



## **Mapping out flexicurity pathways in the European Union**

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### Abstract

This paper contains a practical step by step method for national governments and social partners to map out their own national pathway to flexicurity, based on the recently established EU policy framework on flexicurity, which includes a set of common principles and different pathways of flexicurity. The central idea is to develop positive sum games where not just one party gains and the other lose.

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## 1. Introduction

Not only individuals follow their own pathway and experience the constraints and possibilities of path dependence, in terms of the impact of previous preferences, choices and behaviour on future options and opportunities. National systems – EU countries – are also pursuing their specific track, based their on past developments and particular institutional settings and responses. This paper focuses on pathways that EU countries could map out in order to establish a new and more gainful balance between on the one hand labour market flexibility and security on the other.<sup>1</sup>

This quests for a new (dynamic) equilibrium, facilitating and enhancing the adaptability and capacity to deal with change of both individuals and companies has come to be labelled ‘flexicurity’. The flexicurity concept has met with much acclaim *and* criticism after becoming a key policy concept within the European Employment Strategy, as documented, in particular, by the adaptation of Common Principles on flexicurity by the European Council on 5 December 2007<sup>2</sup>, the report and resolutions on flexicurity from the European Parliament on 29 November 2007<sup>3</sup>, the joint labour market and flexicurity analysis presented by the European social partners on 18 October 2007<sup>4</sup>, the Communication on flexicurity by the European Commission dated 27 June 2007<sup>5</sup> and the much debated Green Paper on the Modernization of Labour Law issued 22 November 2006.<sup>6</sup>

All in all a European policy framework has now been established, more or less, and in my view it is now time to make flexicurity work in a decent and constructive way. This implies that national governments and social partners should fully enter the game. The question to be addressed in this contribution is the following: how can EU Member States move towards flexicurity, given their different starting positions, and how can they reach common progress? In the next section I will first elaborate more on the need for flexicurity policies and the significance of path dependence in this respect. Next I will turn to the issue, from the point of view of individual Member States: how to construct your own flexicurity pathway? I will try to give a practical guide, based on the report of the European Expert Group on Flexicurity.<sup>7</sup>

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<sup>1</sup> This paper is based on a reworking of the report by the European Expert Group on Flexicurity, ‘Flexicurity Pathways: Turning Hurdles into Stepping-Stones’, published on 27 June 2007. The author has been a member and the rapporteur of this Expert Group. This specific contribution has, however, neither been written on behalf of the Group nor on behalf of the European Commission and it thus does not necessarily reflect their opinions, only those of the author. This notwithstanding the author expresses his gratitude to the members of the Expert Group and the Commission staff that have contributed to the ideas and formulations in the Expert Report.

<sup>2</sup> 16201/07, SOC 523 ECOFIN 503

<sup>3</sup> 2007/2209(INI)

<sup>4</sup> “Key challenges facing European Labour Markets. A Joint Analysis of the European Social Partners”, available at <http://www.etuc.org/a/4119>

<sup>5</sup> COM(2007)0359)

<sup>6</sup> COM(2006) 708 final

<sup>7</sup> See footnote 1.

## 2. A need for flexicurity

Over recent decades, the way European citizens live and work has altered substantially. Competitive pressures and the pace of structural change have intensified, also due to the gradual emergence of an internal market within the European Union.<sup>8</sup> Four main factors can be highlighted: the fast pace of international economic integration; the rapid development of new technologies, particularly in the information and communication areas; the demographic ageing of European societies, together with relatively low average employment rates and high long-term unemployment, which may put at risk the sustainability of social protection systems; and the development of segmented labour markets in many countries where both relatively protected and unprotected workers coexist (so-called ‘insiders’ and ‘outsiders’).

A major challenge for the European Union is how to combine inclusive with highly productive labour markets. Although employment rates have recently grown in the EU, coupled with a drop in unemployment in 2006 and 2007, unemployment is still too high in most Member States and unevenly distributed. At the same time over a million unfilled job vacancies exist, reflecting a severe mismatch between labour supply and labour demand, and the adaptability of companies needs to be further enhanced. There is underinvestment in lifelong learning by all actors concerned. Compared to the EU’s main competitors (depending on which EU countries are taken into account), there is also a considerable productivity gap both in terms of productivity per worker and productivity per hour worked.

The trust of European citizens in future employment opportunities, in the development of human capital, in decent work and labour market developments urgently needs to be strengthened, while companies require a supportive business climate and a transparent and predictable legal framework in order to increase business potential and create employment. Moreover, particular categories of the population, i.e. the young, women, older workers, minorities and third country nationals, continue to suffer much higher unemployment and unfavourable circumstances. More effort is needed to hit the EU target agreed in 2006 for every young person who has left school or university and become unemployed to be offered a job, apprenticeship, training or other employability measure within 100 days. Early school leaving is a particularly severe problem among immigrants and minorities. Gender gaps remain wide, both in terms of wages and career opportunities. Availability of affordable child care is a problem in a number of Member States, which makes it more difficult to reconcile work and private life. Member States have put some effort into increasing the labour market participation of older workers, but more is needed to create real job opportunities for them. Moreover, although all Member States are struggling to reduce child poverty (as called for by the 2006 Spring European Council), it remains a significant challenge. At-risk-of-poverty rates are still too high and vary considerably between countries, from lows of around 10% of the population to highs above 20%.

Combating asymmetries within the labour market obviously includes the gender, age and ethnic dimensions, and flexicurity policies should aim at social cohesion and fighting poverty and exclusion by spreading the benefits of safe employment and income security to all citizens. Indeed, the need to reduce such segmentation originates from a common value system, including welfare, equal opportunities, participation, solidarity and dignity, considered part of the bedrock of the EU.<sup>9</sup> These challenges require a more flexible labour market combined with satisfactory levels of security to respond simultaneously to the new

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<sup>8</sup> These ‘social realities’ are well documented in the Consultation Paper from the Bureau of European Policy Advisers. See: Liddle, R. and Lerais, F. (2007), Europe’s Social Reality.

<sup>9</sup> See the Communication from the Commission on European Values in the Globalised World, 20.10.2005, COM(2005) 525 final, the EU Charter on Fundamental Rights and the Berlin Declaration (Declaration on the

needs of employers and employees. New forms of flexibility and security are needed, for individuals and companies, to be provided by the Member States and the Union as a whole. Individuals increasingly need employment security, to complement job security, as fewer have a job for life.

