

**CEEMET¹ Position Paper on the Commission's Communication "Towards Common Principles of Flexicurity:
More and better jobs through flexibility and security"
of June 2007**

EXECUTIVE SUMMARY

- **CEEMET welcomes the launch of a debate on "Flexicurity"** as set out in the Commission's Communication "Towards Common Principles of Flexicurity: More and better jobs through flexibility and security".
- CEEMET supports the integrated policy mix approach that is being proposed by the European Commission and welcomes the statement in the Commission's Communication that the **focus should shift from job security to employment security.**
- For the success of European and national "Flexicurity" strategies, it is important that the concept of flexicurity and its importance are understood and accepted by all stakeholders. **CEEMET therefore considers that the Communication on "Flexicurity" is an important political signal that change is necessary to ensure the competitiveness of our companies in a global economy.**
- Employment legislation must facilitate the **flexible work arrangements, both externally and internally, that are increasingly being sought by both employers and employees.**
- **Modern effective and employment-friendly social protection systems in line with active labour market policies (ALMPs)** should be targeted and establish an **effective link between rights and obligations.**
- There is no European pattern of Flexicurity. CEEMET therefore supports the **non-binding approach** that is being used by the Commission which involves identifying general principles of Flexicurity that can be used and adapted as appropriate by the different stakeholders in Member States without adversely affecting national systems.

¹ *CEEMET represents the interests of employers' organisations in the metal, engineering and technology-based (MET) industries from 22 countries with a particular focus on social policy issues. Our member organisations currently represent around 200,000 companies, employing some 12,5 million people.*

The companies in the metal, engineering and technology-based industries make up the largest industrial sector in Europe both in terms of employment levels and added value. In the wealth they generate, the people they employ and the skills they provide, these companies are vital in driving forward Europe's future economic prosperity and have a key role in creating wealth for other sectors and for our society.

Background

CEEMET welcomes the launch of a debate on "Flexicurity" as set out in the Commission's Communication "Towards Common Principles of Flexicurity: More and better jobs through flexibility and security" in the framework of the Lisbon growth and jobs agenda.

In commenting on this Communication, we would like to refer to the CEEMET Position Paper on "Modernising labour law to meet the challenges of the 21st century" which the Commission presented in November 2006.

The MET industries in Europe are having to cope with tremendous challenges from **globalisation** as companies in this sector are particularly **exposed to international competition** and the need to cope with ever faster **technological and organisational changes**. It is therefore vital for these companies and their workforces to be equipped to meet these challenges, particularly as this situation coincides with a **shortage of skilled workers**, a declining population as well as an **ageing workforce**.

Creating and maintaining an environment that ensures a thriving and competitive manufacturing sector, able to deliver high quality and sustainable employment, should therefore be a common goal for all stakeholders. CEEMET wants to contribute, particularly in the area of **social policy**, to improving the environment that supports the development of competitive and profitable companies. Without such companies, it will not be possible to have sustainable jobs in the metal, electrical and technology-based industries in Europe.

By creating an improved economic environment, CEEMET is convinced that the industries in our sector and their employees have a future in Europe. However, we are firmly of the view that, in order to respond to the challenges facing the European economy and, in the end, of society itself, steps have to be taken to create a **regulatory framework that encourages, rather than stifles, competitiveness**.

Introduction

CEEMET welcomes the statement in the Commission's Communication that the focus should shift **from job security to employment security** and that a better balance between rights and responsibilities is needed.

However, the Flexicurity debate will only have a very limited effect if it is simply reduced to a discussion on the right balance between flexibility and security, between costs and benefits as well as between rights and obligations. Employment and working conditions always represent, to a certain extent, a point of balance resulting from discussions and negotiations between stakeholders. **CEEMET welcomes the Flexicurity debate because it will help all stakeholders to understand and accept the necessity for change.** In our opinion, this point should be expressly stated in the second guideline "Striking a balance between rights and responsibilities".

Whereas many aspects of "Flexicurity" are already being applied or developed at various levels in most EU Member States, CEEMET acknowledges that the Communication takes a **new, holistic and integrated approach** to this broad concept. However, "Flexicurity" is no panacea and has to be seen in the national context and shaped according to it but sharing experiences, facilitated by the European Commission, can contribute to more effective actions at national and, possibly, European level. It is in the first instance the responsibility of the relevant stakeholders in the Member States to take the steps they consider necessary to achieve better combinations of flexibility and security, in line with their specific situations. In this context, it is crucial to **learn from each other and to identify successful instruments.** Flexicurity must therefore remain a **non-binding instrument** and the **principle of subsidiarity** must be guaranteed.

Flexible and reliable contractual arrangements

Flexible and reliable contractual arrangements are of the utmost importance for improving the competitiveness of companies and therefore the creation of employment in Europe. This applies especially to small and medium size companies. The shift that the European Commission also wishes to promote **from job security to employment security** requires the simultaneous presence of flexible contractual arrangements that allows companies to adjust their workforces rapidly, efficiently and at low cost together with social security systems that provide employees with security during periods of transition between different employers.

Employment legislation must facilitate these necessary **flexible work arrangements, both externally and internally.** The more restrictive employment law is, the more companies are likely to have to use "non-standard" contracts to achieve the flexibility that they require. Furthermore, too rigid employment legislation is an unnecessary cost burden for companies in Europe.

