



ΔΙΑΤΜΗΜΑΤΙΚΟ ΠΡΟΓΡΑΜΜΑ ΣΠΟΥΔΩΝ

ΣΤΗ ΔΙΟΙΚΗΣΗ ΕΠΙΧΕΙΡΗΣΕΩΝ

**ΔΙΠΛΩΜΑΤΙΚΗ ΕΡΓΑΣΙΑ**

**«FLEXICURITY : A WIN-WIN DEAL OR A THREAT  
FOR STAKEHOLDERS?»**

της

**ΒΑΣΙΛΙΚΗΣ ΔΑΔΚΡΑΝΗ**

Υποβλήθηκε ως απαιτούμενο για την απόκτηση του μεταπτυχιακού  
διπλώματος ειδίκευσης στη Διοίκηση Επιχειρήσεων

Θεσσαλονίκη, Ιανουάριος 2010

## **ABSTRACT**

The objective of this paper is to present an overview of the concept of Flexicurity and examine the effects of its implementation among all stakeholders.

The paper is dealing with the Flexicurity as an approach which helps us understand how labor market challenges can be met while at the same time security is enhanced. No simplistic answers are provided. The paper shall try to explain why it is wrong to consider Flexicurity as a model which minimizes the employers' responsibilities and allows them to give their employees as little security as possible. Flexicurity is about offering people jobs and helping them discover their talents. Rather than "job security", flexicurity focuses on "employment security". The common principles of flexicurity developed by the EU, the pathways to flexicurity and its financial dimensions as well as "good practices" among the EU Member States, some of the elements presented in this paper, in order to support the involvement of all stakeholders in the materialization and implementation of flexicurity.

A central question to be answered by the present paper is whether there could be a viable solution for reforming the Greek labor market and implementing the Flexicurity approach. We shall conclude by contrasting the Danish flexicurity model to the Greek labor market and describe the possibility of implementation of this model in Greece and other European countries. We shall argue that the implementation of the Flexicurity Model in Mediterranean countries such as Greece, whose citizens are not really characterized by public spiritedness while they could easily cheat over government benefits, would bring about obstacles that are very difficult to overcome. Our conclusions suggest that a country may succeed in its labor market reforms and the implementation of the flexicurity model, by applying a policy which can affect civic behaviour.

## CONTENTS

<b>1</b>	<b>The EU Labour Market performance from a global perspective – The European employment market .....</b>	<b>1</b>
1.1	A general framework of changes in the labor market.....	1
1.2	From financial crisis to recovery : A European framework for action .....	2
1.3	Measuring the quality of employment in the EU .....	4
1.4	Employment and social policies in times of economic crisis .....	5
<b>2</b>	<b>Flexicurity .....</b>	<b>6</b>
2.1	Historical background .....	6
2.2	Defining and identifying Flexicurity .....	8
2.3	Common Principles of Flexicurity .....	10
2.4	The Pathways of Flexicurity .....	11
<b>3</b>	<b>Who are the main Stakeholders? Pros and cons for all of them .....</b>	<b>12</b>
3.1	Employees – Employers – State .....	12
3.2	Flexicurity in the interest of both workers and employers .....	14
3.3	Financial Implications .....	15
3.4	European Social Dialogue .....	16
3.5	The European Union .....	17
3.5.1	The European Commission – The Green paper .....	17
3.5.2	Implementing integrated flexicurity approaches .....	18
3.5.3	Which countries can actually implement the Danish flexicurity model?.....	19
3.5.4	Dimensions of the Labor Market segmentation .....	22
3.5.5	The financial dimension of flexicurity .....	23
3.5.6	Financing flexicurity policies: the Community contribution .....	25
<b>4</b>	<b>The Danish Flexicurity Model .....</b>	<b>25</b>
4.1	Introduction to the Danish Flexicurity Model.....	25
4.2	The Golden Triangle Scheme .....	27

4.3	Some features of the Danish Flexicurity Model .....	28
4.3.1	General Features .....	28
4.3.2	Security at the Social level.....	31
4.3.3	An Active Employment Policy.....	31
4.4	Denmark – a new job rotation scheme .....	32
<b>5</b>	<b>Best Practices – Implementing Flexicurity in two European countries.....</b>	<b>33</b>
5.1	Sweden – supporting labor market transitions .....	33
5.2	Netherlands – “normalizing” non-standard work .....	33
<b>6</b>	<b>Flexicurity in Europe .....</b>	<b>35</b>
6.1	Examples of Flexicurity practices in various European countries.....	37
6.2	Flexible and Secure Contractual Arrangements .....	37
6.3	Active Labor Market Policies .....	37
6.4	Life Long Learning .....	38
6.5	Modern Social Security .....	38
6.6	Supportive and Productive Social Dialogue .....	38
<b>7</b>	<b>GREECE : Is Greece ready to apply flexicurity? .....</b>	<b>38</b>
7.1	Present situation – Recent reforms .....	38
7.2	Necessary reforms and objectives for the implementation of flexicurity .....	44
7.2.1	Interventions in the Greek labor Market : Changes in favor of the deregulation or the upgrading of labor .....	46
<b>8</b>	<b>CONCLUSIONS.....</b>	<b>47</b>
	<b>REFERENCES .....</b>	<b>50</b>

# **1 The EU Labour Market performance from a global perspective – The European employment market**

## **1.1 A general framework of changes in the labor market**

According to data provided by Eurostat in April 2009, the labor markets of all EU Member States keep deteriorating in reaction to the economic crisis. Unemployment is rising, less job vacancies are created and companies keep on with their job reduction in most industrial and commercial sectors. There are however some slight signs of recovery. On the one hand less jobs have been lost during the first quarter of 2009 compared to the equivalent of 2008, while business and consumer confidence slightly increased in the same period. (*European Commission – Eurostat, 2009*). The general framework of the labor markets however presents a rather negative outlook. “The latest Commission forecast expects EU employment to contract by 2.6 % in 2009 and by a further 1.4 % in 2010, which equates to about 8½ million job losses for the two years, while the unemployment rate is set to increase to almost 11 % by 2010, with particularly marked rises in the Baltic States, Ireland and Spain” (*European Commission – Eurostat, 2009*)

“In this contest, the EU (European Employment Strategy, Guideline 21, Kok Report, 2004) promotes a new policy, considered as capable of achieving the objectives of the Lisbon Strategy (2005). This policy is a combination of flexibility and security in the labor market for both enterprises and employees. The main axis of the re-launched Lisbon Strategy (2005) is the economic development of all European economies through production and competitiveness, aiming at the promotion of sustainable development together with the creation of more and better jobs. It should be underlined that the right balance between flexibility and security is inter-connected with the particularities of the member states’ individual labor markets and the preferences of the social partners”. (*ELIAMEP, 2009*)

The March 2006 Brussels European Council called on member states to pay special attention on the new challenge under the name of “Flexicurity while inviting them to approach this concept and promote individual social policies in accordance with each

State's labor market characteristics and potential, the uniqueness of each country and the labor market segmentation of each State.<sup>1</sup>

The 2006 Green paper “Modernizing Labor Law to meet the Challenges of the 21st Century” was launched in order to push forward the social dialogue by pointing out the important role of flexicurity in a competitive knowledge based economy, while supporting the Lisbon Strategy's objective : “to achieve sustainable growth with more and better jobs in today's continuously changing environment” (*European Commission, 2006*). This way the integration of sensitive social groups could easily be achieved.

The Commission together with all member states and the social partners established some common principles on flexicurity in their attempt to achieve “more open and responsive labor markets and more productive workplaces” (*European Commission, 2007d*). In July 2007 the Commission published “Towards Common Principles of Flexicurity: More and better jobs through flexibility and security” where flexicurity is defined as “*an integrated strategy to enhance, at the same time, flexibility and security in the labor market*”. “The Commission and the member states have jointly agreed that flexicurity policies can be based on the following policy components: a) flexible and reliable contractual arrangements, b) comprehensive lifelong learning, c) effective ALMPs and d) modern social security systems” (*European Commission, 2007d*).

## **1.2 From financial crisis to recovery : A European framework for action**

All EU countries have undoubtedly faced major challenges recently, due to the global financial crisis of the past two years. All 27 Member States have implemented financial policies in order to effectively stabilize Europe's banking system. Although the much needed liquidity has been put into the financial system, still the global crisis is feeding into a serious downturn, thus affecting all sectors of society jobs, households and the business world in general. Europe's only choice is to act jointly, as its strength lies in its solidarity. The effect of the global crisis hasn't left any Member State untouched. It is possible that unemployment rates still increase while demand falls and fiscal positions deteriorate.

---

<sup>1</sup> For the full text see Council of the European Union, *Presidency Conclusions 7775/1/2006 REV 1*

The Commission and the Member States have come up with some specific measures for immediate implementation in order to assist the citizens whose savings are at risk and at the same time rescue banks in difficulty. The initial reaction was positive, but their effectiveness and impact on the labor markets are still to be seen. “Competition policy provides a vital contribution to a coordinated reaction, whilst preserving the possibility for Member States to intervene where necessary according to national conditions. The Commission will continue to ensure a level playing field among beneficiaries and non-beneficiaries of public sector assistance” (*European Commission 2008a*).

The EU must therefore try to minimize the impact on jobs and job losses and to use the levers at its disposal to absorb the vibrations created by the social impact. There is no alternative to the co-operation of the Commission and each individual Member State. All social partners should be involved in an effort to find a response to the crisis, while growth should be encouraged through the creation of jobs.

Never in the past has Europe as a Community managed to apply active labor market measures in order to help people find or create new jobs. Today however the labor markets of the EU Member States are heading towards an inevitable transition. Therefore the market supply and labor demand should be matched and the governments should support the increasing productivity. This means applying measures encouraged by the Lisbon strategy including (*European Commission 2008a*):

- Countering the effects of unemployment by offering Member States the possibility of reprogramming funds under the European Social Fund to support measures for the quick reintegration of the unemployed into the labor market;
- Reviewing the effectiveness of the Globalization Adjustment Fund;
- Helping the unemployed start up a new business quickly and cheaply;
- Monitoring the impact of the crisis on different sectors affected by structural adjustments and using the scope offered by the State Aids regime to enable timely, targeted, and temporary support where appropriate;
- Pursuing flexicurity: in particular active labor market policy measures, tax and benefit reforms, and reinforced matching of skills and jobs. The situation is likely to be particularly difficult at the lower end of the labor market, making it

particularly important to ease the unavoidable restructuring and provide income and targeted social protection support.

### **1.3 Measuring the quality of employment in the EU**

Although job quality is fully supported by the European Employment Strategy regulations the social partners are highly concerned about the global financial crisis and the continuously increasing competitiveness, due to the increase of temporary work, the actual quality of work and the general belief that working conditions shall deteriorate and working requirements shall become more intense.

It is common knowledge that nowadays the quality of jobs does not fully depend on wages. Work organization, autonomy, work intensity and health implications are some of the conditions that may lead to job satisfaction. Job quality nowadays depends on several factors such as the possibility to reconcile work with private life obligations or the probability of good transitions to other jobs and finally the possibility to make a career.

The EU acknowledges the fact that there are objective and subjective variables when it comes to job quality and that there is plenty of room for improvement. The current concept only partially covers certain dimensions of job quality such as training and education, while it involves certain economic variables that aren't directly related to specific jobs or workers.

“Based on this assessment, it is possible to formulate an enriched framework for analyzing job quality, centered around four dimensions (*European Commission 2008b*) :

- i) socio-economic security (including levels and distribution of wages);
- ii) education and training;
- iii) working conditions (including work intensity);
- iv) reconciliation of working and non-working life/gender balance”.

Reflecting this framework and based on a dataset covering the EU-27 in 2005–06, a taxonomy of typical combinations of job quality can be identified, consisting of four groupings (*European Commission 2008b*) :

- i) *Nordic*, including the Netherlands and the UK – high wages, good working conditions, high educational attainment and participation in training, high job satisfaction but also high work intensity;



- ii) *Continental*, including Ireland, Cyprus and Slovenia – close to the average EU situation for most of the indicators;
- iii) *Southern* – relatively low wages, low participation in education and training, unfavorable working conditions and relatively large gender employment gaps;
- iv) *New Member States* – low wages, unfavorable working conditions, but also relatively high educational attainment and low gender employment gaps.

Results based on the enriched framework are compared with those derived from the EU definition of job quality. The enlarged framework better characterizes job quality outcomes for two main reasons:

- i) the inclusion of measures on wages and work intensity;
- ii) the exclusion of contextual and redundant variables from the set of quality indicators.

Some relatively narrow indicators show a slight improvement of job quality in the EU, while the relevant groupings appear quite stable in terms of geographical composition. “In terms of economy-wide indicators, job quality is characterized by a strong interconnection of the overall market performance and labor productivity. It is a fact that the countries with more favorable job quality outcomes are also those which rank high in terms of employment rates and productivity levels” (*European Commission, 2008b*).

#### **1.4 Employment and social policies in times of economic crisis**

“The Lisbon Strategy has driven successful reforms but a lot remains to be done. Today the EU faces an unprecedented recession which could add 6 million unemployed<sup>2</sup> by 2010 and bring severe social consequences, affecting households and individuals” (*European Commission, 2009a*). Many Member States now allow firms to rapidly adjust their production capacities by implementing flexibility at work. However, it is obvious that all EU citizens are concerned and measures should therefore be taken in order to stimulate employment while limiting job losses and social impacts. In order for the EU Member States to restore and strengthen the confidence of their citizens while leading the global economy to recovery, solidarity should be built and social protection systems should play their role as automatic stabilizers.

