



## ETUCE FACTSHEET : THE CASE OF FLEXICURITY

### **1. The context of the discussion over Flexicurity**

Since a few years, the term “Flexicurity” (a contraction of flexibility and security) became a leitmotiv in all the discussions related to the labour markets reforms, both at the European Union level and in numerous member states. As it is well known, the term itself comes from the Danish labour markets policy-making and describes an *hybrid* policy combining the flexibility of labour markets and the security of employment and living conditions. Within the context of globalisation, the concept appears to many as the only way to stimulate growth and employment rates in the European Union countries while preserving some essential elements of the welfare state.

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The debate at the European level on the issue has been running for several years and crossed a significant step in June 2007, when the European Commission released its Communication entitled “*Towards Common Principles of Flexicurity: More and better jobs through flexibility and security*”. Under the general framework of the Lisbon Strategy, the Commission asked the Council to establish a labour market policy at the Community level, using the Flexicurity concept as a way to achieve the Lisbon goals of growth and jobs. It was followed by the Council’s Conclusions of 5/6 December 2007 establishing the “common principles”, and finally endorsed by the Conclusions of the Portuguese Presidency. These common principles are inspired from the Danish model of Flexicurity and leave the possibility for member states to develop their “own arrangements” to implement it. (point 3 of the Common Principles).

The European Commission is now continuing its action in favour of an appropriation of the Flexicurity concept by the member states<sup>1</sup>.

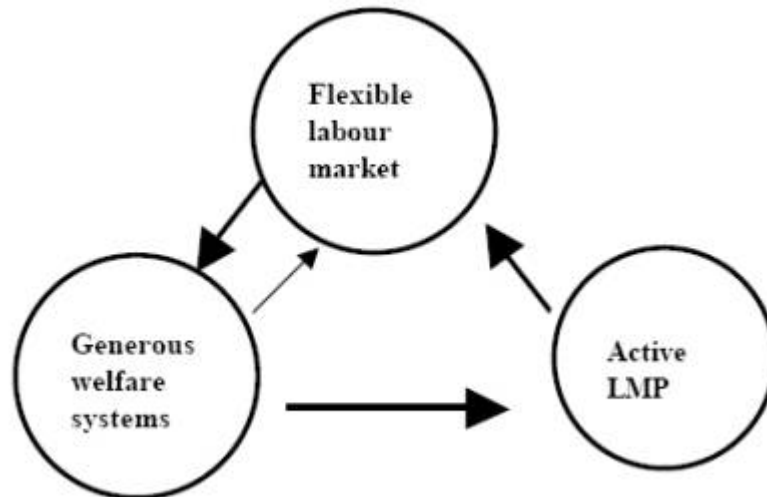
### **2. What is Flexicurity ?**

The Danish model of Flexicurity is rooted in the country’s history and culture. It is internationally seen as a model for European economies since the spectacular increase in the Danish employment rate in the 1990’s. Between 1993 and 1999, unemployment in Denmark dropped from 10,2 per cent to 5,2 while the employment rate reached 76,5 per cent, the highest level among all the EU countries so far. Moreover, this raise of employment did not generate any notable wage inflation, leading to an attractive picture of “inflation-free growth” (Kongshøj Madsen, 2002).

The Flexicurity model, which has been seen as the “magic tool” allowing such impressive results, appears as the latest development of a hundred years old social relations system based on a compromise of interests between organised labour forces and the capital (Jørgensen, 1999). It is important to underline that both the model and its application in the 1990’s in Denmark belong to the country’s history and culture and cannot be simply “transferred” into other countries as a customary socio-economic policy with the expectation to obtain the same results.

<sup>1</sup> The Commissions activities promoting Flexicurity can be consulted on the dedicated website :  
[http://ec.europa.eu/employment\\_social/employment\\_strategy/flex\\_steps\\_en.htm](http://ec.europa.eu/employment_social/employment_strategy/flex_steps_en.htm)

Given these precautions, the model can be summarized as a combination of three main factors: a) Flexible labour market, b) Generous replacement incomes in case of inactivity and c) Active Labour market Policy (LMP). These factors shape the “**Golden Triangle**” of Flexicurity.



