I

(Resolutions, recommendations and opinions)

OPINIONS

EUROPEAN ECONOMIC AND SOCIAL COMMITTEE

456th Plenary Session Held on 30 September and 1 October 2009

Opinion of the European Economic and Social Committee on ‘How flexicurity could be used for restructuring against the backdrop of global development’ (Exploratory opinion requested by the Swedish presidency)

(2009/C 318/01)

Rapporteur: Mr SALVATORE
Co-rapporteur: Mr CALVET CHAMBON

In her letter of 18 December 2008 and in accordance with Article 262 of the Treaty establishing the European Community, Ms Cecilia MALMSTRÖM, Swedish deputy vice prime minister and minister for European affairs, asked the European Economic and Social Committee, on behalf of the future Swedish Presidency, to draw up an exploratory opinion on

‘How flexicurity could be used for restructuring against the backdrop of global development.’

The Consultative Commission on Industrial Change, which was responsible for preparing the Committee’s work on the subject, adopted its opinion on 10 September 2009. The rapporteur was Mr SALVATORE and the co-rapporteur was Mr CALVET CHAMBON.

At its 456th plenary session, held on 30 September and 1 October 2009 (meeting of 1 October), the European Economic and Social Committee adopted the following opinion by 111 votes in favour and nine abstentions.

1. Conclusions and recommendations

1.1 The Commission has defined ‘flexicurity’ as ‘an integrated strategy to enhance, at the same time, flexibility and security in the labour market.’ In this position paper the EESC highlights certain aspects of the Flexicurity concept which it regards - in these times of crisis - as especially relevant for keeping as many people as possible in employment and giving people outside the labour market as many chances as possible to find a new job as quickly as possible. Employers and employees must work together in the context of the social dialogue to ensure that as many workers as possible are retained in the labour market.

1.2 In these times of deep crisis and soaring unemployment it is more important than ever that flexicurity should not be understood as measures to facilitate the dismissal of workers currently in employment or to undermine social protection, either in general or for the unemployed in particular. The EESC considers that measures enhancing the security side (in the broadest sense) of flexicurity must currently be the top priority.

1.3 The EESC has highlighted the significance of internal flexicurity in previous opinions. The crisis underlines the importance of internal flexicurity measures to allow companies to adapt to the sharp decline in orders without being forced to dismiss employees. Companies with working time accounts agreed by the social partners are much better able to react quickly to the new market situation brought by the crisis than companies which are lacking these types of instruments. One of the clear lessons learnt from the crisis is that working time accounts and flexible working time arrangements have to be promoted by the social partners. The EESC regards it as necessary to make these instruments as attractive as possible for companies and employees.
1.4 Flexicurity can only work if employees are properly trained. There is a strong link between new skills and the creation of new jobs. It is in companies’ full interest to invest in the continuous training of their staff. It is the employees’ responsibility to continue to undergo training. It is to be hoped that the ‘Lisbon 2010 +’ strategy will provide solutions to these problems.

1.5 The crisis underlines the importance of social dialogue. The last months have shown how committed the social partners are to finding joint solutions for the pressing problems. The EESC proposes to the Swedish EU-Presidency and the EU Commission that a web-based platform be established to foster the exchange of experience with regard to these initiatives of the social partners, bearing in mind the range of different situations at national, regional and local levels.

1.6 At European level social partners are currently negotiating an autonomous framework agreement on inclusive labour markets. The EESC believes that a future agreement can have real added value for helping the most vulnerable people who have lost their jobs as a result of the crisis to get back into employment. The EESC also looks forward for the joint monitoring and assessment of the implementation of flexicurity, to which European social partners have committed themselves in their work programme for 2009-2010.

