



THE ROLE OF SOCIAL PARTNERS IN THE DEVELOPMENT AND IMPLEMENTATION OF  
FLEXIBILITY AND SECURITY IN CONTEMPORARY LABOUR MARKETS

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[BULGARIA – LUXEMBOURG – NETHERLANDS – SLOVAKIA – SLOVENIA – SPAIN – UNITED KINGDOM]

# **FLEXICURITY – A SLOVENIAN CASE**

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# FLEXICURITY – THE ORIGINS

Starting point: flexibility and security are not contradictions, but can be mutually supportive .

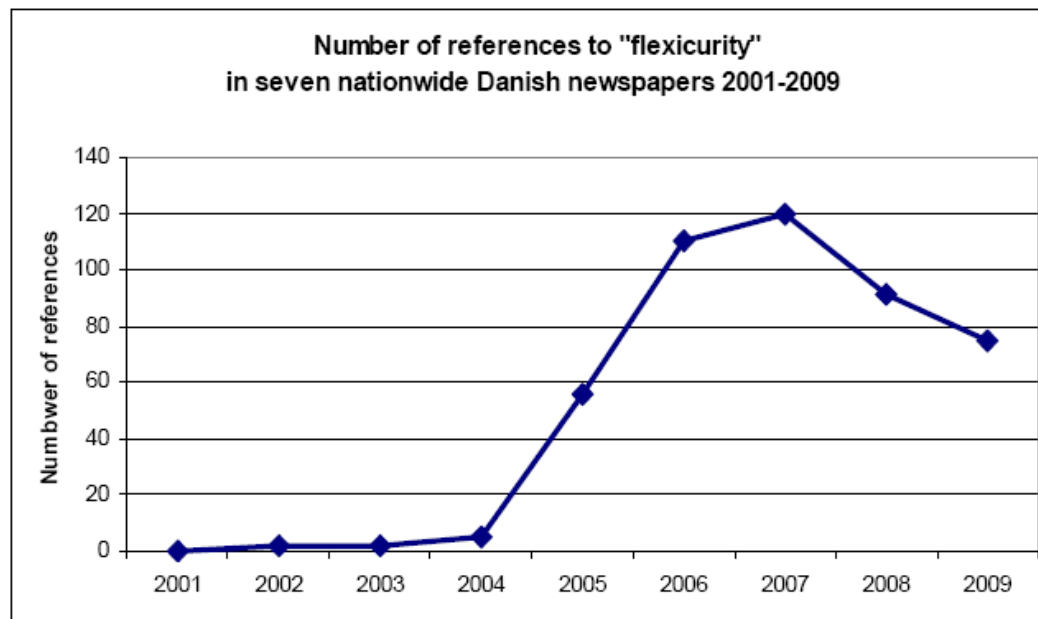
Originally a Dutch concept from the 1990s(with academic content added by professor Ton Wilthagen, Tilburg University) (Madsen, 2010).



# FLEXICURITY AS A BUZZ CONCEPT

*We are now living in an era of “flexicurity”. The idea of organizing labour markets and social protection in a way that ensures both security, for the workers, and flexibility, for the firms, is now more and more accepted and rapidly spreading, not only in Europe (where it is becoming now a policy catchword) but also in other parts of the world, for example in Asia.*

(Erhel, Gazier, 2007)



