



Mutual Learning Programme

DG Employment, Social Affairs, Skills and Labour
Mobility

Key policy messages from the Peer Review on 'Flexicurity'

Copenhagen (Denmark), 20-21 November 2014



EUROPEAN COMMISSION

Directorate-General for Employment, Skills and Labour Mobility

Unit C1

Contact: Emilio Castrillejo

E-mail: EMPL-C1-UNIT@ec.europa.eu

European Commission

B-1049 Brussels

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Luxembourg: Publications Office of the European Union, **2014**

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Table of Contents

1	Introduction	1
1.1	Background and purpose of the Peer Review	1
1.2	The Peer Review in a page: headline messages and policy implications	2
2	Discussion topics and conclusions	4
2.1	Flexicurity models and their relationship with labour market characteristics ..	4
2.2	The implications of the economic crisis on flexicurity models and outcomes ..	8
2.3	Transnational learning on flexicurity	9
3	Key Learning Outcomes – moving Towards a Flexicurity 2.0?	12
3.1	Fundamental issues for flexicurity models.....	12
3.2	Issues for policy design	12
3.3	What next? – Towards a Flexicurity 2.0	13

1 Introduction

1.1 Background and purpose of the Peer Review

This Peer Review focused on how flexicurity models are being applied and 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 2007¹.

The event was hosted by the Danish Ministry of Employment. The participants were Ministry officials and independent experts from Belgium, Croatia, Finland, Greece, Ireland, Montenegro, Norway, Romania, Spain and the UK, with representatives from the European Commission and EMCO.

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:

- Relatively low Employment Protection Legislation (EPL) allowing employers the adaptability to reconfigure the workforce to changing market conditions (although collective agreements and legal provisions are in place).
- A high level of external numerical flexibility indicated by high levels of job-to-job mobility and worker flows in and out of employment and unemployment.
- A generous system of social protection for unemployed people providing a relatively high compensation rate, particularly for low-income groups.
- Active labour market policies aimed at upgrading the skills of unemployed persons through vocational education and training.

Whilst flexicurity approaches are traditionally considered as a continuum upon which to understand Member States' policy mix between flexibility for employers and security for employees, the strong emphasis on ALMP and LLL in the Danish model has led to it being characterised as a 'Golden Triangle' with a third pillar

The so-called 'Golden Triangle' refers to the inter-dependencies between the elements of flexicurity in the Danish system. Relatively low job security with strong active labour market policies contribute to high job-to-job mobility, supported by a generous social security system. The high degree of dynamism was demonstrated by the fact that, in Denmark:

- 30% of employees move between jobs each year;
- 20% receive unemployment insurance; and,
- 10% are affected by active labour market policies, with the majority of unemployed people returning to work within six months.

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

1.2 The Peer Review in a page: headline messages and policy implications

The key policy messages from the Peer Review are summarised below:

FUNDAMENTAL ASPECTS OF FLEXICURITY

- **There are no 'copy-paste' solutions.** Many features of the Danish model are the product of long-term historical developments. This makes it unrealistic and unsuitable to 'copy and paste' the Danish model to other country contexts. Instead, it is recognised that there are many approaches to flexicurity that can rely on various modalities of flexibility and security, offering external and internal flexicurity.
- **Flexicurity is an integrated concept** that is based on interdependent policies and complementarities between different institutions in the labour market. Therefore, changes to one element of the flexicurity model will have consequences for other aspects.
- **Mutual trust is an important basis for dialogue** between social partners and consensus among a wider range of stakeholders. Social consensus can begin with dialogue between employers and employees at the company level, but it can also be broader and include other types of organisations at other levels within the labour market.
- **Consensus regarding the flexicurity pathway is important.** Consensus does not require all parties to agree on all issues but a shared vision of the end goal of a country's flexicurity pathway is important.
- **A basic level of security is important.** This is a fundamental starting point in flexicurity policy. Without a basic level of security, there is no flexibility and vice versa. Labour markets must be both dynamic and inclusive.
- **Moderate EPL** appears to facilitate the more favourable labour market outcomes. This must be considered alongside other forms of flexibility in order to encourage job-to-job mobility and prevent dualism and segmentation in the labour market.
- **ALMP with broad coverage is a key element in flexicurity models.** However, the overall level of expenditure on ALMP is less important than cost effectiveness and careful use of resources to facilitate employment.
- **Wage moderation, or wage flexibility, is essential to the flexicurity model.** Social partners in Denmark highlighted the importance of collective bargaining agreements at the firm level to support this process. More traditional sector level and central government intervention may also have a role.
- **Investing in individuals' skills is vital to ensure long-term employability and economic durability.** A strong culture of lifelong learning is a powerful tool which can help to equip individuals to make smooth career transitions and encourage sustainable employment.