1.7 The great speed and drastic nature of the economic downturn make many employers think back to the boom years, when they discovered how hard it is to find adequate numbers of sufficiently qualified people. Since they are now looking further ahead into the future and contemplating the economic upswing that will surely come, they are not rashly shedding too many jobs as they might if they were motivated by short-term cost savings. However, no company can ignore basic economic rules. Ultimately, every company is primarily concerned with ensuring its survival. For the affected workers it is of crucial importance to get back into employment as quickly as possible. The EESC stresses the need to provide them with rapid and high quality assistance. Member States should seriously consider increasing the quantity and the quality of staff in the employment agencies in order to help people get back into employment as quickly as possible.

1.8 Given the national and regional specificities and the differences between sectors of industry, the Committee urges the Union to continue its work using a European approach and in compliance with the principle of subsidiarity. This would create the European framework necessary for ensuring the strengthening of a European social model which is in full transition from a theoretical model to an unavoidable reality (1). It is necessary to plan for a post-Lisbon process (Lisbon 2010 plus) to meet the goals not already attained and those that will emerge during the crisis, which may prove long and painful. Flexicurity should certainly play an important role. The Committee believes that there should be balance in the scale on which flexicurity is applied.

1.9 The EESC stresses that the reform of the labour markets in the Member States should ensure that the number of insecure jobs offering more flexibility than security, which has steadily increased over the past few years, does not increase further. The EESC shares the concerns expressed in the Committee of the Regions’ opinion of 7 February 2008 (2). A weighting of the balance towards external flexibility might ‘allow for extensive deregulation of normal working conditions so as to increase precarious employment’.

2. Background

2.1 The Swedish Presidency is calling on the EESC to issue an opinion on ‘flexicurity’, on which it has already given its view (3), but which is presented in a different context. The urgent need for taking another look at the subject in the light of the financial crisis was confirmed during a hearing held by the Swedish Presidency in Stockholm on 7 July 2009.

2.2 Flexicurity is interpreted differently. In its communication COM(2007) 339 final, the European Commission has defined it as ‘an integrated strategy to enhance, at the same time, flexibility and security in the labour market (4).’ Since this definition was also used in the conclusions to the special summit in Prague on 7 May 2009, this opinion is also based on this shared interpretation.

(4) It is worth drawing attention to the European Commission’s exact wording for the four principles of flexicurity, ‘flexibility, on the one hand, is about successful moves (‘transitions’) during one’s life course: from school to work, from one job to another, between unemployment or inactivity and work, and from work to retirement. It is not limited to more freedom for companies to recruit or dismiss, and it does not imply that open-ended contracts are obsolete. It is about progress of workers into better jobs, “upward mobility” and optimal development of talent. Flexibility is also about flexible work organisations, capable of quickly and effectively mastering new productive needs and skills, and about facilitating the combination of work and private responsibilities. Security, on the other hand, is more than just the security to maintain one’s job: it is about equipping people with the skills that enable them to progress in their working lives, and helping them find new employment. It is also about adequate unemployment benefits to facilitate transitions. Finally, it encompasses training opportunities for all workers, especially the low skilled and older workers.’
2.3 The EESC stresses that, in accordance with the principle of subsidiarity, labour market policies are the preserve of the Member States. Any attempt to harmonise labour laws would run counter to this principle and would prove inappropriate, by harming traditions and geographical structures that have proved their worth and solidity. Moreover, it should be borne in mind that the Member States do not all enjoy the same level of economic development and this is reflected in their respective social systems. In this context, the EESC feels that the EU should focus primarily on:

— promoting cooperation between the Member States by means of the European Employment Strategy, which has been integrated into the guidance mechanism for the Lisbon Strategy since 2005. In guideline 21 of the Guidelines for the Employment Policies of the Member States, the latter agree to promote flexibility combined with employment security. The European Union must act as a catalyst to ensure that the Member States meet their commitments and, simultaneously, disseminate and exchange best practice in the framework of the European employment policy.

