



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

CLUSTER 2 SEMINAR LISBON 9 & 10 DECEMBER 2010

SEMINAR NOTES

Organisation and programme

The second country cluster on flexicurity in the joint European level social partners' project, "The implementation of flexicurity and the role of social partners" took place in Lisbon, Portugal on the 9th and 10th of December 2010. It was attended by European social partners, experts and social partners' representatives from the following countries: Germany, Lithuania, Portugal, Romania, Sweden and Turkey.

An attendance list is attached as appendix one.

Due to the bad weather conditions in Northern Europe, some participants were not able to attend the seminar and others arrived only late.

Consequently the programme of the seminar also had to be adjusted.

Presentation of the questionnaire survey results as well as the national analysis was done by A. Kwiatkiewicz. E Voss presented comparative results of the 7 national fiches of cluster 2 in a concentrated form on day two of the seminar.

National cases presented by social partners:

- **Portugal** – presentations by Luis Henrique (CIP), Vitor Coelho (UGT) and Armando Farias (CGTP-IN)
- **Germany** – presentations by Armin Augat (KAV) and Hartmut Seifert (DGB / WSI)
- **Sweden** – presentations by Leif Lindberg / Jeanette Grenfors (SALAR) and Thomas Janson (TCO)

All presentations are attached and available on the EU Social Partners resource centres websites¹.

Seminar Notes

Welcome and information on the project by the European Social Partner

On behalf of the European social partners, *Juliane Bir (ETUC) and Mathew Higham (BUSINESSEUROPE)* welcomed participants and presented the background of the project in the context of the EU social partners' work programme 2009 - 2010, its main purposes and methodology (survey, interviews, national fiches, cluster seminars, final conference).

¹ <http://www.resourcecentre.etuc.org/> & <http://www.erc-online.eu/Content/Default.asp>



Both explained that the joint project on flexicurity should be regarded as a follow-up of previous activities; in particular the European Social partners joint analysis on key challenges facing European labour markets. The EU SPs are aware of the difficulty both sides have with the term flexicurity.

The SPs also stressed that flexicurity is both a very complex as well as diverse concept; they also observed that concepts do not always reflect reality. Therefore analysing and discussing policies and solutions is important.

The basic aim of the four cluster seminars organised within the framework of the project is to discuss the issue of flexicurity in a smaller context by bringing together a sample of 7-8 countries. The country clusters have been selected following specific criteria: each cluster comprises a set of Northern, Southern, Central and Eastern European countries. By this, different backgrounds, views and opinions on flexicurity should be brought together. Big countries have been also mixed with smaller ones; another criteria was stage of social dialogue development.

The EU SPs invited the participant to:

- Discuss flexicurity from different national perspectives and learn about national experience and policies.
- Learn more about the role of social partners in national reform processes and flexicurity orientated policies.
- Comment on the draft country fiches that were sent prior to the country cluster in order to improve the quality of the research and the final version of country fiches.

Comparative results of the EU Social Partners' survey

After the introduction round, the expert Anna Kwiatkiewicz presented the comparative results of the survey conducted amongst national member organisations in spring 2010 (the presentation is attached as appendix two).

The expert highlighted that the survey was an important preliminary step that contributed positively to the preparation of national fiches. In particular the answers given to the open questions of the survey were very useful. Also the relative high number of cases of good practices reported in the replies was stressed as a positive outcome.

A discussion after the presentation of the survey results followed with comments made by national social partners:

- It was observed that there is a difference between internal and external flexibility and flexicurity. Good practices can contribute to developing balance between flexibility and security.
- It is important to remember qualitative differences of opinions on flexicurity presented by trade union and employer organisations. Social dialogue at the national level is affected by political affiliation of the government.
- Flexicurity fiches have been drafted soon after the crisis – economic situation changes very quickly and this type of work – observing flexicurity-related policies and practices – shall be conducted on regular basis to give guidelines for progress. Communicating concepts that are understood in a different way by social partners from different countries is also a challenge; example of employment and employability was given. Last but not least, specificities of implementing flexibility and flexicurity in public sector were discussed.