---

<sup>2</sup> Calculation based on the Commission Interim Forecast of January 2009  
[http://ec.europa.eu/economy\\_finance/thematic\\_articles/article13727\\_en.htm#documents](http://ec.europa.eu/economy_finance/thematic_articles/article13727_en.htm#documents)

To confront rising unemployment while pursuing measures coherent with long-term objectives, Member States are urged to give priority as follows (*European Union, 2009*):

1. Access to employment and ease transitions within and into the labor market should be supported in order to avoid the increase of unemployment while increasing participation of both women and men. Social protection systems should be modernized, both the quality and quantity of work should be improved, while work and personal life must be better reconciled.

2. Access to training and active labor market measures for the unemployed workers at risk of dismissal and other vulnerable groups must be reinforced. In order for them to remain active their employability must be improved while it must be ensured that they are ready to take-up new job opportunities. In order for workers to be more skilled and positive towards occupational mobility, lifelong learning strategies should be implemented.

3. Workers' skills should be matched with labor market needs so as to facilitate transitions towards new business activities generating labor demand. All educational institutions should be modernized and adjusted to the needs of the market in order to improve their work methods and efficiency and provide lifelong career guidance for those in need.

4. Supporting employment and job creation through measures to stabilize the economy promote the transition towards a low carbon economy and strengthen investment in R&D as well as in fast-growing sectors. Public infrastructure investments as well as the reduction of non-wage labor costs should be among the priorities of the Community.

5. Premature withdrawal from the labor force should be avoided. This way the labor force can be retained and increased as a whole.

## **2 Flexicurity**

### **2.1 Historical background**

“The Delors White Paper of 1993 on ‘Growth, competitiveness, employment: the challenges and ways forward into the 21st century’ declared that ‘*employment was one of the most important areas of concern of the EC*’ and proposed ‘*a thorough-going reform of the labor market*’. The European Council of 9–10 December 1994 in Essen confirmed the EU’s commitment to the promotion of employment and agreed on five key objectives” (*Eurofound, 2009*):

- the development of resources through vocational training;

- the promotion of productive investment through moderate wage policies;
- the improvement of the efficiency of labor market institutions;
- the identification of new sources of jobs through local initiatives;
- the promotion of access to the world of work for vulnerable target groups.

“These objectives became known as the ‘Essen Strategy’. The insertion of a new employment title into the EC Treaty (Articles 125–130 EC), by the Treaty of Amsterdam, institutionalized the EES. This step enshrined in the Treaty the Luxembourg process (called after the Luxembourg ‘Jobs summit’ of 1997)” (*Eurofound, 2009*). “According to the 2000 mid-term review of the Luxembourg process, the use of a common, integrated framework for structural change would help promote the synergy between different actors at European and national levels. The implementation of the EES through the Luxembourg process is characterized by five key factors: subsidiarity, convergence, mutual learning, integrated approach and management by objectives” (*Eurofound, 2009*).

The Commission has invested a lot of time and resources in the development of the EES. The Member States were obliged to prepare National Reform Programs and annual joint employment reports, as per the Amsterdam Treaty of May 1999. The Commission’s annual employment guidelines included adaptability, entrepreneurship, equal opportunities and employability, which were later on replaced by three main objectives, namely full employment, improving quality and productivity at work, and strengthening social and territorial cohesion, according to the 2005-2008 employment guidelines. The National Reform Programs were based on 24 Integrated Guidelines for Growth and Jobs Policy 2005–2008. Their aim was to show how the guidelines were materialized by each Member State.

“The latest proposal for the new employment guidelines (2008-2010) is influenced by recent discussions on employability and flexicurity, and emphasizes three priority areas” (European Commission, CESE 298/2007) :

- attracting and retaining more people in employment, increasing labor supply and modernizing social protection systems;
- improving adaptability of workers and enterprises;
- increasing investment in human capital through better education and skills.

## 2.2 Defining and identifying Flexicurity

“*Flexicurity* is commonly used as a general term to describe a desirable quality in a labor market, without specifying exactly which kind of flexibility is referred to, or which groups in the labor market are supposed to be flexible. Generally speaking, flexibility refers to the idea that there are some mechanisms of adjustment in the labor market, which can lead to a (desired) change if the labor market is hit by outside shocks, e.g. a fall in demand or changes in the exchange rate” (Bredgaard T. et al., 2005).

“Since the mid-1980s, a terminology has developed in the research community trying to point out different dimensions of the flexibility concept and develop indicators of the scope of flexibility and its importance for the functioning of the labor market. The most important forms of flexibility are” (Atkinson, 1984; Atkinson & Meager, 1986):

- *Numerical flexibility*, which refers to the scope for adjusting the number of employees at the individual workplace through hiring and firing
- *Working time flexibility (temporary flexibility)* which is achieved through adjusting the number of working hours (e.g. working overtime or part-time) and their placing (working shifts or weekends)
- *Functional flexibility* which is about the scope for transferring employees between job functions (horizontally or vertically) and is closely related to *organizational flexibility*, which is concerned with changes in the organization of operations and management
- *Wage flexibility* which refers to the rate at which nominal and real wages respond to changes in supply and demand for labor

Flexicurity could be defined as “social protection for flexible work forces” (Klammer & Tillman 2001; Ferrera et al. 2001). According to Wilthagen, Flexicurity is a *policy strategy* and more precisely : “*A policy strategy that attempts, synchronically and in a deliberate way, to enhance the flexibility of labor markets, work organization and labor relations on the one hand, and to enhance security – employment security and social security – notably for weaker groups in and outside the labor market, on the other hand*” (Wilthagen 1998; Wilthagen & Rogowski 2002; Wilthagen & Tros 2004).

According to the Dutch legislation, to qualify as "flexicurity", the strategy, policy or program in question must include both flexibility and security, be deliberate and targeted to disadvantaged work groups (Bredgaard et al, 2005.). This definition however was considered quite narrow by Wilthagen, who described flexicurity as follows :

*"Flexicurity is (1) a degree of job, employment, income and 'combination' security that facilitates the labor market careers and biographies of workers with a relatively weak position and allows for enduring and high quality labor market participation and social inclusion, while at the same time providing (2) a degree of numerical (both external and internal), functional and wage flexibility that allows for labor markets' (and individual companies') timely and adequate adjustment to changing conditions in order to enhance competitiveness and productivity"* (Wilthagen & Tros 2004: 170).

According to Bredgaard and Larsen (Bredgaard et al., 2006) the term flexicurity can also be used to describe *"a particular state of the Danish labor market, which has been achieved gradually through social compromises between the parties on the labor market and in interaction with the political system"*. It must be underlined though, that the Danish flexicurity is of a more general nature, it is not targeted at disadvantaged groups and it may have different effects on different groups on the labor market.

The third and final understanding of flexicurity is as an *analytical frame*. This frame may be used in order on the one hand to analyze any developments in the two elements of flexibility and security and on the other hand to compare the various national labor market systems. The aim of flexibility is the creation of a new form of employment that may "guarantee" a full working week over a lifetime, for everybody who is able to work. Thus income security easily becomes employment security as proposed by the flexicurity concept (Bredgaard et al. 2007).

In the 2006 *Employment in Europe* of the European Commission, flexicurity is described as *"an optimal balance between labor market flexibility and security for employees against labor market risks"*. "The Commission's interpretation of flexicurity involves replacing the notion of job security, a principle that dominated employment relations until recently, with that of 'protection of people'" (Eurofound,2008).

### **2.3 Common Principles of Flexicurity**

On November 29<sup>th</sup> 2007, the European Parliament endorsed a resolution entitled “Common Principles of Flexicurity”. One month later, the European Council adopted the following eight principles of flexicurity, which seem to be acceptable to all parties involved:

1. Flexicurity is designed to implement the main principles of the Lisbon Strategy.
2. Flexicurity, in addition to being committed to life-long learning, active labor market policies and a modern social welfare system, sees the need for flexible contractual arrangements.
3. Flexicurity needs to adapt to the different circumstances in each Member State.
4. Flexicurity needs to support open and inclusive labor markets which help to reintroduce inactive employees back into employment.
5. Flexicurity needs to involve the smooth transition between jobs by constantly upgrading employees’ skills and providing the necessary social protection in transition periods.
6. Flexicurity should promote gender equality as well as consider means to reconcile work–life balance issues.
7. Flexicurity needs the support of the social partners.
8. Flexicurity needs to involve a cost-effective distribution of resources which public budgets can sustain.

The Commission committed itself to flexicurity by setting up the Mission for Flexicurity, in February 2008. “The Mission’s role is to visit four or five Member States, and discuss in depth the development and implementation of the national pathways based on the Common Flexicurity Principles. In December 2008, the Mission’s Report was presented to the employment ministers. After taking into account the specific circumstances of each Member State, the Members of the Mission proposed some ways in which the principles of flexicurity could be implemented” (*E.W.C.O., 2008*).

## 2.4 The Pathways of Flexicurity

Due to the cultural uniqueness of each Member State and the variety in the specific labor market situation, the European Commission established "pathways" (in other words sets of measures) to be developed in order for each country's performance in terms of flexicurity to be improved. These Pathways should always take into consideration the undisputable fact that all flexicurity strategies need the support of workers, employers and other stakeholders, and that these need to be well-balanced.

“The four pathways are the following (*Report by the European Expert Group on Flexicurity, 2007*):

**Pathway 1:** *Reduce asymmetries between non-standard and standard employment by integrating non-standard contracts fully into labor law, collective agreements, social security and life-long learning, and consider making employment in standard contracts more attractive to firms.*

**Pathway 2:** *Enhance companies' and workers' adaptability by developing and strengthening transition security.*

**Pathway 3:** *Address opportunity and skills gaps among the workforce by broadening and deepening investments in skills.*

**Pathway 4:** *Enhance employment opportunities for benefit recipients, prevent long-term welfare dependence, regularize informal work and build up more institutional capacity for change”.*

The Flexicurity pathways should be embedded in a broader context of healthy macro- and micro-economic politics. According to the revised OECD Jobs Strategy (*OECD, 2006*), “*the interaction of macroeconomic policies with reform packages, plays an important role in determining labor market performance*”. New opportunities for the creation and expansion of businesses and thereby the creation of jobs can be created within flexible and open product markets. When capital markets function well and are sustainable, entrepreneurs have sufficient access to finance and may use these funds in order to create new businesses in the economy. This of course may lead to the reinforcement of the labor market (*European Expert Group on Flexicurity, 2007*).

### **3 Who are the main Stakeholders? Pros and cons for all of them**

#### **3.1 Employees – Employers – State**

Labor markets often come upon severe changes of the world economy. New technologies are developed and introduced very rapidly and so are the produced products and services, as globalization has created an even more competitive environment and led many economies to structural changes. Flexibility is therefore required from both workers and enterprises in order for them to be in a position to face the exigencies of today's international labor markets. Enterprises are expected to produce innovative products and supply excellent services, while workers are expected to continuously upgrade their qualifications and be ready to adjust to the forthcoming changes.

The peoples' values in most countries of continental Europe are very strong and are based on the welfare state in order to achieve the country's social cohesion and express their solidarity. It is therefore essential that the necessary income security be protected by the welfare state throughout the employees' working life and that the work force be supported in obtaining the necessary qualifications to be prepared for the new challenges, while being helped to remain inside the labor market, and find a balance between career on the one hand and familial and social responsibilities on the other.

“The EU (European Employment Strategy, Guideline 21, Kok Report, 2004) premises a congruent combination of flexibility and security (of enterprises and employees) in the labor market as an adequate model, a policy option, capable of achieving the objective of the Lisbon Strategy: making the EU the world's most competitive and dynamic knowledge-based economy” (*European Commission, 2007c*).

“The central characteristic of flexicurity is the deregulation of the employment protection legislation (e.g. low level of dismissal protection). It is based, however, on a generous Nordic style welfare regime of high social security (relatively high unemployment benefit levels), the activation of unemployed whilst searching for a new job and the facilitation of a successful quest (upgrade and modernization of skills) through the active labor market policies (ALMPs) and the continuous and lifelong learning programs aiming first of all at the unemployed and secondly at the already employed” (*Plougmann and Madsen 2002*).



In the framework of Flexicurity, flexibility and security are not contradictory. They should be considered as complementary and mutually supportive. The combination of flexibility and security varies among the Member States as each of them has its own particularities and characteristics. The road to modernization of the European social model is social dialogue. “Through the dialogue social protection for workers can be ensured, while at the same time the dialogue allows the competitiveness of the labor market to increase in light of globalization” (*European Foundation for the Improvement of Living and Working Conditions 2007, Commission EC 2007*).

Social partners are considered to be the different parties of employers’ organizations on the one hand and employees’ organizations and trade unions, on the other. Other stakeholders should also take part in the debate, for example, educational institutions, minority groups, organizations representing the interests of women, older people or people with disabilities.

“Flexicurity” is a term used to describe a special Danish three-dimensional module. The word “Flexicurity” is a contraction of the words “flexibility” and “security”. The term is sometimes described as “a golden triangle”. On the one side of the triangle flexible rules for hiring and dismissing are placed. On the second side of the triangle we can find security for the labor force in the form of a guarantee of their income. Finally, on the third side of the triangle we may see an active labor market policy in which guidance and education for the employed and unemployed are involved.

