

Daniela, Pasnicu

Conference Paper

Flexicurity: a strategy for sustainable socio-economic recovery

50th Congress of the European Regional Science Association: "Sustainable Regional Growth and Development in the Creative Knowledge Economy", 19-23 August 2010, Jönköping, Sweden

Provided in Cooperation with:

European Regional Science Association (ERSA)

Suggested Citation: Daniela, Pasnicu (2010) : Flexicurity: a strategy for sustainable socio-economic recovery, 50th Congress of the European Regional Science Association: "Sustainable Regional Growth and Development in the Creative Knowledge Economy", 19-23 August 2010, Jönköping, Sweden, European Regional Science Association (ERSA), Louvain-la-Neuve

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Flexicurity: a strategy for sustainable socio-economic recovery

PhD, Vasilica Ciuca – researcher National Scientific Research Institute for Labour and Social Protection – silviaciuca@incsmips.ro

PhD, Associate Professor Daniela Pasnicu – researcher National Scientific Research Institute for Labour and Social Protection, Spiru Haret University- danielapasnicu@yahoo.com

PhD, Associate Professor Luise Mladen - researcher National Scientific Research Institute for Labour and Social Protection, Spiru Haret University- luisemladen@hotmail.com

Abstract

Social partners have different visions about flexicurity both conceptual point of view and of some the eventual mechanisms of implementing this concept. They have in mind the implementation of flexicurity only in their interest area, some of them are emphasizing flexibility while other social security, so there isn't a global agreement. A sound balance between flexibility and security is an indispensable means of improving competitiveness while maintaining the European social model. The combination of flexibility and security is unique to each country and in the context of the present crises calls for a strengthening security for workers.

The present paper adds some new elements to the existing research on flexicurity by exploring the relevance and adaptability of this strategy to the Romanian labor market. The paper also emphasizes that social dialogue is a key component for elaborate a Romanian flexicurity model, adaptable to the labor market dynamics, non-birocratic, that can generate new and better work places and open the way to a sustainable straightening. As a result, the paper includes conceptual clarifications regarding flexicurity, an analysis of the Romanian labor market flexicurity, the role of the flexicurity in reducing the effects of the economic crisis and the principal conclusions from the social partners' point of views which were presented in the public audition organized on this topic.

Key words: flexicurity, flexicurity model, implementation measures, flexicurity indices

1. Conceptual clarification concerning flexicurity in the context of the new challenges of the labour market according with the European strategy 2020

Flexicurity was defined by the European Commission as an integrated strategy for the simultaneously consolidation of both flexibility and security on the labour market¹. This strategy includes a policy-mix on four directions: flexible and trustworthy contract agreement, comprehensive life-long learning strategies, active policies on the efficient labour market, the modern social security systems. The concept of “flexicurity” is primarily based on the idea that the two dimensions of flexibility and security are not contradictory, but mutually supportive, particularly in the context of the major challenges: globalization, technologic progress, demographic ageing and labour market segmentation. Wilthagen and Thros (2004) and Madsen (2005) note that term flexicurity may cover at least 16 very different configurations of elements of flexibility (external numerical, internal numerical, functional, flexible pay) and elements of security (job security, income security, employment security, combination security²).

Flexicurity has appeared as a solution to the European dilemma: how to maintain and improve the European enterprise competitiveness in the global competition without sacrificing the European Social Model. The so-called effects of globalization upon the economy and labour market of the entire world have emphasised the importance of designing institutions in general and of labour market in particular. For coping with globalization there is needed a high qualified labour force and the modernization of the institutions in order to allow the development of segmented labour market of many Member State, in which there coexist insiders with outsiders and where the poverty on the long term can be a special problem among these groups which have limited access to the training opportunities.

The European Strategy for promoting employment and for adapting to the labor market challenges through a balanced flexicurity framework has advanced in the European States, many of them being involved in its implementation. The success of the Flexicurity concept represents the ability of The Lisbon strategy to stimulate and frame policy debates and generate mutually acceptable solutions even though in many cases relevant measures still need to be implemented.

¹ European Commission (2007) Towards Common Principles of flexicurity: more and better jobs through flexibility and security. Directorate/General for Employment, Social Affairs and Equal Opportunities.

