



## Mutual Learning Programme

### Peer Review on 'Flexicurity'

20 – 21 November 2014, Copenhagen (Denmark)

#### ***Executive Summary***

**The Peer Review focused on how flexicurity models can be applied in different contexts to provide flexibility in the labour market and security in working arrangements.** The concept of flexicurity was developed in the 1990s and further developed through the Common Principles on Flexicurity, adopted by the European Commission in 2007<sup>1</sup>.

The event was hosted by the Ministry of Employment. It brought together Ministry officials and independent experts from Belgium, Croatia, Finland, Greece, Ireland, Montenegro, Norway, Romania, Spain and the UK, as well as representatives from the European Commission.

As a starting point for discussion, the Ministry of Employment and the Danish Agency for Labour Market and Recruitment presented the main characteristics of the Danish model of flexicurity:

- There is low protection for employees, which means that it is easy for employers to dismiss workers (although collective agreements and legal provisions are in place).
- The Danish model has high numerical flexibility through job-to-job mobility.
- The unemployment benefit system is generous and offers a high compensation rate, particularly for low-income groups.
- Expenditure on active labour market policies is particularly high, with 1.5% of GDP assigned to this area.
- There is a high vocational education and training rate: 31%, compared to the EU average of 11%.
- Lastly, there are relatively high activity rates for men and women (81% and 76% respectively).

The so-called 'Golden Triangle' demonstrates the complementarities between the various elements of labour market policy in Denmark. Low job security and active labour market policies contribute to high job-to-job mobility, supported by a generous social security system. Specifically, 30% of employees move between jobs each year, 20% receive unemployment insurance, 10% are affected by active labour market policies, and the majority of unemployed people get back to work within six months.

Participants debated the impact of the model in protecting the Danish economy against the economic crisis, as well as the ways in which the model itself may have changed. Like many European countries, the Danish economy was hit by the economic crisis in

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<sup>1</sup> European Commission (2007), *Towards Common Principles of Flexicurity: More and better jobs through flexibility and security*.

2008. This led to a drop in GDP by 8%, a decline in employment and rising unemployment coupled with a declining workforce. This has also been hampered by a slow recovery, due to sluggish internal demand.

As a result, many aspects of flexicurity have been adjusted, including through automatic stabilisers (at macro-economic level), reforms of the benefit system and growth packages. For example, the length of unemployment insurance benefits has reduced from four years to two years, and there has been a move towards a forthcoming 'trust reform' in 2015. This reform will have a much stronger focus on an individualised approach to activation of the unemployed, reflected through the closer relationship between individuals and counsellors in public employment services (PES). The aim is to get individuals into sustainable employment that they can utilise their skills in and where they can develop and grow, instead of entering the first available job.

Despite these changes, Peer Review participants agreed that the flexicurity model has provided shelter from the economic crisis. Indeed, one of the model's key strengths is considered to be its ability to adapt to the changing forces of the external pressures of globalisation. The high level of consensus and mutual trust between different actors in the labour market has also contributed to the model's success.

**The key policy messages from the Peer Review can be summarised**, as follows:

*Key aspects of the flexicurity model:*

- **Flexicurity is an integrated concept** that is based on interdependent elements and complementarities between different institutions in the labour market. Therefore, any changes to one aspect will have a knock-on effect on another. Many Danish features are the product of historical developments, making it very risky to 'copy and paste' the Danish model to other country contexts. Instead, there are many pathways to flexicurity.
- **Mutual trust is an important basis for dialogue** between social partners and consensus between a wider range of stakeholders. Social consensus can begin with dialogue between employers and employees at the company level, but it can also be broadened out to include other types of organisations within the labour market.
- For flexicurity to work, there must be a base level of social security in place as a starting point. Establishing such systems can be difficult; however, **without this security aspect, there is no flexibility and vice versa**. Labour markets must be both dynamic and inclusive.
- In terms of employment protection legislation (EPL), a moderate level is recommended, in combination with other forms of flexibility. This can encourage job-to-job mobility and prevent dualism and segmentation in the labour market.
- **Active Labour Market Policies (ALMP) with a broad coverage are a key element of flexicurity models**. However, the level of spending of policies is less important than cost effectiveness and the careful use of resources to produce good results.
- **Wage moderation, or wage flexibility, is essential to the flexicurity model**. Social partners in Denmark highlighted the importance of collective bargaining agreements to support this process, as opposed to direct government intervention.
- **Investing in individuals' skills is vital to ensure long-term employability**. Lifelong learning from the cradle to the grave can help to equip individuals to make smooth career transitions and encourage sustainable employment.

*Political commitment:*

- There is momentum now to reconsider flexicurity. The **flexicurity indicators may be reconsidered to highlight what is relevant and necessary**, given the different economic situation from 2007.
- The key aspects to consider in the revision of the flexicurity indicators include the **prevention of both segmentation in the labour market and the marginalisation of certain groups**, such as 'outsiders', young people and the long-term unemployed.

***Further information***

Full report, presentations and background papers will be available at:

<http://ec.europa.eu/social/main.jsp?langId=en&catId=1047&newsId=2070&furtherNews=yes>