Source: Madsen, 2010; Infomedia



# FLEXICURITY FRAMEWORK (S)

## WILTHAGEN MATRIX (Wilthagen and Tros (2004))

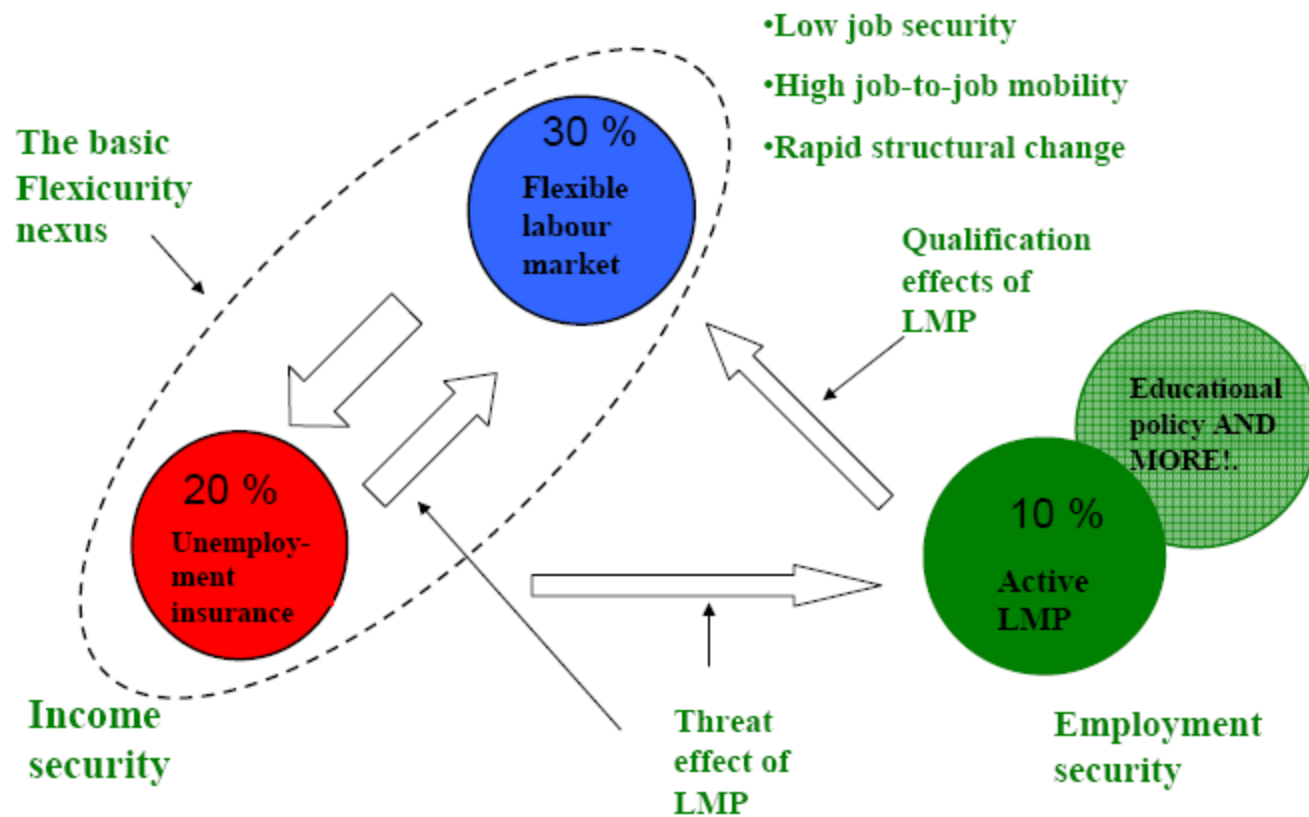
SECURITY FLEXIBILITY	JOB SECURITY (keeping your job)	EMPLOYMENT SECURITY (unemployment benefits)	INCOME SECURITY (getting a new job)	COMBINATION SECURITY (work life balance)
EXTERNAL NUMERICAL SECURITY ("hire and fire")				
INTERNAL NUMERICAL SECURITY				
FUNCTIONAL SECURITY (between tasks)				
WORKING TIME FLEXIBILITY				
LABOUR COST / WAGE FLEXIBILITY				

## SCHMID MATRIX (Leschke, Schmid and Griga 2006)

SECURITY FLEXIBILITY	JOB SECURITY	EMPLOYMENT SECURITY	INCOME SECURITY	OPTION SECURITY
EXTERNAL NUMERICAL SECURITY	t	t/c/v	t/c/v	T
INTERNAL NUMERICAL SECURITY	c	c	(t)/c	t/c
INTERNAL FUNCTIONAL	c	c	t/v	(t)/c
EXTERNAL FUNCTIONAL	c	t/c/v	t/v	t/c

Legend: t: trade offs / c: complementarities / v: vicious circles

# GOLDEN DANISH TRIANGLE



Source: Madsen, 2006; EC, 2006

# COMMON FLEXICURITY PRINCIPLES

(Council of the European Union, 2007)

- (1) Flexicurity is a means to reinforce the implementation of the Lisbon Strategy, create more and better jobs, modernize labour markets, and promote good work.
- (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.
- (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. Flexicurity implies a balance between rights and responsibilities of all concerned. Based on the common principles, each Member State should develop its own flexicurity arrangements. Progress should be effectively monitored.
- (4) Flexicurity should promote more open, responsive and inclusive labour markets overcoming segmentation. It concerns both those in work and those out of work. The inactive, the unemployed, those in undeclared work, in unstable employment, or at the margins of the labour market need to be provided with better opportunities, economic incentives and supportive measures for easier access to work or stepping-stones to assist progress into stable and legally secure employment. Support should be available to all those in employment to remain employable, progress and manage transitions both in work and between jobs.



