LABOUR MARKETS FOR TOMORROW

FLEXICURITY 2nd GENERATION
Mobile, Dynamic and Open Labour Markets
Today’s debate about flexicurity takes place in circumstances that are different from those in 2007 when the European Council endorsed the joint principles on flexicurity. All over the world, the crisis in the financial markets has dragged the real economy down, threatened jobs and eliminated them on a large scale.

The crisis, however, has not had the same impacts on labour markets and employment across the globe, even not across Europe. Some countries were more successful than others in mitigating the effects of the crisis on the unemployment level – and thereby the economic and social situations of their citizens.

Flexicurity has been an outstanding element in tempering the consequences of the crisis for labour markets. It has provided on the one hand employment protection by allowing employers – through flexible work arrangement – to hold on to employees despite a decline in economic activity. On the other hand, flexicurity has also provided employment protection by keeping job-to-job mobility very high, allowing resources to be shifted to where the demand is.

FLEXICURITY HAS PROVED TO BE INDISPENSABLE IN A TIME OF CRISIS.

The core idea of flexicurity – to accept less job security by gaining greater employment security through better opportunities in the labour market – is very much valid today. And it has helped countries that have applied it to come out of the economic crisis more quickly and in a better shape.

The economy continues to face considerable uncertainties. The crisis in the global financial system has not yet been surmounted. In addition, there are still considerable risks linked to the tense financial situation in some countries in the euro zone. To ensure trust in the markets, EU member states at national level as well as jointly together must much more determinedly – and among other measures – address the long-term structural challenges facing Europe.
EUROPE’S LONG-TERM STRUCTURAL CHALLENGES ARE IN PARTICULAR:

- contraction of the labour supply due to an ageing population
- low potential productivity growth
- unacceptable high public debt levels
- impact of climate change on employment

EUROPE’S CHALLENGES – THE NEED FOR REFORMS

OVERCOMING AN AGEING AND SHRINKING EUROPEAN WORK FORCE

The demographic development in Europe has become an increasingly high concern for companies, policy-makers and society at large. Indeed, the demographic change is altering the structure of the population and will fundamentally change our entire society in the years ahead:

- By 2050, the active population will decline more than 10 pct. (25 million) while the number of non-actives will increase by 20 percent (50 million)
- The average old-age dependency ratio will double. Today, every person in the labour force supports one person. In 2050, they will have to support 1.5 persons

These trends will have clearly negative consequences for the supply of skilled workers and the stability of social security systems if left unanswered by policy-makers.

In a globalised world and as a region without significant reserves of raw materials but with high labour costs, Europe can only maintain its prosperity if it boosts innovation in all sectors. But this is impossible if there is no access to a constantly renewed pool of skilled labour.

HOWEVER, EUROPE HAS A LARGE UNTAPPED POTENTIAL – AS:

- Nearly 30 percent of the European citizens who could work are not in employment, in particular women
- More than 20 percent of the young Europeans under 25 years are looking for a job
- Almost 15 percent of all young people in Europe leave school without or with limited formal qualifications
- the employment rate of older workers (55-64-year-olds) remains below 50%

Europe needs to address the long-term structural challenges.

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INCREASING THE LOW POTENTIAL GROWTH

In absence of policy changes, EU’s average potential growth rate is projected to 1.5 percent over the period 2011-2020 according to the EU-Commission. A level well below Europe’s global competitors. A shrinking working-age population will act as a drag on growth and on per capita income. Thus, with the demographic pressure, productivity will play an even more important role as the source of future economic growth.

The existence of mobile, dynamic and open labour markets is a precondition to assure growth and progress: companies having access to a sufficient number of competent and adaptable employees, matching the technological and knowledge-based developments in the business world, will help raising productivity – and thereby strengthening the competitiveness of European companies. This will improve the job and growth potential of Europe.

REDUCING THE LARGE PUBLIC DEBTS

The crisis has dramatically increased the deficits of the EU member states. At the same time, the fiscal impact of ageing societies will be substantial. The EU-Commission estimates age-related public expenditure to increase on average by about 4.75 percentage points of GDP by 2060 in the EU and by more than 5 percentage points in the euro area – especially through pension, healthcare and long-term care spending.

To secure sufficient financial room for manoeuvre in the future, the enormous public debts have to be resolutely reduced. Otherwise interest rates will eat up any leeway for political action.

Mobile, dynamic and open labour markets are a central pillar in this strategy. It will help raising employment rates and productivity. It will also help moving people from dependence on public benefit to independence through employment. It will ease the public budget in both the short and long term.