3. New developments

3.1 The crisis

3.1.1 The short-term effects of the greatest economic crisis in the Community’s history are fairly obvious. Public debt in the EU Member States is growing at an unprecedented rate. Although the world’s central banks have flooded markets with liquidity, the banking system is still not operating normally. In particular, small and medium-sized enterprises (SMEs) and self-employed workers are finding it extremely hard to secure access to new credit. It will not be long before the deleterious impact of unemployment on societies and the internal market begins to be felt. At the same time, there are far fewer opportunities for job creation, and far more difficulties involved.

3.1.2 The EESC believes that it is essential to adapt the flexicurity model in the short term in the light of the serious current socio-economic situation, even though its last opinion on the matter dates from spring 2008. The Committee welcomes the Swedish Presidency’s request for an assessment of how the Member States might use flexicurity for restructuring against the backdrop of global development. Global development refers to the financial crisis and its tragic repercussions on the real economy and on employment. This crisis has already proved to be the worst for 80 years. Its effects will very probably mark the whole of the 21st century. It is all the more serious for occurring in parallel with two other crises that represent major challenges at global level: the climate crisis and the demographic crisis.

3.1.3 The crisis is changing the socio-economic environment for any potential labour market reforms. This is clearly true whatever one thinks about the appropriateness and feasibility - or indeed the necessity or impossibility - of such structural reforms at a time of crisis. Nevertheless, the EESC emphasises that reintegrating the unemployed back into the labour market and getting them back to work must be an absolute priority.

3.1.4 Nevertheless, the Committee intends to draw conclusions from its observations, with a view to formulating specific, positive proposals on the constituent elements of ‘flexicurity’, namely flexibility and security. The Committee stresses that the balanced management of flexibility and security measures is vital if we wish to avoid further social conflict of the kind that has already arisen in Europe.

3.2 Internal and external flexibility

3.2.1 Internal flexibility must flow from the social dialogue between management and the workforce, or its representatives, the social partners, in the company or sector in question. It prevents job losses and can thus be a major stabilising factor for social cohesion in Europe in difficult times. Good relations between business and the workforce are essential to guarantee businesses’ commitment to social responsibility and to keep workers in the labour market by increasing employment. The role of governments is crucial in supporting these measures, but they should not intervene at the expense of their capacity to provide basic social services, such as safety (be this in the context of food products, air traffic, the universal nature of public services or policing) or education, which is now seen in terms of life-long learning.

3.2.2 Any social reform must be set in its socio-economic and political context. In fact, the aspects of ‘flexicurity’ highlighted by the European Commission describe an ideal and model situation that can serve as a reference and example for any structural reform of the labour market. There is no doubt that at a time of crisis, ‘flexicurity’ raises many serious issues, if there is no guarantee that the sacrifices required for hypothetical employability will actually bear results. Therefore, it must be borne in mind that flexicurity will only be useful if it is jointly understood by the social partners and not just by one of them. In this context, it is essential to look very closely at security and the balance between security and flexibility. The Committee believes that the European Commission should focus its analysis more on the options of internal flexibility which could be a useful tool in flexicurity to combat unemployment (1).

3.2.3 The Committee believes that these aspects need to be balanced and that flexicurity must not be applied to the detriment of security. Yet, how can Member States ensure this balance in a time of crisis? The Committee proposes that reforms based on the flexicurity model be examined extremely carefully at this time to avoid undesired social and political repercussions. In the case of ‘external’ flexicurity, there is a need for more precautions.

(1) OJ C 105, 25.4.2008, p. 16. Even before the crisis, the Committee of the Regions expressed its doubts about the predominance of external flexicurity in the Commission’s approach. The Committee of the Regions ‘suggests that a phrase such as “flexible and reliable contractual arrangements” gives reason for concern, since this would also allow for extensive deregulation of normal working conditions so as to increase precarious employment’.
3.2.4 In accordance with the above, every aspect of the flexicurity measures and particularly the budgetary aspects must be credible. This will probably lead Member States to change their spending priorities – and perhaps also to a strengthening of Community aid, since there can be no flexicurity without security.

