

Concept

The Flexicurity Approach

Definition

Flexicurity is based on the approach that in the labor market¹, a balance should be achieved between:

- **Employees' Security** – the ability of employees' to adapt to changes in the market that might affect them negatively, such as layoffs or wage cuts; and
- **Employers' Flexibility** – the ability of employers to adjust the use of human capital – such as the number of people employed, salaries, working hours or training – to the market's changing needs.

The core of the flexicurity approach is the fostering of human capital, as a competitive edge in the global market² – This approach is based on the understanding that it will be harder for a flexible labor market to develop a sustainable competitive edge unless it provides its workers with security in the form of developing their human capital. This is the source of the perception that sees security and flexibility as necessary and complementary factors in the global economy, rather than as opposing factors.

Background

The need to possess a competitive labor market that provides its workers with financial security caused Denmark³ to develop the flexicurity model⁴ that combines flexibility with security⁵. The Danish flexicurity model is comprised of four components: a flexible labor market, life-long learning, effective active labor market policies for weaker groups in society and a work-oriented welfare system. A number of member states in the European Union have embraced the notion of flexicurity while adopting it into their labor markets' special characteristics.⁶

¹ Lyhne C. & Mailand M., "[Flexicurity and Collective Bargaining](#)", **Employment Relations Research Centre Department of Sociology University of Copenhagen**, April 2009, p 34, table 4.

² The European Union's Employment Commissioner Vladimir Pidla claimed that: "...the objective is to put human capital at the centre of our efforts. This is exactly what the debate on flexicurity is all about." [European Employment Strategy Debated in Brussels](#), June 2007.

³ In the years 1993-2005 the unemployment rate in Denmark decreased from 13% to 5%. In 2005 the employment rate in Denmark was the highest in the EU, and was 7.6%. "Employment in Europe 2006", [European Commission, pg. 262](#).

⁴ The Danish employment model combines flexibility and security. See Reut's document [Flexicurity in Denmark](#) and [T.Bredgaard, The Flexible Danish Labor Market - A Review, p. 26, 2005](#).

⁵ Denmark leads in competitiveness: in the years 2006-2007, Denmark was ranked 3rd in the global competitiveness index. See the website of the [Global Economic Forum](#).

⁶ The EU embraced the principles of flexicurity and sees it as a strategy towards growth that diminishes unemployment and creates better jobs "[Towards Common Principles of Flexicurity](#)". [European Commission, pg.3, 2007](#).

Context: fostering human capital as a means to leapfrog

Leapfrog requires combining high and sustainable growth rates with inclusiveness – 'Leapfrog' means accelerated development, which reduces disparities in quality of life relative to other leading countries⁷. A leapfrog requires a combination of sustainable high growth, which enlarges the pie, as well as inclusiveness, which distributes the fruits of growth in a way that increases the quality of life of all citizens (inclusive development).⁸

Sustainable high growth is the product of a unique and global development policy – A unique and global development policy focuses on innovation and securing the market's competitiveness. This policy aims to systematically exploit strong global trends through the country's unique assets.⁹

A unique and global development policy promotes the transformation of the national product composition and the shift to the production of products with higher economic value. This change includes a constant process of destruction and creation during which new industries rise while old ones decline. The economist Joseph Schumpeter called this process "creative destruction."¹⁰

Rapid changes in the product composition require adaptations in the labor market – Global competition, technological advancement and new needs require new skills and qualifications in the labor market. For example, the growing importance of the service industry in modern economies requires different skills than the products industry.¹¹

Rapid changes in the product composition require the fostering of human capital – Rapid changes and the shift towards the production of products with higher economic value requires the development of human capital. The constant changes in the market create an ever-growing demand for workers who are capable of changing, adapting to new technologies, and working independently.

At the same time, fostering human capital promotes inclusiveness – The development of human capital enhances professional and social mobility. In this way it provides the individual with more opportunities for higher wages and job satisfaction. As a result, the development of human capital improves the individual's quality of life.

⁷ For more information see Reut's document: ['Principles and Guidelines for Achieving a Socioeconomic Leapfrog – Version B'](#).

⁸ ["The Growth Report – Strategies for Sustained Growth and Inclusive Development", Commission on Growth and Development, p 1, 27 \(Washington DC: The World Bank, 2008\).](#)

⁹ For more information see Reut's document: 'Unique and Global Development Policy'.

¹⁰ For more information see Reut's document: ['Principles and Guidelines for Achieving a Socioeconomic Leapfrog – Version B' p. 13.](#)

¹¹ See European Union Commission: Education and Training: ["New Skills for New Jobs", European Commission: Directorate-General for Employment, Social Affairs and Equal Opportunities and Directorate-General for Education and Culture, pg. 18, 19, 2009.](#)

The fostering of human capital as the center of flexicurity

The development of human capital provides an answer to the changes within the demands of the labor market. The education and training systems are required to adequately respond to the changing requirements of the labor market. Accordingly, these systems should constantly adapt to the present and future needs of the market.¹²

The fostering of human capital provides:

- **Security for the employee** – Training enhances the employability of the worker, *i.e.* his capability to reduce periods of unemployment between jobs and to improve his professional position. In this way, it increases the worker's sense of stability and security. Additionally, training provides more opportunities for a higher wage, greater satisfaction, and continuous relevancy to the job market.¹³

An increase in the participation rate in the job market – Training provides workers with the relevant qualifications for sustainable integration into the labor market.

