

## **Flexicurity –An EU Project Hitting Our Shores**

### *What is Flexicurity?*

Anyone acquainted with EU policy making is undoubtedly aware of the tendency of the European Union to coin myriad acronyms, amalgam of words and other impenetrable jargon that creates an impression of happenings that are remote from the everyday life of European citizens. However, in the case of the principle of “flexicurity” we have for once an amalgam of words that is fairly easy to comprehend. This concept that underlines a recent endeavour of the European Union to promote a relaxation of rigidity which by and large characterises European labour markets, promotes the twin concepts of flexibility in labour markets and the enhancement of social protection for workers within the Union.

### *The Flexibility Component*

The promotion of the concept of flexibility within the labour market is the response of the EU to the impact of technological change, globalisation, the rising economic powerhouses of China and India and the threats these global changes are posing to employment in Europe. Thus flexibility signifies changes in labour laws, collective agreements and work organisation that make it easier to hire and fire staff, have more flexible contractual arrangements, improve position of workers on fixed term contracts, temporary agency work and on call work and remove bureaucracy that affect dismissals. An interesting proposal is to have a system of a progressive build up of job protection linked to job tenure. This latter proposal can increase employment opportunities for young or first time job seekers. The proposed EU directive on Temporary Agency Work<sup>1</sup> is a clear example of the implementation of a flexicurity approach to employment issues in that this Directive encourages Temping Agencies whilst strengthening the conditions and rights of temps.

### *The Security Component*

On the other hand security comprises generous benefits covering unemployment, pensions and healthcare, active retraining and incentives to return to work by supporting people to combine work with private and family responsibilities. The focus on Life Long Learning (LLL) strategies to ensure continual adaptability and employability of workers especially the most vulnerable groups is an important platform of this policy.

Job protection has been thrown out of the window and replaced by worker protection with a view of rendering workers more employable rather than trapped in a permanent job for life. More emphasis is being placed on providing adequate training to support upward mobility and sustainable reintegration in the labour market for those lacking sufficient skills. Security is enhanced also through incentives to low-skilled benefit recipients to ensure that taking up work pays by providing supplementary benefits or gradual phasing out of such benefits.

### *The EU and Flexicurity – Pointing the Way Forward*

#### *Social Models in the EU*

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<sup>1</sup>Temping Agencies and Temp Conditions in the Light of the EU Draft Directive on Temporary Work

The Sapir report for the EU Commission identified four Social Models within the union, namely:

1. The Mediterranean Model which comprises Italy, Spain and Greece, is seen to be inefficient in both creating employment and combating poverty. This model is characterised by social spending on old-age pensions, focus on employment protection and early retirement schemes;
2. The Continental Model which comprises countries such as France and Germany, is based on insurance, non-employment benefits and old age pensions plus a high degree of employment protection, is viewed as good at combating poverty but scores low on job creation.
3. The Anglo Saxon Model comprising the UK, Ireland and Portugal, is relatively efficient in job creation but is weak on poverty prevention. This model is based on low-paid jobs, payments linked to regular employment and a low degree of job security.
4. The Nordic Model comprising the three Scandinavian members, Austria and the Netherlands focuses on high spending on social security, high taxes, low job protection but high employment security.

In 2007 the Commission issued a communication entitled “Towards Common Principles of Flexicurity: More and better jobs through flexibility and security” which unequivocally adopts the Nordic Model as exemplified by Denmark as the best model that will enable Europe to reach its ambitious Lisbon Agenda targets.

Since the EU has no jurisdiction over labour market regulation and also social protection, it can only recommend and show the way to its member states, however, it is ill advisable to ignore the hints coming from Brussels since they might come back to haunt that country sometime in the future!