According to the Danish Ministry of Employment (*Danish Ministry of Employment, 2009*) “Seen from the employers’ view: they have a flexible labor force, and from the wage earners’ view: they have a safety net, consisting of an unemployment benefit system and an active employment policy. To a large extent, this system is financed by the state”.

A combination of flexible labor markets and a high level of employment and income security are favored by the flexicurity model. Taking into consideration the fact that the population of the EU is continuously ageing and therefore creating problems to the growth potential of the European economy (not to mention pension and social care systems), this model might be able to assist the Member States in their effort to maintain and improve competitiveness while preserving the European social model.

In June 2007, the Commission issued a Communication on *Towards Common Principles of Flexicurity: More and better jobs through flexibility and security* (European Commission, 2007b). The Commission tried to launch a comprehensive debate between all relevant stakeholders before the European Council of Ministers established a set of common principles of flexicurity in December 2007.

### **3.2 Flexicurity in the interest of both workers and employers**

In its 2007 Report on Flexicurity, the European Expert Group notes: “In today’s labor markets a high degree of flexibility and adaptability is in the interest of both employers and employees. Workers also need ‘active’ flexibility (i.e. flexibility geared towards their needs) to be able to combine work and private responsibilities; companies need flexibility to anticipate and respond to changing market demands and circumstances. At the same time, security, in a dynamic perspective, is not just a matter of protecting the worker against losing his or her job. It is about building and preserving people’s ability to enter, remain and progress in employment throughout their life-cycle. It is also about security for firms to preserve and improve their market position, the loyalty of their workforce and their productivity and job creation potential within an increasingly competitive environment” (*European Expert Group on Flexicurity, 2007*).

At a first glance, flexibility seems to be only in the interest of the employer while security is seemingly in the interest of the employee. However, by examining the flexicurity practices in various countries more thoroughly, it can be demonstrated that flexibility and security, can be mutually useful and reinforcing if of course they are properly designed. Flexibility could be increased through policies associated with security, such as activation policies or special benefits for the unemployed. Workers may thus feel confident of finding a new job and not afraid of losing their old one. This shall automatically lead to employment security. Flexibility and security can be incorporated in a new policy mix that shall stimulate job transitions and job creation.

European social partners are familiar with the idea of flexicurity as by now they have successfully negotiated various agreements such as agreements on parental leave, part-time work and fixed-term contracts. Furthermore, one shouldn’t forget the role of collective bargaining. Collective bargaining has a dual role: on the one hand it may regulate contractual and employment relations and on the other hand it may assist the

modernization of the labor market and the implementation of the changes involved, in a democratic way.

“Flexicurity could best be seen as a system of joint and mutual risk management for workers and employers” (*Muffels, Chung, Fouarge, Klammer, Luijkx, Manzoni and Wilthagen, 2007*). “Employers face the risk of a weakening market position due to increased competition, but also the risk of a quantitative and qualitative mismatch of labor supply as a result of technical progress, demographic change and varying preferences and competences among workers” (*Wilthagen T., 2008*). In his research paper Wilthagen explains: “*For workers, job or employment security and the possibility of reconciling work and private life may be at risk due to business responses to globalization and intensified competition. Therefore joint and mutual risk management is needed. Contributing to the risk management of the other party contributes to managing one’s own risks*”. It is crucial that both current and future risks are taken into consideration, as the needs for flexibility and security usually change throughout the working life-time of employers and employees (*Klammer et al., 2006*).

### **3.3 Financial Implications**

“Flexicurity-related reform packages are likely to have budgetary or financial implications for governments, social security funds, enterprises, and, possibly, workers as well. It has to be kept in mind, though, that by no means all measures imply major public investments” (*European Expert Group on Flexicurity, 2007*).

“The financial costs of flexicurity-related policies should be compared to the direct budgetary benefits enjoyed by enterprises combined with the more general societal benefits in terms of enhanced competitiveness, employment and productivity. Investments have to be made by the governments, employers or workers themselves, but in the long run the benefits will almost certainly outweigh the costs as labor market participation will go up, (long-term) reliance on social security benefits will decrease and administrative costs can be reduced. All Member States should therefore Member States consider the idea of mutual risk management” (*European Commission, 2009*).

### 3.4 European Social Dialogue

The means for involvement of the European organizations of management and labor in policy-making is the social dialogue. In other words, it is a consultation procedure which involves the European social partners, i.e. BUSINESSEUROPE, CEEP and ETUC<sup>3</sup>.

The European social dialogue, if seen in a broader context, can be interpreted as the institutionalized consultation of the social partners by the Commission and other Community institutions. Through social dialogue the social partners may ask the Commission to issue a directive on a specific decision and at the same time the discussions may lead to collective agreements. Of course, the social partners also assist in the implementation of the European policy in each Member State separately. According to Art. 137 of the European Collective Agreement directives can be implemented at national level through agreements between management and labor (*European Commission, 2006*).

In January 1985, the incoming President of the Commission, Jacques Delors, took an important initiative, which led to the emergence of the European social dialogue in the 1980s (*European Commission, Social Dialogue, 2002*). Delors believed that a Single European Market program could be launched together with the organization of a European social area, with social dialogue accorded a central place. Delors invited the heads of all the national organizations affiliated to UNICE, CEEP and ETUC to a meeting at the castle of Val Duchesse (on 31 January 1985), where it was agreed that all parties would further promote the European social dialogue, without however coming to any real agreements.

The European social dialogue (*European Commission, EC Treaty*) received its first formal recognition through the insertion into the EC Treaty by the Single European Act 1986 of a new Article 118B EC: (see current Articles 138(1) and 139(1) EC): ‘*The Commission shall endeavor to develop the dialogue between management and labor at European level, which could, if the two sides consider it desirable, lead to relations based on agreement*’.

---

<sup>3</sup> *BUSINESSEUROPE (former UNICE), (Union des confédérations de l'industries et des employeurs d'Europe – Union of Industrial and Employers' Confederations of Europe), CEEP (Centre européen des entreprises à participation public et des enterprises d'intérêt économique general – the European Centre of Enterprises with Public Participation) and ETUC(European Trade Union Confederation)*

“The Agreement on Social Policy attached to the Maastricht Treaty was adopted by 11 Member States negotiations at Maastricht produced the Treaty of the European Union, which included a Protocol incorporating an Agreement on Social Policy. This Agreement broadened EU social competences and provided a particular procedure for European social dialogue” (*Eurofound, 2009*).

Twenty years after the Val Duchesse process, the European industrial relations system strongly depends on social dialogue. Social partners have signed many important agreements. Thanks to the social partners’ commitment, the European social dialogue made progress and a multi-annual work program has been developed since 2001. The 2006-2008 work program is stressing out some issues that affect the EU’s ability to remain competitive:

- macro and labor market policies;
- demographic developments and policies relating to an ageing workforce, youth unemployment, mobility of workers and labor migration;
- lifelong learning and the labor market integration of disadvantaged groups;
- flexicurity; and
- undeclared work.

During the past few years, the social partners have signed several joint agreements and taken specific actions among which are the following:

- agreement on tele-work (2002)
- framework of action on lifelong learning (2002);
- agreement on work-related stress (2004);
- framework of action on gender equality (2005);
- agreement on harassment and violence at work (2006).

### **3.5 The European Union**

#### ***3.5.1 The European Commission – The Green paper***

In order to launch a public debate in the EU on how labor law can evolve to support the Lisbon Strategy's objective (which was the achievement of sustainable growth with more and better jobs), the European Commission published a Green paper entitled “Modernizing

Labor Law to meet the challenges of the 21<sup>st</sup> century”, on the 22<sup>nd</sup> of November, 2006 (*European Commission, 2006a*). The purpose of this Green Paper is to offer the opportunity to all Member States and their social partners to discuss how labor law can evolve in order to support the Lisbon Strategy's objective. If workers and enterprises have to adapt to any changes, the labor law has to be modernized. The Commission’s Annual Progress Report on Growth and Jobs for the year 2006 stresses out that: *“Increasing the responsiveness of European labor markets is crucial to promoting economic activity and high productivity”*<sup>4</sup>. This Green Paper examines the role of the labor law in advancing a “flexicurity” agenda, as this might lead to a new type of labor market which can make Europe more competitive. This new labor market must be fair, responsive and more inclusive. However, employment transitions, the uncertainty with regards to the Law, the “three-way relationships” (involving temporary agencies), enforcement issues and undeclared work, the organization of working time and labor force mobility, still remain as issues for debate between the stakeholders. Abuse and evasion of labor rules can be detected and tackled by the Member States, only if they are provided with strengthened administrative cooperation at the EU level. This way, compliance with the Community law can be ensured. The EU Member States must jointly create the proper inspection tools and improve their strategies if they want to avoid any illegal practices.

### ***3.5.2 Implementing integrated flexicurity approaches***

The endorsement of the common principles of flexicurity together with the “Mission of flexicurity” made most Member States aware of the benefits that flexicurity policies can bring to all stakeholders. Flexicurity is now acknowledged as a key approach to making labor markets more responsive to the changes resulting from globalization, as well as to reducing labor market segmentation. By analyzing the recent National Reform Programs one can notice that several Member States are putting in place flexicurity strategies, but also that the overall efforts are still insufficient and must be strengthened, particularly in view of the unprecedented global financial crisis. People outside and at the margin of the labor market will be the first and hardest hit. Active inclusion policies and activation policies are necessary if we want to avoid the long-term and persistent unemployment that could follow. Intervention should therefore focus on high-risk groups; the vulnerable, low-

---

<sup>4</sup> *“Time to move up a Gear” The European Commission’s 2006 Annual Progress Report on Growth and Jobs, p. 6. Also Council and Commission Joint Employment Report 2005/2006, pp. 6, 12-13.*

skilled and other disadvantaged people. Properly equipped public employment services will be required to confront rising unemployment and proper social protection systems shall be necessary to smooth transitions, keep up consumer demand and provide incentives to work.

The following actions are of particular importance in the short and medium term (*Council of the European Union, EU Joint Employment Report 2008-2009*):

- *Contractual arrangements*: Reduce segmentation, harmonize conditions for temporary and permanent contracts and rapidly implement the provisions of the directive on temporary agency workers.
- *Active labor market policies*: Prioritize job subsidies and equivalent measures leading to rapid integration of the workless into a job.
- *Effective lifelong learning systems*: Focus on short-term skills upgrading, and enhance matching of the skills of the unemployed with the available jobs, looking particularly to sectors currently facing labor shortages (also a role for ALMPs).
- *Modernize social security systems*: Reduce high marginal effective tax rates on the low paid, boosting demand in the economy and reducing unemployment/inactivity traps.

### **3.5.3 Which countries can actually implement the Danish flexicurity model?**

In June 2005, the Danish Minister of Employment during his speech at a conference on flexicurity noted: “*the Danish flexicurity model has been proclaimed to be the panacea that will solve all the problems on the French labor market (...). And there are many good reasons why the French are looking to Denmark for inspiration: 1) Denmark is among the European countries with the highest employment rates and the lowest unemployment rates. 2) Danish employees are in the forefront internationally when it comes to how they see their job security. 3) Denmark is also in the top class as regards job satisfaction*”<sup>5</sup>.

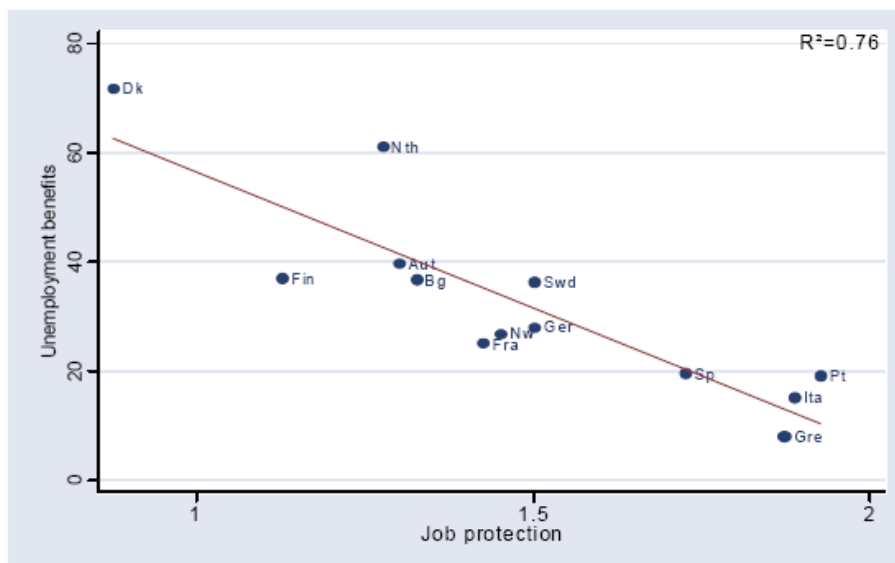
Although many features of the Danish Model might look ideal for the European Commission, there are still many aspects to be evaluated before coming to conclusions, as there are several notable differences between Denmark and most of the Member States.

---

<sup>5</sup> This speech is available at [http://www.bm.dk/ministeren/taler/050616\\_uk.asp](http://www.bm.dk/ministeren/taler/050616_uk.asp).