*Arbejdsministeriet, 1999, figure 1.6*

The arrows between circles in the figure symbolize the movements of workers.

- A flexible labour market :

The most highlighted characteristic of the Flexicurity model (at least by the European institutions) is its flexible labour market. A legal framework allowing the employers to easily hire and fire employees is, as everyone knows, a typical claim from the employers organisations in numerous countries and at international level. But a closer look at the Danish situation shows a more complex reality than a totally deregulated labour market. It is easier for a Danish worker to leave his employer than for the employer to fire the workers. In this regard, the Danish trade-unions confederation (LO) stresses that : “*The focus must remain on Flexibility for the employees not the Flexibility of the employees*”.

According to the OECD, Denmark holds one of the less strict employment protection legislations (EPL), followed by the UK, Canada and the USA. On the opposite side of the figure, Portugal is the OECD country with the most strict EPL. It is also the only EU member state in which the trade-unions have organised a broad national demonstration with an explicit slogan “*against Flexicurity*”.

Flexicurity involves the possibility for employers and employees to easily separate from each other, leading to a significantly high turn-over in jobs. Nevertheless, the Danish Flexicurity players and experts make it very clear that this is only one of the three pillars and that a policy towards Flexicurity should never focus on one pillar to the detriment of others<sup>2</sup>.

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<sup>2</sup> As an illustration of how the concept can be misused by certain policymakers is the intervention of the Danish former Prime Minister Poul Nyrup Rasmussen during the French debate over the “CPE”, a reform of the labour market allowing the employers to fire the young employees without giving any reason during a “trial period” of two years. The reform was presented as inspired from the Danish model.

- Protection of life standards and income

The second pillar of Flexicurity is the guarantee for workers that losing their job does not involve a decrease of their life standards. Danish unemployed workers keep between 70 and 90 per cent of their last job's salary. This high income replacement rate is one of the elements making that despite a flexible labour market, a majority of Danish people do not have the feeling that their professional life is “insecure” (Kongshøj Madsen, 2002 : 5-6). In parallel, the Danish welfare model offers the possibility to balance career and private life with generous parental leaves and health leaves. These factors also support the turn-over in jobs, resulting in a dynamic labour market in which being out for a temporary period does not severely jeopardize the career development.

It is to be observed that the “common principles of Flexicurity” endorsed by the European Council in 2007 take into account the three corners of the triangle but imply an ambivalent formulation regarding this second one. Instead of being encouraged as “strong” or “generous” (adjectives that are generally used to describe the left corner of the triangle), the common principles define the social protections systems as “modern, adequate and sustainable”, which lets the door open to different interpretations, including some moving significantly away from the actual Flexicurity (point 5 of the Common principles).

- Active labour market policies (LMP)

The third pillar of the Flexicurity model consist of a coherent set of measures aimed at encouraging and helping unemployed people to find a new job. After a certain period of unemployment, it becomes compulsory for Danish unemployed workers to participate in programmes specifically designed per categories of workers. The “passive period” of unemployment has been successively reduced both by the social-democrat government in the 1990’s and by the current conservative government. Today, the compulsory programmes for unemployed persons start after six months for young and unskilled workers and after one year for the others (it was four years in 1994).

The compulsory programmes offer a variety of support and training facilities, including support for job seeking, qualifying trainings and helping to start up in self-employment. Such programmes involve massive expenditures for the government. In 2000, Denmark was spending 4,5 % of its GDP for its labour market policies. In comparison, the same year, Spain spent 2,5 % of its GDP and the UK 0,9 % for the same purpose.

Active labour market policies have been set up in a wide range of EU countries before the emergence of the Flexicurity debate. These policies are difficult to evaluate because if a certain number of people find a new job, the actual impact of the LMP leading to this fact remains uncertain. Active labour market policies are subject to criticism notably for their possible interference with individual choices and their empirically proven *creaming effect*, involving that those individuals who benefit the most from the LMP in terms of career development are the ones who where already the most competitive on the labour market. The creaming effect of the LMP is also pointed out and denounced as such from a gender equality perspective (Hansen, 2007).