# COMMON FLEXICURITY PRINCIPLES

(Council of the European Union, 2007)

- (5) Internal (within the enterprise) as well as external flexicurity are equally important and should be promoted. Sufficient contractual flexibility must be accompanied by secure transitions from job to job. Upward mobility needs to be facilitated, as well as between unemployment or inactivity and work. High-quality and productive workplaces, good organization of work, and continuous upgrading of skills are also essential. Social protection should provide incentives and support for job transitions and for access to new employment.
- (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.
- (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. While public authorities retain an overall responsibility, the involvement of social partners in the design and implementation of flexicurity policies through social dialogue and collective bargaining is of crucial importance.
- (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 SMEs.



# FLEXICURITY AND THE CRISIS

## What about the resilience of flexicurity to the crisis?

**Not for the bad weather - macro analysis of flexicurity with regard to the crisis (Tangian, 2010, ETUI)** (<http://www.etui.org/research/activities/Employment-and-social-policies/Reports-and-working-papers/WP-2010.06>)

The macroeconomic analysis of flexicurity is performed with four composite indicators based on statistical figures for 25 countries. These composite indicators are flexibility, security, gravity of macroeconomic situation by 2010 and aggravation of macroeconomic situation during the crisis (in 2008–2010). It is shown with statistical certainty that high flexibility is not advantageous. Flexibility-security combinations are not advantageous either, although the pure effect of the crisis is softened if social security is generous. A better alternative to flexicurity would be “normalization of employment relations”, that is, low flexibility, which also would make income redistribution more fair and would not require high social security expenditure.

The study argues that both flexibilization and the crisis stem from the same root – from financial liberalization, which is the background cause of both phenomena, making them dependent on each other. Since both have negative consequences, the conclusion is that the political philosophy of social and economic development should be revised, with social priorities being given precedence over economic priorities.

**Freeman, 2010, quoting OECD** (<http://www.ilo.org/public/english/revue/download/pdf/s2freeman.pdf>)

There does not appear to be any strong reason to expect that recent structural reforms mean that OECD labour markets are now substantially less sensitive to severe economic downturns than was the case in the past. ... the “great moderation” (in economic fluctuations) apparently cannot be attributed to greater resilience due to the types of structural reforms that have received a lot of attention from labour market analysts and policy makers (p. 39)... there do not appear to be any clear grounds for concluding that workers, generally, are either better or worse prepared to weather a period of weak labour markets than was the case for the past several recessions (OECD, 2009, p. 40).





# EXAMPLE: GERMANY / UNITED KINGDOM

	GERMANY	UNITED KINGDOM
SOCIAL EXPENDITURE AS A SHARE OF GDP, 2008 (%)	27,75	23,71
GROSS DOMESTIC EXPENDITURE ON R&D, 2009 (GERD) (%)	2,82	1,87
REDUNDACY COST (GCI 2010-2011; RANK- LOWER RANK MEANS LOWER COSTS)	98	40
SEVERANCE PAY FOR REDUNDACY DISMISSAL (FOR A WORKER WITH 20 YEARS IN TENUR, IN SALARY WEEKS), WB DOING BUSINESS, 2010	43,3	10,5
EPL INDEX 2008 (OECD, 2010)	2,63	1,09
GLOBAL COMPETITIVNE INDEX 2010-2011 (WEF 2011)	5	12
UNEMPLOYMENT RATE, DECEMBER 2008 (%), EUROSTAT	7,1	6,5
UNEMPLOYMENT RATE, DECEMBER 2010 (%), EUROSTAT	6,6	7,8
EMPLOYMENT (15 TO 64 YEARS; IN 1000), Q3 2008	38688,6	28720,7
EMPLOYMENT (15 TO 64 YEARS; IN 1000), Q3 2010	38218,3	28325,8

Source: EUROSTAT, WORLD BANK, WORLD ECONOMIC FORUM

# SLOVENIA – WHAT ABOUT FLEXICURITY

## Basic socioeconomic data – are we equipped for flexicurity?

### SOCIAL INDICATORS

**2009 Survey on Income and Living Conditions (SILC):** the at-risk-of-poverty rate in Slovenia was 11.3%. This means that in 2009 11.3% or about 223,000 people in Slovenia were living below the at-risk-of-poverty threshold. The annual at-risk-of-poverty threshold for a one-member household was set at EUR 7,118; the disposable net monthly income of people below the at-risk-of-poverty threshold was thus below EUR 593 per adult person.