The combination of unemployment benefits and job protection for example, is one of the main differences. As shown in Figure 1 in most European countries there is a trade-off between unemployment benefits and job protection (Boeri et al., 2004, and Clark and Postel-Vinay, 2005). Mostly the Mediterranean countries have quite a high level of job protection but lack in unemployment benefits, which is the opposite of what happens in Denmark.

Figure 1 : Unemployment benefits and Job protection in the end of the 1990s.



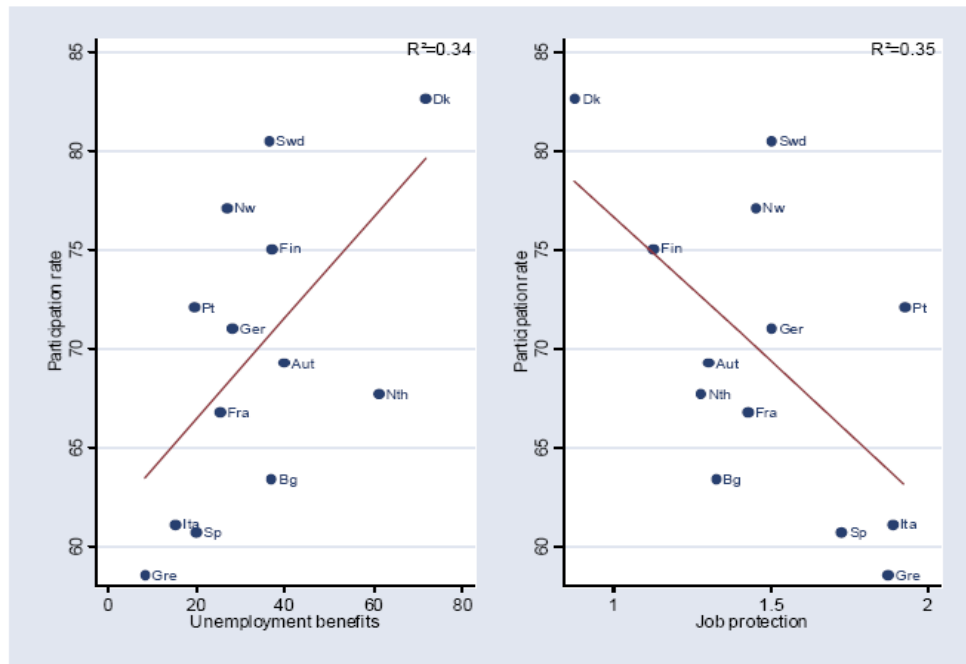
Source OECD (Boeri, Conde-Ruiz & Galasso, 2004)

As noted by Freeman (2000), “the emergence of a set of labor market institutions heralded by policy analysts and economists is not new”. According to Freeman “diversity of labor market institutions among advanced countries stems from cross-country differences in values over distributional issues”. This is mainly caused by the fact that labor market institutions have large effects on distribution, but almost none on efficiency.

According to Figure 2 the European countries with high participation rates are those which offer high unemployment benefits but weak job protection. According to Clark and Postel-Vinay, people prefer employment protection to unemployment benefits as the former makes them feel more protected (Clark and Postel-Vinay, 2005).



Figure 2 : Unemployment benefits, job protection and participation rate in the end of the 1990s.



Source OECD (Clarke & Postel-Vinay, 2005)

However, several European countries are hesitant when it comes to implementing the flexicurity model. According to a survey made by *Algan and Cahuc (2006)* “the flexicurity model is hardly sustainable in countries displaying weak public-spiritedness because the unemployment insurance design raises moral hazard issues that are much more difficult to overcome in countries where individuals are more prone to cheat over government benefits”. And civic attitudes cannot automatically be changed just by changing institutions. If the countries with weak public-spiritedness wish to change the values of their citizens and implement all necessary reforms, they need to take specific actions.

It is common knowledge that individuals’ preferences have a strong impact on outcomes as they are deeply rooted in the peoples’ historical heritage. The cultural differences may for example have an impact on savings across countries (*Guiso et al., 2005*), on fertility rates (*Fernandez et al., 2004, Fernandez and Fogli., 2005*) or on employment rates (*Algan and Cahuc, 2005, Fernandez and Fogli., 2005*). Sometimes they can even affect the trust shown towards a third party (*Guiso et al., 2003*).

In their paper *Ichino and Maggi (2000)*, taking the example of Italy with its north-south regional differences, suggest that “the degree of ‘civicness’ is influenced by individuals’ historical heritage”. This may often have an impact on economic outcome. According to

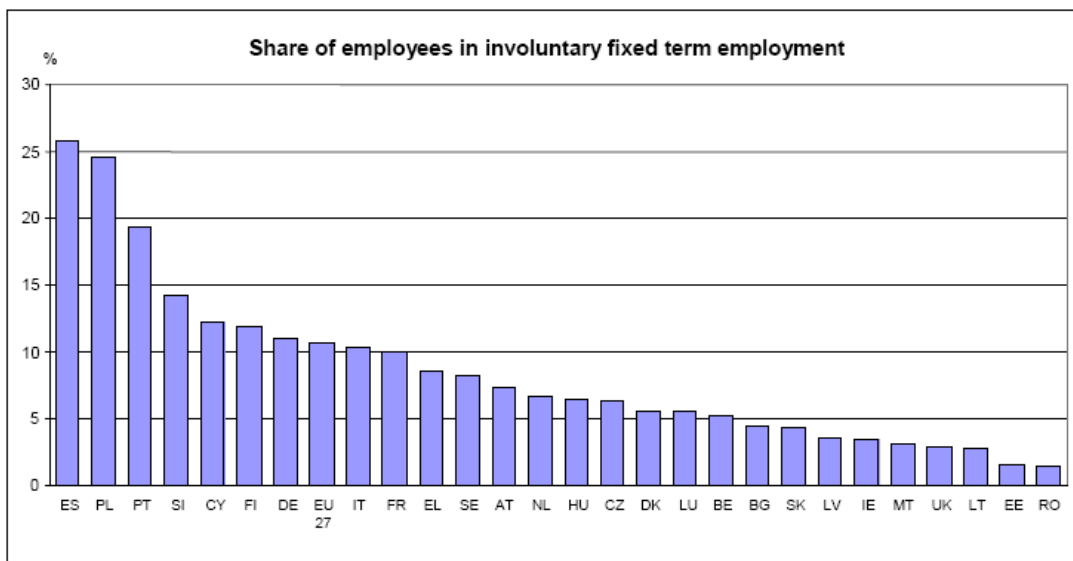
*Guiso et al. (2004)* “a country whose residents trust residents of another country more, tend to exchange more goods and financial assets with it”. *Tabellini (2005)* estimates that “GDP per capita and growth are higher in European regions that exhibit higher degree of values such as trust, respect for others, and confidence in individual self-determination”. These values are deeply rooted among the ethnic and social groups and usually remain unchanged for many generations, as they are related to historical and political variables.

It can be clearly understood that the Danish flexicurity model is based on the strong public spiritedness of the Danes which is absent in many other EU countries. This lack may become an obstacle for the EU Member States when trying to implement the Danish recipe. The implementation of efficient public unemployment insurance strongly depends on public-spiritedness. This is why a country may not succeed in its labor market reforms if it doesn't have a suitable policy which may affect the civic behavior of its citizens. But can civic attitudes actually be changed?

### 3.5.4 Dimensions of the Labor Market segmentation

The European labor markets are segmented (see figure 3 below). They perform unevenly mainly due to the multi-formality of the Member States.

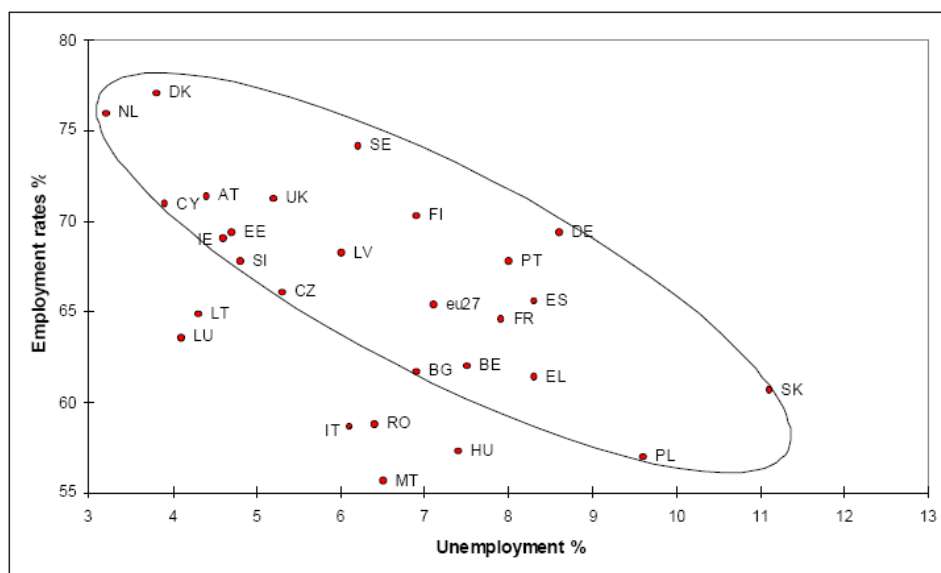
Figure 3 : Labor market segmentation 2007



Source : Council of the European Union (b), Joint Employment Report 2008-2009, March 2009

Labor markets that cannot ensure high participation and activity rates are those that cannot prevent high unemployment. Some of the Member States with high segmentation in terms of a relatively large share of involuntary fixed term contracts also figure among the lowest performing labor markets.

Figure 4 : Employment versus Unemployment 2007



Source : Council of the European Union (a), Joint Employment Report 2008-2009, March 2009

Youth unemployment is one of the two problems to be dealt with. The second one is low participation in lifelong learning. Young people are much more exposed to unemployment than the overall work force. Investments in human capital according to the needs of the labor market are the only way to close the productivity gap with Europe’s global competitors.

“If all Member States carefully consider the interplay between monetary, budgetary, fiscal, employment and social protection policies, they shall be able to open a constructive dialogue with social partners in order to find a way to focus on the two main priorities: the implementation of integrated flexicurity approaches and better skills matching and upgrading” (European Commission, 2007d).

### 3.5.5 The financial dimension of flexicurity

Due to the rapid changes of the economic and labour market workers are often required to make frequent transitions between jobs during their careers. This may require having recourse to unemployment benefits including active job search tools and skills

improvement policies. There are countries with proper unemployment benefit systems. In those countries any reforms would most probably make the existing system cost effective. In those countries however where this is not the case, governments must shift all available resources towards the creation and implementation of flexicurity policies. Additional taxation or even social contributions might be necessary for this matter.

The criteria used in order to evaluate the financial costs of flexicurity should be interconnected with the financial results that higher employment and therefore productivity may incur. According to a study<sup>6</sup> “a 10% increase in ALMP spending per unemployed person reduces by 0.4% the unemployment rate”. In her 1997 Report, Iskra Beleva implies that “*Early intervention cuts the long-term costs of unemployment, associated ill health and social exclusion*”<sup>7</sup>.

Public and private resources shall be required for the realization of improved lifelong learning programs, but the expenses shall be balanced by the creation of more jobs and higher labor productivity. De la Fuente and Ciccone imply that “individuals who undertake on-the-job vocational training earn on average 5% more than those who do not”<sup>8</sup>. Nowadays a significant proportion of training expenses are covered by employers. Tax reductions could be a way for public policies to stimulate lifelong learning financed by individuals.

Budgetary costs are often involved in Flexicurity budgetary policies. In some countries the relevant expenditure is very high but its effectiveness is lower than expected. This could be improved with the creation of lifelong learning structures and active labour market policies. “In some countries, there is an obvious need for extra public and private resources, which should be fairly distributed among businesses, individuals and public budgets, and from a shift of public spending across policy priorities” (*European Commission, 2007d*).

---

<sup>6</sup> Bassani and Duval, ‘*Employment Patterns in OECD Countries: Reassessing the Role of Policies and Institutions*’, *OECD WP N° 35, 2006*.

<sup>7</sup> Iskra Beleva, *Long-Term Unemployment as Social Exclusion, Human Development Report, UNDP 1997*.

<sup>8</sup> De la Fuente and Ciccone, ‘*Human capital in a global and knowledge-based economy*’, *May 2002*.

### **3.5.6 Financing flexicurity policies: the Community contribution**

“The Community Guidelines for Cohesion and those for Rural Development highlight the contribution of Cohesion Policy and Rural Development to the strategic objectives of the Union, and in particular to the Lisbon Strategy. More specifically, all the measures that fall within the Employment Guidelines (including therefore flexicurity policies) are eligible for the European Social Fund (ESF) support, which will make available to Member States approximately € 70 billion in the 2007-2013 programming period, and in many cases the European Regional Development Fund can also provide financial support. Among the actions that could be funded are training at company level and active labour market measures, including job-finding assistance for the unemployed, lifelong learning and the promotion of self-employment and entrepreneurship. The European Globalisation Adjustment Fund can also provide a significant Community contribution” (*European Commission, 2007d*).