3.2.5 Unlike the prudent use of various kinds of internal flexibility, it would be risky under current circumstances to undertake labour market reforms with the aim of promoting more external flexibility. Hitherto, the European Commission's analyses have stressed this aspect of flexicurity. In Europe, many collective agreements include provisions covering the internal organisation of flexibility within companies. Such flexibility can take various forms, including organising working time to incorporate periods of training.

3.3 Social dialogue

3.3.1 The EESC continues to urge that the social partners be the key players in a forum designed to facilitate regular dialogue on reform, so that both ends of the spectrum – employers and employees – can work to ensure that a balance is consistently maintained between flexibility and security. This approach is important and useful for the future of employment in Europe. It is for this reason that civil society must also be involved in the debate. Any employment policy or reform of the labour market has a major impact on society. Moreover, these reforms must not be seen in isolation from the economic, social and sustainable development of society.

3.3.2 Flexicurity is an important tool for mitigating the impact of the financial crisis and the crisis in the real economy on work and jobs. However, it must not be abused, for example by being used to facilitate redundancies in countries which have labour legislation giving a certain level of protection against 'hire and fire' practices. The Committee welcomes the clarity with which the European Commission has stated that flexicurity may in no circumstances become a right to fire workers.

3.3.3 The Committee strongly emphasises that any reform of labour law must be conducted together with the social partners, or it will be doomed to failure. Social dialogue is a guarantee of modern, social participatory democracy. Changes to labour legislation must be the result of negotiations between the social partners. Moreover, social dialogue also allows the adoption of diverse forms of internal flexibility, giving enterprises considerable latitude to adapt, regardless of whether they are experiencing an upward or downward trend in business activity.

3.3.4 The EESC welcomes the joint initiatives and efforts made by Europe's social partners in connection with flexicurity. The Committee is pleased that the European social partners have included monitoring and assessment of the implementation of flexicurity on their work programme for 2009-2010. The Committee awaits the report on this assessment and expects the joint evaluation to have a considerable impact on shaping the ways in which flexicurity is applied in the various Member States.

3.4 Short- and medium-term European objectives

3.4.1 In the short term, the analysis of flexicurity and the ways in which it might be applied must – whilst always taking account of the existence of social dialogue at all levels, the financial constraints and the role of governments – focus on the objective of preserving as many jobs as possible with the highest possible added value and on strengthening the overall level of social protection for all workers, whatever their situation on the labour market.

3.4.2 The EESC draws attention to the conclusions of the Council report of 8 and 9 June on flexicurity in times of crisis. It is essential for the unemployed to find work again as quickly as possible. The EESC emphasises the need to give them help, support and effective guidance very quickly. Member States should be encouraged to make better use of the existing European funds and they must be absolutely committed to improving the quality of instruments for encouraging employment, for example, agencies offering quality jobs, to strengthen their services and effectiveness.

3.4.3 The EESC shares the Commission's opinion that the agreements on allowances for lay-offs can be an effective short-term tool for preserving jobs, avoiding unemployment and maintaining purchasing power. These provisions have a threefold impact, ensuring that businesses do not lose workers' know-how and skills, that workers are not excluded from the labour market and that national economies are not destabilised by preventing a wave of unemployment. The crisis has highlighted the need for promoting 'working time accounts' and the flexible management of working hours. Companies with 'working time accounts' are much more capable of reacting quickly to new market situations and adapting to sudden falls in demand. The EESC calls on EU Member States to make this instrument as attractive as possible to employees and companies.

