

INTEGRATED PROGRAMME OF THE EU SOCIAL DIALOGUE 2009 – 2011
JOINT STUDY OF THE EUROPEAN SOCIAL PARTNERS:

FLEXIBILITY AND SECURITY IN RECENT LABOUR MARKET
AND SOCIAL POLICY REFORMS:

COMPARATIVE RESULTS OF THE ANALYSIS

CYPRUS – GERMANY – LITHUANIA – PORTUGAL – ROMANIA – SWEDEN - TURKEY

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METHODOLOGY AND DESIGN OF THE ANALYSIS

The Draft National Fiches on Flexicurity

The economic and social context

Economic crisis and recovery

Labour market indicators and trends

Flexicurity in the labour market and labour market policy

Flexibility and security in recent labour market and social policy reforms

Lifelong learning and mobility of workers

External/internal flexicurity and contractual arrangements

Active labour market policy

Supportive social security systems

High quality and productive workplaces

Gender equality

Financial sustainability

The role of social partners

Main instruments and levels of influence

Recent changes and challenges

Cases of good practice in the field of labour market flexibility and security

THE ECONOMIC AND SOCIAL CONTEXT IN COMPARISON

Main economic indicators and outlook in comparison

Main economic indicators, 2010 and 2011 forecast

	Cyprus		Germany		Lithuania		Portugal		Romania		Sweden		Turkey	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
GDP – annual percentage change	0.5	1.5	3.7	2.2	0.4	2.8	1.3	-1.0	-1.9	1.5	4.8	3.3	7.5	5.5
Employment – annual percentage change	-0.9	0.2	0.3	0.7	-5.6	1.1	-0.9	-0.7	-0.8	0.1	1.0	0.9	6.2	0.9
Unemployment rate (Eurostat definition)	6.8	6.6	7.3	6.7	17.8	16.9	10.5	11.1	7.5	7.4	8.3	8.0	12.2	11.7
General government balance (as percentage of GDP)	-5.9	-5.7	-3.7	-2.7	-8.4	-7.0	-7.3	-4.9	-7.3	-4.9	-0.9	-0.1	-3.7	-2.8
General government gross debt (as percentage of GDP)	62.2	65.2	75.7	75.9	37.4	42.8	82.8	88.8	30.4	33.4	39.9	38.9	42.8	42.1

Source: EU Commission: Autumn 2010 Economic Forecast, 29 November 2010

Labour market indicators in comparison

Main labour market indicators 2008

	Cyprus	Germany	Lithuania	Portugal	Romania	Sweden	Turkey	EU27
Employment rate – % population aged 15 – 64	70.9	70.7	64.3	68.2	59.0	74.3	45.9	65.9
Employment rate older people – % population aged 55-64	54.8	53.8	53.1	50.8	43.1	70.1	29.5	45.6
Self employed - % total population	17.3	11.1	11.5	18.5	30.3	5.3	n.a.	15.7
Employment in services - % total employment	75.5	72.5	61.7	60.5	38.7	75.1	47.7	69.4
Employment in industry - % total employment	20.3	25.3	30.4	27.9	30.7	22.7	19.5	24.9
Employment in agriculture - % total employment	4.2	2.1	7.9	11.6	30.6	2.2	26.9	5.7
Unemployment rate - % labour force 15+	3.7	7.3	5.8	9.6	5.8	6.2	9.4	7.0
Youth unemployment rate - % labour force 15-24	9.0	9.8	13.4	16.4	18.6	20.0	18.1	15.4
Long term unemployment rate - % labour force	0.5	3.8	1.2	3.7	2.4	0.8	2.2	2.6

Source: EU Commission: Employment in Europe Report 2009

PART A:

- FLEXIBLE AND RELIABLE CONTRACTUAL ARRANGEMENTS
- GREATER INTERNAL AND EXTERNAL FLEXICURITY
- COMPREHENSIVE LIFELONG LEARNING STRATEGIES
- EFFECTIVE LABOUR MARKET POLICY

