private investment in the continuing training of the workforce, and increase workers' participation in lifelong learning. Measures could include: tax allowance schemes, education voucher programmes targeted at specific groups, and learning accounts or other schemes through which workers can accumulate both time and funding. While these measures should comply with EU state aid rules, Member States can benefit from the possibilities offered by the General block exemption Regulation (EC) No 800/2008.

Active Labour Market Policies (ALMP)

- *Adapting the mix of ALMPs and their institutional setting to reduce the risk of long-term unemployment.* Member States have made significant progress in this component of Flexicurity: thanks in part to the European Employment Strategy, ALMPs are far better and stronger than they were a decade ago. However, there is scope for improvement on several aspects: individual job counselling, job search assistance, measures to improve skills and employability. Cost-effectiveness of ALMPs and the conditionality of

unemployment benefits with the participation in ALMPs are also two areas requiring further attention. These labour supply measures may not suffice if the pace of job creation is subdued: they should then be complemented by labour demand measures, such as cost-effective targeted hiring subsidies. To minimise the burden on public finances, these subsidies should focus on net job creation and 'hard-to-place' workers, such as those with low skills and little experience.

Modern Social Security Systems:

- *Reforming unemployment benefit systems to make their level and coverage easier to adjust over the business cycle* (i.e. offer more resources in bad times and fewer in good times). This would enhance the role of benefits as automatic stabilisers, by promoting income insurance and stabilisation needs over job search incentives during downturns, and the reverse in upturns. As labour markets recover, Member States should consider rolling back the temporary extensions of benefits and duration of unemployment insurance introduced during the recession, to avoid negative effects on re-employment incentives. The review of out-of-work and in-work benefits to improve financial incentives to take up work, should be combined with measures to promote the uptake of training and other activation schemes, while making sure that benefits still provide poverty alleviation for those who remain out of work.
- *Improving benefits coverage for those most at risk of unemployment*, such as fixed-term workers, young people in their first jobs and the self-employed. This can be achieved, where necessary, through extending unemployment benefit systems coverage, and reinforcing other social security entitlements (parental leave and other reconciliation entitlements, sickness leave, disability benefits, etc.); the level of unemployment benefits should be commensurate to the individual work history.
- *Reviewing the pension system to ensure adequate and sustainable pensions for those with gaps in pension-saving contributions*, due to periods of unemployment, sickness or caring duties, or to short-term contracts. Pension reforms should go along with policies to support labour market transitions of older people, particularly from unemployment back to work.

2. Enhancing the implementation, monitoring and governance of flexicurity

European social partners supported the adoption of the Common Principles of flexicurity and have stressed the importance of an approach combining internal and external flexicurity. While in many countries social partners have been engaged in the implementation and monitoring of national flexicurity approaches, consultation and dialogue should be strengthened: flexicurity policies can only succeed if social partners take full ownership of labour market reforms.

As announced in the "Single Market Act"⁴ and the Flagship Initiative "Industrial Policy for the Globalisation Era"⁵, the Commission is consulting again the European social partners to develop an EU framework for restructuring with a view to encourage a shift from purely reactive actions to more anticipative strategies and ensure its full application. Anticipative strategies allow taking into account the needs arising from the transition to a low-carbon economy, and from sectors with structural excess capacities. They can also help avoid social conflict through the negotiated management of restructuring operations, for example by developing occupational training and economic reconversions.

⁴ COM(2010) 608, 27.10.2010.

⁵ COM(2010) 614, 28.10.2010.

One crucial lesson learnt over the past two years is the importance of labour market institutions. Employment services and in particular Public Employment Services (PES) can act as transitions agencies by strengthening their service delivery. While their main role currently is to address the needs of the unemployed, employment services can play a more comprehensive role as lifelong service providers, delivering services in skills assessment, profiling, training delivery, individual career guidance and client counselling (workers and employers), matching people to job profiles, and offering services to employers, as well as catering for the challenges of those furthest away from the labour market. Employment services should also promote partnerships between and among services (public, private and third sector employment services), education and training providers, NGOs and welfare institutions.

