



UNION EUROPEENNE DE L'ARTISANAT ET DES PETITES ET MOYENNES ENTREPRISES
EUROPÄISCHE UNION DES HANDWERKS UND DER KLEIN- UND MITTELBETRIEBE
EUROPEAN ASSOCIATION OF CRAFT, SMALL AND MEDIUM-SIZED ENTERPRISES
UNIONE EUROPEA DELL' ARTIGIANATO E DELLE PICCOLE E MEDIE IMPRESE

**UEAPME Position on the Communication
Towards Common Principles of Flexicurity:
More and better jobs through flexibility and security**

UEAPME, the European craft and SME organisation welcomes the European Commission's initiative to launch an EU-wide debate on flexicurity, since it constitutes a key component of the adaptation to change.

Moreover UEAPME fully agrees with the four pillars and the eight common principles set out by the Commission in its communication on common principles of flexicurity. However, flexicurity is a concept that should be adapted to national realities, type and size of companies, rather than proposing a one-size-fits-all model to modernise labour markets whose state and culture vary significantly across Member States.

Flexicurity should be conceived as a political strategy able to address the need to improve the competitiveness of the European economy while at the same to preserve its social dimension.

The European economy is facing multiple challenges. European companies have to adapt quickly in order to remain competitive in a globalised world. Technological progress has largely contributed to the need for more mobility and flexibility on the labour market.

Old rules and practices from the former industrial society no longer fit today's economic reality. Employers and workers require more and more flexibility and new types of security to make the most of our modern economy.

Modernising labour markets by combining flexibility and security in a mutually reinforcing way is the main challenge ahead. In this context the involvement of social partners and a strong partnership at all levels is a prerequisite for success.

About flexicurity:

Flexicurity should be conceived and applied as the optimal combination of flexibility in the labour market for both companies as well as workers and adequate security for workers and companies alike. Flexicurity is certainly not only about flexibility for enterprises or security for workers.

Flexibility is required by companies mainly to adapt to change and by workers to better combine work, family and private life.

Security is needed by workers and companies. Employment security is not any longer provided by more employment protection and additional rights, but mainly through the opportunity to easily find a job and to maintain a good employability level through lifelong learning, while security for companies means the guarantee to dispose from a well-qualified, mobile and adaptable workforce.

Components of flexicurity

UEAPME supports the four pillars and the eight common principles of the EC communication:

1. Flexible and reliable contractual arrangements
2. Comprehensive lifelong learning strategies
3. Effective active labour market policies
4. Modern social security systems

These four components are the key ingredients for achieving a sound modernisation and consequently a good functioning of labour markets aiming at more and better jobs.

The optimal Flexicurity balance cannot be achieved without the pre-requisite of a well established tripartite concertation between public authorities and social partners and a good bipartite social dialogue, which role is to find the best possible solutions through agreements between employers and workers in a given national, regional and/or sectoral context.

However to reach the full potential of the European economy, the flexicurity components have to be complemented by sound macro-economic policies, the full completion of the Internal market, the creation of a business friendly environment, in particular for SMEs and stimulating entrepreneurship.

1. Flexible and reliable contractual arrangements

Flexible and reliable contractual arrangements are essential for SMEs. In order to meet the adaptability needs of companies and workers, a modern labour law should provide employers and workers with a job protection legislation which does not hinder the creation of permanent contracts and at the same time offers a real choice between various types of flexible work contracts.

Strict employment protection legislation and particularly rigid labour laws tend to produce a severe segmentation of labour market. It strongly reduces the opportunity for specific groups such as young people, women, elderly workers or long term unemployed to enter or re-enter the labour market. Therefore there is an urgent need for modernising labour laws in order to overcome this segmentation.

For SMEs in general, the hiring of workers is a central concern and should be as simple and non bureaucratic as possible.

There are several reasons behind the evolution of using atypical work contracts, the main ones being:

- the rigidity of current rules for indefinite duration contracts which does not allow for sufficient flexibility for employers in case of dismissal necessity,
- the pace of change, which obliges companies to adjust very quickly using all the possibilities of internal, external and numerical flexibility,
- the difficulty for SMEs to have a clear view of future markets and demands.

What is needed is the introduction of more flexibility in indefinite duration contracts and at the same time to check whether it would be possible to bring some more security in some atypical work contracts.

A basic element for encouraging recruitment is the revision of dismissal rules. Many employers are very reluctant to propose indefinite duration contracts, firstly because they are not sure about the future of their economic activities and secondly because they are facing huge difficulties when it comes to terminate an employment relationship regulated by an indefinite duration contract.

It is important to notice that many small companies, which are confronted with the lack of qualified workforce and which have to compete with large companies for recruitment and staff retention are doing their best to hire staff under indefinite duration contracts.

They particularly try to attract qualified and non qualified workers who can be trained, and retain them once they are more experienced with permanent work contracts even if it could be risky for the company.

More flexible permanent work contracts would clearly encourage them to create more new jobs and to hire additional workforce.

Concerning the definition of “insiders” and “outsiders”, UEAPME completely disagrees with the approach of the Commission, which considers insiders as “relatively protected workers” and outsiders as “unprotected workers or unemployed persons”.

A definition of insiders as workers with indefinite duration contracts and outsiders as workers with atypical work contracts is not acceptable. Not only atypical work contracts are full components of the labour market, but they notably contribute to the fluidity of labour markets through their increasing role as a stepping stone for outsiders or for more stable employment contracts.