## **4 The Danish Flexicurity Model**

### **4.1 Introduction to the Danish Flexicurity Model**

In 1999 the Dutch legislation on flexicurity was put into effect. The aim of the new legislation was the creation of some balance within the existing inflexible and insecure labor market. The new legislation promoted employment security within the framework of a more active labor market policy, while at the same time it modified the dismissal regulations for permanent workers and temporary work agencies and strengthened the protection of atypical employees. The legislation would also encourage the transition from job security towards employment security. “The inspiration for this legislation came partly from a collective agreement between the employers, the trade unions and the temporary agency START from 1993, partly from an agreement in the ‘Labor Foundation’, which is a central body for consultation between employers’ organizations and trade unions” (*Wilthagen & Tros 2004*). “The legislative package included on the one hand the deregulation of the market for temporary work agencies laid down in the 1998 WAADI Act, and on the other hand the 1999 Flexibility and Security Act, which provided more security to people employed on a temporary contract and those employed through temporary work agencies”, according to Bredgaard (Bredgaard et al., 2005). “The Dutch

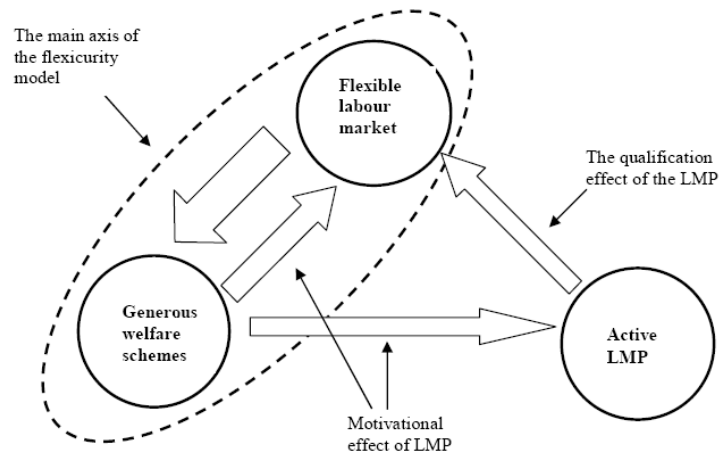
legislation on flexicurity, is a typical example of the tradition for corporatist coordination” (*Wilthagen 1998; Wilthagen & Tros 2004*).

The results from the implementation of Flexicurity on the Danish labor market, attracted international attention. According to several researchers Denmark was considered a good example in many ILO reports (*Auer, 2000; Auer & Casez, 2003; Egger & Sengenberger, 2003*). On an international level there are plenty of references to the concept of “flexicurity” as the model implemented in Denmark (*Wilthagen 1998; Wilthagen & Tros 2004; Madsen, 2003, 2004; OECD, 2004, chapter 2*).

The Danish labor market model became famous internationally, as it combines well-organized macroeconomic management and a high degree of flexibility with reforms of its labor market policy and a well-educated labor force, all of which are based on social and political consensus. The Danish flexicurity model is often described as a “golden triangle” (see figure 5) as it combines high mobility between jobs, a comprehensive social safety net for the unemployed and an active labor market policy (*Bekker S., 2008*). As can be seen in figure 5, there are arrows between the angles of the triangle. These arrows represent the flows of people. Almost a quarter of the Danish employees, are each year affected by unemployment and receive unemployment or cash benefits. But most of them manage to find a new job.

In Denmark, the employers’ right to flexible hiring and firing conditions was established in 1899 and is known as “the September Compromise” while the unemployment benefit system was formed in the beginning of the twentieth century and consolidated in the late ‘60s. The active labor market policy however is relatively new (the ‘90s).

Figure 5: The Danish "flexicurity model"



#### 4.2 The Golden Triangle Scheme

The Danish model is almost a hybrid. On the one hand it presents similarities to liberal regimes due to its weak employment protection level while on the other hand the comprehensive social security system brings in mind the Scandinavian welfare states. However, the flexicurity model cannot be considered as the sole factor that led to the development of the Danish labor market during the last two decades. Other parameters towards this success were the establishment of a balanced macroeconomic policy and the trends in the international business cycle.

After the end of the second World War, Denmark's economy shifted from agricultural to an industrial and service economy. This was easily achieved as the Danish labor market had already been familiar with job mobility combined with a social safety net. Therefore, although "flexicurity" is new as a term, in what it actually represents it was something that the Danes had known for a long time and was one of the characteristics of the Danish labor market.

### 4.3 Some features of the Danish Flexicurity Model

#### 4.3.1 General Features<sup>9</sup>

##### Flexicurity's three main components

- Flexibility in hiring
- A social welfare system
- An active employment policy

##### Easy to hire and fire, easy to get welfare support

Companies may hire and fire at will. The jobseeker is entitled to a decent allowance, but must be willing to work. For this reason the unemployed people are provided with skill upgrading possibilities and assistance in finding a new job.

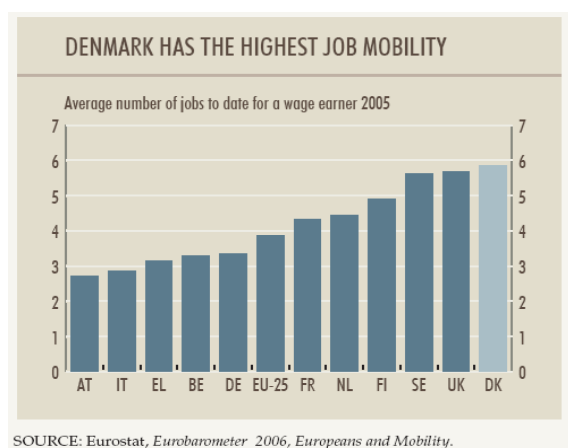
##### Employment security before job security

In the Danish labor market both workers and employers know that no job can be guaranteed, but employment opportunities are always available creating employment security to both parties.

##### The Danish labor market is quite dynamic

The Danish Flexicurity model is very dynamic as job mobility roughly reaches 30% of the total work force every year. This means that the Danes change more jobs throughout their working-life than any other EU citizen (figure 6). This is easily achieved as no one loses his or her entitlements to a pension, to earned holiday time etc. when changing jobs.

Figure 6 : Job Mobility in the EU



<sup>9</sup> The Source used for all tables presented in chapter 4.3.1 is the Confederation of Danish Employers in Copenhagen. The relevant article can be found at [www.da.dk/bilag/Flexicurity%20in%20Denmark.pdf](http://www.da.dk/bilag/Flexicurity%20in%20Denmark.pdf)



### Many job openings make it easier to come on to the labor market

Due to the fact that the Danes change jobs very often, many job openings are created. These openings constitute a good opportunity for the more vulnerable social groups (such as women, young people or long-term unemployed) to find a job. This is why the percentage of young and long-term unemployed people is much lower in Denmark than in the other Member States (figure 7).

Figure 7 : Access to the Labor Market



### The “golden Triangle”

The “golden triangle” is made up of the following components : 1) Flexibility, 2) Social Welfare and 3) an Active Employment Policy

#### 1) Flexibility

##### A sense of security makes for flexibility

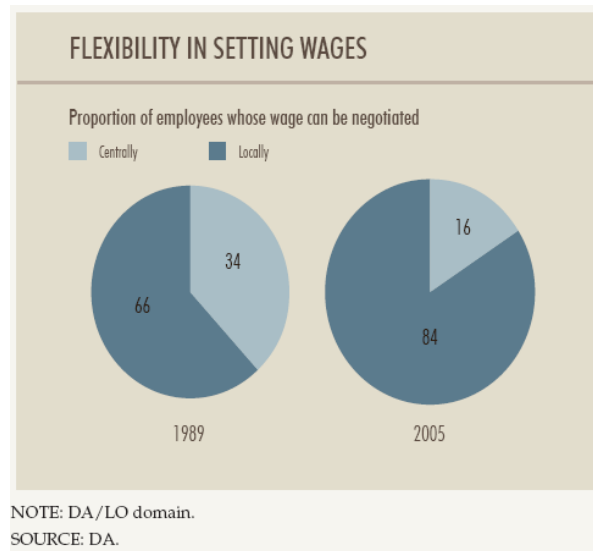
In Denmark, Flexibility in employment and social welfare are inter-connected. This means that whenever business is going well an employer may hire as many people as required by the circumstances and when business goes down, these people can be fired without any negative consequences. The employer won't have any further obligations towards these employees and the latter shall make use of the unemployment benefits and training opportunities foreseen by the active labor market policy. Flexicurity could also be applied in terms of working hours and wages, following agreements between employment and

work force (or the syndicates), according to each individual company's needs. For example, the Danish Confederation of Employers and the Syndicates have agreed that the number of working hours per week can vary as long as the average remains 37 hours.

Flexicurity makes for greater flexibility in setting wages

Each individual company may negotiate the wages of its work force individually (figure 8)

Figure 8 : Flexibility in setting wages



Danish wage earners feel secure in their jobs

The Danes feel more secure if offered employment security rather than job security. This is why they feel safer in terms of work than other Europeans. (figure 9).

Figure 9 : Job security



NOTE: The figure in parentheses is the percent unemployment in 2006.  
SOURCE: Centre for European Policy Studies (2004), *A New European Agenda for Labour Mobility*, Report of a CEPS-ECHR Task Force.

The implementation of flexicurity in the Danish labor market gives the Danes the opportunity to find the job that best suits them and applies to their qualifications. Therefore, compared to other Europeans, they are the EU citizens who are satisfied with their job the most (figure 10).

*Figure10: Job satisfaction*



#### **4.3.2 Security at the Social level**

The Danish Flexicurity model offers security at a Social level and more specifically:

- Economic security when one loses job income
- Unemployment insurance funds pay the allowances
- Public income transfers are supplemented in collective bargaining agreements
- A Dane may receive a jobseeker's allowance for four years

#### **4.3.3 An Active Employment Policy**

According to the Active Employment Policy and within the framework of the Danish Flexicurity approach :

- Everyone must be available
- Employment policy should develop skills
- Adult and continuing education is widespread
- Employment policy should bring to light skills
- Support effective job-seeking
- The historical background of Flexicurity in Denmark
- Combating unemployment is written into the constitution

- The September Compromise laid the foundations
- A high level of organization is a Danish trait
- The system has a smooth conflict resolution
- Conflicts are dealt with within the firm
- Working together with politicians promotes mutual understanding

### Conclusion

The Danish labor market is a unique variety of flexicurity. It really demonstrates high degree of flexibility by combining high labor mobility, low job security and high rates of unemployment benefits with a proper active labor market policy and a well-developed educational system. In order to avoid structural unemployment or the creation of a sense of insecurity to the work force, the Danish model gives high priority to the training and education of both the employed and the unemployed people.

Even the Danish system has faced challenges in recent years. Globalization affected the Danish market, which however was ready to deal with the upcoming changes (outsourcing of the textile industry, for example). For the time being the Danish unemployment benefits remain very high. However, there is rising concern about the future as external factors such as the global financial crisis may lead to reconsideration of the social benefits. Finally, it should be mentioned that the Danish government is seriously considering the idea of transferring the responsibility for the labor market policy to the local authorities.

#### **4.4 Denmark – a new job rotation scheme**

A job rotation scheme that provides the employers with more opportunities to train and educate their employees has recently been applied in Denmark. Whenever for example an employee takes part in an educational or training program and gains new qualifications, the employer is eligible for a grant. This amount is given to the employer in order to hire an unemployed person as a substitute for the employee who is being trained. The benefits are obvious : one employee gains new competences, an unemployed person finds a job and the employer is not left with any gap within the company.

## **5 Best Practices – Implementing Flexicurity in two European countries**

### **5.1 Sweden – supporting labor market transitions**

Sweden has established Career Transition Agreements as part of collective agreements to support workers in the case of redundancies, especially when it comes to older people or workers with low level of education. The worker takes part in an active transition period. Financial compensation which sometimes even covers the difference between the old and the new salary is provided, in case the latter is lower than the former. Support measures for the unemployed are also available. More specifically the jobseeker may be offered counseling, career orientation opportunities, education and training or even support to set a business of his/her own. The whole process is agreed between the employment security council and the redundant worker. According to Wilthagen, these Transition Agreements have had beneficial effects on an individual level (*Wilthagen, 2007*):

- 89 % of the workers involved found a permanent job
- 72 % received the same or a higher salary compared to the previous job
- 85 % managed to find an equal or improved position
- 43 % of the workers were 50 years or older

### **5.2 Netherlands – “normalizing” non-standard work**

In the Netherlands, social partners agreed on the following three issues: a) limitation of the consecutive use of fixed-term contracts b) elimination of administrative obstacles for temporary agencies together with the integration of agency contracts in employment law and replacement of public regulation to a large extent with collective bargaining c) creation of a regulatory framework for non-standard contract forms in the labor code with the parallel introduction of a law to prevent manipulation and introduce minimum protection and payment. The deal became law as the "Flexibility and security act" and came into force on 1 January 1999 (*Wilthagen, 2007*). With this Act, the Dutch wanted to enable employers to manage their companies flexibly and at the same time offer workers job and income security. The workers who were the first to welcome this initiative were those on flexible contracts.

Through this Act a worker may be hired by the same employer on a maximum of three consecutive fixed term contracts, or altogether 36 months the most. To prevent manipulation, an additional rule was introduced clarifying that a contract is considered to

be ‘consecutive’ if it is renewed between the same parties within 3 months after the previous one has expired. In terms of labor law and social security workers on fixed term or indefinite contracts have the same rights. The only exception is the fact that the latter’s contract may expire without any implications at the end of the fixed term. According to Wilthagen, “roughly 15% of employment in the Netherlands concerns fixed term contracts”.