THE FLEXICURITY POLICY FRAMEWORK:

- **Towards a Flexicurity 2.0?** There is momentum now to reconsider flexicurity; the policy framework was established prior to the economic crisis and it is therefore appropriate now to review lessons regarding labour market outcomes from different flexicurity approaches.

- The **flexicurity indicators may be reconsidered to highlight what is relevant and necessary**, given the post-crisis realities in Europe and the longer term economic outlook.
- 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. Flexicurity's contribution to job creation should also be emphasised.

2 Discussion topics and conclusions

2.1 Flexicurity models and their relationship with labour market characteristics

2.1.1 Contracts and EPL

The role that the contractual arrangements and the strength of EPL can play in promoting flexicurity pathways was noted during the Peer Review. Key issues in relation to this that emerged during the presentations and discussions are outlined below.

A key element of the Danish model of flexicurity is the relatively low level of EPL for ordinary workers, particularly when compared to other Nordic and Central European countries². In turn, this contributes to high mobility between jobs. In 2012, Denmark stood out as having a particularly low average job tenure relative to other OECD countries in Europe, including the UK, Norway and Ireland. Around 30% of Danish employees move between jobs each year.

The role of contractual arrangements in flexicurity was a key focus of discussion at the Peer Review. Danish representatives emphasised that dismissal periods may differ across sectors, in line with the needs of firms and the expectations of the employees. Nevertheless open-ended contracts in Denmark have relatively short dismissal periods, as a consequence there is a low share of employees on fixed-term contracts. Some participants reported that there may still be some distinctions made in their countries between the levels of protection for blue- and white-collar workers, although these differences appear to have decreased in recent years. For example, in Belgium the distinction in dismissal law between blue and white collar workers has recently been abolished and replaced with a uniform law. More generally, Greek and Spanish representatives highlighted the reductions made to EPL since the economic crisis, as shown by the OECD indicator on individual dismissal periods, and the subsequent decrease of temporary employment

There was general agreement that job-to-job mobility, encouraged through EPL, comes with core benefits. It can serve as a way of reducing segmentation and dualism in the labour market. Arguably, it may also contribute to the relatively low levels of long-term unemployment in Denmark, as employers – particularly those in small and medium enterprises – may be more willing to 'take risks' when making appointments. This is particularly important as it is likely to contribute to higher numbers of employment opportunities for disadvantaged groups, such as older workers, young people, the unemployed, and 'outsiders' in general.

As part of contractual arrangements, one key aspect highlighted by different countries was the need to support conflict resolution mechanisms at the local or company level, in order to avoid costly litigation fees associated with court trials. At the same time, participants recognised the need to regulate EPL and to support additional protections for vulnerable groups, such as pregnant women and ethnic minority communities. Legislation and collective agreements are important for avoiding unfair dismissals, particularly when it comes to potential cases of discrimination and unequal treatment

Part-time employment and fixed-term contracts are typically associated with lower levels of EPL and limitations to certain rights, such as eligibility for training activities. Such contracts are seen as a key means of fostering flexibility in the labour market.

For example, at the height of the economic crisis in Spain temporary contracts were heavily used. In contrast, open ended contracts have increased by 25% since 2013, suggesting that an increasing degree of security within the labour market may be emerging. In addition, it was pointed out that Belgium has as many employees on temporary contracts now as Germany did at the height of the economic crisis. However,

² See, for example, the OECD EPL indicator, 2013: 'Level of protection of ordinary workers against individual dismissals in a number of OECD-countries'.

some representatives warned that part-time and fixed term contracts can be open to abuses, affecting some groups disproportionately, such as young people and females if these contracts lack essential labour market facilities. Furthermore the regulation of 'atypical work' was noted as a challenge for some countries during the economic crisis.

2.1.2 Internal flexibility

The role of internal flexibility, encompassing regulation of working time was also discussed during the Peer Review. Key issues in this respect are discussed below.