Contractual arrangements and internal flexicurity

	Cyprus	Germany	Lithuania	Portugal	Romania	Sweden	Turkey	EU27
Part-time employment - % total employees, 2008	7.8	25.9	6.7.	11.9	9.9	26.6	9.6	18.2
Fixed-term contracts - % total employees, 2008	13.9	14.7	2.4	22.8	1.3	16.1	11.8	14.0
Access to flexitime, % total employees aged 15-64, 2004	10.4	52.3	16.9	19.9	10.8	61.2	4.9	31.3

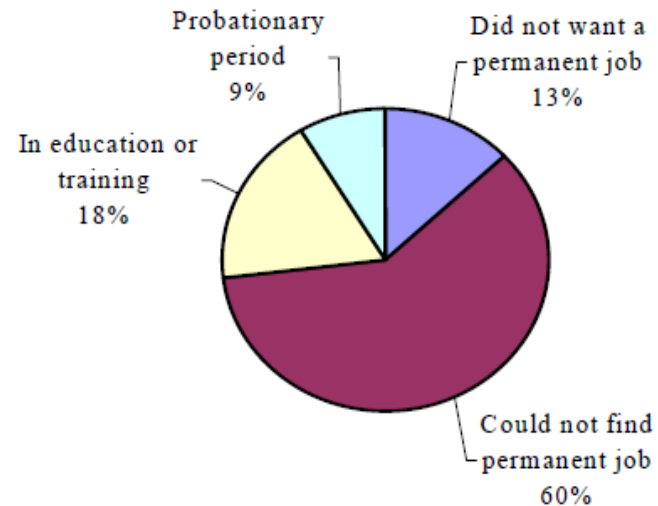
- Major reforms carried out that focus on more flexible contractual arrangements
 - *Job creation “Flexible contractual arrangements can give fresh impetus for employment creation”*)
 - in the context of crisis and restructuring: *job security*
- Measures at different levels covering labour contracts, external as well as external flexicurity:
 - Collective agreements at all levels on working time flexibilisation
 - Reforms of Labour Codes (PT, DE, SE, TK) focussing on flexibilisation of working time, fixed-term contracts, contracts of very short duration, short-time work etc. not always under the umbrella of “Flexicurity”
 - Pilot projects to ease job creation via more flexible contracts (CY)
 - Flexicurity inspired reforms
- Role of different actors
 - Based on tripartite negotiations and implemented via collective agreements: CY, TK and PT
 - Government-lead reforms, sometimes carried out against the opposition of trade unions (DE, SE)

Contractual arrangements and internal flexicurity

➤ Challenges

- Growth in flexible and very flexible jobs not always matching peoples wishes and needs (see below)
- Lack of internal/functional flexibility (RO, LT, TK)
- Effects of the crisis on socially cushioned approach of flexibilisation and abuse of instruments (e.g. Temporary lay-offs, PT, SE)
- Growth in flexible jobs not covered by security /collective bargaining
(“Reforms have hollowed out employment security”)
- Turkey: with 42% of total employment being “informal”,
“this unregistered form of work has become the major form of flexibility in Turkey”

Reasons for having a temporary job, EU-27, 2007



Source: European Commission: Indicators of Job Quality in the European Union, 2009, p. 133

External flexicurity

	Cyprus	Germany	Lithuania	Portugal	Romania	Sweden	Turkey	EU27
Strictness of employment protection – overall, 2008	n.a.	2.1	n.a.	2.1	n.a.	1.9	3.7	2.1
Strictness of employment protection – regular employment, 2008	n.a.	3.0	n.a.	4.2	n.a.	2.9	2.6	2.1
Strictness of employment protection – temporary employment, 2008	n.a.	1.3	n.a.	2.1	n.a.	0.9	4.9	1.8

Source: National Fiches, based on Eurostat, EU Commission, OECD

- National debates focussing very much on legal regulations regarding dismissals
- Employers demanding more flexibility and reduction of dismissal costs
 - Germany: for employers, the rigidity in external flexicurity has resulted in growing segregation of the labour market
 - Portugal: labour code review (2003) negative effects on collective bargaining coverage, quality of work, adjusted by further reform 2009
- Trade unions positions
 - Greater external flexicurity has resulted in deterioration of employment as well as social security
 - Trade unions reject the concept of external flexicurity and promote collectively agreed solutions on internal and/or functional flexicurity