The increasing number of temporary employment and fixed term employment contracts in many countries is often a reaction of companies to the increasing strictness of legislation - especially in countries with rigid employment laws - so that they can respond to workload peaks and troughs but these contracts are also used as a precautionary measure in the face of uncertain future economic developments. They are also a tool for companies to overcome the increasing skills shortages that they face, enabling them to have a greater availability of workers. Many of these temporary or fixed term contracts are eventually converted into open-ended contracts. In addition, flexible employment contracts are also an important instrument for employees to help them achieve work-life balance and the reconciliation of work and family life. However, no generalisations can be made about temporary work since there are many different types of temporary work which can vary between countries.

The existence of dismissal procedures that are often too bureaucratic and costly is detrimental to job creation leading in some cases to situations where employees or trade unions bargain only about the

level of severance pay. Furthermore and taking into account the current rules in some countries concerning the requirement to dismiss people according to certain established criteria (e.g. family situation, seniority etc.), situations sometimes exist where employers are prevented from retaining employees who are key to the future success of a company. In the end, excessive and inappropriate employment regulations tend to protect “insiders” (people working) at the expense of “outsiders” (unemployed people)².

Flexibility within contractual work arrangements is also crucial. CEEMET would like to emphasize again that flexibility concerning working time can benefit both employers and employees through, for example, working time accounts, overtime etc..

At the appropriate level, social partners can agree to adapt collective agreements, providing for any necessary flexibility measures if laws leave sufficient room for them to find tailor-made solutions³.

CEEMET is of the opinion that the fourth principle of “Flexicurity” “*Reducing the gap between the non-standard, sometimes precarious contractual arrangements on the one hand (so-called 'outsiders'), and those in permanent, full-time jobs on the other (the 'insiders')*” is too vague and should be amended to exclude any reduction of flexibility in the different kind of contractual arrangements. To conclude on the first pillar, CEEMET is of the opinion that the fourth principle of “Flexicurity” should read “**Offering more contractual flexibility for work and more security during transitions**”.

Effective labour market policies

Member States should put into practice effective and needs-driven labour market policies and lifelong learning systems fostering **employability** and **labour market integration**. In the context of Flexicurity, the mobility of workers should also be promoted. CEEMET is of the opinion that adaptable and more flexible employment protection should be combined with an adequate social protection system and active labour market policies (ALMPs). Depending on the situation in each country, this could require reforms of their taxation and the social protection systems to give more incentives for individuals to remain in the labour market and to make work pay.

ALMPs should help people to cope with rapid change in a more effective way and also help **reduce the time of transitions into new jobs and prevent long term unemployment**.

Modern social security systems

Modern and employment-friendly social protection systems, in line with the ALMPs described above, should be targeted and an **effective link should also be established between rights and obligations**, particularly for unemployment security systems, to ensure that those without jobs are available for work and **constantly looking for new employment opportunities**. There is evidence that a reduction in excessive rights has a positive effect in encouraging individuals to actively look for and find a new job. Supporting employees in the process of their transition from one job to another by providing them with some degree of **income security** during this period is also a necessary role for social protection systems.

Comprehensive lifelong learning strategies³

CEEMET wishes to see all relevant stakeholders – at all levels (company, sectors, national, European etc.) - encourage and invest in a **commitment to lifelong learning** (LLL). In this regard, we would

² CEEMET does not agree with the concept of insiders - “those in permanent, full-time jobs” - and outsiders – those in “non-standard, sometimes precarious contractual arrangements” - as described by the EC.

³ On these points, we would like to refer to our CEEMET Position Paper on “Modernising labour law to meet the challenges of the 21st century”.

stress that education policy and, in particular, the financial aspects of LLL are matters that should be dealt with at national level. In our opinion, there is today a clear need to change the mental approach of all stakeholders so that they recognise the **shared responsibility for training**, in terms of time and money, between workers and employers.

Comprehensive LLL strategies should be of direct relevance to the labour market and take into account the fact that, despite the relatively high unemployment rates that still persist in most European countries, the **shortage of skilled labour** represents a problem for many companies. Today, there is a large and growing qualitative and quantitative shortage in most European countries of qualified employees in industrial jobs (e.g. high calibre apprentices, qualified workers and engineers). This shortage is particularly problematic throughout all of the MET industries (e.g. automobile, aerospace, ICT, electrical and electronic sectors, shipbuilding, foundries).

Recent surveys suggest that one of the main barriers for the training of low skilled workers is their lack of motivation. **Motivation for training** and, especially, ensuring the attractiveness of vocational training for young people, adults, employees and the unemployed should also be the aim of a comprehensive LLL strategy.

Occupational training should allow individuals to acquire the competences that are needed by companies. Therefore, permanent **innovative approaches** are necessary for **both initial and continuous training systems**. This will require the development of an innovative system which would allow companies, young people and employees to have individualised training that can be adapted to their needs. Furthermore, another way to make occupational training attractive, for both companies and individuals, is for the knowledge, skills and competences acquired during training to be objectively recorded.

In CEEMET's opinion, this pillar of Flexicurity should be better reflected in the common principles.

In addition, an appropriate LLL strategy should be complemented, as a short term solution, by the promotion of the migration of high qualified workers.

Conclusion

CEEMET supports the integrated policy mix approach that is being proposed by the European Commission. For the success of European and national "Flexicurity" strategies, it is important that the concept and its importance are understood and accepted by all stakeholders. **Therefore, CEEMET considers that the Communication on "Flexicurity" is an important political signal that change is necessary.** The Commission is also right to stress that there is no European pattern of Flexicurity. CEEMET therefore supports the non-binding approach that is being used by the Commission which involves identify general principles of Flexicurity that can be used and adapted, as appropriate, by the different stakeholders in Member States.