In Denmark, collective agreements regulate the number of weeks and months over which employees must average working time, but leave considerable flexibility as to the precise timetables. Taking a flexible approach to working time was noted as a core aspect of internal flexibility contributing to the success of the Danish model.

The infrastructure for regulating working time appears to differ substantially across countries. For instance, the Danish Agency, 'Safety at Work', is responsible for monitoring compliance with health and safety requirements (use of dangerous materials, etc.), but breaches of working time regulations would generally be disputed by unions. In contrast, Norway has a labour inspectorate with an all-encompassing role.

In the context of the economic crisis, a relatively common response amongst the Peer Review countries has been to make it easier for employers to reduce working time, sometimes with government subsidies for the affected employees. In Spain, for example, if an employee's hours are decreased, he/she can gain proportional unemployment benefit (UB). The same holds from the reverse perspective; if someone is unemployed and receiving benefits in Spain, it is possible for him/her to move back into part-time employment and continue to receive a portion of UB. Subsidised job-sharing has also been used in Denmark since 2009. A more ad hoc, firm-level approach occurred in the UK during the economic crisis with a range of firm-level agreements being put in place which resulted in working time reductions.

Although such actions may delay or avoid dismissals, some participants warned of the need not to 'over-subsidise' such work, as it can lead to high costs and lower productivity and promote the risk of permanent subsidy for uncompetitive or restructuring sectors. For example, in Belgium there has been an emphasis on subsidised employment and job security through job creation and direct job subsidies. This focus has led to some employers becoming dependent on job subsidies. From the employees' perspective, there may also be some issues if the change to reduced hours contract is not accompanied by a commensurate workload reduction.

External flexibility and internal flexibility are strongly interwoven, as the Spanish example shows. The combination of lowering EPL and providing more room for internal flexibility for employers contributed to the decline of involuntary temporary contracts and therefore reduced labour market segmentation.

2.1.3 Social security and activation measures

During the course of the Peer Review there was considerable discussion among participants regarding the role of social security in supporting and protecting people in ways which were likely to result in labour market access. The starting point was the Danish model which provides a strong social security safety net for those no longer in employment.

It was noted that there have been reforms to the social security system in Denmark in recent years, but participants at the Peer Review tended to agree that the package remains solid. Unemployment benefit (UB) is accessible for two years (previously four) and there are high compensation rates for low-income groups (up to 90% of previous earnings for lower-paid workers). At the end of the two year period citizens are entitled to means-tested social assistance benefit, which is at a lower rate than UB.

There was some consensus that countries without strong social security systems did not have effective mechanisms in order to respond to the economic crisis, as such a

minimum level of social security is an important element of flexicurity. As a kind of generalized security, it can be particularly important in periods of economic growth as a means of encouraging employees to consider changing jobs. Other themes which emerged during presentation and discussion are outlined below.

A balance between rights and responsibilities

During the economic crisis, there appears to have been a renewed focus on the responsibilities that job seekers need to fulfil in order to maintain the right to social security payments.

In this context, the 'activation measures' within the Danish social security system were a particular topic of interest. For example, one formal rule relates to the 'three-hour radius', whereby UB recipients must accept any job for which the daily travel time would not exceed three hours. Delegates argued that the conditionality of benefit regimes has an important 'motivation effect'. For example, most unemployed people in Denmark stop claiming UB after six months. Other countries reported the conditionality regimes of unemployment benefits. In the UK, UB can be stopped if recipients fail to fulfil core criteria, such as accepting a particular job or training opportunity.

The interplay between rights and responsibilities were discussed among by participants. From a practical perspective, countries such as Norway and Spain reported difficulties in applying sanctions, at times because they were too far-reaching and thus unworkable. Danish representatives advised that, whichever rules are in place, they must be clear and easily implementable. Simple measures, such as the suspension of a cash benefit for one day, may be more effective than those that are more punitive or complicated.

There were also some concerns about the ethical implications of using sanctions as part of the social security system. For example, there may be a disproportionately greater impact on certain vulnerable groups (such as older individuals and those with disabilities, with limited ability to travel). Some participants promoted the view that the focus on labour market needs should not replace concern for what is right for the individual. It was pointed out that in the UK there is a strong focus on the 'rights and responsibilities' of the individual towards the rest of society. A balance needs to be sought between individualised career support and available job opportunities: a 'marriage of needs'. This was thought to fit the flexicurity approach.