Lifelong learning strategies and practice

- Reminders: Flexicurity principle 2; regarded as a strength by most participants in the questionnaire survey
- Educational attainment and LLL strong focus of EU strategy from Lisbon to Europe 2020
- New targets focussing reducing the school-drop out rates (<10%) and tertiary educational attainment (40%)

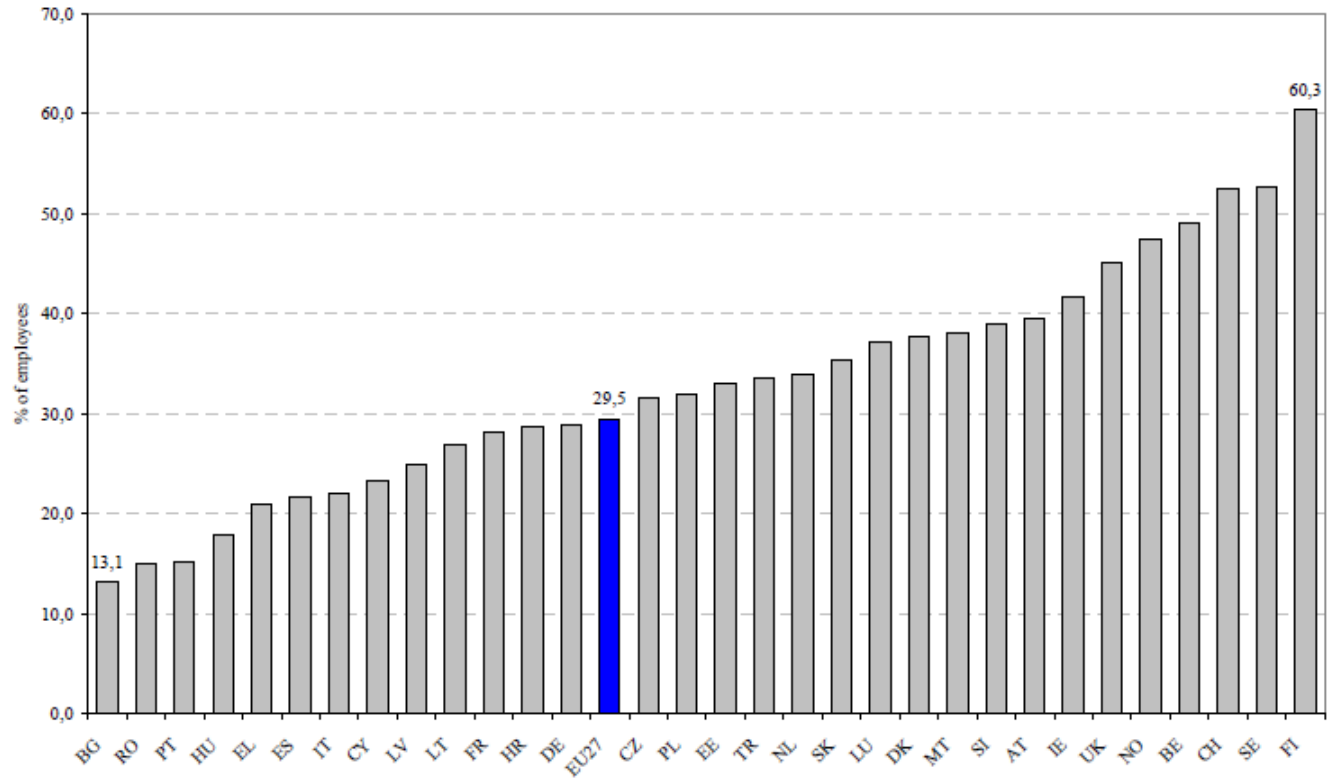
	Cyprus	Germany	Lithuania	Portugal	Romania	Sweden	Turkey	EU27
Percentage of the population aged 18-24 with at most lower secondary education and not in further education or training, 2009	11.7	11.1	8.7	31.2	16.6	10.7	44.3	14.4
Tertiary educational attainment, age 30-34, 2009*	44.7	29.4	40.6	21.1	16.1	43.9	14.7	32.3
CVT participation - % of employees participating in CVT , 2005	30	30	15	28	17	46	n.a.	33
Lifelong learning participation – participation in %,2008	8.5	7.9	4.9	5.3	1.5	32.2	n.a.	9.6
Investment by enterprises in training of adults - direct costs and labour costs of participants divided by total labour costs, 2005	1.3	1.3	1.2	1.1	1.1	2.1	n.a.	1.6