Active labour market policies are of little help without a consequent demand of labour. The important turnover in jobs generated by the Flexicurity as a whole can generate a sufficient demand to offer to LMP a role in the supply of qualified labour (Kongshøj Madsen, 2002 : 13). It is therefore essential to bear in mind that those European countries or regions facing difficulties related to post-industrial economical trends must operate first a significant improvement of their macro-economic environment before relying on active labour market policies to increase their employment rate.

### **3. The trade-unions position over Flexicurity**

During the last ETUC Summer Seminar on collective bargaining, an illustrative discussion took place between the representative of the Danish “LO” and delegates from French, Italian and Portuguese trade-union confederations. The last-named delegates were arguing that the Flexicurity concept should be refused by the trade-unions as it is just a new way to attack the job protections. The Danish delegate said that instead of refusing to discuss the issue itself, the trade-unions should develop their own definition of flexibility.

This discussion reflects the difficulty for international trade-unionism to design a position over a political concept which can lead to different kinds of outcomes. The ETUC’s documents and communications over the issue reflect the scepticism of numerous member organisations of the European Confederation towards Flexicurity. Many trade-unions fear that Flexicurity is being interpreted by governments as a validation of the employers organisations doctrine in favour of easier dismissal and precarious forms of labour.

On the other hand, Flexicurity is a result of social partnership. It involves strong, well organized and highly representative social partners. The flexibility of the labour markets is obtained through collective agreements, both sectoral and cross-sectoral. In this regard, the European “Common principles of Flexicurity” adopted by the European Council in 2007 highlight the “*crucial importance*” of social partners for the “*design and implementation of Flexicurity trough social dialogue and collective bargaining*”.

Social dialogue and collective agreements being an infrastructure of Flexicurity, they cannot be denied or minimized by any political player pretending to promote the concept. Therefore, the debate on Flexicurity can also be seen as an opportunity for the trade-unions to enhance their influence on the policy-making, both at national and European level.

### **4. Education, teacher’s unions and the debate over Flexicurity**

When it comes to the possible impact of the debate on Flexicurity in the education sector, the first element to be stressed is that education, as part of the public sector, is not submitted to the supply and demand in the same way as the private sector is. Political decisions can deeply affect the public labour market in a different way than the market rules. Therefore, by definition the public sector as a whole is not directly concerned by the Flexicurity policies. However, reforms made under the Flexicurity framework might also affect the public sector, e.g. by drawing new contractual arrangements between workers and employers in all sectors of activities, public and

private, or by encouraging the outsourcing of some responsibilities devoted to the public sector to the private sector.

The promotion of flexibility of labour markets is not a new concern for trade-unions acting in the public sector. Life-contract (or “nominations”) systems in several countries are targeted by flexibility promoters. The debate over Flexicurity might reinforce the arguments in favour of reforms of such systems.

In parallel, active labour market policies required by the Flexicurity involve the development of more and better life-long learning systems, which can generate a higher demand of teachers and educators for adults. However the need to improve life-long learning systems within the EU countries was already an important strand of the initial Lisbon Strategy, before Flexicurity showed up as a must-do policy.

The pre-primary sub-sector might be affected by Danish-inspired policies of deregulation combined to a reinforcement of work forces through lifelong learning. Promoters of such policies towards the pre-primary sector can use the Flexicurity concept as a political argument. But these policies are more related to the general will to develop a broad service sector with jobs for low-skilled workers than to the Flexicurity in particular. (Esping-Andersen, 2000).

Finally, a possible conclusion could be that teachers trade-union are not directly concerned by the Flexicurity as a private market policy but should monitor closely this important political debate and its outcomes, given that cross sectoral reforms carried out under the Flexicurity concept can affect their affiliates’ working conditions.

As major stakeholders of education, teachers’ unions can have an input through their expertise in the development of life-long learning systems. They should also monitor the developments of LLL as a political priority within each EU member states.

Last but not least, teachers’ unions should participate in the debate within the trade-union movement about Flexicurity. This debate is taking place both at the national and European levels. It concerns notably the necessity of a coordinated response to the exaltation of the Flexicurity model by the public authorities and a possible definition of flexibility from a trade-union perspective.

*Brussels, March 08*

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