**2008:** 21, 6% of GDP was used for social protection, which is 0.2 of a percentage point more than in 2007. The largest part of that share (more than 18%) was earmarked for the following functions: old age, sickness and health care, family and children, and disability.

Source: SOS, 2010, 2011

### ECONOMIC INDICATORS

**Q3 2010:** the deficit of the general government was estimated at EUR 421 million or 4.5% of GDP, which is in nominal terms after a period of more than two years of permanent growth of deficit less than it was estimated in the same period a year before at EUR 444 million or 4.9% of GDP. GDP increased by 1.7 percent in the third quarter of 2010 compared with the third quarter of 2009. In the period January-September 2010, GDP increased by 0.9 percent compared with the same period of 2009.

Exports remain to be the most important factor for positive GDP growth. Exports of goods and services increased by 10.5 percent compared with the third quarter of 2009.

Source: SOS, 2010, 2011

### LABOUR MARKET INDICATORS

**Q3 2010:** 968.000 persons in employment; almost a quarter of all persons in employment worked in manufacturing;

**DECEMBER 2010:** 110.021 registered unemployed persons; 43, 1% of them are long term unemployed; 7.830 people found a job. 80,7% of available posts were fixed term contracts.

**NOVEMBER 2010:** 28,6% of registered unemployed people are UB recipients.

**2009:** the average annual gross earnings in Slovenia, calculated at monthly level, amounted to EUR 1,479. Almost two thirds (65.6%) of persons in paid employment received earnings below that value.

**2009:** more than EUR 340 million was spent on labour market policy interventions. Over EUR 223 million was spent on passive supports (almost two thirds of total expenditure), over EUR 81 was spent on active interventions (over a fifth of total expenditure) and the least – over EUR 35 million (over a tenth of total expenditure) – on LMP services.

**2010:** 33,1% of workers in the latest 2010 EUROFOUND Working conditions survey are being in their current company or organization for the period of 0-4 years (EU27: 40%).

Source: ESS, SOS, EUROFOUND, 2010, 2011

### EDUCATION INDICATORS

**2009:** There were approximately 844,600 persons in employment at the end of 2009, of those 58% had upper secondary education, 16% had basic or less, while there were almost 25% who were tertiary educated. Approximately one third of women in employment (about 120,400) and only 18% of men in employment (about 87,500) had tertiary education.

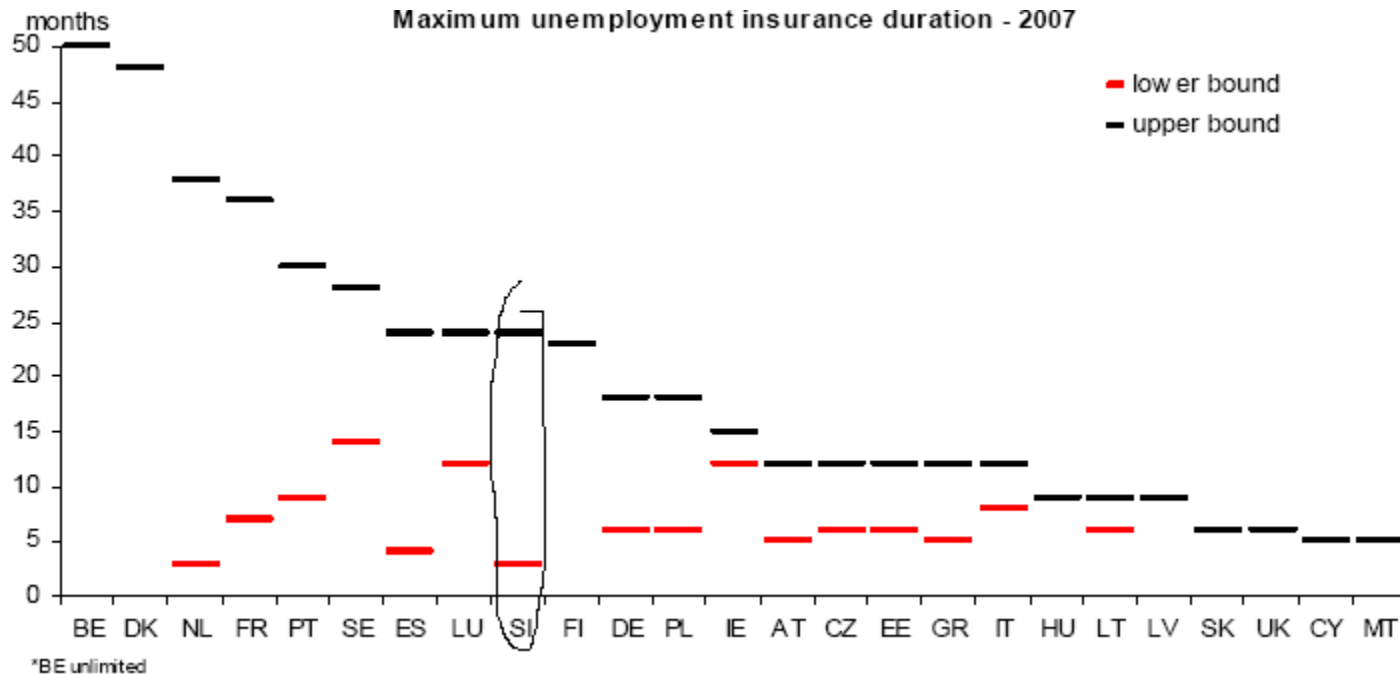
**2008:** Gross domestic expenditure on R&D was 1,66 % (EU27: 1,90)