Flexicurity, as an integrated policy strategy, should address many of these issues at the same time. Flexicurity can be described as a policy strategy to enhance, at the same time and in a deliberate way, the flexibility of labour markets, work organisations and employment relations on the one hand, and security — employment security and social security — on the other.<sup>10</sup> Its objective is thus to combine employment and income security with flexible labour markets, work organisation and labour relations. This approach transcends the simple trade-off between flexibility and security, where the former is seen to be in the exclusive interest of the employer and the latter in the interest of the employee. The key principle that underpins a flexicurity strategy is that flexibility and security should not be seen as opposites, but can be made mutually supportive. Flexicurity strategies should set off from a win-win perspective. Flexicurity could best be seen as a system of joint and mutual risk management for workers and employers.<sup>11</sup> Employers face the risk of a weakening market position due to increased competition, but also the risk of a quantitative and qualitative mismatch of labour supply as a result of technical progress, demographic change and varying preferences and competences among workers. For workers, job or employment security and the possibility of reconciling work and private life may be at risk due to business responses to globalisation and intensified competition. Therefore joint and mutual risk management is needed. Contributing to the risk management of the other party contributes to managing one's own risks. It is crucial that not merely current risks but also future risks are addressed, as the needs for flexibility and security can and do vary across the life course and the business-cycle.<sup>12</sup>

The question at stake, in essence, is about the future and the further concretization of the idea of a distinct European Social and Economic model. Can Europe indeed have its own way compared to the rest of the world?<sup>13</sup> How to avoid a development or process that will result in a sheer flexibilization of labour markets and employment relations with degrading social standards and levels of social cohesion and security? At the end of the day, the aim of flexicurity policies should be to ensure the welfare and wellbeing of our societies and all its members, now and in the future. So ultimately flexicurity is about security and sustainability. We have now reached a stage where words need to be converted into actions.

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occasion of the fiftieth, anniversary of the signature of the Treaties of Rome) of 25 March 2007. See also Rasmussen, P.N. and Delors, J. (2007) *The New Social Europe*. Brussels: Party of European Socialists, p.75; Silva Peneda, J. and Albino De Rossa, P. (2006), *A European social model for the future* (European Parliament Report), where it is argued that the European Union is based on a unity of values with a diversity of systems.

<sup>10</sup> See Wilthagen, T. and F. Tros (2004). "The concept of 'flexicurity': a new approach to regulating employment and labour markets." *Transfer* 10(2): 166-186.

<sup>11</sup> See Evers, G. and Wilthagen, T. (2007), *De toekomst van de arbeidsrelatie: een essay over wederkerig risicomanagement* (The future of the employment relationship: an essay on mutual risk management). Assen: Van Gorcum.

<sup>12</sup> See Klammer U, Keuzenkamp S., Cebrian I, Fagan C., Klenner C. and Moreno G. (2006), *Working time options over the life course: changing social security structures*, Luxembourg: European Foundation for the Improvement of Living and Working Conditions, Office for Official Publications; Muffels R., Chung H., Fouarge D., Klammer U. Luijkx R., Manzoni A and Wilthagen T. (2008), *Flexibility and security over the life course: results and policy implications*, Luxembourg: European Foundation for the Improvement of Living and Working Conditions, Office for Official Publications.

<sup>13</sup> See Blanchard, O. (2006), 'Is there a viable European social and economic model?' Tilburg: *Tilburg University VanLanschot Lecture*, 1 June 2006; A. Giddens (2007), *Europe in the Global Age*. Cambridge: Polity Press.

### 3. On path dependence

A variety and diversity of welfare states has developed across Europe, as documented by many studies.<sup>14</sup> This variety is linked to historical choices leading to subsequent economic and social institutions. In a path-dependent process, 'history matters': it has a far-reaching impact, partly due to the cultural and value systems that underlie historical choices. Although a certain EU-led convergence of national policies can be recognised, different modalities of flexicurity or combinations of flexibility and security can be observed.<sup>15</sup> To some extent, these modalities of flexicurity can be considered functional equivalents, the diversity lying in the national styles of regulation or regimes that have emerged over the years.<sup>16</sup> Thus, resulting from consultations and negotiations at national level, flexicurity can take different forms from country to country. In some cases, flexicurity will focus more on solutions within companies; in other cases, it will concentrate on transitions between jobs and from employer to employer. Sometimes it will focus more on the interplay between relatively flexible rules for economic dismissals and high benefits, whereas in other cases the emphasis will be on safe bridges from work to work organised by the social partners and public employment services (PES). The role of temporary work agencies, for example, will also differ from country to country.

As Europe is and will remain characterized by varieties of capitalism and welfare states<sup>17</sup>, it will feature and require varieties of flexicurity.<sup>18</sup> This implies that the policies and legislative strategies to foster flexicurity in the Member States need to deal with historically grown situations and starting points. However, Member States' choices as to which pathway(s) to take are not prejudged. Member States should assess their own situations and identify their own meaningful flexicurity pathways to cope with different labour market challenges, acknowledging the fact that a one-size-fits-all approach is not appropriate. Common principles of flexicurity actually require alternative pathways to do justice to the different starting positions, social realities and different needs among European countries. In the end, each country should, together with its relevant stakeholders, define its own specific pathway towards suitable flexicurity.

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<sup>14</sup> See Hall, P. and Soskice, D. (eds) (2001), *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford: Oxford University Press, Introduction, p. 1; Whitley, R. (2000), *Divergent Capitalisms*. Oxford: Oxford University Press. For further references see: Arts, W. and Gelissen, J. (2002), "Three worlds of welfare capitalism or more? A state-of-the-art report" *Journal of European Social Policy*, 12(2) 137-158; Esping-Andersen, G. (1990), *The Three Worlds of Welfare Capitalism*, Princeton: Princeton University Press; Esping-Andersen, G. (1999), *The Social Foundations of Post-industrial Economies*, Oxford: Oxford University Press; Sapir, A. (2005), 'Globalisation and the Reform of European Social Models', Brussels: *Bruegel Policy Brief*, 2005/1.

<sup>15</sup> Philips, K. and Eamets, R. (2007), *Approaches to flexicurity: EU models*. Luxembourg: European Foundation for the Improvement of Living and Working Conditions; European Commission: *Employment in Europe 2006 and European Employment 2007*.

<sup>16</sup> The relevance of the flexicurity concept for various parts of the EU is underlined by a recent book publication from the ILO: S. Cazes and A. Nesporova, *Flexicurity. A relevant approach in Central and Eastern Europe*. Geneva: International Labour Office, 2007.

<sup>17</sup> Hemerijck, A. (2002), The Self-Transformation of the European Social Model(s), in: G. Esping-Andersen, *Why We Need A New Welfare State*. Oxford: Oxford University Press, 173-244.