National cases and discussion

Portugal

For the Portuguese social partners, Luis Henrique (CIP) and Vitor Coelho (UGT) and Armando Farias (CGTP-IN) delivered a presentation on the national experience of flexibility and security in current labour market reforms in Portugal.

Highlights of the presentation and discussion:

- In their presentation on flexicurity, the Portuguese employers in particular highlighted the progress made in the field of internal flexicurity implemented by legal reforms in the field of working time or by collective agreements
- In contrast to this optimistic view, the trade unions in Portugal are concerned about the fact that the increase in flexibility of labour contracts has resulted in higher levels of productivity but not in job creation. Additionally, the growth of precarious work is a growing problem in Portugal, in particular the number of temporary agency workers and the share of fixed-term contracts are increasing rapidly
- Further trade union representatives stressed other major challenges, the Portuguese labour market and society are facing today, such as the public debt and budgetary deficits, high unemployment and structural unemployment, a high number of insecure jobs, stagnation of job creation and high gender pay gaps
- From the point of the trade unions, the major problem of the Portuguese labour market is not a high degree of labour protection rigidity but rather the adoption of an economic model that is not resulting in job creation
- In contrast to this, the Portuguese employers' representatives stressed the view that an increase in adaptability, flexibility and security not only is in the interest of employers but also of employees. It was stressed that an increase in the adaptability of workers also contributes positively to employment security and security in general rather than having only a high degree of "job protection".
- In the following discussion various topics in regard to flexicurity were addressed by participants from different countries, e.g. overtime developments and regulation, the need to better balance flexibility and security, flexicurity in times of jobless growth, the role of social dialogue and collective bargaining etc.

Germany

Following the discussion of the Portuguese case, A. Augat from KAV delivered a presentation on behalf of the German employers on "*German labour market and the crisis*" (the presentation is attached as appendix three and was elaborated by Mr. Dannenbring (ZDH), who was not able to come to Lisbon due to the bad weather conditions). Mr Augat's presentation was followed by H. Seifert from the Economic and Social Research Institute WSI and speaking on behalf of the DGB on "*Measures of flexicurity secure employment*" (the presentation is attached as appendix four)

Highlights of the presentations and discussion:

- Mr Augat at the beginning explained that flexicurity in Germany already existed before the 2008 global economic and financial crisis. He then highlighted in particular the role of short-time work in Germany as an explanation of the German "*Beschäftigungswunder*". The rapid rise in workers on short-time work schemes from the end of 2008 throughout 2009 was the main reason for the remarkable low rise in unemployment as compared to other OECD countries –Germany was the only OECD country where the unemployment rate in May 2010 was lower than in December 2007;

- Further aspects that according to Mr. *Dannenbring* presentation added to the comparatively successful managing of the crisis on the German labour market were a high degree of internal flexibility (working time accounts), flexible collective agreements, attractive short time working arrangements, the consciousness of enterprises of the need to keep their skilled workers employed (“no hire and fire mentality”) and also the results of the “Hartz”-reforms of the late 1990s that contributed to a greater general flexibility in the German labour market (e.g. increase use of temporary work and more efficient public employment services);
- Also the responsible actions of the German social partners – flexible collective agreements and moderation of wage increases – paid off during the crisis;
- Mr *Seifert* addressed the issue of flexicurity in his presentation from a broader angle, looking also at the balance of flexibility and security from the point of different groups of workers;
- The main message of his presentation was that internal flexibility has helped to protect employees from dismissals during the crisis. In exchange to concessions on income and working hours employees gained stability;
- He stressed that this strategy of flexicurity has been mainly based on Pacts for Employment concluded by the social partners. As Mr *Seifert* explained, today about 40% of establishments with works councils (and more than 20 employees) are covered by such pacts of employment that provide job stability/flexicurity in return to concessions in the field of working time and wages;
- However, while employment guarantees affect mainly “core workers”, workers at the periphery such as temporary agency workers serve as a buffer;
- Here, Mr *Seifert* stressed the limits of internal flexibility in Germany: While it helped to secure employment for core workers, it does not cover jobs with low income and resulted in a growing share of “non-standard” employees that increases labour segmentation and restrict upward mobility of workers;
- In the following discussion, participants commented on the German case in particular in regard to the lessons to be learned from this case, the costs of the job protection measures and necessary framework conditions;
- With regard to the role of collective bargaining, in particular the Portuguese trade unions commented critically that it is often not possible to implement innovative aspects that were negotiated;
- A further issue addressed in the discussion was equal pay and security for highly flexible workers. Here, it was stressed by the German participants that no national minimum wage exists so far, there are only sector level agreements in place. In regard to equal pay between standard-workers and temp workers only the metalworking sector so far has achieved an equal pay agreement.
- Flexibility in Germany is strongly characterised by diversity and decentralisation of collective agreements at company level which better suit companies and workers needs. Collective agreements are offering “opening clauses” for working time and wages, very useful in particular for SMEs.