**2007:** In the 12 months before the Adult education survey, 40% of adults in the age group 25-64 participated in education; slightly more women than men. Half of people aged 25-34, 45% of people aged 35-49 and 27% of people aged 50-64 participated in education. A person's level of education plays an important role in deciding to participate in education. More than two thirds of people with tertiary education, 39% of people with upper secondary education and only 13% of people with basic education or less participated

Source: SOS, EUROSTAT, 2010, 2011

# LATEST DEVELOPMENTS: UNEMPLOYMENT BENEFIT ISSUE

**Before 1/1 / 2011:** lower bound: 3 months duration of UB for persons working 12 months in previous 18 months. Upper band: 24 months duration of UB for persons aged 55+, who 's insurance period are more than 25 years.



Source: EC, 2010

# LATEST DEVELOPMENTS: UNEMPLOYMENT BENEFIT ISSUE

**After 1/ 1/ 2011:** The work requirement for eligibility to unemployment benefit was reduced from 12 months during the last 18 months to 9 months during the last 24 months. For persons aged 55+, who 's insurance period is more than 25 years, the duration of UB is prolonged for 1 month, to 25 months.

Also the replacement rate of UB increased for the period of first 3 months of the UB eligibility – from 70 % of average wage in thee period of 12 months before unemployment to 80% of average wage in the period of 8 months before unemployment, with the basic amount of 350 €.



# BUT MAYBE TOO LITTLE AND TOO LATE

In 2009, unemployment benefits increased in Belgium, Greece, Italy and the United Kingdom (IMAD, 2010). The work requirement for eligibility to unemployment benefit was in 2010 reduced in **Finland** (from 43 to 34 weeks during the preceding 28 months) and in **Portugal** (from 450 to 365 days during the preceding 24 months). In **France** it was reduced from 6 months during the last 22 months to 4 months during the last 28 months, in **Latvia** from 9 months during the previous 12 months to 12 months during the previous 18 months.

**Problem – young people:** only 2.316 out of 28.435 persons eligible for UB, were up to the age of 30 years old (8,1%) in November 2010.

*The legislation governing unemployment benefits should be improved as soon as possible to ensure income security for the unemployed in the time of crisis and at the same time to support the concept of flexicurity. This will be partly addressed by changes brought about by the new draft Labour-Market Regulation Act, but we estimate that these changes will be adopted too late to provide income security for unemployed people during the crisis.*

(IMAD, 13.8. 2010; Economic issues)

# TO THINK OF (RE-)TRAINING BONUS

**Urgent combination of UB with subsidization for obtaining new knowledge.**

*A shift from a so-called “work-first” approach to a “learn/train-first” approach helps to boost the employability of those who have shown major difficulties in finding a job (OECD, 2010)*

As already written in the IMAD Economic Issues 2010 publication more effort should be made to ensure that employees on temporary layoff obtain new knowledge during a time of economic crisis. Under the Partial Reimbursement of Payment Compensation Act, companies are obliged to provide education and training programmes for employees on temporary layoff, which are co-financed by the state, but, according to ESS data, these programmes have only been carried out to a modest extent. The appropriateness of this education in increasing employability is also questionable, as most of the companies organized internal education programmes led by internal mentors. As IMAD pointed out in the previous year, institutions with appropriate knowledge should also be included in the preparation of education and training programmes for employees on a temporary layoff (e.g. the Slovenian Institute of Adult Education, ESS) (IMAD Economic Issues 2010).