- **Flexibility for the employers** – Training provides employers with greater flexibility by increasing their ability to adapt to the changing circumstances of the global market. This is achieved by developing employees with higher abilities to absorb new technologies and contribute to the companies' competitive edge.¹⁴

'Life long learning': a system for the development of human capital

'Life long learning' is a complex system of training designated for the changing needs of the labor market.¹⁵ This system sees training as a dynamic process that lasts throughout the employees' life. It is designed for different groups both inside outside the labor market and includes a wide range of tools and options:

- **Wide range of training programs** – 'Life long learning' is directed to different levels and kinds of employment, starting from jobs that require little skill to academic professions that require advanced qualifications.¹⁶
- **Multidimensional training** – Some of the training programs are designed to develop specific professional skills, such as legal writing or working with special computer programs. In addition, the purpose of other training is to develop more generic skills relevant to a number of professions, such as working with the internet, language skills or marketing abilities.¹⁷

¹² New Skills for New Jobs, p. 25.

¹³ New Skills for New Jobs, p. 7.

¹⁴ New Skills for New Jobs, pp. 2, 7.

¹⁵ See the [European Union Commission: Education and Training](#).

¹⁶ New Skills for New Jobs, p. 31.

- **Formal and informal training** – The concept behind 'Life long learning', acknowledges different kinds of training programs, both formal and informal. These include: primary education, higher education, professional training (both governmental and private) and personal experience. Through acknowledging different kinds of training, the worker is allowed to widen his skills and qualification throughout his life.¹⁸
- **Training in different arenas** – The training programs could be financed by different bodies and take place in different frameworks: in the work place, private training centers or in governmental training centers.

Inter-sectorial cooperation as a mechanism to implement flexicurity

Implementing the flexicurity policy is based on creating an institutionalized dialogue around a common cause – The basis of the concept of flexicurity is an ongoing dialogue between the relevant players. The dialogue should be focused on the contribution of each player in achieving a mutual vision (although the contribution does not have to be equal). This is in contrast to negotiation dynamics, which is based on mutual concessions. Therefore, in order to implement this policy, there is a need to establish a stable and institutionalized system that facilitates the dialogue between the different actors.¹⁹

Training is the center of agreement between the employers and the employees – In the context of flexicurity, the common purpose of all the different players is the fostering of human capital *i.e.* the investment in training.²⁰

The concept of flexicurity could be implemented on a variety of levels – The concept can not only be implemented in the market level but also in the economic branch and even within the level of a single company. As a result, the implementation of the flexicurity policy is flexible and might change from one branch to the other or between one firm to the other. The differences in implementing the policy meanwhile might depend on the different challenges the players face, as well as their specific needs and preferences.²¹

What does each player contribute to the common goal?

The employees are required to allow a more flexible range of employment – The employees are required to allow more flexible forms of employment and working

¹⁸ The EU's training system is based on skills and qualifications measurement which is not dependent on the manner through which the skills were required, see further elaboration on the EQF in [European Union Commission: Education and Training](#).

¹⁹ For a description of the models in Denmark, Ireland, Spain and Holland, see "[Towards Common Principles of Flexicurity](#)", [European Commission: Directorate-General for Employment, Social Affairs and Equal Opportunities](#), pg. 36-37, 2007.

²⁰ In this regard, in Ireland issues of training and competence building is the least controversial, as all sides clearly see their benefit. See [Ireland: Flexicurity and Industrial Relations \(2.2\)](#).

²¹ Flexicurity and Collective Bargaining, pg. 110-111.

conditions such as allowing their employers to adjust the quantity of employees, kinds of jobs (*i.e.* temporary or permanent) and wages to the changing circumstances of the market.²²

The employers provide inputs for the training of the employees – The employers are required to provide input regarding training such as: identifying future training needs and instructing the training institution accordingly,²³ showing willingness to allocate time and money to external training, providing on-the-job training programs, and training the 'next generation' in local schools.

The government facilitates the process – The government's role is to encourage and support the dialogue by providing incentives for training and employment or by providing training institutions with information regarding the future demand for workers.²⁴ In parallel, the government could enrich the dialogue by exposing the different systemic ramifications of each decision or agreement, using its ability to see the broader picture.

Non profit sector: representing non unionized groups in the dialogue – the non profit sector could enrich the dialogue by giving a voice to groups which are not represented by the worker's unions or the employers' organizations. Alternatively, this role could be fulfilled by the government, which represents the general public.

²² Flexicurity and Collective Bargaining, p. 26.

²³ New Skills for New Jobs, p. 24, 26.

²⁴ Accordingly, the EU conducts a forecast of the future skills and qualifications in the labor market, in the medium and long term. This is done for the purpose of meeting the future needs with a relevant supply of workers. New Skills for New Jobs, p. 13.