<sup>18</sup> See European Foundation for the Improvement of Living and Working Conditions, *Varieties of flexicurity: reflections on key elements of flexibility and security*. Dublin, March 2007. Available at:

<http://www.eurofound.europa.eu/pubdocs/2007/21/en/1/ef0721en.pdf> and

#### 4. How to construct your own flexicurity pathway?

The fact that every Member State needs to elaborate its own particular flexicurity pathway does, however, not mean that we can not use common signs along the way and it neither means that within the EU we can or should not monitor the outcomes or performance of these pathways in a common and joint way. In this sense, flexicurity should not be viewed as an ‘anything goes’ process, because it is essential that we all go somewhere. We need to go from concepts to pathways and from pathways to progress.

With this aim in mind I will now suggest a ‘stylized’ methodology that may facilitate the process of developing a flexicurity pathway and setting a flexicurity agenda. It could be considered a type of board game. We could call this game “Construct your own flexicurity pathway”, without wanting to deny the serious nature of the game. It is a game that many players, i.e. many stakeholders, can play; the number of players is not limited: national governments, social partners, possibly also NGO’s and other important social actors in a Member State. Representativeness is a point here, as long as it does not exclude other stakeholders, especially those that need to be heard but do not yet have a proper voice. The game, over six rounds, and its rules would look as follows.

##### *Before you start ...*

Sit down together at the (round) table and first read the basic instructions. The game should be played as a win-win game, i.e. a positive sum game rather than a negative or zero sum game where only one party wins and the others lose. The superiority of win-win or cooperative games over negative sum games is widely acknowledged in the academic and management literature.<sup>19</sup> Other basic instructions are the following. First there is the formulation of Guideline 21 of the integrated Guidelines of the European Employment Strategy that currently reads “Promote flexibility combined with employment security and reduce labour market segmentation, having due regard to the role of the social partners.” Second, as mentioned in the introduction, the European Council has recently agreed upon eight common principles of flexicurity, which can be summarized as follows:

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<sup>19</sup> See e.g. Brandenburger, A.M. en B.J. Nalebuff (1996), *Co-opetition*. New York. Doubleday.

Box 1 *Common principles of flexicurity (summarized)*

- 1) Aim at more and better jobs, modernise labour markets, and promote good work through new forms of flexibility and security to increase adaptability, employment and social cohesion.
- 2) Look for deliberate combinations of flexible and reliable contractual arrangements, comprehensive lifelong learning strategies, effective active labour market policies, and modern, adequate and sustainable social protection systems.<sup>20</sup>
- 3) Flexicurity approaches are not about one single labour market or working life model, nor about a single policy strategy: they should be tailored to the specific circumstances of each Member State. Each Member State should develop its own flexicurity arrangements. Progress should be effectively monitored.
- 4) Promote more open, responsive and inclusive labour markets overcoming segmentation. Support all those in employment to remain employable, progress and manage transitions both in work and between jobs.
- 5) Internal (work organisation, working hours within the company) as well as external flexicurity (job to job transitions, adjusting staff size) are equally important and should be promoted.
- 6) Support gender equality, by promoting equal access to quality employment for women and men and offering measures to reconcile work, family and private life.
7. Flexicurity requires a climate of trust and broadly-based dialogue among all stakeholders, where all are prepared to take the responsibility for change with a view to socially balanced policies.
- 8) Flexicurity requires a cost effective allocation of resources and should remain fully compatible with sound and financially sustainable public budgets. It should also aim at a fair distribution of costs and benefits, especially between businesses, public authorities and individuals, with particular attention to the specific situation of small and medium-sized businesses (SMEs).

*Round 1: Determining your starting-point*

Four major ideal typical challenges can be identified in EU labour markets as starting points for enhanced flexicurity pathways. These challenges or concerns relate to four situations in the labour market. These situations should not be seen as mutually exclusive: in practice, more than one situation can be considered relevant to a stronger or lesser degree to a specific country. You can assess which of the four typical labour market situations applies the most to your country. The four situations are the following:

1. Bifurcated, two-tier labour markets with a large share of so-called ‘outsiders’ lacking security and the opportunity to make the transition to more permanent employment, paralleled by strict regulation of open-ended contracts.

In a number of Member States, extensive employment protection systems (EPL) have developed over the years, particularly for regular workers (in the absence of comprehensive

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<sup>20</sup> These are the so-called components of flexicurity, which will be further dealt with below.



unemployment benefit systems). Open-ended contracts are seen as entry ports to broader societal opportunities and entitlements. By contrast, a high incidence of (involuntary) fixed-term and informal employment indicates that these opportunities are less attainable for large sections of the workforce. In such a situation, flexibility and security tend to be unequally distributed. Here, there is a need to reassess the protection of both insiders and outsiders on the labour market. In some cases, this is associated with below average employment performance, in particular regarding women, young people and older workers. Long-term unemployment represents a challenge. Labour market turnover is below average. Low job mobility is related to the fact that social protection and healthcare are linked to having an open-ended employment contract.

The social security system in this situation only partially covers persons working on temporary contracts. Benefit systems usually do not provide high levels of security. Income security provided by families is an important feature. The public employment services and benefit providers are not yet sufficiently capable of providing adequate ways (back) to employment. In some cases, social partners have reached agreements with governments about policy packages to modernise labour markets and address segmentation.

2. Labour markets characterised by relatively limited dynamism with a large share of workers with high job security, but lacking sufficient opportunities to find new employment in the event of redundancy

Other Member States have focused strongly on flexibility within the company, such as flexible working hours, shift work, over-time and modernisation of work organisations, combined with relatively high levels of employment protection legislation. This historical path has been followed in the context of strong and large industrial firms. Flexible contracts, providing no or less job or income security, have emerged, mainly as an attempt to fight unemployment and to a certain extent at the cost of increased segmentation and gender segregation. Part-time employment is more widespread than fixed-term employment. Social security systems are characterised by fairly high benefits. Lifelong learning is developed within companies rather than outside companies.

In this labour market situation, functional flexibility within secure jobs is emphasised. Moves across enterprise boundaries are less frequent, which is increasingly problematic in the light of modern economic and labour market developments and the need to enhance adaptability. Employment performance needs boosting, notably regarding women, young people and older workers. Labour turnover is lower and long-term unemployment is on average higher than in some other types of countries. Productivity levels are high. As internal labour markets will not always be able to offer employment opportunities within the company, these groups of workers might, in addition, need transition security, i.e. the security, capacity and facility to make good and timely transitions into other jobs, should the necessity arise.

3. Labour markets that are sufficiently dynamic but faced with opportunity and skills gaps, which may curb productivity growth.