Finally, the delivery of sound Flexicurity policies requires a systematic and efficient monitoring of Member States' progress. Since the adoption of the Common Principles, the Employment Committee (EMCO) has developed an analytical framework, including a broad set of indicators. The Commission will build on this framework and provide regular monitoring and assessment of flexicurity policies across the EU.

Concrete actions put forward by the Agenda

Key Actions

- 1) A new momentum for flexicurity must be the result of a common approach by EU institutions, Member States and social partners. Building on the EU Common Principles of Flexicurity, the priorities proposed in this Flagship initiative set out the terms of a **comprehensive debate on strengthening the four components of flexicurity** (e.g. on the open-ended contractual arrangements or the reform of benefits systems). These priorities could be debated in early 2011 at a **Stakeholder Conference on Flexicurity**, organised by the Commission with Member States, the European Parliament and social partners. The consensus on flexicurity as a key contribution to the Europe 2020 employment target should be consolidated in a Communication on a new momentum for Flexicurity in the first half of 2012.
- 2) The key importance of acquiring skills and competences throughout the working life requires comprehensive strategies for **Lifelong Learning and in particular a new approach to adult learning, based on common principles** such as shared responsibility and partnership, effective financing mechanisms, flexible pathways, and quality initial education and targeted continuing training. Drawing on progress achieved in the Copenhagen process, the Commission will present in 2011: a Communication on **the implementation of lifelong learning strategies and competence development**; a **European policy handbook** setting out a framework for lifelong learning implementation; and a renewed **action plan for adult learning**.
- 3) To enhance the social partners' participation and ownership of the New Skills and Jobs Agenda at EU level, the Commission proposes to hold as of 2011 a **Tripartite Social Forum**. The Forum would discuss the implementation of the Agenda and flexicurity policies in particular, ahead of the Tripartite Social Summit that precedes the Spring Council within the European Semester.

Accompanying and preparatory measures:

In complement to these Key Actions, in order to strengthen the governance and implementation mechanisms and support Member States, the Commission will:

- Introduce, as of 2011, a **comprehensive methodology to monitor** Member States' progress in implementing the principles of flexicurity, based on the ongoing work with the Employment Committee.
- Establish, by the end of 2011, a **partnership between employment services** from the public, private and third sectors to encourage an EU-level strategic dialogue to make transitions pay. The partnership will also provide small-scale funding for best-practice projects; a new web tool will disseminate the evaluated and tested good practices.
- Launch in 2011 a **consultation of European social partners on a European framework for restructuring**.

Questions for discussion

- *What is your view concerning the validity of the Common Principles of Flexicurity in the current context characterised by higher unemployment, tight budgetary constraints and need to avoid a jobless recovery? What would be the optimal balance between the pursuit of both flexibility and security? Does the balance within and between the four components of flexicurity need to be reviewed?*
- *How do you assess the concrete proposals of the Commission for the strengthening the four components of flexicurity, for instance:*
 - *Flexible and reliable contractual arrangements: the use of open-ended contracts and more internal flexibility;*
 - *Comprehensive lifelong learning: improving access and establishing incentives to invest in lifelong learning;*
 - *ALMPs: enhancing the cost-effectiveness of ALMP and conditionality of unemployment benefits;*
 - *Modern social security systems: adjusting unemployment benefits to the economic cycle; improving coverage for those most at risk of unemployment and helping pensions to support transitions?*

In your opinion, which aspects/elements within the four components should be given further attention and pursued? Would you propose further elements?

- *Can the key actions help improving the participation and ownership of social partners and other stakeholders in the implementation of the Agenda? What would you suggest as further ways to improve this participation? Do you have any successful experience to share? How could social partners contribute to the implementation of the concrete actions put forward in the document, including the accompanying measures on flexicurity monitoring, employment services and restructuring?*