In the case of temporary agency workers, the agency is the legal employer. Several rules have been introduced to prevent abuses, such as the prohibition to use agency workers to replace workers on strike in the user enterprise, and a form of chain responsibility for the user enterprise with regards to the payment of social security contributions and taxes. Wage guarantees as well as training and pension are provided to these workers through collective agreements.

On the other hand, the collective agreement also provides for a very specific form of tenure track, adapted to the needs of the agency sector. In the first stage of the contract, it is possible to allow for more than 3 fixed term contracts, but after 3 years of consecutive fixed term contracts, the contract will become an indefinite one. This allows employers to flexibly deal with fluctuating market demands at short notice. A degree of security is therefore provided to employees as well, through their extending rights with respect to social security, pensions and the prospect of a more secure contract. These flexible jobs may lead to a regular contract later on, either with the enterprise or with the agency.

The maximum Unemployment benefit (UB) duration which could be extended up to 7 years, is now reduced to 38 months and workers are no longer expected to show that they have been dismissed in order to be eligible for an employment benefit. According to the employment protection legislation, employers are allowed to dismiss if they take account of the composition of the workforce and may dismiss workers in proportion to the composition in terms of age etc. of the workforce.

## 6 Flexicurity in Europe

Flexibility and security are multi-dimensional concepts. Using Atkinson’s model of the flexible enterprise we can distinguish “four different forms of flexibility: numerical flexibility, working time flexibility, functional flexibility and wage flexibility. Within the framework of flexicurity, these four forms of flexibility are connected with four forms of security, namely: job security, employment security, income security and combination security” (*Atkinson and Meager 1986*).

Different national labor markets normally apply different flexicurity policies or in other words different combinations of flexibility and security. As can be seen in figure 11, these combinations are theoretically 16 and not all of them are equally logical in practice.

*Figure 11 : Combinations of Flexibility and Security*

	Job Security	Employment Security	Income Security	Combination Security
Numerical Flexibility				
Working Time Flexibility				
Functional Flexibility				
Wage Flexibility				

*Source: Wilthagen 1998; Wilthagen & Tros 2004.*

Each country has its own forms and combinations of flexibility and security. Some put more emphasis on working time and functional flexibility while others consider numerical flexibility as more important. Additionally, some countries focus on income and job security while others prefer combination security and wage flexibility. Of course, some countries do not fit in this matrix as they don’t pay equal attention to both elements of flexicurity or do not consider one of the elements at all.

According to Madsen : “The Danish development of the welfare state and the labor market points towards an interesting “hybrid” between the flexible, free-market welfare states characterized by high numerical flexibility (liberal hiring-and-firing rules) and the generous Scandinavian welfare regimes of high social security (relatively high benefit levels)” (Madsen, 1999, 2003, 2005, 2006). Class compromises and the existence of stable institutions have led the Danish flexicurity model to its today’s level.

The Danish flexicurity model has been used as an example by many politicians such as Mr de Villepin (former Prime Minister of France), who announced measures for the reduction of youth unemployment that seemed to be deriving from the Danish flexicurity model. (*New Economist, January 2006*). But if this model is so successful and it has been active for more than a decade and also supported by the European Commission, why haven’t the other European countries adopted it so far?

*Yann Algan and Pierre Cahuc*, tried to give an answer to this question in their IZA discussion paper No 1928, presented in January 2006 and entitled “Civic attitudes and the design of labor market institutions: Which countries can implement the Danish flexicurity model?”. The two researchers support the idea that the Danish model with its generous unemployment benefits cannot work in low-trust societies, where citizens are cheating the system: “*We argue that the flexicurity model is hardly sustainable in countries displaying weak public-spiritedness because the unemployment insurance design raises moral hazard issues that are much more difficult to overcome in countries where individuals are more prone to cheat over government benefits. Besides, we are also able to document that civic attitudes cannot be systematically changed quickly just by changing institutions. This result has far-reaching consequences for the policy reforms agenda. It indicates that civic attitudes impose real constraints on the choice of labor market institutions. From this point of view, it is unlikely that countries with weak public-spiritedness can implement the Danish Model without specific action aimed at changing the values of their citizens.*

*...this analysis suggests that public-spiritedness is a key ingredient in the possibility for a society to implement efficient public unemployment insurance. To that regard, a country may be unlikely to succeed in its labor market reforms without a comprehensive policy affecting civic behavior of its citizens” (Algan et al.,2006).*



Algan and Cahuc demonstrate that countries such as Greece have a very weak unemployment benefit system and therefore the Greek citizens are often willing to cheat on the welfare system. This is why importing the flexicurity model in any South European country would be high risk for the country's government.

### **6.1 Examples of Flexicurity practices in various European countries**

Some very interesting practices and strategies are presented here below (*Wiltshagen Ton, European Expert Group, 2007*). These examples may illustrate and inspire steps or elements within flexicurity pathways in the European Union. The practices are presented across four components of flexicurity : flexible and secure contractual arrangements, upgrading active labor market policies to strengthen transition security, systematic life-long learning systems and modern social security systems<sup>10</sup>.

### **6.2 Flexible and Secure Contractual Arrangements**

- Hungary : contractual diversity and combination security in tandem with equal treatment
- Slovenia : regulating temporary agency work and increasing labor market flexibility
- United Kingdom : introducing flexible working time arrangements and prohibiting age discrimination
- Belgium : career break (time credit) scheme
- Cyprus : exploring flexible employment forms to enhance women's access to the labor market

### **6.3 Active Labor Market Policies**

- Austria : securing mobility in the labor market
- France : securing re-employment
- Finland : developing change security

---

<sup>10</sup> *The four component interpretation of flexicurity stems from the European Commission's Annual Progress Report (January 25<sup>th</sup>, 2006, COM (2006)30; pp 19-20) subsequently endorsed at the Spring European Council and reflected in the Joint Employment Report 2007.*

- Luxembourg : supporting job and employment security
- Poland : supporting unemployed school-leavers by reducing hiring costs for employers
- Slovakia : supporting disadvantaged job seekers
- Estonia : personalized support for disabled people

#### **6.4 Life Long Learning**

- Portugal : enhancing educational attainment and competencies
- Norway<sup>11</sup> : meeting the need for new competences
- Malta : investments in training and education
- Greece : Setting up of a new national system for reconciling vocational education and training with employment

#### **6.5 Modern Social Security**

- Italy : preserving contractual diversity while increasing social security budget
- The Czech Republic : making work pay for the inactive

#### **6.6 Supportive and Productive Social Dialogue**

- Ireland : designing a national workplace strategy
- Latvia : cooperation agreement to strengthen social dialogue

### **7 GREECE : Is Greece ready to apply flexicurity?**

#### **7.1 Present situation – Recent reforms**

Flexicurity could be considered as “a reinterpretation of the one hundred year tradition of social dialogue of the Nordic (corporatist) countries, where labor and capital do not operate antagonistically, but rather collaborate” (*ELIAMEP, 2009*). There are however several non corporatist Member States, such as the Mediterranean countries for example, without the Nordic tradition. In these countries the relations between employers and trade unions have been confrontational for decades.

---

<sup>11</sup> Norway, not an EU member, participates actively in the EES Mutual Learning Program

“In those (non-corporatists) member states, where the social dialogue tradition is limited, newfangled and therefore not well embedded, the governments in order to launch comprehensive flexicurity reforms and ensure the consensus of social partners and the majority of the electorate, should promote the communicative function of discourse through the public presentation and deliberation of their reform program” (*Schmidt 2002, pp. 210-1*). “It should be noted that single actor policies, such as in Greece, Portugal and the UK channel governing activity through a single authority (the elected government), statist policy making process and unitary institutional structures” (*Schmidt 2005, 2002*). This means that if the electorate body is persuaded (in fear of protest) then reforms can be materialized. It is worth noticing that in these cases the coordinative function of discourse is limited and that’s why it would be good for governments to focus on the communicative function of discourse. Through discourse, even if trade unions oppose to the proposed reforms, the governments may succeed in convincing the public and thus be able to legitimize their political action.

According to the newspaper *The Kathimerini* the Greek governments (socialists and conservatives) are afraid of potential public reaction and unrest and therefore avoid proceeding with any reforms as most social partners and above all the General Confederation of Greek Workers (GSEE) don’t accept to participate in any kind of reform towards the direction of flexicurity. As a consequence, the government only manages to implement minor and ineffective reforms, in fear of the public opinion and its reactions. It should be mentioned “that the Greek labor market is among the highly regulated and segmented in the EU (highly regulated public and broader public sector, a more flexible private sector and an extended black market)” (*Michalaki S., ELIAMEP, 2009*).

The neologism “flexicurity” was quoted for the first time in Greece in *The Kathimerini*, a newspaper of wide circulation, in 2003, when Greece was holding the rotating EU presidency. 48 articles about flexicurity were published in *The Kathimerini* from 2003 until 2008. Most of the articles contained simple references to the concept of flexicurity, which mainly included an interpretation of the term without any further explanation. However, there have been articles that clearly expressed opposition to the implementation of flexicurity in the Greek labor market as the cost for its implementation is high but also due to the cultural particularities of the Greeks. More specifically, one could read in *The*

*Kathimerini* in April 2006 ‘...flexicurity is a clumsy attempt to interrelate the American lifestyle, the Chinese way of working and the so called European social model’ (*The Kathimerini*, 29.1.2006; *ELIAMEP* 2009), while in another article the newspaper was posing the rhetoric question if Greece has a strong welfare state and serious unemployment benefits like Denmark and if the Greeks enjoy a fair taxation system or even a small single-digit unemployment rate like the Danes do (14.4.2006).

The Greek government seemed quite indifferent at the time as there has been almost no effort to counterbalance the opposition of GSEE or convince the public about the necessity of any reforms. In their articles two former Ministers of the conservative party reluctantly embrace the new flexicurity model. What they do is emphasize the importance to proceed with the social dialogue in order to reach social consensus (*The Kathimerini*, 2.12.2006, 30.1.2007, 6.12.2007). Mr Savvas Tsitourides for example stated that ‘social cohesion must be protected by achieving a balance between what employers require and what employees need’ (*The Kathimerini*, 7.12.2006). Meanwhile Mrs Petralia was stating that due to the global financial crisis even a conservative government gives priority to the enhancement of the employees’ security’ (*The Kathimerini*, 11.6.2008).

Law professor Ioannis Koukiades, head of the Committee of Experts for the issue of flexicurity, gave a Press Conference on the 22<sup>nd</sup> of April, 2008, where he presented the recommendations proposed by the Committee. Five articles were dedicated to the issue (*The Kathimerini* 13, 16, 22, 23 and 26.4.2008). On February 2<sup>nd</sup> 2008, *The Kathimerini* published a speech made by the former Greek Minister of Economy and Finance, Mr Alogoskoufis, in which he supported the idea of Flexicurity. Mr Alogoskoufis favored a combination of the main labor market systems in order to avoid the skepticism of the public, as the reforms would involve a proper welfare system combined with market flexicurity, more research and development and training.

Mrs Panayotopoulos-Cassiotou, MEP of the Greek right wing party and member of the Committee that drafted the Common Principles of Flexicurity, in a relevant statement presented in her personal web site (<http://mpanayotopouloscassiotou.blogspot.com/2007/11/flexicurity/html>), supports the belief that the polymorphism of labor agreements must have as common ground the respect of the workers’ basic rights.

According to Mrs Panayotopoulos, a sincere dialogue per field as well as on a local, national and European level shall lead to the acceptance of both components of the market's social economy, namely flexibility and security for the work force, even in Greece.

Meanwhile, the left wing party in Greece clearly stated its opposition to the implementation of the flexicurity model. As mentioned in a relevant article in the financial section of *Eleftherotypia* Newspaper (12/7/2007), "*Flexicurity has been voted by the European Parliament. This way, lay-offs are facilitated, collective agreements are undermined and various unfavorable amendments in the work field have been approved by the liberal and socialist parties*".

In another article, written by Kostas Moschonas (15/3/2008) in *Eleftherotypia*, flexicurity is regarded again with dispute as it is stated that "*the 27 European leaders have imposed a lot of must-do issues in the framework of flexicurity, however it's still to be seen how many of them will be materialized, as more flexibility and less security shall be effected*".

According to Law Professor of the Aristotle University of Thessaloniki, Dr Angelos Stergiou, the whole flexicurity concept is a holistic perception that faces the guarantees provided by Labor Law and the mechanisms for social protection as a unity. More specifically, whatever a worker loses in terms of stability (changes in Labor Law – easier lay-offs) may be earned back in the form of guaranteed income during transition periods. A stable mechanism for social protection is therefore created in order to counter-balance the anti-labor flexibility terms. In his article "Flexibility with security" published in *Eleftherotypia* on 29/12/2006, Dr Stergiou is wondering why Greece needs to resort to the experience of foreign countries when it comes to the specific matter. "*Is it a fertile procedure of mutual learning or an obsession for model quest?*". According to Dr Stergiou, both options are open. It all comes down to the way we approach the others. And the truth is that we cannot transfer foreign models to our reality, but only draw some ideas or principles from them. This is the approach we should have in case of flexicurity application in Greece. Any piecemeal effort to diffuse flexibility with security cannot be made if we just start with one of the components, i.e. flexibility. The first step must be for a safety net to be created and then (or in parallel) may flexibility in labor relations be attempted. This is why the fear from the side of the syndicates, that malformations such as flexibility with insecurity be created, is justifiable. Finally, it is highlighted that the rash

liberalization of the markets through the undermining of the protection mechanisms may lead to uncontrollable social and international crises.