Sweden

On the second seminar day was opened by two presentations on the Swedish case of flexicurity and in particular the experience of the “transition agreements” typical for Sweden: First, a presentation of *L Lindberg* and *J Grenfors* from the *Swedish Association of Local Authorities and Regions, SALAR*,

followed by a presentation of *T Janson* from the trade union federation *TCO* Sweden (both presentations are attached as appendix five and six).

- As *L Lindberg* and *S Grenfors* stressed, the Swedish labour market system and flexicurity is based on four main pillars: first, a general system of social insurance; secondly a high coverage by collectively agreed “transition agreements”; thirdly, active labour market policies and finally, the principle of mobility in the labour market;
- SALAR and the trade unions representing employees in the local, county and regional authorities finalised a transition agreement in December 2010 just two days before the cluster seminar in Lisbon. The agreement is designed similar to agreements already in place in the private sector in Sweden and will come into force from the 1st of January 2012;
- In the following discussion, representatives of the Swedish employers also addressed other aspects of flexicurity, in particular the situation in regard to more flexible jobs, in particular temporary agency workers and fixed-term contract. Here it was mentioned that the employment of people on the basis of a temporary basis is highly restricted by Swedish law and recruitment of temp agency workers is very expensive for employers (twice as expensive as regular workers recruitment). From the point of view of the employers, the Swedish system is both highly protective and very expensive;
- As *T Janson* of *TCO* underlined, the Swedish transition agreements are complementing public employment services by adding resources to transitions between jobs. Costs are shared by employees and employers. Today, the whole Swedish labour market is covered by transition agreements;
- Transition agreements are containing different types of measures such as job search activities, training or financial benefits;
- Another component of transition agreements is to top up unemployment benefits. As the *TCO* representative showed, this is increasingly relevant against a background of the trend of decreasing levels of unemployment benefits – as a comparison of unemployment benefit levels as compared to the average wage showed, the decrease in Sweden between 2006 and 2009 was the highest if compare to the Netherlands, Norway, France, Denmark and Finland;
- Other aspects stressed by various participants in regard to the Swedish system: agency workers being more expensive than regular ones; high coverage of the transition agreements and joint financing (0.15% of the monthly payroll) of the transition trusts and their joint management by SPs.

Flexibility and security in recent labour market and social policy reforms: State of play of the implementation of the common principles – comparative results of the national analyses

Due to the delayed arrival, E. Voss presented results of the comparative analysis of the cluster countries only on the second day of the seminar. The presentation focussed very much on trends in the field of labour market development in the seven countries and the role of social dialogue in regard to flexicurity implementation (the presentation is attached as appendix seven).

