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COVER NOTE

from : The Employment and the Social Protection Committees

to : Delegations

**Subject : Flexicurity
- Joint Contribution of the Employment Committee and the Social Protection
Committee**

Delegations will find attached a joint contribution from the Employment Committee and the Social Protection Committee on flexicurity, presented with a view to the session of the Council (EPSCO) on 1/2 June 2006.



The Employment Committee The Social Protection Committee

12 May 2006 (final)

Flexicurity Joint Contribution of the Employment Committee and the Social Protection Committee

1. The Lisbon strategy and flexicurity

The Lisbon strategy calls in its Integrated Guidelines for growth and jobs for the improvement of the adaptability of workers and enterprises. It hereto calls upon the Member States to promote flexibility combined with employment security and reduce labour market segmentation, having due regard to the role of the social partners (IG 21).

The Joint Employment Report 2005/2006 signalled that the priority of adaptability received the least attention in the employment part of the National Reform Programmes and concluded that this is worrying given the increasingly segmented nature of labour markets.

In the Joint Employment report four ingredients were identified to achieve a good balance between flexibility and security without increasing the risk of labour market segmentation: availability of contractual arrangements, active labour market policies, credible lifelong learning systems, and modern social security systems.

The 2006 Spring European Council stressed the need to develop more systematically in the NRPs comprehensive policy strategies to improve the adaptability of workers and enterprises. It therefore invited Member States to pursue, in accordance with their individual labour market situations, reforms in labour market and social policies under an integrated flexicurity approach, adequately adapted to specific institutional environments and taking into account labour market segmentation. It noted that the Commission, jointly with member States and social partners, will explore the development of a set of common principles on flexicurity.

This joint contribution is based on work done by the Employment Committee and Social Protection Committee and provides a state of play on the analysis undertaken and on the key issues drawn up on that basis.

2. Key issues

The discussions and preparatory work¹ leading to this contribution have confirmed the commitment to explore flexicurity policies as a way to achieve the common objectives of the European Employment Strategy. A number of key issues can be listed for further exploration and debate. As a preemptive remark, it is important to put the issue of flexicurity in the broader context of the European employment strategy and at the same time *not* to make the flexicurity discussion into a debate about any of the individual components alone.

¹ See in particular the report prepared for the Employment Committee by the Working Group on Flexicurity and the contribution of the Social Protection Committee entitled Flexicurity: the role of social protection.

Focus should be on the synergies between the core aspects (labour market flexibility and security) and the need to deliberately combine in a synchronic way the availability of contractual arrangements, active labour market policies, credible lifelong learning systems and modern social security systems.

Such synergies have the potential to create more and better jobs, strengthen social cohesion and fight poverty and exclusion by pursuing active inclusion of all and spreading the benefits of more open and flexible labour markets to all citizens, including disadvantaged groups. Equal opportunities and gender equality are an integral part of flexicurity policies.

As Member States start from different starting positions and have different institutional environments, a one-size-fits-all approach to respond to the flexicurity challenge is not an option and pathways therefore differ.

In addition, it is relevant to consider the roles and contribution of the various stakeholders, particularly the social partners.

Core elements of flexicurity

- The availability of contractual arrangements, providing adequate flexibility for both workers and employers in a balanced combination with security and activation offers, may support the creation of full employment, higher labour market participation, more inclusive labour markets and help to prevent labour market segmentation. Regular review and appropriate adjustment where needed of employment protection legislation is an important issue in this respect.
- To achieve fair and sustainable results it is important to ensure adequate rights for employees in all kinds of contracts. This facilitates occupational mobility and the opening up of labour markets, not just from one employer or job to another, but also between part-time and full-time work, from precarious to stable employment, between being an employee and becoming self-employed, and creates opportunities for career progression and work-life reconciliation.
- Pension provision and other forms of social protection should be modernised by taking better account of new forms of work and of career breaks notably for care, and by ensuring that women can build up their own pension rights.
- Modern social security systems should be in place to ensure that all workers are adequately supported during absences from the labour market and to facilitate labour market mobility and transition. Promoting a better linkage between social protection, lifelong learning and labour market policies so that they are mutually reinforcing is important. Social protection systems should equip people to adapt to change during their life-cycle so that they feel more secure and see globalisation and labour market changes as an opportunity and an acceptable part of one's working life rather than a threat.
- While ensuring that social protection systems are adequate for all to have a sufficient income when work is not an option, it is important to ensure incentives and assistance to find work. Therefore, income support should be accompanied by rights and duties with respect to job opportunities or vocational training to ensure a link with the labour market. When making work more attractive both financial and non-financial incentives may be relevant, such as making work pay, accessible and affordable child care and long-term care, as well as other services which promote labour market integration.

- Active labour market policies, lifelong learning and in-company training are important to support the change from job security to employment security. Effective active labour market policies and training help people to find a job and sends a positive signal to citizens and companies that flexicurity is about investing in their needs. Active labour market policies and training support - but do not replace - decisions to be taken on balances of security and flexibility policies

The role of the stakeholders

Public authorities have a prime responsibility to explain to their societies why changes are necessary and inevitable. It is their role to promote partnership in which all partners are prepared to take responsibility for change.

Many aspects relating to flexicurity belong to the competence of the social partners. The participation of social partners and other stakeholders should be ensured in the development of policies – in order to create a common agenda and joint responsibility for change. Social Partners have expert knowledge of the concerns and needed qualifications in labour markets and must take an active part in promoting acceptance of change and building support for change.

Collective agreements and companies can provide conditions for modern work organisations, improving internal quantitative as well as functional flexibility within a secure context. Governments can encourage social partners to do so.

3. Next steps

It is also clear that further analysis and discussions are needed in order to take sufficient account of the individual situations and starting points of Member States. This concerns i.a.

- specific cases of what works well in different countries
- internal quantitative and functional flexibility (i.e. the organisation of work) and various aspects of labour law
- the measurement of flexicurity
- the costs and benefits of flexicurity for different groups on the labour market, including for people on its margins
- the costs and benefits of flexicurity for public finance and society as a whole
- sustainability of social and financial commitments, especially in adverse economic conditions
- different pathways towards (more) flexicurity for Member States with different starting points.

The Committees note the intention of the Commission to publish a Green Paper on Labour law, analyse flexicurity aspects in the context of the Annual Progress Report and adopt a Communication on a set of common principles in 2007. Member States and social partners will be fully involved. The Committees also note the intention of the incoming Finnish Presidency to engage a discussion on managing change and the role of flexicurity in the Social Summit in the autumn of 2006.