3.4.4 The EESC encourages the social partners at all levels, including the micro-economic level, to focus the social dialogue and the compromises that it will require from all the partners during this severe crisis, on maintaining and creating jobs whilst upholding workers' overall purchasing power. Governments must find the means to act as catalysts and promote or even reward such agreements. The EESC proposes to the Swedish Presidency and the European Commission that a web platform be set up to increase exchanges of information and experiences of practical initiatives by the social partners, taking account of the different range of situations at national, regional and local level.
3.4.5 The EESC believes that the four dimensions of flexicurity and its principles as defined by the European Commission could effectively contribute to reducing unemployment in Europe. Nevertheless, it is essential to ensure that high-quality jobs are created. Real social protection plays an important role in this respect and is essential for social cohesion in the EU. In this context, the EESC stresses that labour market reforms in the Member States should stem the steady rise noted over the past few years in the number of precarious jobs, characterised by too much flexibility to the detriment of security. The Commission should carry out periodical evaluations of how the principles of flexicurity are being applied in legislation and regulatory provisions relating to the labour market. The EESC believes that the principles of flexicurity should be further integrated into the post-Lisbon agenda. Moreover, the EESC suggests that the work of the European social partners be coordinated with this agenda.

3.5 A new European debate

3.5.1 The EESC feels that it is appropriate for the Swedish presidency to be launching a debate on the aspects of flexicurity which could, judging from the example of a number of Member States which have introduced it, help the Union to get through this global financial and economic crisis while safeguarding as many jobs as possible, so as not to endanger its social cohesion. The EU has much to gain from ensuring that workers are not deskilled, since it will need their skills after the crisis, especially since demographic changes will lead to a considerable reduction in the potential skilled labour force in most European countries.

3.5.2 Making skilled workers redundant during a recession is a threat to future recovery. It risks compounding lack of know-how. Worse still, many European companies seem to be cutting their apprenticeships or posts intended for young graduates. In doing so, they are endangering their own future. Moreover, flexicurity itself can only function if employees are properly trained. Therefore, putting a halt to training would run counter to this reform tool. There is a strong link between new skills and creating new jobs. The ‘Lisbon 2010 plus’ strategy must provide solutions for these problems. Companies are supposed to invest in ongoing training for their employees. At the same time, it is clear that individual workers are responsible for continuing their own training.

3.5.3 The countries within the EU must set a global example by making life-long learning, as a component of flexicurity, part of a sustainable development approach. Worker training must be focused on Europe’s objectives of creating more, better quality jobs and endeavouring to develop a sustainable economy.

3.5.4 The bedrock of flexicurity is greater employability, which is determined by the quality of education systems and the effectiveness of ongoing training. As long as the Member States continue to declare their support for lifelong learning without reforming their education systems or attaching more importance to preschool education, without allocating more resources to education and without encouraging work-based vocational and ongoing training and putting in place tax incentives to that end, a key condition for flexicurity cannot be met. The Committee calls on national governments to make all these education-related issues an absolute priority. The Committee supports joint action by the Member States to promote the education and training sector in Europe.

3.6 Flexicurity against the backdrop of the Lisbon Treaty

3.6.1 Under the Lisbon Treaty, which the Committee supports and hopes to see adopted by the EU’s 27 Member States, the internal market is defined as a social market. Article 2 of the Treaty establishing the European Community cites ‘a social market economy’ as one of the objectives of the Community. This is an important new development. This new direction, which gives far more space to social interpretations of community law, cannot fail to have an impact on future European legislation and, above all, on the case law of the European Court of Justice.

3.6.2 It is true that some political developments in a minority of European countries are leading to concerns about the likelihood of the Treaty ever being adopted at all. Nevertheless, the Committee remains optimistic, since there is no alternative, no ‘plan B’. In a 27-strong Union, especially during a time of crisis, the institutions need to be able to work more effectively than the Treaty of Nice allows. The Committee therefore feels that the European institutions need to work on the flexicurity file in the expectation that the Lisbon Treaty will enter into force this year or in 2010 at the latest – and with an eye to the ongoing development of the crisis. One of the consequences of the Treaty entering into force will be that a new and more current dimension of ‘security’ will be reflected in Community law.

Brussels, 1 October 2009.

The President
of the European Economic and Social Committee
Mario SEPI