Highlights of the discussion:

- Trade union representatives from Portugal commented on the data presented in the report on Portugal and in particular the issue of employment protection strictness. While there is a protection of workers in the context of collective dismissals (severance payments) the situation in regard to different labour contracts and working time is very high. Though temp workers by law should only be used to compensate for short-term needs, companies are

using temp workers because they are cheaper. It is also popular to use interns because they are paid minimum wages only;

- A German participant representing the construction workers union IG BAU explained a more positive example of working time flexibility: in the German construction sector the social partners have developed an approach of dealing with the seasonal differences in working time that is regarded as balancing flexibility and security in a very positive way. In essence, internal flexibility has been increased significantly in order to avoid dismissals due to decreasing demand for labour in winter times;
- Commenting generally on flexicurity, a representative of the Portuguese employers stressed the need to take into account the performance of a workplace, the efficiency of workplace labour relations and the need to find cost-efficient solutions of flexicurity;
- The discussion ended by comments from Sweden and Lithuania on the important role of social dialogue and social partners' involvement in reform processes: While in Sweden, the social partners have certainly contributed positively to the development of flexicurity policies, a trade union representative from Lithuania expressed some optimism in regard to a growing influence of social dialogue in the context of reacting to the economic crisis.

Closing round table and comments by the European social partners

Alan Wild on behalf of the expert team summarized the debates and presentations at the seminar – these illustrated again that the term “flexicurity” is both a highly complex and controversial theme. The seminar also illustrated that the term is also very difficult by nature because it touches very different aspects and quite a large number of different policy fields.

The representatives of the European social partners (ETUC, UEAPME, CEEP and BUSINESSEUROPE) summarized the presentations and debates of the two days and drew some initial conclusions.

C. Sechi, ETUC:

- The seminar showed that it is too early to go into definitive conclusions of this joint exercise;
- Positive outcome: going beyond theory, discussing practical tools; also positive was that the participants managed to join flexibility and security in the discussions. Here the seminar shows that “flexicurity” as an issue defined at the EU level works in some countries under other labels (e.g. DE) and that the national level and its conditions are crucial for finding the “right path”;
- A worrying result of the seminar in Lisbon and also the previous one in Warsaw is that there are national cases where social partnership is being questioned and undermined, i.e. Romania, Czech republic;
- The seminar also showed that temporary agency workers are at risk – there is a need to avoid labour market segregation;
- Mrs Sechi finally stressed that at the seminar the issue of the informal economy has not been discussed although its role is relevant in countries such as Turkey, Portugal and Romania.

L. Volozinskis, UEAPME:

- Flexicurity is a controversial issue as it deals with core issues on the Labour Markets and of the Social Partners' competences
- The seminar illustrates the patchy character of implementation rather than applying a comprehensive and integrated approach

- The seminar has hardly discussed job creation and favourable tax arrangements – these topics should be better highlighted in the next seminars
- There is no one size-fits all model, adaptation to individual MS context is necessary and so are national approaches to flexicurity. There is a need to have a “flexible concept” of flexicurity
- There is an important role of SPs in reaching joint understanding and consensus as regards flexibility and security for both workers and enterprises
- We learned from the Warsaw seminar and it was illustrated here again with the German case that there is a need for decentralized level approach, i.e. regional, branches to respect individual features of companies, it is especially important for SMEs
- Flexibility in collective agreements – opening clauses and the possibility of derogation also important to increase the external mobility for SMEs as internal flexibility is limited in their case
- Good governance and trust among social partners are essential to reach joint understanding and adopt a positive attitude towards flexicurity as shown by the German social partners.
- Generally the seminar showed that the overall aim of flexicurity should be to employ more people in the economy

A. Persson, CEEP:

- The seminar focused very much on the aspect of working time flexibility
- Mr Persson also stressed the special situation of public employers and employers providing services of general interest for implementing flexicurity
- The seminars also illustrated that concrete conditions of flexicurity policies are set by governments in national contexts

M. Higham, BUSINESSEUROPE:

- The seminar presented an interesting mixture of practical examples and national contexts. The mixture of diverse experiences and national contexts proved the decision right to bring together different national examples and backgrounds
- Flexicurity arise lots of controversies: it encompasses many policy fields and that’s why it is so useful
- Effective functioning of LM: long-term tradition of SPs working together and a long tradition of anticipating change and implementing appropriate policies to mitigate the change affects
- With view on topics not discussed in detail, Mr Higham stressed the issue of demographic challenges that needs to be discussed in more detail and to be addressed.