Consequently, policy makers should concentrate much more on labour market instruments that have proven successful. Measures taken in the framework of labour market policy must be geared to effect and cost-effectiveness.
The demand to use resources efficiently not only applies to the national level, but also to EU funds – particularly the European social fund.

**ADDRESSING THE IMPACT OF CLIMATE CHANGE ON EMPLOYMENT**

Climate change and its implications on employment are pushing the issue of “employment and environmental protection” up the agenda. Although there are many questions open about the employment effect of climate change and environmentalism, it seems clear that the change to a low carbon economy will lead to deep structural adjustments.

Mobile, dynamic and open labour markets are the precondition to mitigate the adjustment processes. The OECD green growth strategy rightly stresses that “labour market policies should focus on preserving employment, not jobs”. This is the core idea of the flexicurity concept. The aim must be to support the shift of employment from declining sectors to emerging sectors and help employees and companies in the transition process to create new employment opportunities.

**LABOUR MARKETS FOR TOMORROW**

If the challenges are to be met, the EU-member states have to commit to a continued reform agenda of modernising the labour markets. They have to create labour markets for the world of tomorrow that are mobile, dynamic and open.

Mobile, dynamic and open labour markets are not created overnight. They are created step by step through structural labour market reforms in line with the flexicurity concept.

Of course, there is no one-size-fits-all and the flexicurity concept needs to be developed in a way that is tailored to national circumstances. But flexicurity has been successfully set up in a common EU framework as matrix for such necessary reforms across Europe, taking into account the needs of both employees and employers in changing economic settings.

The budgetary situation of EU-countries underlines the need to concentrate on labour market instruments that have proved successful.
The flexicurity framework has, however, not been implemented with sufficient vigour at national level. New impetus is needed to bring the modernisation of EU labour markets forward. Labour markets for tomorrow must put focus on providing more employment security by generating more job opportunities to help people to integrate into the labour market as well as encouraging and effectively supporting job mobility.

- In a mobile labour market, an employee can move around for jobs both within companies as well as across occupations, companies, sectors and geographically without barriers.
- In a dynamic labour market, further education and training as well as the facilitation of competences that match business needs is a high priority for employers, employees and state actors.
- In an open labour market, the entry and return into jobs for people currently outside the labour market is facilitated and becomes possible with minimal frictions.

MOBILE LABOUR MARKETS

Mobile labour markets facilitate a secure transition of employees within a company or between companies. They ensure that an employee can move freely in search for a job and they improve the possibility for companies to reflect actual requirements within their business in the organisation of work.

To achieve this, recruitment has to be facilitated by cutting back red tape, by scaling up skills development and shaping active labour market policy and social benefit schemes to become more efficient and effective.

Additionally, the internal and external flexibility has to be increased through unbureaucratic possibilities for adjustments of working time and of work patterns such as temporary work or fixed-term contracts. Finally, employees need information and transparency on accrued entitlements to support voluntary job mobility.

Learning from Best Practice…

ACROSS THE EU, ONE CAN FIND EXAMPLES INTRODUCED IN AN ATTEMPT TO UNDERPIN MOBILE LABOUR MARKETS:

- In Denmark, transferable occupational pension rights have been introduced gradually since 1990s. According to the contractual
obligations, the employer and the employee pay in a monthly sum to the employees individual pension account, administered in collective occupational pension funds or commercial life insurance companies. This allows the employee to transfer the pension from one pension fund to another without a loss when they change job.

- In Finland, an electronic pension record service was set up on a tripartite basis in 2008. With this system, workers can track and check their pension record online. They can request a calculation of their current pension, information on pension entitlements in case of job change or changing working hours etc. The website also informs on the current Finnish pension laws.
- In cooperation between the public employment services in Germany, France and Switzerland, a network with a systematic monitoring of the employment market has been established. The aim is to help make the regional employment market more transparent and thereby help citizens find new jobs in the region across the different countries.

RECOMMENDATIONS
- Allow for different forms of contractual arrangements to meet current and future business needs
- Improve possibilities for internal and external flexibility
- Set up information systems that allow employees an overview of accrued entitlements across a life-time career at home and abroad

DYNAMIC LABOUR MARKETS

A dynamic labour market is characterised by vertical mobility and reward for good performance through ongoing education and training. It ensures that everyone has the chance to deploy his or her talents and abilities optimally in their work life.