The major trade union and one of the most important social partners in Greece, is GSEE. GSEE is clearly against the deregulation of EPL or any kind of reform in the context of flexicurity. According to *The Kathimerini* (30.1.2007 and 15.9.2007), GSEE did not accept the government's invitation to take part in the social dialogue on flexicurity. The president of GSEE stated that '*flexible working conditions already exist in all EU countries including Greece. Our main concern is how to safeguard the security of the work force under flexible working arrangements*' (*The Katimerini*, 22.2.2007).

GSEE considers any form of flexibility at work as a means towards the deregulation of the relations between employees and employers. The development of "flexible" work policies contributes to the further decrease of the already very low labor cost in Greece, while it enhances the segmentation of work and the creation of employees of various speed rates, creating strong competitive relations between them while undermining the trade-union activities. Meanwhile any form of flexibility may easily put pressure on formal work by suppressing any claims and protests, leading to the devaluation of work itself. The increased sense of insecurity created for the most part by the use of flexibility at work, affects the workers negatively in many ways, especially those workers who have involuntarily accepted the flexible working conditions due to their urge to work. Such policies often lead to violation of the Labor legislation itself. The persistence of the employers in the low labor cost logic on the one hand, leads to results that can be translated into serious social cost due to the retrenchment of wages and of certain privileges, a fact that does not deal with the unemployment problem whose rate remains very high. On the other hand, although every flexibility policy aims at the increase of competitiveness for the business world, still Greece comes last in this field among the European countries, thus proving that competitiveness shouldn't unilaterally be translated into low labor cost.

According to GSEE (*Kouzis Y.,INE/GSEE 2008; 2008a*), the production model that has been followed until now, does not aim at the upgrading of labor. It is time this model got connected with the change in the way flexibility is dealt with at work. Flexicurity should not be the main tool, but a complementary instrument whose terms shall be socially

acceptable and which shall be based on real voluntary participation. In other words, labor flexibility should be restricted and limits to its unrestrained presence should be set. This way every “non-legal” aspect of flexibility shall be eliminated, especially those aspects that are expressed through an extreme commercialization of the labor force (e.g. rented employees). Under these terms, there is obviously no way for GSEE to accept any views on flexicurity and the parallel development of flexibility and security, which are considered two opposite poles. GSEE strongly supports the viewpoint that there cannot be any real balance between these two notions, as the development of the former (reduction of labor cost) comes in direct conflict with the latter (increase of labor cost). Therefore, the absolutely positive outcome of the acknowledgement of rights to those who work under flexible terms, simply reaches the point of ensuring a minimum of rights, as well as to the formal and not real analogy of rights, in order for flexibility to prevail against security. In this framework, measures in favor of the actual security of the labor force must be taken, through the enhancement of rights of the flexibly employed, as a compensation for the real extent of exploitation employees undergo by their employers. Meanwhile, the need for social cohesion leads to the limitation and elimination of flexibility as a means for low labor cost. This however, will eventually become disadvantageous for employers if based on its undue enforcement as a means of high profitability beyond the production needs of the business unit. In conclusion, what GSEE strongly supports is the reassurance of security at work and the limitation instead of the development of flexibility. This should be achieved through the reinforcement of the rights of the labor force and the enhancement of full time and stable work, which shall be accompanied by decent wages and working conditions. Only this way will work be treated as the main production power for the creation of wealth and not as a simple cost for the employers. Therefore, one of the practical proposals of GSEE in order to avoid the obligatory implementation of flexible working conditions on the expense of full time and stable work is for the State to set a 15% quota to the flexible-term work allowance per Business Unit.

The Greek labor market is highly segmented and increased insecurity is faced by all those who work in precarious jobs. Therefore, a reform is necessary and certain flexicurity policies could work. It is up to the government to decide when and to what extent any flexicurity reforms may be applied. It is true however that there are huge differences in cultural values and civic attitudes between Greece and most Nordic member states (*Algan*

and Cahuc 2006, Zingales et al. 2006). Only if the Greek government manages to put forward the social dialogue and convince the social partners about the necessity of the reforms, may integrated reform plans and not fragmented or ineffective piece meal reforms be launched and implemented.

We shall now briefly describe the main reforms made by the Greek government in line with the EU guidelines on employment strategy and the goals of the Lisbon strategy<sup>12</sup>:

ALMPs : Young unemployed people and other vulnerable labor groups who wished to set up their own business were offered substantial subsidies by the Greek government, while subsidized unemployment programs were launched and the Greek vocational training system was reformed.

Working Time Flexibility : With regards to working time, Greece managed to cut down on expenses for overtime work, while enterprises were allowed to flexibly adjust the working time of their work force according to the production needs.

Employment Protection Legislation : Most EU member states are reluctant to proceed with any serious change in the existing employment protection legislation. What they do instead, is promote some more flexible and non-standard reforms. The reform of the year 2000 in Greece, involved more protection for the SMEs' work force (the SMEs are the vast majority of the Greek enterprises) but a looser framework for the companies employing more than 50 people. Meanwhile the so-called "permanency" of the State employees was partially abolished. The State can now sign fixed-term private contracts with the employees.

Benefit Systems : The unemployment compensation was slightly increased.

## **7.2 Necessary reforms and objectives for the implementation of flexicurity**

Greece has very slow development speed in terms of its Social Welfare Systems. For example, the policies regarding unemployment compensations and rehabilitation of the unemployed do not offer substantial aid to the unemployed, as the unemployment benefits last one year the most, thus excluding the long-term unemployed. As far as wage substitution is concerned, when it comes to the compensation of the unemployed, the level

---

<sup>12</sup> The data is quoted from the official English text of the National Reform Program 2005-2008 (Implementation Report) of the Ministry of Economy & Finance of the Hellenic Republic



does not exceed 55%. The Institutions that deal with these matters (e.g. OAED) have a very limited role to play, as they only contribute to the indemnification of a very small percentage of unemployed people. Job formation rarely absorbs national and European subsidies, while only 10% of the unemployed finally find a job in the field of their qualifications.

The Greek labor market also presents intense illegal flexicurity, reaching 20% in undeclared employees and a high level of defiance of the labor law from the side of the employers, while there are insufficient control mechanisms and long delays in the bestowal of justice, while the average level of wages in Greece is hardly at the 72% of the equivalent European level (EU 15 – in terms of purchasing power).

In order to substitute (at least to a certain degree) the low level of social protection and the high degree of work insecurity, the Greek government took the following initiatives :

- Relatively high compensations (equivalent to an average of 29 weeks in case of both individual and group dismissals) were established.
- Group dismissals can only reach 2% monthly, for enterprises exceeding 200 employees.
- For enterprises with 20-199 employees, group dismissals vary between 2% and 20%, reversely to the size of the enterprise.
- Group dismissals may be effected only after relative negotiations between employers and syndicates and only with the approval of the Board of Directors of the Company.
- Dismissals are free for those enterprises that employ less than 20 people (these companies constitute 98% of the Greek private sector).

Greece has low rates of hired employment and Union density. It is among those countries that present conflicts in their social relations, in contrast to the Skandinavian countries which have a compromising attitude. The level of social dialogue in Greece is also very low. Collective bargaining and more specifically collective agreements of specific sectors in Greece always include employment and training subjects in their agenda.

**The differences between the Danish and the Greek social and labor model can be pointed out as follows:**

*Figure 13. The differences between the Danish and the Greek social and labor model*

<b>INDEX</b>	<b>DENMARK</b>	<b>GREECE</b>
Level of Welfare State	Particularly high	Low
Taxation (GDP %)	Particularly high (50,3%)	Low (34,4%)
Capital taxation	Particularly high (46,5%)	Particularly low (15%)
Labor taxation	Relatively high (37,4%)	Relatively high (37,9%)
Consumption taxation	Particularly high (33,7%)	Low (17%)
Union density	Particularly high (85%)	Low (28%)
Level of Social Dialogue	Particularly high	Low
Employment percentage	Particularly high (75%)	Low (60%)
Hired-employment percentage	Particularly high (93%)	Particularly low (63%)
Unemployment percentage	Low (5,1%)	High (9,8%)
Long-term unemployment percentage	Low (1,1%)	Particularly high (5,1%)
Level of wage (in terms of purchasing power)	Relatively high (101% /E15)	Low (81%/E15)
Duration of unemployment subsidy	High (up to 4 years)	Particularly low (up to 1 year)
Substitution of wages of the unemployed	High (85-90%)	Particularly low (50-55%)
Severance pay	Relatively low (13 weeks)	High (29 weeks)
Group dismissal limit	High (up to 10%)	Relatively low (2%>200, 4pers.>20)
Dismissal justification	Unjustified	Unjustified
Rehabilitation system for the unemployed	Systematized and particularly effective	Fragmentary and particularly ineffective
Control of legislation	Very strong	Particularly weak
Wage inequality analogy	Low (3,5%)	High (5,8%)

*Source : (Kouzis, 2008)*

As can be seen above, the distance between the Greek and the Danish social welfare system is huge. Consequently, due to its specific particularities, the Danish model doesn't seem to be exportable, especially to countries with "slower speed", such as Greece.

### ***7.2.1 Interventions in the Greek labor Market : Changes in favor of the deregulation or the upgrading of labor***

The interventions that are required in the Greek labor market must be liberated from the logic of a production model which is based on the low labor cost and the deregulation and downgrading of labor relations. On the contrary, they should focus on the following:

- To enhance and properly co-ordinate all control mechanisms while effectively implementing the labor and insurance law.

- To extend the labor law so that it may include the employees of the grey zone between hired employment and self-employment.
- To decrease the working hours as an expression of a fair distribution in favor of the employees according to their share of the increased productivity (apart from the wages) that up to now has been enjoyed by the enterprises.
- To reinforce the rights of the employees who work under flexicurity terms.
- To reinforce work in the field of collective agreements (e.g. representation of employees in small businesses).

## 8 CONCLUSIONS

It is a fact that flexibility and security cannot be dissociated from the employers' intention to decrease labor cost, by using "flexible models". The fear that security might be left behind, prevails among several Member States of the EU. Greece is a country with weak social welfare systems, a non-corporatist country whose citizens are skeptical when it comes to the implementation of any kind of reform on the existing labor law. The Greek labor force as a whole has subconsciously identified flexicurity as a deregulator of social cohesion and the acquired labor benefits.

The Danish flexicurity model which has been an inspiration for the European Union and not only, is based on the combination of light employment protection legislation, intensive active labor market measures and serious investment in training together with high unemployment benefits. Even this model however, cannot be considered panacea. It should be better analyzed before jumping into conclusions about the need to adopt it as a whole and implement it in all EU countries. Even this seemingly great model shall soon be tempted by the latest global financial reality. A more open and globalized economy might hinder the positive outcome of the flexicurity approach even in Denmark itself. If for example job mobility across frontiers increases, the interaction between flexibility and income security in the labor market might be affected.

For the time being, the Danish flexicurity model is continuously becoming an integrated part of the European and international economic and political system. Denmark however, is not part of the European Monetary Union at the moment. Therefore, the implementation

of flexicurity has been easier in Denmark as the country hasn't undergone the restrictive measures of convergence.

Flexicurity is intended to be in the interest of both employers and workers. On the one hand it offers employees greater flexibility in order to better combine their personal and working life and on the other hand it provides employers with security in their employment relationships (mainly legal). At the same time the flexicurity model allows employment to act according to the needs and requirements of the enterprise in a given period, while the work force does not have a feeling of insecurity or abandonment should jobs get lost. In its ideal form, instead of job security, flexicurity guarantees employment security throughout a person's life-time. A proper flexicurity model should include a proper welfare state and put emphasis on R&D and education among others. Nevertheless, before implementing any aspects of flexicurity, the EU must take into consideration the uniqueness of each Member State and the particularities of the peoples deriving from their historical, cultural, political and economical background. Governments shouldn't forget that such ambitious structural reforms must be based on solid consensus in order to be effective.

The current financial crisis is inevitably leading to reforms. The role of active labor markets must be strengthened if we want to be in a position to properly face the numerous difficulties. In the long run, the gains from the implementation of the flexicurity model are expected to be huge in terms of jobs, productivity and competitiveness, while transitions between jobs shall be secured as adequate support and training shall be offered to jobseekers. Of course, flexicurity is not the only answer to the crisis. This flexicurity model can only be effective in an environment of healthy macroeconomic policies and adequate financial resources. Without a wider strategy for growth and employment no Member State shall be able to establish the new model. European labor markets should be more open to innovation and change as we are moving towards a knowledge-based economy within the context of globalization.

In this framework, Greece doesn't seem likely to apply the flexicurity approach in the short run. The disbelief of the citizens towards the State is poisoning any such effort. This negative attitude enhanced by part of the syndicates and combined with the current changes that Greece is undergoing in political and financial terms – due to the government

change and the financial crisis respectively- constitute unfavorable parameters for any additional reform. It would however be worth examining the social impact such an implementation would have on the Greek society taking into consideration that no country can succeed in its labor market reforms without a comprehensive policy affecting the civic behavior of its citizens.