These labour markets experience problems due to relatively large numbers of low-skilled people possessing insufficient security in relatively flexible labour markets on which labour reallocation works more or less smoothly. For enterprises, this situation is also problematic because of problems in finding sufficiently skilled workers. The early and rapid development towards a service economy has triggered and facilitated this situation. Labour market turnover is relatively high. Labour markets are sufficiently dynamic, and the distinction between open ended and temporary workers is not strongly pronounced. Labour market segmentation

manifests itself in the distinction between low-paid and higher paid workers and in terms of skill levels and working hours (full-time/part-time).

Making transitions more rewarding for low-skilled workers, their employers and society as a whole would require joint action particularly in the area of training, skill development and lifelong learning. Ensuring that transitions lead to progress in terms of job quality and productivity is the major challenge, also because productivity rates and productivity growth are not high. In this labour market situation, employment outcomes are good, but improvements can be made in view of the relatively low rates of labour market participation among workers of immigrant descent and the overrepresentation of these groups in long-term benefit schemes. Addressing opportunity and skills gaps among the workforce is the main pathway to be followed here.

4. Labour markets offering insufficient opportunities to groups that are outside the formal labour market due to benefit dependence or involvement in informal work.

High numbers of (long-term) benefit recipients and informal workers are found in countries characterised by a far-reaching transition process towards a market-based economy. In the past, security used to be largely provided by the state and state-run companies. With respect to labour laws and contractual arrangements, this type of country focused on introducing contractual variety and is now confronted with segmentation. Tackling undeclared work is a major concern. Active labour market policies need to be further developed as labour force participation rates need to be improved. Insufficient levels of social protection, in particular for those outside the formal employment sector, are a source of segmentation.

In this situation, benefit systems do not provide very high replacement rates. However, social security systems often provide long-term benefits without frequent checks of availability or remaining work capacity. This may stimulate labour market exit and informal work rather than transition. Coverage of temporary workers should be improved. Facilities to combine work and care need to be further developed if female employment is to be brought back to satisfactory levels. A lifelong learning tradition has not yet fully developed.

Economic growth has accelerated, but to a significant extent in the form of jobless growth. Employment performance can be improved across the board. Long-term unemployment remains high. Productivity is relatively low. Combating benefit dependence and informal work is a key element in the pathway to be followed in dealing with this challenge.

### *Round 2: Choosing your pathway direction*

Now look up the general pathway direction(s) that relate(s) to the typical situation(s) and challenges that you have found to be the most relevant to your own labour market situation. This would help you in constructing and developing your own particular pathway. As not all Member States share exactly the same challenges nor are expected to take precisely the same steps, the pathways should be considered as indicative: it is up to the Member States to consider the relevance of all of the suggested flexicurity pathways to their own actual context and conditions. Consequently, the measures proposed in the pathways are presented as options. Member States can either choose from among them or combine them, as long as enhancing adaptability and combating labour market asymmetries is the perspective. The pathways and steps that are mapped out focus on enhancing adaptability, for firms and workers, as well as on reducing asymmetries in the labour market and strengthening security. Here are the four general and illustrative pathway directions:

- Starting-point 1 corresponds with Pathway 1: Reduce asymmetries between non-standard and standard employment by integrating non-standard contracts fully into labour law, collective agreements, social security and life long learning, and consider making employment in standard contracts more attractive to firms.
- Starting-point 2 corresponds with Pathway 2: Enhance companies' and workers' adaptability by developing and strengthening transition security, i.e. the security to enter into employment, to remain in employment by making timely job-to-job transitions and to progress in the labour market.
- Starting-point 3 corresponds with Pathway Direction 3: Address opportunity and skills gaps among the workforce by broadening and deepening investments in skills.
- Starting-point 4 corresponds with Pathway Direction 4: Enhance employment opportunities for benefit recipients, prevent long-term welfare dependence, regularise informal work and build up more institutional capacity for change.

As possibly more than one typical labour market situation or starting-point applies to your situation, you may also continue playing with more than one general pathway direction. In that case you could rank the general pathways directions chosen according to their relevance.

### *Round 3: Identifying concrete steps within your pathway*

Following the general description of your pathway, now concrete steps need to be identified in more detail. Here we need common signs along the way. These signs can consist of the components of flexicurity as agreed upon by the European Commission and the Member States.<sup>21</sup> Flexicurity as an integrated policy approach addresses these issues at the same time.<sup>22</sup> Flexicurity also implies a 'unified' strategy, meaning that all the components belong together and should be taken into account simultaneously, not selectively. The components are displayed in box 2 below.

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<sup>21</sup>The four components were included in the January 2006 Annual Progress Report. The 2007 Joint Employment Report, adopted by the EPSCO Council in February 2007, refers to these components. The fifth component is usually not referred to as a component but as a general precondition for the operation of the components.

<sup>22</sup> European Commission's 2006 Annual Progress Report (25 January 2006, COM(2006) 30; pp. 19-20).

Box 2 *Components of flexicurity*

1. Flexible and secure contractual arrangements and work organisations, both from the perspective of the employer and the employee, through modern labour laws and modern work organisations.
2. Effective active labour Market Policies (ALMPs) which effectively help people to cope with rapid change, unemployment spells, reintegration and, importantly, transitions to new jobs — i.e. the element of transition security.
3. Reliable and responsive lifelong learning (LLL) systems to ensure the continuous adaptability and employability of all workers, and to enable firms to keep up productivity levels.
4. Modern social security systems which provide adequate income support and facilitate labour market mobility. They will include provisions to help people combine work with private and family responsibilities, such as childcare.
5. As a crucial precondition for developing flexicurity and making it work: a supportive and productive social dialogue, mutual trust and highly developed industrial relations.

Now you have your first building blocks for your flexicurity pathway. You might have e.g

- First and foremost Starting-point 3: labour markets that are sufficiently dynamic but facing opportunity and skills gaps, which may curb productivity growth + its corresponding Flexicurity pathway 3: address opportunity and skills gaps among the workforce by broadening and deepening investments in skills,
- plus, secondly, also Starting-point 2: labour markets characterised by relatively limited dynamism with a large share of workers with high job security, but lacking sufficient opportunities to find new employment in the event of redundancy + the corresponding Flexicurity pathway 2: enhance companies' and workers' adaptability by developing and strengthening transition security.

Now bring to the (bargaining) table the concrete suggestions for flexicurity steps that follow the choice for the starting-point(s) and pathway direction(s). This action will generate a list and of possible flexicurity steps. The concrete suggestions for steps within each pathway, structured along the five flexicurity components can be found in the annex to this contribution. What you actually have now is a toolkit of flexicurity measures.