Access for the employee to continuous further education and training as part of life-long learning – with a focus on improving the employability of the labour force as well as their own commitment – are one of the most important cornerstones of a dynamic labour market. Employers are conscious of their responsibility and have long been

A thorough pre-school and school education must lay the foundation for vocational training.
Labour Markets for Tomorrow

Committed to diverse qualification initiatives across the entire training spectrum. According the EUROFOUND, the level of training paid for by employer over the last 12 months rose notably between 2005 and 2010.

But a dynamic labour market starts much earlier. A good primary school must lay the foundation and provide the necessary tools for all vocational training. That 14% of European young people in 2010 had at most lower secondary education and were not in further education or training underlines the need for resolute reforms for quality improvements across the education system – from primary schools, continuing in general secondary education and through to universities.

Additionally, permeability in the education system must ensure that after a learning period new professional carrier pathways open up. Further vocational training must be individually adjusted towards interests, aims and preconditions of the individual and the companies. And all education and training must be consistently aligned on labour market needs and practical requirements.

Across the EU, there are many examples of policies aimed at introducing dynamic labour markets.

- In Belgium, the Flemish Employment and Vocational Training Service (VDAB) has introduced a new strategy. Focus is now on people’s competences and career security, instead of just job-finding. Target groups are job-seekers and employed, and in close cooperation with employers. Through training focused on employability, personal development plans, skills portfolios, recognition of prior learning etc., VDAB now seek to offer individual, tailor-made solutions in interaction with market demand.

- In Poland, the government launched the 50+ programme in 2008. The program provide workers of age 50 and above with lifelong learning opportunities in order to develop their qualifications, skills and efficiency. The goal is to increase the employment rate for people aged 55-64 years from the current 28% up to 40% in 2013.

- In Hungary, a Vocational Fund was set up on the basis of the solidarity principle. The aim was to develop vocational training, both initial and continuing, and either theoretical or practical, in a way that increases the responsiveness of the labour force to labour market needs.
RECOMMENDATIONS

• Upgrade and update skills to meet demands of the labour market
• Improve quality and relevance of educational systems, including the quality of teachers’ education
• Develop tools to validate non-formal and informal learning

OPEN LABOUR MARKETS

Open labour markets give job opportunities to ‘outsiders’. In an open labour market, access to work is facilitated and demand-side barriers to hire people outside the labour market are removed. Thus, more job opportunities and entry points are created – also for people who are normally most subject to difficulties when (re)entering the labour market, such as young, elderly people, or immigrants.

Companies’ willingness to create new jobs as early and as much as possible is enhanced with easy-to-understand, employment-friendly labour law that give legal certainty and predictability for the establishment and termination of work contracts, based on business practice. In order to create incentives for companies to hire people outside the labour markets, the world of work and of education should be combined through more use of apprenticeship. This gives graduates a solid work experience and their first access to the labour market. It also gives companies a willingness to up-skill them as a later unique source of recruitment.

DIFFERENT STRATEGIES HAVE BEEN PURSUED ACROSS EUROPE TO IMPROVE THE OPENNESS OF NATIONAL LABOUR MARKETS:

• In the Netherlands, a simplified Working Time Act was introduced in 2007 to deregulate and to offer more room for employers and employees to negotiate working hours at company level, within a statutory framework of basic working time rules. This will ensure further work-life balance for employees and thereby facilitate the employment of people otherwise outside the labour market.

• In Germany, temporary employment was simplified through the so-called “Hartz reforms” in 2003. Temporary employment played a major role in reducing long-term unemployment and was key...
for facilitating labour market entry especially for low-qualified. By mid-year 2010, two out of three employees in temporary work came from unemployment, a high share of them having been out of work for more than 12 months.

In Denmark, the employment of young people is facilitated by ensuring that they gain skills that companies demand through a vocational training system combining both school and apprenticeship in companies. A little more that 70 percent are in job within one year of graduation.

**RECOMMENDATIONS**

- Make permanent contracts employment-friendly to stimulate hiring
- Make work pay by shifting towards more active labour policies in parallel with reforms of social security systems
- Cut red tape to encourage companies to provide apprenticeships

**THE CONTRIBUTION OF SOCIAL PARTNERS**

A unique cooperation between social partners at all levels has mitigated the social effects of the economic crisis. Through collective agreements or joint initiatives, the social partners have responsibly worked to secure employment possibilities through reasonable wage-bargaining, flexible work-time arrangements, re-skilling of the workers etc.

Social partners are better placed than anybody else to assess the economic situation in the relevant sector or the particular company, and to agree on the necessary measures.

And social partners have over the recent years worked to modernise the collective agreements continually in a long-term vision to create of mobile, dynamic and open labour markets:

- Nationally, both at company level and within the collective agreements, social partners have addressed flexicurity issues such as working time, hiring, training etc. This has enabled companies to
respond efficiently to market changes to the advantage of companies as well as employees.