* The share of the population aged 30-34 years who have successfully completed university or university-like (tertiary-level) education with an education level ISCED of 5-6.

Source: National Fiches, based on Eurostat, EU Commission, OECD

Lifelong learning and CVT indicators in comparison

Percentage of employees receiving on-the-job training



Source: European Commission: Indicators of Job Quality in the European Union, 2009, p. 137

Lifelong learning strategies and practice

- Sample reflects the wide variety of context situations, standards and progress on LLL in Europe
- National reform packages addressing major and specific challenges (PT, LT)
- Moving towards the Europe 2020 targets: DE, SE
- Translating EU strategic orientations and instruments: CY, RO, TK

CY	Retraining, upskilling of low-skilled workers, inclusion of self-employment in LLL, testing new forms of training, LLL for all, reform of the apprenticeship system
DE	Improving the education system a major target as well as challenge, „Education summit“ 2008, school-drop-out rates, combining short-time work with training, challenge: low-skilled workers and long-term unemployed; unions question resource base
LT	VET and LLL focus of government and social partners, new law on VET in 2007, challenge: capacities of social partners
PT	Individual right to training provided by labour law since 2003, agreement of 2007 on comprehensive reform of VET, combining working time reduction with training
RO	Developing a strategy on LLL, identifying needs and major challenges in the field of HR development and LLL, participation in EU level programmes,
SE	Focus on the creation of more places in tertiary education, trend: decrease in number people in adult education
TK	Adoption of the EU Acquis: LLL strategy and action plan, involvement in EU programmes

Effective active labour market policy

- Reminder: addressed in several flexicurity principles in the context of
 - Inclusive labour markets
 - Support of those inactive, unemployed, in undeclared work, unstable employment or at the margins
 - Support for those in employment
 - Transitions from unemployment to employment
- Effectiveness being the topic of EU level debates and OMC for decades (“Activating Labour Market Policy”, “Promote and demand”)
- Still a lack of reliable comparative data

	Cyprus	Germany	Lithuania	Portugal	Romania	Sweden	Turkey	OECD average
Incidence of long-term unemployment – proportion unemployed more than 12 months, 2007	n.a.	56.6	n.a.	47.3	n.a.	13.0	30.4	n.a.
Public expenditure on <i>passive</i> labour market policies - % of GDP, 2007	n.a.	1.6	n.a.	1.1	0.4	0.5	n.a.	0.8
Public expenditure on <i>active</i> labour market policies - % of GDP, 2007	n.a.	0.8	n.a.	0.5	0.1	1.0	n.a.	0.6

Source: National Fiches, based on Eurostat, EU Commission, OECD

Active labour market policies

- Sample reflects the wide variety of context situations, standards and progress in Europe
- Efficiency and effectiveness a major issue of debate in DE, SE
- Targeting labour market challenges and developing/implementing active measures
- Major challenges arising from fiscal effects of the 2008 crisis

CY	ALMP schemes focussing very much on upskilling and training for unemployed in order to improve employability
DE	From the point of view of employers organisations Hartz reforms have had a positive effect on effectiveness, still a need to evaluate the effectiveness and efficiency of measures; stronger focus on „real labour market“ needed, challenge: enhance the employability of low-skilled workers and long-term unemployed; positive initiatives reported here in the public sector (inclusion of people from the margins); “initiative of accompanying structural change”;
LT	Shift in policy from passive towards more active measures, i.e. activation, guidance, adjustments of qualification levels and skills
PT	2008 tripartite agreement on „new system of labour relations regulation and employment and social protection“ introduced a number of new measures, e.g. older unemployed and other disadvantaged groups; challenge: fiscal effects of the crisis – reduction of available budgets
RO	New legal framework of labour market policy introduced in the early years of the decade; challenges: low activity rate, mobility, skills development, total LMP share in GDP only 0.4%
SE	Trend from education and training towards more supply side orientated measures, reduction of budgets due to the crisis; from the employers’ point of view, measures could be more effective
TK	Development of initial ALMP approaches in the context of the adoption of the EES