In our example it looks like this (table 1):

Table 1 *Identifying concrete steps in your pathway*

Component: Pathway	Contractual flexibility	Life-long learning	Active labour Market policies	Modern social security	Constructive social dialogue
<b>Pathway 1</b> Combating flexicurity in the margin	Steps	Steps	Steps	Steps	Steps
<b>Pathway 2</b> Developing transition security	Steps	Steps	Steps	Steps	Steps
<b>Pathway 3</b> Investments to reduce skills and opportunity gaps					
<b>Pathway 4</b> Reducing long- term benefit dependence and regularizing informal work					

*Round 4: Discussing your flexicurity pathway in a practical manner*

Now discuss and jointly determine, from the national perspective, the relevancy and feasibility of both the *content*, *priority* and the *sequence* of the list of flexicurity steps as identified in the previous round. Important considerations are the following:

- Which steps are thought to be the most relevant and urgent?
- Which steps have already been taken in your country (recently or in the past), with what results? Which (kind of) steps are already being planned?
- Which steps had better be left out (perhaps temporarily) of the list (and why)?
- Which essential steps are missing in the list that has been generated (and why)?

For the (near) final selection and fine-tuning of steps, you may want to relate the steps to the examples included in the Flexicurity Practices Report<sup>23</sup>, that was published together with the Flexicurity Pathways report and which contains existing flexicurity practices from nearly all Member States and some other European countries, categorized on the basis of the flexicurity components. This makes the discussion more concrete, as you get real-life examples of relevant reform measures in other Member States. Other good sources for mutual learning and benchmarking include:

- The National Reform Plans of the Member States
- The European Commission's Annual Progress and Joint Employment Reports

<sup>23</sup> [http://ec.europa.eu/employment\\_social/employment\\_strategy/pdf/flexi\\_practices\\_en.pdf](http://ec.europa.eu/employment_social/employment_strategy/pdf/flexi_practices_en.pdf)

- The Mutual learning system and peer review system within the European Employment Strategy<sup>24</sup>
- The European Employment Observatory<sup>25</sup>
- The European Industrial Relations Observatory<sup>26</sup>
- The reports from the International Labour Organisation (ILO) on flexicurity in the Central and Eastern European Member States and, increasingly, also on non-European countries.

The general idea with respect to the examples should be to seek *inspiration* rather than imitation. A simple ‘transplantation’ of practices from other national systems to your own system is often not feasible, due to the different institutional, political and cultural contexts and histories.

#### *Round 5: Setting a flexicurity agenda*

Now discuss in more detail the possible flexicurity steps, their interlinkage, the concrete implications for current policies, financial aspects (distribution of costs and benefits) and the possible policy packages and their timing. The policy package should be balanced, consistent and, as a whole, appealing.<sup>27</sup> Regarding costs it is important to acknowledge that flexicurity policies do require investments but by no means all measures imply major public investments. Moreover, it is also appropriate to take into account the costs of *not* having flexicurity. In general, tax reforms could serve as an important step within flexicurity pathways. Lowering taxes on wages (to be offset by e.g. higher property taxes, green taxes or perhaps VAT) and negative income taxes could be instruments for increasing the possibilities of better integrating marginalised groups into the labour market.

Within the design and also through the timing of the steps a further balance between the interests of the players can be reached. Evidently, support and commitment should be ensured from and at the decentral levels of the stake-holders organizations taking part in the agenda-setting operation. It is essential to involve these decentral levels as soon as possible, certainly if your country is characterized by a federal structure. And also the general public should be informed and involved in a proper and transparent way in the process of depicting a new understanding in the labour market. Are all the right platforms for consultation and negotiation and channels for communication in place? If not, they should be created. Moreover, the optimal way to ‘codify’ the flexicurity steps needs to be determined: legislation, social pact, collective labour agreements, covenants, company agreements and/or HRM policies? Many aspects relating to flexicurity fall under the competence and responsibility of the social partners. The participation of social partners and other stakeholders should be definitely be ensured in the development, monitoring and evaluation of policies — in order to create a common agenda and joint responsibility for change.<sup>28</sup> Collective and

<sup>24</sup> <http://www.mutual-learning-employment.net/>

<sup>25</sup> <http://www.eu-employment-observatory.net/> The EEO runs the SYSDEM and MISEP networks. The Autumn 2006 Review of the EEO (available via the website) deals with flexicurity developments in the EU Member States. The underlying national reports contain various examples.

<sup>26</sup> <http://www.eurofound.europa.eu/eiro/>

<sup>27</sup> See also P.K. Madsen (2007), “Flexicurity: A New Perspective on Labour Markets and Welfare States in Europe”, *Tilburg Law Review*, Vol. 14, no. 1&2, 57-79, who describes a process of applying common principles of flexicurity.

<sup>28</sup> See also the Report of the MISEP Meeting, Portugal, on The role of the social partners in flexicurity, 7-8 November 2007

<http://www.eu-employment-observatory.net/resources/meetings/MISEP%20Meeting%20Portugal%20Report-final.pdf> and Ozaki, M. (ed.) (1999), *Negotiating flexibility*. Geneva: International Labour Office.

company agreements can provide the conditions for modern work organisations, improving numerical (working hours, rosters) and functional flexibility within a secure context. Yet, do pay intension to possible outsiders, not necessarily included or represented in these systems, such as the growing group of (quasi) self-employed workers.

Finally, it has been shown that successful flexicurity strategies are often propelled by certain ‘architects’. These ‘jokers’ (in game language) can not be found at will but can be quite significant.

*Round 6: Agreeing on monitoring and evaluation (final round, but not really)*

This round entails agreements on how to monitor the progress of the implementation of the flexicurity agenda, systems of mutual learning, reporting (National Reform Programmes!) and monitoring. Do not skip this round, as it is indispensable. With regard to the monitoring operation the flexicurity indicators that are currently being developed can be taken into account and the relationship between the flexicurity steps and these indicators should be explored in detail. In fact, the game is a never ending game, as policy cycles need to be reviewed and renewed time and again based on evidence. The following draft indicators (box 3) are included in the annex to the Commission’s Communication on Flexicurity. It is important, to do justice to the nature of flexicurity strategies, that next to so-called static indicators dynamic indicators are being developed that focus, from a longitudinal perspective, on the various transitions that people make in the labour market and the consequences thereof.