Presenting atypical work contracts such as fixed term contracts or temporary agency work as precarious jobs gives a very negative image of such activities and is very damageable, although they can be well remunerated and lead to fulltime and open-ended jobs.

UEAPME considers it important to have a clear definition of insiders and outsiders as follow: “insiders” are all active persons on the labour market under various types of employment contracts or self-employed persons, whereas “outsiders” are only people outside the labour market, either officially registered as unemployed people or inactive persons.

All types of flexibility must be duly taken into account when discussing the flexicurity topic: internal flexibility through working time and work organisation, external flexibility with the various forms of contracts (including changes from dependent to independent contracts and vice-versa), geographical and occupational mobility, and numerical flexibility to adapt the company’s staff to changes in demand.

2 Comprehensive lifelong learning strategies

Lifelong learning is a critical tool to ensure workers’ employability. Every effort should be made to put good systems of continuous training in place, as well as promoting retraining, re-qualifying and up-skilling of the workforce with the aim of responding to the real labour market requirements.

In this context, the specific problems of SMEs should be properly addressed. SMEs are predominantly involved in various forms of formal and non formal training which are rarely recognised such as apprenticeship and on the job learning.

Concerning formal continuous training, SMEs need tailor-made training offers, adapted programmes, efficient guidance systems as well as diverse forms of financial incentives to further support their investment efforts.

Since investing in the development of new skills and competences is in the interest of all parties, it is a joint responsibility of businesses, individuals, social partners and public authorities to invest in lifelong learning strategies.

3 Effective active labour market policies (ALMP)

Effective active labour market policies are an indispensable tool against long-term unemployment. Active labour market policies cover a variety of instruments such as public employment services with personalised accompaniment of unemployed people, work incentives, incentives to start up a business, job sharing, job rotation, training and skills improvement, or special assistance for disadvantaged groups.

Well managed active labour market policies have proven their effectiveness. However taking into account their costs, they have to be well designed and closely monitored in terms of quality and results. Safety nets such as adequate unemployment benefits are certainly part of the solution, but these measures should be implemented in an efficient and cost-effective manner, and should vigorously be aimed at reducing unemployment.

Effective active labour market policies should be conceived in a way that supports and strongly encourages the geographical and occupational mobility of workers and jobseekers.

4 Modern social security systems

Modern social security systems should definitely provide workers with replacement benefits in case of transitional periods such as unemployment or work incapacity, but at the same time they should actively encourage people to look for new job opportunities.

Principally, any right to unemployment benefits should be assorted with obligations.

It is absolutely necessary to make sure that the choice to work is more attractive than the social protection benefits, which must not represent a competition to employment. All types of disincentives to work and job seeking must therefore be eliminated.

Consequently a thorough revision of benefit criteria of social protection systems is needed in order to encourage people to look for a job. This should be done in coordination with an adapted tax policy and a reduction of non wage labour costs on low wages. This will also contribute to tackle undeclared work, which creates unfair competition particularly detrimental for SMEs.

These complementary adaptations of the social as well as the fiscal systems are needed if one wants to stimulate job creation and make work pay.

In order to strike a balance between labour cost and productivity for low paid jobs which do not provide sufficient income for a decent living standard, negative income taxation or models for tax credits should also be developed.

Financial dimension of flexicurity

Whatever the system put in place, flexicurity strategies and in particular active labour market policies with generous unemployment benefits are costly. Therefore one of the main aims should be to apply the principle of rights and obligations for the beneficiaries of unemployment benefits.

Comprehensive flexicurity strategies require sound macro-economic policies which can be better guaranteed by reallocating public expenses instead of simply increasing them. In addition, Member States should make real efforts in order to improve the quality of the measures applied. In this context ALMP should be regularly assessed against their real efficiency and constantly adapted in order to reach the most cost-effective results.

Furthermore UEAPME welcomes the use of structural funds in order to help Member States to set up preventive and individualised policies. Nevertheless it should not prevent Member States to focus more on quality and efficiency of investments.

Level of action:

Flexicurity strategies should be developed in full respect of the subsidiarity principle. Whereas the European level is the best place for defining broad common principles and facilitating the exchange of good practices, the right policy mix between the four pillars must be found at national, regional or sectoral level according to the circumstances.

The description of various pathways is a good illustration of the variety of national approaches.

The situation in Member States varies significantly because of the different historical, cultural and social developments and situation of their labour markets.

Even if the challenges faced are the same, the approach to tackle them will differ. In this respect, UEAPME is pleased with the Commission's proposal to set up a broad dialogue at national level if not already in place, but stresses that these initiatives must respect the autonomy of national social partners in all cases.

Concerning the European Social Partners, the ongoing joint analysis of the labour market challenges and its recommendations and priorities for actions will undoubtedly contribute to the European flexicurity debate.

Conclusions:

The European Commission has put forward a number of interesting points for discussion on how to modernise employment relations while ensuring a good level of social protection. The ball is now in the court of Member States, since they are fully responsible for reforming their labour markets and increase their performances.

UEAPME strongly recommends that the flexicurity principles are fully integrated in the Employment Guidelines and that their implementation at national level is ultimately fully included in the National Reform Programmes.

07/09/07