- Different national contexts and frameworks:
 - Long tradition of ALMP, LLL etc. in countries such as SE, DE
 - Lack of experience regarding ALMP, LLL and “flexicurity” in LT, RO and TK
 - Reform as contested issues: PT, DE, SE
- Flexicurity as a guiding principle
- Alternatives to flexicurity addressing new trends in labour market and social segregation
 - Work Environment – *adjusting work to peoples needs and not the other way round*
 - “Good Work”, “Better Work”
- Internal/functional flexibility versus external/numerical flexibility and alternatives to flexicurity

PART B:

- SUPPORTIVE SOCIAL SECURITY SYSTEMS
- COST EFFECTIVE ALLOCATION OF RESOURCES
- GENDER EQUALITY
- FLEXIBILITY AND SECURITY IN THE CONTEXT OF CRISIS AND RECOVERY

Supportive social security systems

- Reminder: the Flexicurity principles address the following:
 - Principle 1 refers to “social cohesion”
 - Principle 2: *“Flexicurity involves the deliberate combination of flexible and reliable contractual arrangements, comprehensive lifelong learning strategies, effective active labour market policies, and modern, **adequate and sustainable social protection systems.**”*
- Better balancing flexibility and security major objective of the approach
- Social gaps within and between societies in Europe – Cohesion policy
- New trends of social segregation due to long-term-unemployment, demographic change, “working poor””

	Cyprus	Germany	Lithuania	Portugal	Romania	Sweden	Turkey	EU27
Inequalities of income distribution – income quintile share ratio	4.1	4.8	5.9	6.1	7.0	3.5	9.9	5.0
Persons at risk of poverty after social transfers, % of total population, 2008*	16.2	15.2	20.0	18.5	23.4	12.2	26 (2003)	16.5
Net replacement rates and unemployment insurance benefit duration , initial rate, % of net income, 2004	n.a.	69	n.a.	83	n.a.	75	n.a.	n.a.
Unemployment benefit duration	n.a.	12	n.a.	24	n.a.	28	n.a.	n.a.
Minimum wage	no	no	yes	yes	yes	no	yes	---

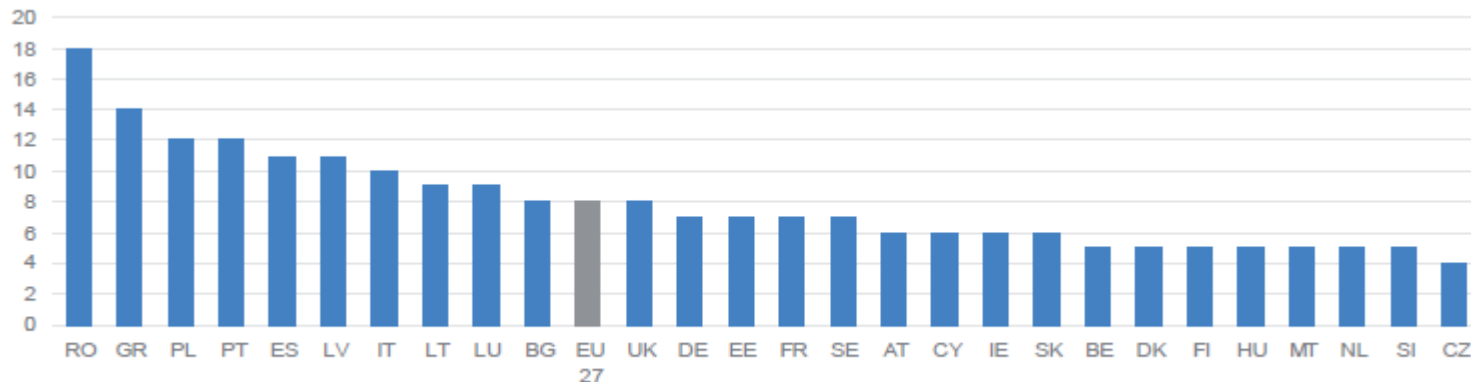
* Share of persons with an equivalised disposable income below the risk-of-poverty threshold, which is set at 60% of the national median equivalised disposable income after social transfers.