Appropriate measures to facilitate labour market access

Linked to the discussion of the way in which social security models have developed during the crisis was the issue of appropriate activation measures. During the discussion of the Danish model, it was explained that the fundamental approach is to try to find an appropriate job match for jobseekers, this is obviously imperative for both employee and employer to achieve sustainable outcomes. For example, it is unlikely that an employer would want to hire someone who was overqualified and living far away, in the same way that employees may not wish to stay in a job that does not meet their needs or ambitions.

Rather than a simple concept of specific job matching it was noted that measures should be aimed at promoting employment security. In this sense measures would be designed to improve labour market access in the short and medium term. Moving from job security to employment security is an important concept in this regard.

Arguably, finding a good match is a core ambition of Denmark's current national 'trust reform', through which the government hopes to transform the relationship between individual jobseekers and public employment services (PES) by placing more emphasis on the idea of shared responsibility and addressing the specific needs of the job seeker. The reform reduces the number of activation measures and instead introduces early and regular job interviews, combined with educational measures. Participants cited OECD and controlled research that demonstrates the positive outcomes of the intensive PES support at an early stage and job search interviews specifically.

Within this discussion, representatives explored the appropriate level of interaction between education and social security. In Denmark, unskilled workers who are over 30 years old can take training whilst on UB, but the value of the UB is reduced. In Norway and Ireland, it is also possible to combine education with the employment package. The Irish system, however, focuses such training on 'upcoming sectors'.

Some discussed the idea of targeting 'at-risk' groups with educational measures. For example, the Danish trust reform has brought more attention to unskilled young people and introduced support measures to enable them to gain vocational education and training. Skills acquisition is considered to be a crucial part of fostering sustainable employment.

2.1.4 Active labour market policies in general

It was noted that Denmark spends the most of any EU country on ALMPs: 1.5% of GDP. However, it was generally agreed that the focus should not be on the amount spent, but rather the cost-effectiveness of the policies pursued. This was considered an important lesson for less wealthy countries. In the Danish context, municipalities are responsible for administering the benefit system, meaning it is in their interest to take the most cost-effective measures. The Ministry of Employment explained that there had been a shift towards monitoring and evaluating the *outcomes* of municipality activities, rather than centrally dictating which activities should be delivered by municipalities.

Danish representatives added as important context that only a small percentage of jobs are found through public employment services (PES). Generally, they argued that it is more important for the PES to encourage a transparent labour market (databases, portals, etc.) and to work closely with employers to identify relevant opportunities than it is from them to undertake significant final job-matching.

Some participants argued that supporting the development of functional employability skills is the most important form of security and activation that a government can provide. In some countries there has been a move towards investing in the skills of jobseekers. This is particularly noticeable in the case of Belgium where there are over 120 job creation schemes and an explicitly recognised evolution from job security to employment security. Indeed, it was generally agreed that skills-based programmes are important to keep jobseekers engaged. It was pointed out that if jobseekers do not participate in such programmes then they may become disengaged and are likely to get further away from the labour market. This has happened in Denmark and the UK, where there are instances of generational disengagement with no participation in the labour market or ALMP.

Denmark is unusual in its high levels of lifelong learning, with an adult VET participation rate of 31% (compared to an EU average of 11%). Despite some issues in interpreting these figures³, delegates confirmed that there is a strong culture of lifelong learning in Denmark, as it is valued by both employees and employers. The level of social partner support for learning opportunities was noted by many participants as a positive element in the Danish model, reflecting that training activities in many countries are sometimes seen by employers as more of a burden than an investment.

2.1.5 Social dialogue

During discussion with Danish social partners, representatives of both trades unions and employers demonstrated a high level of consensus regarding the merits of the Danish flexicurity model and the need to preserve the "golden triangle" (low EPL, social security and active labour market policies) notwithstanding certain adjustments that are sometimes made to the model. The high level of cooperation and joint responsibility between the two sides is considered to a unique feature in Denmark, influenced by both

³ These figures are based on the EU Labour Force Survey and require some care in their interpretation. The percentages could include internal training and self-financed training arranged by social partners (i.e. not just activities that are publicly funded).

historic and cultural tradition. The extent of their influence in determining social policy is also notable. Social partner dialogue affects, amongst others, conditions of lifelong learning, internal flexibility and wage flexibility, primarily through collective agreements at the shop-steward level. As a result, the role of formal legislation is less dominant.