**Formula is simple, but efficient:** UB plus extra bonus for training and education means higher employability of a person, and a higher added value for the company or organization.

# PLUS MOBILITY BONUS

*Mobility-bonus schemes could also be strengthened to smooth labour-market transitions. It will be also important to invest in re-training schemes, particularly for workers in declining sectors and for professions that are likely to be particularly affected. It has been conclusively demonstrated that training programmes are most effective when they are well targeted and relatively small, and have strong job content and an established link with employers.*

(EC, 2010)



# LABOUR RELATIONS ACT (LRA) IN THE FLEXICURITY PERSPECTIVE

The adoption of Amendments to the **Labour Relations Act in 2007 (LRA** – was adopted in 2003) should enable easier introduction of the flexicurity concept in Slovenian labour market. As the previous LRA, which aimed to boost the flexibility of the labour market, limit the growth of fixed term contracts and foster other forms of flexible employment, the new LRA extended legal basis for using flexible forms of employment. One of them is introducing the term 'kind of work', which should increase greater internal flexibility by enabling employer to hire worker not only for particular working place but for particular ('kind of') work – this should enable employer to add some new duties and tasks to employee according to current needs (without changing current or writing another contract).





# OTHER CHANGES OF LRA

**Other changes in the Act, that should enable more flexible and competitive labour market in Slovenia, are:**

- clearer and more efficient regulation of dismissal;
- reducing the dismissal notice period for those with more than 15 years of work for the current employer (from 75 to 60 days for those who have at least 15 years of service and from 150 to 120 days for employees with at least 25 years of work for the current employer- the new proposal for employees with at least 25 years of work reduced dismissal period from 120 to 90 days );
- cessation of working relation in the case of daily unjustified absence (at least 5 days) from work;
- introducing the exception from the 2 year limit for fixed-term contract – in the case of project work, a person can be hired with a fixed-term contract for more than 2 years, if the project work is scheduled so;
- regulation of the severance rights in case of ensured employment with another employer (in the case that a redundant worker finds new employment quickly enough, the new employer, if agreed, could cover severance rights for the duration of work at both employers (old and new);
- clearer regulation of work payments and proportional payments of holiday reimbursements according to the working time;
- more flexible regulation of working time;
- possibility of additional overtime work (reduced official number of overtime from 180 to 170 hours of overtime per year with possibility to extend the number to 230 hours if there is an agreement between employer and employee);
- greater security of workers against discrimination and mobbing;
- incentives for reconciliation of working and family life.



# **SOCIAL PARTNERS ROLE IN FLEXICURITY PROCESS**

Both employers and trade unions' representatives had substantial and important role in negotiating the LRA amendments (2007, also in 2003 when LRA was adopted) with employers associations seeking greater flexibility and trade unions greater security of workers.

## **CASE STUDY: EMPLOYMENT FOR OLDER WORKERS**

The promotion of part-time employment for older workers was introduced with limited success. The implementation is essentially in the hands of Employment Service of Slovenia, while social partners' role in implementation of active labour market policies is marginal. Cooperation of employers, trade unions and government in addressing issues such as better integration of young workers or retention of older workers is rather limited. Government (through the Ministry of Labour, Family and Social Affairs) prepares employment policy measures and different policy documents that are discussed at the national level at Economic and Social Council, where social partners present their views on the issues.

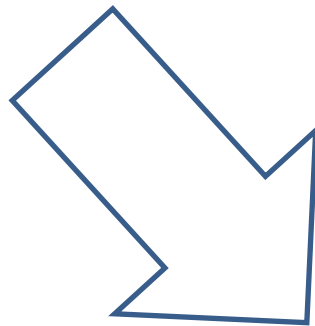
# TO CONSIDER: FIELDS TO BE DEALT MORE...



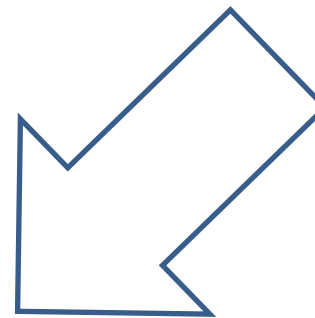
job sharing  
job rotation  
common actions of social partners



green economy  
social economy



decent work  
sustainable development  
("from efficiency to sufficiency")



Thank you

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