• The European social dialogue – horizontal as well as sectoral – has also made an important contribution to implementation of flexicurity. Through the work in the social dialogue, European social partners actively shape European social and employment policy and worked as partnerships for reform. With their common agreements and texts, with the EU-wide exchange of experience and with their studies and projects, social partners strengthen the social dimension of European integration.

THE WAY FORWARD

Mobile, dynamic and open labour markets will open up opportunities for employees and companies. They will allow for career perspectives where employees can combine transitions and positions, suited to their individual talent, possibilities and life situation. They will better activate the untapped employment potential, increase the level of employment and reduce unemployment as well as address the demographic challenges and thereby also contribute to reducing public debts.

They also will enhance the possibility for companies to identify and take advantage of market opportunities. In this regard, the prime factor is speed. Flexibility is a sine qua non for seizing market opportunities to the benefit of the business and its employees.

In 2007, the EU Commission stimulated greatly with its communication the debate on flexicurity. Follow-up activities, like the flexicurity mission, were most helpful to raise awareness of flexicurity in member states and to broaden the understanding of the flexicurity concept.

However, there are great differences in how mobile, open and dynamic the labour markets are across Europe. Therefore, business greatly appreciates the announcement of the EU Commission that it will inject new life into the discussions on flexicurity and relaunch the EU-wide dialogue about modern labour market policies.

Actors should not fall into the trap of repeating old and outdated ideological debates, but use the opportunity to identify the chances and possibilities opened up by the concept of flexicurity to deal with the long-term challenges of European labour markets – in the interest of European employees, employers and society at large.
CONFEDERATION OF GERMAN EMPLOYERS’ ASSOCIATIONS (BDA) is the leading organization dealing with social policy on behalf of the German private business sector as a whole. It represents the interests of small, medium-sized and large companies in all sectors on all issues linked to social and collective bargaining, labour legislation, labour market policy as well as education. BDA works at national, European and international level for the interests of one million businesses which employ 20 million workers and are linked to BDA through their voluntary membership of 6,500 employer confederations. These employer confederations are organized in the 52 national sectoral organizations and 14 regional associations which are direct members of BDA.

BUSINESSEUROPE is the main horizontal business organisation at EU level. Through its 41 member federations, BUSINESSEUROPE represents 20 million companies from 35 countries. Its main task is to ensure that companies’ interests are represented and defended vis-à-vis the European institutions with the principal aim of preserving and strengthening corporate competitiveness. BUSINESSEUROPE is active in the European social dialogue to promote the smooth functioning of labour markets.

CONFEDERATION OF DANISH EMPLOYERS (DA) is a non-profit organization. DA represents 14 employers’ organizations with a membership of more than 28,000 Danish private companies in manufacturing, retail, transport, services and construction. DA’s main activities are employment policy and skills, occupational health and safety, coordination of collective agreements, labour law, international relations and monitoring of the labour market in terms of analysis and statistics on wages, absenteeism, labour conflicts, etc. DA works both at national, regional and international level to influence policy-makers with the aim to increase the competitiveness of Danish companies and to ensure their access to a skilled labour force. DA is a member of BUSINESSEUROPE, the main horizontal business organization at EU-level.

CONFEDERATION OF HUNGARIAN EMPLOYERS AND INDUSTRIALS (MGYOSZ) is based on the principles of voluntary decisions and the freedom of association and it operates independently from the government. The Confederation counts among his members around 50 sectoral professional associations and 16 regional employers’ associations. The Confederation influences economic and labour policy-making. It represents the interests on a macro level and passes on the proposals worked out by its members. The Confederation is present in the following major consultation forums the National Reconciliation Council (OÉT), the National ILO Council and the Social Council. Organization is member of BUSINESSEUROPE, International Organization of Employers (IOE). Business representation is extended to such global spheres as the Business and Industry Advisory Committee to OECD (BIAC).

POLISH CONFEDERATION OF PRIVATE EMPLOYERS LEWIATAN (PKPP LEWIATAN) was established in January 1999 as a nation-wide representation of employers to the state and trade unions. Today it is an organization of 59 sector and regional associations of private employers and 25 individual members. Thus in total there are about 3500 companies employing over 650 000 workers. The Confederation participates in Social Dialogue, taking part in the Tripartite Commission for Social and Economic Issues. Polish Confederation of Private Employers Lewiatan contributes to many international activities. As a member of BUSINESSEUROPE PKPP Lewiatan is able to influence regulations at the international level.