Mutual trust and respect are the foundations for social dialogue to take place. This is not in place in all countries (such as Croatia), or the level of social dialogue and trust may have been affected by the economic crisis (such as in Ireland). It was widely agreed that this process takes time but that steps can be taken to establish it. For example, through small focussed activities that can build up in size over time and help to establish shared success and mutual trust between different parties.

Whilst being impressed with the mutual respect and recognition between Danish social partners, some participants challenged the notion that this is the only possible foundation for flexicurity. Social dialogue may enable greater agreement, but it is also possible to achieve social consensus by involving a wider range of stakeholders, regular review of the composition of social dialogue actors was noted as potentially useful. Some participants noted that widening the scope has the potential to achieve better policies and greater ownership of the flexicurity model. Moreover, social dialogue models do not always have to be developed top down: they can also start from the sector or company level, depending on a country's institutional features and tradition.

2.1.6 Wage flexibility

The issue of wage flexibility and its role during the economic crisis was discussed during the Peer Review workshops and plenary sessions. Wage flexibility allows employers, and governments, to control wages for employees. It can be used strategically to allow employees to move away from declining sectors or sectors undergoing substantial restructuring into growth sectors and therefore encourage high internal mobility. In addition to government representatives and employers, discussions on wage flexibility may also include social partners (e.g. trade unions), e.g. as a strategy to retain workers in a firm through temporary wage adjustments.

In the case of Denmark, wage flexibility is undertaken through collective agreements between employers (or their representatives) and social partners. Collective agreements often cover a wide range of issues, not just wages. Pensions and education and training offers are also typically addressed within collective agreements which cover pay and conditions. It is important to note that wage bargaining can take place on a centralised and decentralised level. Collective agreements are not in place in all Member States, such as the UK.

Wage flexibility can also take place at either on a sector level or employer level. In some countries, where sectoral agreements are in place there is provision for employers to deviate from sector level agreements and make decisions at employer level. In the case of Germany, trade unions are still required to sign and agree to such decisions. Decentralised negotiations at employer level also exist. Participants to the Peer Review also highlighted that within the private sector, employee loyalty to a specific firm can be questionable.

This illustrates the fact that different models and pathways to flexicurity exist and these are important in determining the effective policy mix within a country. Reform of the mechanisms (national legislation, sectoral and plan-level agreements) which ensure a greater or lesser degree of wage flexibility require considerable time and discussion. Appreciating their role within the overall flexicurity model is therefore very important.

2.2 The implications of the economic crisis on flexicurity models and outcomes

Participants debated the ways in which the Danish model of flexicurity may have changed. Like many European countries, the Danish economy was strongly hit by the economic crisis that became manifest in 2008. This led to a drop in GDP by 8%, a decline

in employment and rising unemployment coupled with a declining workforce. Denmark has also faced a slow recovery, due to sluggish internal demand.

In this context, many aspects of flexicurity have been adjusted, including through automatic stabilisers (at macro-economic level), reforms of the benefit system and growth packages. As discussed above, the length of unemployment insurance benefits has reduced from four years to two years, and there has been a move towards a 'trust reform' in Denmark. 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 order to develop and grow, instead of entering the first available job. Employment in Denmark has recovered more slowly than anticipated, but there has been a 1.45% rise in the last 18 months. Furthermore, economic stability is not solely reflected by this measure. The social security system in Denmark has prevented a detrimental effect on people's financial position.

In light of these developments, participants generally agreed that the flexicurity model has provided some shelter from the economic crisis. Indeed, one of the model's key strengths is considered to be its ability to adapt to 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. In this respect Denmark is considered to have entered the economic crisis from a relatively strong starting position. Danish policy-makers stressed the importance of structural indicators such as overall competitiveness, a dynamic labour market, low long-term unemployment, limited segmentation and low risks-to-poverty rather than general unemployment caused by economic downturns.

Nevertheless, Danish representatives pointed to some persistent economic issues, such as difficulties in appointing people to lower-paid positions (suggesting mismatches between labour market supply and demand). Furthermore, the EU as a whole continues to face growing unemployment, including long-term unemployment. Currently, 24 million are unemployed and a significant number are also outside of education and training. The full effects of the crisis on flexicurity models, both in Denmark and elsewhere, remain to be seen. Nevertheless, a country like Spain can be said to have developed a successful flexicurity strategy throughout the very painful crisis period and is now gaining the benefits.