*Box 3 Draft flexicurity indicators (European Commission’s Communication on flexicurity)*

1. Strictness of employment protection	9. Net replacement ratios in the first as well as after 5 years
2. Diversity of and reasons for contractual and working arrangements	10. Unemployment trap, seen as a measure of benefit levels
3. % of adult population between 25 and 64 participating in education and training	11. Employment rate, total, for women, and for older workers
4. Educational attainment of age cohorts 45-54 and 25-34	12. Youth unemployment ratio (15-24 years)
5. Expenditure on active and passive labour market policies as a % of GDP	13. Long-term unemployment rate
6. Expenditure on active and passive labour market policies per unemployed person	14. Growth in labour productivity
7. No. of participants in active labour market policies, by type of measure	15. Quality in work
8. Share of young or adult unemployed not offered job or activation measure within 6 or 12 months	16. At risk of poverty rates

**5. To conclude with**

One size does not fit all. There is not one common or standard pathway to flexicurity and every Member States will have to construct its own pathway, based on its typical history and its political, cultural, institutional and organizational tradition and particularities. During this

process Member States can benefit and learn from experiences in other Member States. The European Union can provide added value here by facilitating this process of benchmarking and mutual learning and by promoting a common understanding of the concept, outlining common principles and common components of flexicurity and by further developing an adequate system monitoring, based on relevant indicators. That way European countries can, via different pathways, reach common progress

At the current stage of flexicurity policy-making the national governments, social partners and other stake-holders are the relevant pathfinders when it comes to further designing, shaping and elaborating flexicurity. Not only at the national level, although this is the level where in many Member States the process of making flexicurity work should start and continue, but also at the sector and local (company) level. Workers and companies can not be expected to merely accept the flexicurity concept on face value, i.e. as an abstract idea. The time has come to make flexicurity work.

A first priority is to develop a flexicurity agenda, which can only be done by means of consultation, negotiation and agreement on broad policy packages or the development of specific policy measures ('steps') within the broader perspective and scope of change. Isolated debates on single measures may be suboptimal and will not easily create support. In this paper I have tried to illustrate how flexicurity pathways could be constructed in practice, taking the metaphor of a game. The progress of flexicurity pathways will depend on the extent to which we can develop win win games in Europe, i.e. positive sum games where not just one party gains.



## **Annex: Flexicurity pathways and steps**

### **Flexicurity pathway 1**

In short, this pathway addresses the issue of flexibility at the margin of the labour market. It suggests reducing asymmetries between standard and non-standard work by promoting upward transitions in the labour market and by integrating non-standard contracts fully into labour law, collective agreements, social security and lifelong learning systems. Another option to approach flexibility at the margin could be to make standard contracts more attractive to companies by introducing an open-ended contract in which specific elements of protection are built up progressively with time, until ‘full’ protection is achieved. Such a contract guarantees basic but adequate protection from the start and automatically builds up ‘full’ protection as the working relationship continues. Social partners and governments should negotiate the terms of these arrangements.

### **Possible steps**

#### **A. Ensure flexible and secure contractual arrangements**

1. Reduce asymmetries between standard and non-standard contracts by integrating nonstandard contracts — part-time work, fixed-term work, agency work, etc. — fully into labour law, collective agreements, social security and lifelong learning systems. These contracts would be treated as equal to standard contracts, following the principle of *pro rata temporis*.
2. Consider making standard contracts more attractive by introducing a unitary contract, based on ‘tenure track’. These contracts would be permanent contracts but specific elements of protection (on top of the basics) can be built up progressively as the working relationship continues. These may concern notification periods, the amount of severance pay and procedural aspects of dismissal protection. From the start, there should be an adequate though basic level of protection, under the law and/or collective agreements, which expands automatically and stepwise as the working relationship continues. At the same time, the (consecutive) use of fixed-term contracts should be limited<sup>29</sup> and undeclared work should be reduced as rapidly as possible, notably by increasing effective inspections.
3. Within firms: treat workers on temporary contracts on an equal footing with permanent staff, and allow them to benefit from training and other facilities provided by the enterprise in order to promote the internal and upward mobility of temporary workers.
4. Encourage the use of flexible working hours, working time accounts and self-rostering within companies to accommodate needs of enterprises and an increasingly diverse workforce.
5. Improve ‘combination security’ (security to combine work and family life) and support for women at all job levels and help them in meeting the flexibility demands required at higher levels of the labour market.
6. If the conditions mentioned in this pathway are in place, consider redesigning regulations with respect to economic dismissals to make them less bureaucratic and time-consuming and more transparent.

#### **B. Upgrade active labour market policies to strengthen transition security**

1. Build up effective active labour market policies, including effective job search follow-up. Invest in institutional build-up and ensure cooperation between public employment services, unemployment benefit authorities and local municipalities. Also use private actors, such as temporary work agencies, which — provided an appropriate regulatory and responsible framework is in place — can contribute to effective, tailor-made ALMP programmes that take into account the needs and wishes of individuals in order to foster sustainable labour market participation.<sup>30</sup>

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<sup>29</sup> In line with the Framework Agreement, concluded by the European social partners, and the Council Directive on fixed-term employment (1999/70/EC).

<sup>30</sup> As argued in the 2003 *Jobs, Jobs, Jobs* report by the Employment Taskforce (p. 29), if temporary work agencies act as human capital managers, or in our words, as ‘transition agencies’, rather than as mere manpower suppliers, they can play the role of new intermediaries in the recruitment and management of both qualified and unqualified staff and thus contribute to increased job creation.

### **C. Introduce systematic lifelong learning**

1. Strengthen incentives for workers and enterprises (including temporary work agencies) to enhance participation in lifelong learning by financial contributions provided e.g. in the form of tax credits to firms and workers. Facilitate the through-flow of workers within the ‘tenure track’ mentioned under A2 on the basis of the investment in training by both the employer and the workers. Promote the use of leave schemes for training.
2. Support the establishment by social partners of joint training funds at branch or regional level. Make sure that these funds are also accessible for temporary workers and that they allow for training for cross-sector mobility. At the same time, workers should be made more responsible for investing in a life-time career through their training efforts, e.g. by agreeing on this in individual employment contracts. Under-investment in training could be considered a breach of contract, for either of the parties.

### **D. Review and significantly strengthen social security provisions**

1. Make benefits accessible for workers on temporary contracts and possibly the self-employed.
2. Consider the introduction of ‘experience rating’ for employers’ contributions to unemployment benefits, i.e. relate these contributions to the inflow of a company’s workers into the unemployment benefit system, notably for employers that use fixed-term contracts.
3. Introduce a national system of social assistance/welfare, offering comprehensive security rather than fragmented local initiatives as at present.

### **E. Develop a supportive and productive social dialogue**

1. Trust between the social partners needs to be further reinforced and opportunities created for them to improve security for outsiders on the labour market while simultaneously enhancing companies’ adaptability.
2. Agreement between public authorities and social partners on balanced packages is possible provided governments take a strong lead. The scope of negotiations must be broad, in order to create enough room for policy packages serving various interests.