Source: Eurostat, ETUI

Challenge: In work at risk of poverty

- Although the unemployed and inactive are group most likely to face poverty, being in work is no guarantee of escaping poverty
- High shares of those at-work risk of poverty (where disposable household income is 60% or less of median disposable income) in Romania (18%) and also Portugal and Lithuania above the EU average of 8%.
- Trends and shares are broadly in line with measures of inequality
- In-work at risk of poverty likely to rise in the context of the current economic situation in many countries

In-work and at risk of poverty, 2008 (EU27=2007)



Source: ETUI Benchmarking Working Europe 2010, based on Eurostat

Supportive social security systems

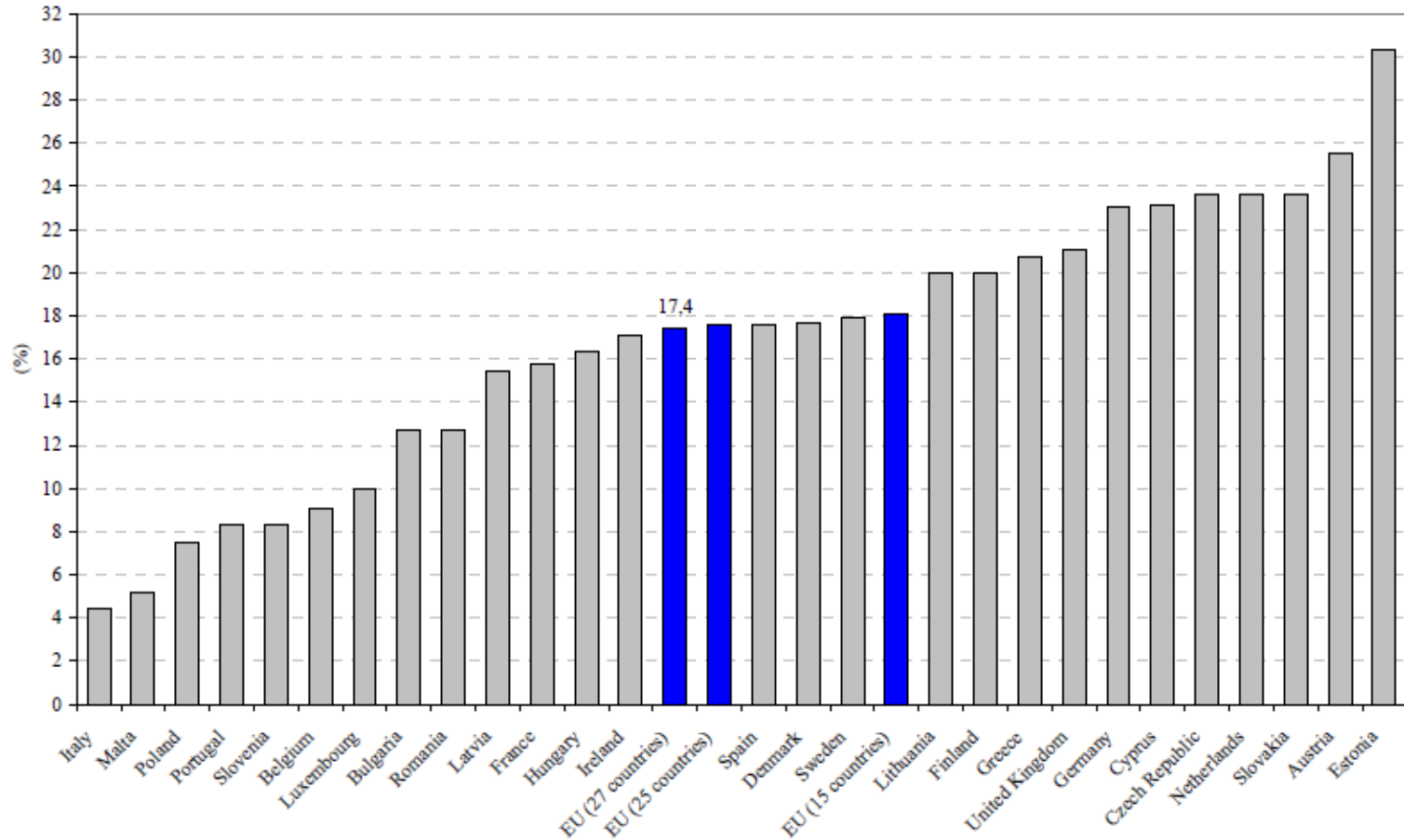
- Low wage and social segregation a major debate in many countries
- Common reform trends: financial sustainability in the context of demographic change (private pension funds, raise of pension age etc.)
- Major challenges arising from fiscal effects of the 2008 crisis