2.3 Transnational learning on flexicurity

2.3.1 Transferability

The high level of ALMP in Denmark provides a strong safety net (in the form of social security) and mobility between jobs. Given the level of budgetary restriction in many other EU countries, some participants questioned the feasibility of transferring the flexicurity model to their national contexts. The Danish approach to flexicurity goes back more than 100 years, even though it was not named as flexicurity at that time. The Danish model, and the complementarities between different institutions, is the product of interrelated historic, social and cultural developments. As such, it is important to acknowledge that it would not be possible to transport the entire model, nor would it necessarily be appropriate or necessary.

Danish representatives emphasised that other governments should consider which *aspects* of the model may be helpful and transferable for their particular circumstances. For instance, responsibility for benefits was devolved to the regions in Belgium in 2010; given this, it may be now possible to link activation measures and benefit systems more closely. Arguably, Greece and Spain have already taken a step towards the adopting a key aspect of the model by reducing EPL to a moderate level.

Furthermore, it is recognised, also within the Common Principles on Flexicurity, that there is no single flexicurity model, but rather a range of 'flexicurity pathways' in the

EU⁴. For instance, in the German context, there is more emphasis on functional and working time flexibility, with greater EPL. The Wilthagen Matrix demonstrates some of the many ways in which flexicurity can be characterised.

Crucially, the shared feature of flexicurity models should be their ambition to reconcile and balance the two principles of flexibility and security, taking a holistic view of the labour market.

2.3.2 The suitability of EU policy frameworks

Flexicurity is a key part of the EU policy framework, particularly the Employment Guidelines and the European Employment Strategy. However, there is scope for strengthening the framework in light of the economic crisis. For instance, participants identified issues which could be considered. It may be helpful to:

- Emphasise the need for a common starting for flexicurity: basic social security and moderate levels of EPL;
- Consider the interrelationship of external and internal flexibility;
- Make clear that cost-effectiveness is more important than spending levels when it comes to ALMPs and social security;
- Reflect that social consensus need not only involve social partner dialogue but also bargaining at the company level and the involvement of a wider range of stakeholders (e.g. cities, job centres);
- Define more clearly the use of wages as an instrument for flexicurity;
- Focus on the need to foster functional employability skills for sustainable forms of employment by making education and training attractive to the unemployed;
- Pay attention to the full range of stakeholders that can be carriers of flexicurity, also at the regional and local level;
- Renew attention to the flexicurity indicators and consider whether they are relevant to the 'new' reality

At a time of upcoming revision to the Employment Guidelines, there is now some political momentum to bring changes into effect. The issues noted above should therefore be considered by the European Commission.

2.3.3 Monitoring and implementation

The European indicators of flexicurity were established in 2007 prior to the economic crisis. It is therefore important to review them in light of what happened during the economic crisis and with an understanding of the post-crisis world. A key issue in this respect is that indicators should capture the fact that flexicurity should aim to facilitate job creation and labour market access (whilst preventing segmentation and dualism) plus sustainable careers.

There was also some discussion of the mechanisms for monitoring the various systems (education, social security, etc.) that make up the flexicurity model. In Denmark, this is facilitated through the use of personal identification numbers and public (anonymised) data registers, as well as the high degree of information exchange between different institutions. More generally, participants shared ideas on different methods for evaluating labour market policies, such as counter-factual evaluations, randomised controlled trials and meta-evaluations.⁵

⁴ For more discussion on how to develop national pathways to flexicurity, see T. Wilthagen (2008), *Mapping out flexicurity pathways in the European Union*.

⁵ The MLP has hosted a range of events on evaluation techniques. For the supporting materials, visit the 'Peer Reviews' section of the MLP website and search for the theme 'Labour Market Policies'. <http://ec.europa.eu/social/main.jsp?catId=1070&langId=en>

Some Host Country representatives commented on the positive effects of introducing benchmarking of municipalities and / or job centres. However, it was agreed that regional context would need to be taken into consideration as part of this, particularly relative levels of unemployment and socio-economic conditions in different areas.