### **Flexicurity pathway 2**

This pathway emphasises safe and successful job to job transitions. Built-in contractual guarantees and HRM policies should ensure timely progress into new jobs either within the company or outside the company once the necessity arises. Furthermore, it may be feasible to introduce individualised transition guarantees to redundant workers, to be borne jointly by employers, social partners and public employment services in order to prevent unemployment. A strong system of lifelong learning and vocational training, both inside and outside companies, allowing for quick access to effective training funds and facilities at branch level, should be the basis for productive labour market transitions. Within this pathway, strengthening *internal flexicurity* is also relevant, especially to strengthen the employability and skills of workers.

### **Possible steps**

#### **A. Ensure flexible and secure contractual arrangements**

1. Introduce transition guarantees for redundant workers, to be borne jointly by employers, social partners and public employment services (PES). Persuade employers to put more emphasis on investment in the employability of the workers concerned, in order to allow for more timely adjustments by companies. Consider bringing together severance pay and the money now spent on administrative and court procedures into personalised or public transition funds or entitlements.
2. Social partners and regional institutions, including training institutions, should organise facilities for transition between enterprises. Temporary work agencies can play a role in the management of such systems. Given the institutionalised character of social partnership in this type of country this step could be taken rather quickly. When this is in place, offer transition guarantees to redundant workers.
3. Put more emphasis on proactive policies by enterprises to invest in the employability of their workforce.

4. Improve ‘combination security’ (security to combine work and family life) and support for women at all job levels and help them in meeting the flexibility demands required at higher levels of the labour market.
5. If the conditions mentioned in this pathway are in place, consider redesigning regulations with respect to economic dismissals to make them less bureaucratic and time-consuming and more transparent.

#### **B. Upgrade active labour market policies to strengthen transition security**

1. Active labour market policies should be made more relevant to the labour market with ALMP programmes better linked to the benefits and entitlements of benefit recipients, thus making policies more activating in a double sense.
2. Make public employment services focus more strongly on supporting timely job-to-job transitions, with contributions from the employers (see A1 and A2).

#### **C. Introduce systematic lifelong learning**

1. Strengthen the employability of workers through extended public support for continuing training and retraining. While general training is publicly financed, large parts of dual vocational training and continuing training are not. Training budgets tied to individual workers, irrespective of their workplace, could contribute to the development of a training market for the needs of workers rather than companies. This could also include the development of standardised training certificates.
2. The organisation of training funds along company and industry lines should be broadened in order to provide workers with the skills that could help them to move out of the company or the industry if the necessity arises.
3. At the same time, workers should be made more responsible for investing in a life-time career through their training efforts, e.g. by agreeing on this in individual employment contracts and by introducing bonuses and time accounts.
4. Introduce, either by law or collective agreements, entitlements to career guidance, employability scans and tax incentives for the accreditation of prior learning.
5. Introduce job rotation schemes, notably for older workers, to promote continued training, strengthen motivation and transition capacities and keep up productivity levels.
6. Provide trajectories, including training, for older workers to take on less demanding jobs and thus prevent early exit from the labour market.

#### **D. Review and significantly strengthen social security provisions**

1. Make benefits accessible to workers who have worked on non-standard contracts, and possibly the self-employed. Pension schemes should *not* be based on a pro rata principle as this would disfavour part-time work and work-life initiatives.

#### **E. Develop a supportive and productive social dialogue**

1. Although institutional social dialogue is generally well-developed within countries facing this labour market challenge, trust among social partners and between them and the government is in urgent need of reinforcement. Social partners are involved in all reforms but are sometimes consulted at (too) late a stage and/or do not feel the urge to deliver. Reform packages should include something attractive for each side of industry, to justify their making concessions on other issues. If agreement is not feasible, the government should assume responsibility itself, using other policy means to generate support.

#### **Flexicurity pathway 3**

This pathway recommends strengthening, on the basis of existing levels of labour market dynamism, investment in skills and R&D. The employment and security opportunities and options of specific groups in the labour market can thereby be enhanced and productivity growth boosted. A broad-ranging approach is needed to keep the labour market accessible to the low-skilled and other groups at risk of becoming long-term unemployed or excluded in other ways. Flexicurity will benefit from the possibility to conclude binding agreements at branch or regional level that combine provisions on how to address the flexibility needs of both employers and workers by investment in training. Where the

institutional structures for such agreements are not yet in place, support from the social partners and government is needed.

### **Possible steps**

#### **A. Ensure flexible and secure contractual arrangements**

1. Increase flexicurity within the enterprise; put more emphasis on proactive policies by enterprises to invest in the employability of their workforce.
2. Pay attention to those segments of the labour market, such as casual work, agency work, false self-employment, etc., that do not provide stepping stones toward better jobs and have insufficient protection and labour law coverage.
3. Limit the consecutive use of fixed-term contracts and temporary work agency assignments, clarify the employment status of agency work and address issues of unclear employment status in general.
4. Improve 'combination security' (security to combine work and family life) and support for women at all job levels and help them in meeting the flexibility demands required at higher levels of the labour market.

#### **B. Upgrade active labour market policies to strengthen transition security**

1. Strengthen targeted and tailor-made training within ALMPs to support upward mobility.
2. Develop cooperation between public employment services, enterprises and market partners such as temporary agencies to ensure upward transitions that actually improve workers' positions in terms of job quality, contractual conditions and pay.

#### **C. Introduce systematic lifelong learning**

1. Further raise the level of qualifications of school leavers.
2. Address literacy and numeracy problems among the adult population.
3. Pay special attention to people at risk while still at school, the potential early school-leavers. They can benefit from four types of measures: more timely intervention, more tailor-made approaches, a better infrastructure to support career guidance throughout the life course, and better combinations of working and training to avoid school drop-out.
4. Improve incentives for employers to invest in the skills of their workforce and for workers to participate in lifelong learning. Use income tax and social contribution revenues and personal budgets for this.
5. Support the establishment of joint training funds at branch or regional level. Make sure that these funds also allow for training for cross-sector mobility
6. Develop training targeted to the low-skilled. Introduce dual learning, i.e. a combination of studying/skills training and working, and other productive combinations of work and training, especially for the low-skilled. Recognise and validate informal learning and organise low-threshold, easy-access language and computer training inside and outside the workplace.
7. Facilitate individual learning accounts fiscally at national level.
8. Fight discrimination against and exclusion of migrants and promote their integration, as part of a two-way process, i.e. with efforts on the part of migrants as well as on the part of enterprises and authorities. Invest in their educational attainment and command of the national language.