Europe’s dilemma is clearly portrayed by the reaction of the Liberal Democratic Party in EU which stated that the inefficient Continental and Mediterranean models accounted for 66% of the GDP of the entire EU-25 and 90% of the then 12-member Eurozone in; 2007. The battle cry for flexicurity seems to be coming from the Party of European Socialists (PES) which largely sees flexibility as being an inevitable phenomenon but harps on the need to twin this with the security enhancement approach in order to create a system which is both equitable and efficient thus creating a model that is economically and ethically superior to the US Model.

The following table illustrates how the EU is proposing a list of indicators measuring the adoption of flexicurity in Europe:

Table 1 – Indicators on Flexicurity

Measure	Indicator/Statistic
Flexible Contractual Arrangements	1. Strictness of employment protection (for permanent and non-permanent employees)
	2. Diversity of and reasons for contractual and working arrangements

Comprehensive Life Long Learning Strategies	<ol style="list-style-type: none"> <li>1. Percentage of the adult population between 25 and 64 participating in education and training</li> <li>2. Educational attainment of age cohorts 45-54 and 25-34 (share of the population with at least upper secondary education)</li> </ol>
Effective Active Labour Market Policies	<ol style="list-style-type: none"> <li>1. Expenditure on active and passive labour market policies as a percentage of GDP</li> <li>2. Expenditure on active and passive labour market policies per unemployed person</li> <li>3. Number of participants in active labour market policies by type of measure</li> <li>4. Share of young or adult unemployed not having been offered a job or an activation measure within 6 to 12 months respectively</li> </ol>
Modern Social Security Systems	<ol style="list-style-type: none"> <li>1. Net replacement ratios in the first as well as after 5 years</li> <li>2. Unemployment trap, seen as a measure of benefit levels</li> </ol>
Labour Market Outcomes	<ol style="list-style-type: none"> <li>1. Employment rate, total, for women and for older workers</li> <li>2. Youth unemployment ratio (15-24 years)</li> <li>3. Long term unemployment rate</li> <li>4. Growth in labour productivity</li> <li>5. Quality in work</li> <li>6. At risk of poverty rates</li> </ol>

### *Reactions from the Stakeholders in Malta*

The Maltese government's reaction to the EU Communications Paper can be succinctly summarised in that it feels that there is no single flexicurity approach which is applicable to all member states and thus puts forward the idea of each country developing its own policies in this area of endeavour. Strangely enough the government's reaction puts a lot of emphasis on the need to consider social inclusion issues, particularly for vulnerable groups and reducing the risk of poverty across the population, when this is an undoubted cornerstone of the flexicurity approach proposed by the EU.

Employers in Malta as represented by the MEA and MBB are keen on this concept with Trade Unions largely reflecting a broad based agreement but exhibiting a certain cautiousness not to accede to requests for greater flexibility without getting more security in return. As to the implementation of

lifelong learning policies, retraining and adaptability issues, the Employment and Training Corporation is endeavouring to put these policies in effect through its various programmes.

### *Reflections on Ramifications for Malta of Adopting the Flexicurity Approach*

At this stage, it would be interesting to compare and contrast some statistics through which we can see where Malta stands with respect to the EU average and to the paragon of employment excellence, that is, Denmark.

Table 2 – Comparing Denmark, the EU 27 and Malta – Labour Market Related Statistics

Statistic	Denmark (2007)	EU 27 Average (2007)	Malta (2007)
Employment Rate	77.1%	65.4%	55.7%
Unemployment Rate	3.8%	7.1%	6.5%
Youth unemployment Rate	5.6%	6.8%	7.1%
Long term unemployment Rate	0.6%	3.0%	2.6%
Participation in Lifelong learning Rate	29.2%	9.7%	6%
Access to Flexitime (Statistics for 2004)	62.1%	31.3%	18.2%

The above table clearly shows that Denmark has managed to attain incredibly good statistics in the areas of employment rate, general, long term and youth unemployment rates and also in participation in lifelong learning of the population between 25-64 years of age. These statistics show that in all respects Denmark is way ahead of the EU 27 group. Malta fares below the EU 27 group in all respects with the exceptions of unemployment rate and long term unemployment. The dire need to invest in lifelong learning is clearly evidenced by a very low participation rate of 6%. From a purely results oriented viewpoint it is clear that Denmark is the paragon of excellence which we need to study and try to emulate.