CY	Agreement on increase of social security contributions reached in 2009, contributions (16.6% of payroll) from the point of unions still too low to support a „flexicurity system“
DE	From the point of view of the employers' organisations Hartz reforms have made the system both more efficient and also fairer, sustainability of the pension system (setting the pension age at 67) Unions: insufficient income security levels, minimum wage, <i>Metallrente</i>
LT	New law on unemployment insurance 2005 and on occupational pensions 2006; in August 2009 amendment of unemployment insurance law: extending the duration of unemployment benefits to those living in municipalities with high unemployment by 2 months
PT	Focus on the financial sustainability of the system, 2006 tripartite agreement on major aspect of social security reform, including an increase in minimum wage by 5.3% until 2011; significant reduction in planned reform measures due to the crisis
RO	Reduction of employer/employee contributions to the system, introduction of private pension funds; minimum wage: tripartite agreement in 2008 called for a structural increase of MW towards 50% of average wage
SE	Unions report a deterioration of unemployment benefits and sick leave benefits
TK	Serious structural problems are reported which have not been addressed fundamentally in recent reforms

Gender equality

- Large variety of wage gaps in Europe – compare PT or RO with DE or CY

Unadjusted gender wage gap, EU-27, 2007



Source: European Commission: Indicators of Job Quality in the European Union, 2009, p. 126

Gender equality

- Flexicurity principle 6:
*“Flexicurity should support **gender equality**, by promoting equal access to quality employment for women and men and offering measures to reconcile work, family and private life”*
- Gender related aspects in flexicurity principles not addressed directly
- Work-life balance, inclusion, equal opportunities particularly addressed by social dialogue and bargaining at company level, in the context of CSR etc.

CY	Pay gap >20%; initiatives to foster female self-employment and entrepreneurship; contractual flexicurity / working time flexibility in order to strengthen gender equality
DE	Gender pay gap of 23% one of the highest in EU – many initiatives with active SP involvement, “Equal Pay Day”, many initiatives of social partners with regard to worklife balance
LT	Gender pay gap around 20%; initiative for gender mainstreaming in employment policy (NRP 2008-2010)
PT	Pay gap < 10%
RO	Pay gap < 10%
SE	Pay gap around 16%; Equal Opportunities Act, annual enterprise based gender equality plans
TK	Striking low female employment rate, lack of reliable data

Conclusions and questions arising

- New social challenges emerging in the context of restructuring and increasing flexibility of contracts and labour relations
- Only partly addressed so far (PT reform 2008)
- *“Flexicurity in bad weather”*
 - What are the effects on security aspects, social cohesion, equality, equal opportunities and the quality of work?
 - PT: social cushioning of flexibilisation threatened by financial crisis
 - TK: flexicurity feasible when 50% of employed persons not covered by social security?
 - LT/RO/CY: low public expenditure on social policy, high risks of in-work-poverty and income inequality
 - DE/SE: increasing problems in the field of social cohesion; trend of conversion? Towards more market in the social market economy?