Another interesting research theme would be the financial and practical implications that the Danish flexicurity model would undergo in case Denmark enters the European Monetary Union or how the people inside, outside and on the edges of the “golden triangle” would be affected by the implementation of the Danish flexicurity model in other EU Member States and especially in the Mediterranean countries. The Danish government is planning to assign the main responsibility for employment measures to the local authorities. It would be interesting to examine the impact of this initiative on the labor market in a flexicurity framework.

## REFERENCES

- Algan, Y. and Cahuc, P. (2005), "The Roots of Low European Employment: Family Culture?", forthcoming in Pissarides, C. and Frenkel, J. (eds.) *NBER Macroeconomics Annual*, MIT Press.
- Algan, Y. and P. Cahuc (2006), *Civic attitudes and the Design of Labour Market Institutions. Which Countries can implement the Danish Flexicurity Model?*, IZA Discussion Paper No 1928.
- Atkinson J. (1984), *Flexibility, Uncertainty and Manpower Management*. IMS Report No89, Institute of Manpower Studies, Brighton.
- Atkinson J. and Meager N.(1986), *Changing Working Patterns: How companies achieve flexibility to meet new needs*. Institute of Manpower Studies, National Economic Development Office, London.
- Auer, P. (2000), *Employment revival in Europe. Labor market success in Austria, Denmark, Ireland and the Netherlands*, Geneva: ILO.
- Auer, P. & S. Cazes (eds.) (2003), *Employment stability in an age of flexibility. Evidence from industrialized countries*, International Labour Office, Geneva.
- Bekker Sonia (2008), *Flexicurity – a European Approach to Labor Market Policy*, Intereconomics, March 2008
- Boeri, T. Conde-Ruiz, I.J, Galasso, V. (2004), *Cross-Skill Redistribution and the Tradeoff between Unemployment Benefits and Employment Protection*, IZA discussion paper 1371.
- Bredgaard T., Larsen F., Per Kongshoj Madsen (2005), *The flexible Danish labor market – A review*, CARMA Research Paper, 4/11/2005
- Bredgaard T., Larsen F. (2006), *The transitional Danish Labor Market: understanding a best case, and policy proposals for solving some paradoxes*, CARMA Research Paper, 2006-2, Aalborg, Denmark
- Bredgaard T., Larsen F. (2007), *Comparing Flexicurity in Denmark and Japan*, CARMA Research Paper
- Clark, A. and Postel-Vinay, F. (2005), *Job Security and Job Protection*, IZA discussion paper 1489.
- Council of the European Union (2009), *Joint Employment Report 2008-2009*, 7435/09, p.5-6, 11/3/2009, Brussels
- Danish Ministry of Employment (2009), <http://www.bm.dk>
- Egger, P. & W. Sengenberger (2003), "Decent work in Denmark. Employment, social efficiency and economic security", Geneva: ILO.

ELIAMEP (Hellenic Foundation for European & Foreign Policy) (2009), *Flexicurity, Flexiguranca, Evasfaleia...Different perceptions through major European newspapers*, April 2009, Athens

Eurofound 2008, *Flexicurity*, [www.eurofound.europa.eu/areas/industrialrelations/dictionary/definitions/flexicurity.htm](http://www.eurofound.europa.eu/areas/industrialrelations/dictionary/definitions/flexicurity.htm), June 2008

Eurofound 2009, European Employment Strategy, [www.eurofound.europa.eu/employment\\_social/employment\\_strategy/pdf/flexi\\_pathways\\_en.pdf](http://www.eurofound.europa.eu/employment_social/employment_strategy/pdf/flexi_pathways_en.pdf), 16/5/2009

European Commission (2002) (COM(2002)341) of 26 June, *Social Dialogue*, <http://www.eurofound.europa.eu/areas/industrialrelations/dictionary/definitions/socialdialogue.htm>, Brussels

European Commission (2006), *Collective Agreement*, Article 137 (4), <http://www.eurofound.europa.eu/areas/industrialrelations/dictionary/definitions/europeancollectiveagreement.htm>, Brussels

European Commission (2006a), *Modernizing Labor Law to meet the challenges of the 21<sup>st</sup> century*, COM 2006, 708 final, 22/11/2006

European Commission (2007) (CESE298), [http://www.eesc.europa.eu/lisbon\\_strategy/eesc\\_documents/index\\_en.asp](http://www.eesc.europa.eu/lisbon_strategy/eesc_documents/index_en.asp), Brussels

European Commission (2007b), 359 Final, [http://ec.europa.eu/employment\\_social/news/2007/jun/flexicurity\\_en.pdf](http://ec.europa.eu/employment_social/news/2007/jun/flexicurity_en.pdf), Brussels

European Commission, (2007c), [http://ec.europa.eu/employment\\_social/employment\\_strategy/flex\\_stakeholderconference\\_en.htm](http://ec.europa.eu/employment_social/employment_strategy/flex_stakeholderconference_en.htm), Brussels

European Commission (2007d), *Towards Common Principles of Flexicurity: More and better jobs through flexibility and security*, [www.europa.eu](http://www.europa.eu), Brussels

European Commission (2008), *European Social Dialogue*, EC Treaty, Articles 138 – 198, <http://www.eurofound.europa.eu/areas/industrialrelations/dictionary/definitions/europeansocialdialogueviaarticles1381.39ofthectreaty.htm>, Brussels

European Commission (2008a), 706 final, *From financial crisis to recovery: A European framework for action*, October 2008, Brussels

European Commission (2008b), *Employment in Europe 2008*, p.167, Brussels

European Commission (2009), European Employment Strategy, [http://ec.europa.eu/employment\\_social/employment\\_strategy?pdf/flexi\\_pathways\\_en.pdf](http://ec.europa.eu/employment_social/employment_strategy?pdf/flexi_pathways_en.pdf), 30/3/2009

European Commission (2009b), Interim Forecast, [http://ec.europa.eu/economy\\_finance/thematic\\_articles/article13727\\_en.htm#documents](http://ec.europa.eu/economy_finance/thematic_articles/article13727_en.htm#documents)

European Commission – Eurostat (a) (2009) <http://europa.eu>, *Employment, social Affairs and Equal Opportunities*, EU Employment Situation and Social Outlook, Monthly monitor, <http://ec.europa.eu/eurostat>, May 2009, Brussels

European Expert Group on Flexicurity Report (2007), *Flexicurity Pathways - Turning hurdles into stepping stones*, June 2007, Brussels

European Union (2009), Press Release, *Employment, social policy, health and consumer affairs*, 6854/09 (press 50), 9/3/2009

E.W.C.O. 2008, European Working Conditions Observatory, Annual Review of working conditions in the EU 2007-2008, *Policy development: European Employment strategy: New Community Lisbon Program and social model*, by Bucalossi G. and Giaccone M., 7/7/2008

Fernández, R., Fogli, A. and Olivetti, C. (2004), “Mothers and Sons: Preference Formation and Female Labor Force Dynamics”, *Quarterly Journal of Economics*, 119(4), 1249-1299.

Fernandez, R. and Fogli, A. (2005), *Culture: An Empirical Investigation of Beliefs, Work, and Fertility*, Federal Reserve Bank of Minneapolis, Research Department Staff Report 361.

Ferrera, M., A. Hemerijck & M. Rhodes (2001), “The future of social Europe: Recasting work and welfare in the new economy”, Giddens, ed. *The Global third Way Debate*, Cambridge: Polity Press, pp. 114-133, A.

Freeman, R. (2000), *Single Peaked versus Diversified Capitalism: the Relation Between Economic Institutions and Outcome*, NBER working paper n°7556.

Guiso, L., Sapienza, P. and Zingales, L. (2003), “People’s opium? Religion and Economic Attitudes”, *Journal of Monetary Economics*, 50, pp. 225-282.

Guiso, L., Sapienza, P. and Zingales, L. (2004), “The Role of Social Capital in Financial Development”, *The American Economic Review*, 94(3), pp. 526-556.

Guiso, L., Sapienza, P. and Zingales, L. (2005), “Does Culture Affect Economic Outcome?”, *Journal of Economic Perspectives*.

Ichino, A., and Maggi, G. (2000), “Work Environment and Individual Background: Explaining Regional Shirking Differentials in a Large Italian Firm”, *Quarterly Journal of Economics*, 115(3), pp. 1057-1090.

Klammer, U. & K. Tillman (2001), eds. *Flexicurity – Soziale Sicherung und Flexibilisierung der Arbeits- und Lebensverhältnisse*, Düsseldorf: WSI-Hans Böckler Stiftung.

Klammer U, Keuzenkamp S., Cebrian I, Fagan C., Klenner C. and Moreno G. (2006) “*Working time options over the life course: changing social security structures*”,



Luxembourg: European Foundation for the Improvement of Living and Working Conditions, Office for Official Publications

Kouzis Yannis (2008), «Οι εργασιακές σχέσεις στην Ελλάδα και προτάσεις για την αναβάθμισή τους», *ENIMEROSI Magazine*, issue 156 – December 2008, INE/GSEE, Athens

Kouzis Yannis (2008), *Ευελιξία και Ασφάλεια : Μύθοι και πραγματικότητα*, Report to INE/GSEE/ADEDY, issue 149, Athens, May 2008

Madsen, P.K. (1999), *Denmark: Flexibility, security and labor market success*, Employment and Training Papers No. 53, ILO, Geneva

Madsen, P.K. (2003), “Flexicurity through labor market policies and institutions in Denmark”. P. Auer & S. Cazes (eds.): *Employment stability in an age of flexibility. Evidence from industrialized countries*, International Labour Office, Geneva, pp. 59-105

Madsen, P.K. (2004), The Danish model of ‘flexicurity’: experiences and lessons, *TRANSFER. European Review of Labor and Research*, **10**(2), pp. 187-207

Madsen, P.K. (2005), “The Danish road to flexicurity: Where are we. And how did we get there?”. T. Bredgaard & F. Larsen, eds. *Employment policy from different angles*, Aalborg: CARMA

Madsen, P.K. (2006), “How can it possibly fly? The paradox of a dynamic labour market in a Scandinavian welfare state”, J.L. Campbell, J.A. Hall & O.K. Pedersen, eds. *The State of Denmark: Small States, Corporatism and the Varieties of Capitalism*, Montreal: McGill University Press

Michalaki Sofia (2009), *Flexicurity, Flexiguranca, Evasfaleia...Different perceptions through major European newspapers*, ELIAMEP (Hellenic Foundation for European & Foreign Policy), April 2009, Athens

Muffels R., Chung H., Fouarge D., Klammer U. Luijkx R., Manzoni A and Wilthagen T. (2007), *Flexibility and security over the life course: results and policy implications*, Luxembourg: European Foundation for the Improvement of Living and Working Conditions, Office for Official Publications

New Economist (2006), *Denmark's flexicurity model: ready for export?*, [http://neweconomist.blogs.com/new\\_economist/2006/01/denmarks\\_flexic.html](http://neweconomist.blogs.com/new_economist/2006/01/denmarks_flexic.html), 19/1/2006

OECD (2004), *Employment Outlook 2004*, chapter 2, Paris, [www.oecd.org](http://www.oecd.org)

OECD (2006), *Boosting Jobs and Incomes: Policy Lessons from Reassessing the OECD Jobs Strategy*, <http://www.oecd.org/dataoecd/47/53/36889821.pdf>

Plougmann, P. and P. K. Madsen (2002), *Flexibility, Employment and Active Labour Market Policy in Denmark and Sweden in the 1990s*, CEPA Working Paper 2002-04

Schmidt, V. (2002), *The Futures of European Capitalism*, Oxford, Oxford University Press.

Schmid, G. & B. Gazier (2002): *The dynamics of full employment: Social integration through transitional labour markets*, Cheltenham: Edward Elgar.

Schmidt, V. (2005), *The Role of Public Discourse in European Democratic Reform Projects*, European Integration online papers, Vol. 9, No. 8.

Tabellini, G. (2005), *Culture and Institutions: Economic Development in the Regions of Europe*, IGER working paper n°292.

Wilthagen, T (1998), *Flexicurity – A new paradigm for labor market policy reform?*, Berlin: WZB Discussion Paper, FSI, 98-202.

Wilthagen, T. & R. Rogowski (2002), “Legal regulation of transitional labor markets”, pp. 233-273, G. Schmid & B. Gazier, eds. *The dynamics of full employment: Social integration through Transitional Labor Markets*, Cheltenham: Edward Elgar.

Wilthagen, T & F. Tros (2004), “The concept of ‘flexicurity’: A new approach to regulating employment and labour markets”, *TRANSFER – European Review of Labour and Research*, **10**(2), pp. 166-187.

Wilthagen Ton, European Expert Group on Flexicurity (2007), *Flexicurity Practices*, [www.eurofound.europa.eu/eiro](http://www.eurofound.europa.eu/eiro), Brussels 24 May, 2007.

Wilthagen Ton (2008), Tilburg University, *Mapping out Flexicurity pathways in the European Union*, Tiburg Flexicurity Research Program, 1/3/2008

Zingales, L., L. Guiso and P. Sapienza (2006), *Does Culture affect Economic Outcomes?*, George J. Stigler Center for the Economy and the State, The University of Chicago, Working Paper No. 208