At this stage I would like to put forward some questions in the form of inquisitive reflections on the applicability of the Flexicurity Model for Malta:

The first reflection that comes to mind on flexicurity and its applicability to Malta is whether such a Nordic Model based on a tripartite model of work relations management would work in Malta. The fact that no Social Pact was ever signed and it does not seem to be on the current political agenda would tend to preclude one of the main ingredients of the Nordic Model – a tripartite approach rather than a government led approach.

The second reflection is whether the Maltese, who already labour under the impression that we are a highly taxed population and tend to consider fiscal ethics as a somewhat alien concept, would be ready to accept higher rates of taxes on income, either directly or indirectly sourced, to afford greater protection for workers in general.

Thirdly, government budgetary considerations such as whether the cost of implementing such a policy would thwart the country's endeavours to reach and surpass the Maastricht criteria and achieve a budget surplus in 2010 must also be evaluated.

An important consideration is whether our current labour laws are perceived to restrain flexibility in the dealings between employer and employee. Paradoxically, certain EU moves such as those on restrictive consecutive definitive employment contracts seem to engender a less flexible approach to the labour market. The low to zero severance payouts applicable locally implies that in some instances we already have investor friendly labour laws. On the other hand the full protection afforded to permanent employees on indefinite contracts is leading to lack of opportunities for the young, inexperienced and disadvantage and is seen to put too much an onerous burden on employers in dismissal situations since performance issues seem to be relegated to a secondary importance role to issues of discipline.

A vital point in considering the implementation of flexicurity in Malta is our high dependence on FDI (Foreign Direct Investment) which considers a flexible labour market as a positive facet in investment decisions. However, if the security element is seen to impose new obligations on employers rather than society at large, this might detract from some of our fairly liberal labour regulations and low labour related government induced costs. The positive facets of our current labour law framework were induced by the necessity to pandering to imperative FDI concerns. Such concerns will persist for the foreseeable future since our economy is very small and vulnerable to the vicissitudes of the international economy.

Our labour laws were developed and enacted with a view of furthering employee rights some of which were introduced post independence. However, it is high time to review such legislation with a view of decreasing the emphasis on job protection and transfer the onus on increasing employability of workers by for example imposing certain obligations on larger enterprises to spend a percentage of their budgets on training.

The size of the government sectors as an employer, the relative inefficiencies that permeate a large swathe of this expanse of the labour market and the inequitable higher social protection accorded to employees of government and its agencies will inevitably be raised in the forthcoming discussions on flexicurity. By redressing this widely perceived imbalance government might be able to strengthen the security of the private sector employee groups at zero net cost to its budget.

### *Conclusion (219)*

Malta's success in its participation in this EU project has to be assessed on political, economic and social grounds. The advent of the forthcoming debate on what flexicurity means, what approach to take to this concept, how to organise ourselves to develop, implement and monitor such changes in the labour market and how best to reap the benefits on both the flexibility and security facets for Malta, will largely depend on the ability of our social partners to work together and find the right pathway for Malta in this regard. An approach based on a thorough study of the socio-economic ramifications of this project will ensure that whilst adhering to the vision of a common policy on flexicurity, Malta retains an element of flexibility in its approach and execution in order to address its peculiar circumstances and specific interests within the EU scenario.

Micro enterprises and small enterprises, which comprise the backbone of the Maltese economy, will probably be the main beneficiaries of this project. Taking the cue from the President of Business Europe, Ernest Antoine Seilliere, who categorically stated that “there is no one-size-fits-all model for Flexicurity to be implemented across the European Union”<sup>2</sup>, would be a first step in the right direction towards achieving the aims of the Lisbon Agenda for Malta in the labour market sphere.

Estimated total: 1805+say150=1955

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