3 Key Learning Outcomes – moving Towards a Flexicurity 2.0?

3.1 Fundamental issues for flexicurity models

The Peer Review participants discussed the Danish model in light of their country experiences. Discussion quickly established the fact that it is neither possible nor desirable to transfer one model from one country to another, in short there are no 'copy-paste' solutions. Flexicurity approaches have evolved in all countries as a result of their socio-economic history. Indeed it was noted by Danish contributors throughout the Peer Review that the key features of the Danish model are the product of long-term historical development and refinement. Furthermore the Danish model is not a static phenomenon, rather it is subject to continuous debate and reform based aimed at improvement of labour market outcomes. The ability to adjust the model is a flexicurity aspect in itself.

The importance of viewing flexicurity as an integrated concept was also a fundamental aspect which was consistently stressed during the Peer Review. Regardless of the relative strengths and weaknesses of flexicurity models, all flexicurity systems are based on interdependent policies and complementarities between different institutions in the labour market. The importance of this for policy makers is that they must recognise that reform to one element of the flexicurity model will have consequences for other aspects. Understanding these relationships and their possible impact on the labour market is a vital a priori consideration.

A particularly prominent feature of the Danish system is the extent to which there is a shared vision among policy makers and between Social Partners regarding the fundamental aim of the model. The relationship between Social Partners does not require full consensus whereby all parties agree on all issues, but a shared vision of the overall purpose and challenges for a country's flexicurity pathway is of vital importance. Moreover, mutual trust and joint risk-management are 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 broader and include other types of organisations within the labour market.

3.2 Issues for policy design

There was consensus among Peer Review participants that a basic level of employment security is important. As such this is a fundamental starting point upon which to base flexicurity policy. Without a basic level of security (including UB, social assistance), there is no flexibility and vice versa. A stronger focus on labour market dynamism over inclusivity is unlikely to produce a strong labour market, but rather is more likely to increase structural problems such as: segmentation and dualism.

Another striking issue of the Danish flexicurity model – its relatively low EPL – was discussed during the Peer Review. There was some consensus to suggest that weak to moderate EPL does appear to facilitate the more favourable labour market outcomes. This must, however, be considered alongside other forms of flexibility in order to encourage job-to-job mobility and prevent dualism and segmentation in the labour market. Unfair dismissal, discrimination and unequal treatment should be counteracted in any flexicurity model in line with EU regulation and case-law.

The coverage and intensity of effective ALMP must complement the EPL regime that is in place. Broad coverage of ALMP appears to be a key element in successful flexicurity models which produce positive labour market outcomes. In light of an increasing demand to achieve value for money in welfare expenditure across Europe there was a strong consensus to suggest that the overall level of expenditure on ALMP is less important than cost effectiveness and careful use of resources.

Wage moderation, or wage flexibility, is essential to the flexicurity model. Social partners in Denmark highlighted the importance of collective bargaining agreements at the firm level to support this process. More traditional sector level and central government intervention may also have a role, without affecting social partners' freedom of negotiation. There were also examples of firm-level ad-hoc agreements being a feature of the crisis response. Understanding the long term impact of wage moderation in the crisis will be a future consideration for policy makers.

The economic imperative of investing in skills, both hard skills and soft skills, was also noted as a vital issues in order to increase the chances of sustainable employment. A strong culture of lifelong learning is a powerful tool which can help to equip individuals to make smooth career transitions and encourage sustainable employment, also across sectors of industry. Encouraging employer investment in skills is therefore a key issue in fostering a lifelong learning culture.

3.3 What next? – Towards a Flexicurity 2.0

Given the wide ranging policy agenda which is covered by flexicurity policy, covering multiple ministries in each country, it is useful to consider how flexicurity policy can be taken forward within countries. In this respect there were some practical steps discussed during the Peer Review:

1. Promote discussion with colleagues, this is a timely moment to discuss flexicurity given post-crisis European developments and the future of the European Social Model – flexicurity can be the basis upon which holistic discussion about how to improve labour market outcomes can take place.
2. Flexicurity policy should be aimed as much as possible toward job creation, labour market access and sustainable careers – this should be stressed.
3. Share resources with colleagues and partners. There are a number of MLP documents and EU policy documents which outline flexicurity policy and the various pathways.

These steps can be taken forward by participants in order to foster debate within their own countries and to improve understanding of the flexicurity concept and its applicability and utility.

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