#### **D. Review and significantly strengthen social security provisions**

1. Make sure that unemployment benefits, especially during the first months of unemployment, are at a decent level.
2. Ensure full coverage of temporary workers by the social security system.
3. More attention could be paid to the social security of self-employed or quasi-selfemployed workers.
4. Reduce labour costs at the minimum level and compensate workers using tax credits.
5. Ensure that social security systems are accessible to flexible (e.g. seasonal or freelance) workers who currently may have problems meeting the eligibility requirements.

#### **E. Develop a supportive and productive social dialogue**

1. Flexicurity will benefit from the possibility to conclude binding agreements at branch or regional level that combine provisions on how to address the flexibility needs of employers and workers with

investment in training in particular. Creating negotiating platforms at regional or branch level will probably require institutional investment by the social partners. This will only be feasible if bargaining at these levels is strongly supported by governments, e.g. by providing favourable financial conditions for the implementation of such agreements.

2. Where high trust and involvement among the social partners already has a longstanding tradition, be aware of the risk that trust might be eroding or becoming sub-optimal due to changing circumstances. Bring new issues into the social dialogue debate, such as R&D, social innovation, productivity, education and skills and sustainability.

#### **Flexicurity pathway 4**

This pathway starts from the urgent need to increase the employment and job opportunities of persons who are currently on social security benefits or working in the informal sector. Active labour market policies and social security should offer sufficient opportunities and incentives, in terms of increased conditionality of benefits, to return to work and to facilitate this transition. Long-term welfare dependence should thus be prevented. Informal work can be regularised by offering flexi-secure contracts, lower payroll taxes and a skills perspective for these sectors. By formalising informal economic activities, increased financial resources can be raised for building up a more comprehensive social security system. Stronger institutional capacity needs to be developed by stimulating the social partners to negotiate key elements of working conditions and by better cooperation between labour market and benefit institutions. Social dialogue can be further developed at sector and regional level and both bipartite and tripartite dialogue can be strengthened.

#### **Possible steps**

##### **A. Ensure flexible and secure contractual arrangements**

1. Increase internal flexicurity: allow and encourage collective bargaining to determine elements of working time, variable pay and skills requirements, notably for older workers. Social partners should use this scope to create synergies between (time and functional) flexibility and (combination) security.
2. Employers should take early action where workers are threatened with redundancy.
3. Support female labour participation by offering working-time flexibility in mainstream employment, develop part-time employment with equal treatment at all job levels, tackling the pay gap and improving the work-life balance, make sure that child care and support facilities are in place or restored, providing both parents with appropriate possibilities of combining work and care. Help women in meeting the flexibility demands required at higher levels of the labour market.
4. Ensure that flexible contractual arrangements are available that cater to the needs of firms and workers but at the same time integrate temporary contracts fully into labour law, collective agreements and social security and ensure equal treatment, following the principle of *pro rata temporis*. Initial entry into the labour market should be facilitated by lower costs and higher flexibility, while more security is built up gradually.
5. Regularise informal work while maintaining the scope for sufficiently flexible contractual arrangements. Gradually improve workers' rights and provide access to professional training. Negotiate these issues with representatives from the branches concerned. Regulate the establishment of temporary agency firms that serve as bridges between the informal and the formal economy by offering decent pay and working conditions. Transitions to formal employment would also require further reforms to labour taxation and business registration requirements as well as the strengthening of labour inspectorates and financial institutions charged with combating informal work.
6. Make it possible for pensioners to work legally up to certain earning levels and/or hours while promoting adequate pension levels. Older employees could also benefit from partial retirement and partial employment in community service related to their previous jobs, e.g. older workers in industry could be trainers for apprentices in small businesses or teachers in lifelong learning facilities.

##### **B. Upgrade active labour market policies to strengthen transition security**

1. ALMPs should concentrate on the long-term unemployed, the disabled and workers threatened with dismissal.
2. Organise better cooperation between labour and benefit institutions, especially where they share a common target population (e.g. unemployed welfare recipients).

3. Address inactivity by gearing training to better meet labour market needs. More intense activation and training is required for the redeployment of older workers at risk of becoming long-term unemployed. Raise activation while unemployment benefits are being received.
4. Upgrade and modernise public employment services, e.g. by creating public-private partnerships, especially with temporary agencies. Provide better information on job opportunities, especially in media that are popular among the young (internet, job fairs, job clubs).

### **C. Introduce systematic lifelong learning**

1. Develop a lifelong learning and vocational training system geared towards labour market needs, to prevent people becoming trapped in unemployment and low-paid employment with little opportunity for progress.
2. Redesign vocational and educational training. Combine private and public resources and better link resource allocation to education outcomes by saving resources currently spent on the immediate retraining of school leavers or trainees unable to find a job.
3. Stimulate company investment in lifelong learning to increase productivity rates. An obligation for employers to invest in their employees should be the focus of collective bargaining rather than a focus exclusively on job protection and wages.
4. Provide easy, cheap and open access to training in entrepreneurship skills in the education system; make this available to both young and older people.
5. Provide trajectories, including training, for older workers to take on less demanding jobs and thus prevent early exit from the labour market.

### **D. Review and significantly strengthen social security provisions**

1. Limit payroll taxes to reduce informal work, while shifting some social expenditure to general taxation and improved tax collection. Formalise informal economic activities to increase the financial resources for building up a more comprehensive social security system. Allow social insurance contributions to be paid on an irregular basis, since many freelancers and self-employed do not receive regular incomes and this discourages them from legalising their economic activities.
2. Increase the levels of unemployment benefits to enable work-free job search during the first months of unemployment. However, monitoring of job search must be more effective and coupled with meaningful institutional support.
3. See to it that social security systems offer sufficient opportunities and incentives — *carrots and sticks* — in terms of increased conditionality of benefits, to return to work and facilitate this transition to work with ALMPs.
4. Create a system of social assistance. If lacking, provide universal health insurance, independent of the type of contractual arrangement.
5. Extend social security systems beyond company boundaries to make mobility easier. Stimulate professional and regional mobility for workers by making social security entitlements more portable and transferable, thus creating a more dynamic labour market.
6. Remove the obstacles to mobility, including housing and transportation problems.

### **E. Develop a supportive and productive social dialogue**

1. Where social partners are not strongly institutionalised, increase their institutional capacity and involvement at central, sector and local levels by stimulating them to negotiate key elements of working conditions, including working time. Design other facilities that promote the creation of comprehensive employer and employee organisations and the cooperation or merging of fragmented organisations into larger bodies. Regional tripartite bodies could play a role in economic development.