² The ability to combine work with private, unpaid activities and commitments)

The year 2010 mark a new beginning for Europe. The short-time priority is a successful exit from the crisis. In the last two years millions persons lost their jobs and the commissar Jose Manuel Baroso says “*It has brought a burden of debt that will last for many years. It has brought new pressures on our social cohesion*”. To achieve a sustainable future, we must already look beyond the short term. The objective of the European Strategy 2020 is to get back on track and then it must stay on track. In order to create more jobs and better lives, the Strategy 2020 proposes three mutually reinforcing priorities: a smart, sustainable and inclusive growth. The global challenges intensify: The economies are increasingly interlinked and competition from developed and emerging economies is intensifying; global finance still need corrective measures and the climate and resource challenges require drastic action. Beside these challenges, Europe needs to solve structural weaknesses: average growth rate has been structurally lower than that of our main economic partners, largely due to a productivity gap; employment rate in EU (66% in 2008 for those aged 20-64) is still significantly lower than in other parts of world (US, Japan,) and accelerating demographic ageing (the number of people aged over 60 is now increasing twice as fast as it did before 2007) will place additional strains on our welfare system. Moving out of the crisis is the immediate challenge, but the biggest challenge is to escape the reflex to try to return to the pre-crisis situation when there where these structural weaknesses.

The flexicurity framework can be real useful in the crisis period, because it promotes keeping persons in employment and easy transition between jobs. The role of flexicurity measures in mitigating the impact of the crisis is important, but flexicurity will not itself address the root causes of the current recession. The choices faced by policy makers primarily concentrate on the following options: supporting working time flexibility (both decreases and increases in working time); supporting wage flexibility; and reduction of non-wage labour costs³. Policy measures such as short-term work or partial unemployment (i.e. falling under support for working time flexibility measures) need to be treated with caution. They are based on an expectation of business improvement in the short term – companies are only willing to implement them if there is an expected upturn in the economy. In the context of a long-term recession, the issue is whether public funds used to support such measures are the most effective interventions?. Another possible measure to minimize job cuts is support for an increase in working hours without a corresponding increase in wages. The danger here is that by working more, some of the company’s workers will have to become redundant. Support to

³ Jens Henrik Haahr, *Restructuring and flexicurity: the macrolevel*

wage flexibility needs to take account of the possible downward spiralling of wages, which would be detrimental to maintaining the levels of consumer demand as one of the drivers of economic growth. Wage flexibility can work in the contexts where workers forego some part of wage benefits if they see a chance for the company to survive. As a conclusion, the reduction of non-wage labour costs (e.g. the reduction of social security contributions) leads to a creation of new jobs or the maintenance of existing jobs.

A concerted approach is needed, to reduce the employment impact of the crisis and to overcome the structural weaknesses of labour markets; its success depends heavily on the involvement of all stakeholders in playing a key role in adapting labour markets. Dialogue between governments, workers and employers on policy choices is the foundation of the flexicurity approach.

2. Romanian Context concerning flexicurity implementation

The Labour Code stipulations, for the year 2003, are overdone to the present socio-economic context. The work relations became steady, the worker's rights being protected both internally and through Community Acquis applicable from the accession. The Labour Law stipulations protective and favoured with employees are not justified. The overdone protection of the jobs and employees lead in these conditions to the deficiency in competitiveness. In the present, the employees are convinced that in the condition of delivering of the work by a low satisfactory quality, the legislative stipulations support their job protection, sustaining the low interest for: lifelong training, improvement training, professional training, territorial and professional mobility. The professional requalification and retraining include a major weight of starch. The labour relations flexibility becomes a priority together with other components of the public politics, for balancing the rights and obligations of the two contractual parts.

In the last period, there were noticed preoccupations towards flexicurity, especially in defining a Romanian model of flexicurity. A sketch of the Romanian model of flexicurity was publicly presented in June 2009⁴. This stipulates three interdependent pillars each of them with an autonomy grade as the following:

1. Increasing of the employment and reducing of the long term unemployment:

⁴ The model was elaborated in the framework of the project: Mechanism to promote the flexibility and security (flexicurity) and labour market segmentation reduction policy, project manager Daniela Paşnicu, www.flexicurity.ro

- Reducing the rigidity of the Employment Protection Legislation, in principal of the temporary employment component;
- Increasing the geographic and ascending occupational mobility;
- Increasing internal flexibility;
- New ways for labour management;
- Increasing the employment quality.

2. Security development:

- Increasing the guaranties for social security;
- Active policy for disadvantageous group;
- Development of the efficient and fair training system;
- Reducing the labour market segmentation:
- Measures for reducing undeclared work;
- Training opportunity for all the workers (from low qualification to elderly);
- Efficient tax system;

3. Some figures relevant for the elements of flexicurity

3.1. *Employment protection legislation dynamics*

The employment protection legislation (EPL) was introduced with the aim of improving workers' employment conditions and enhancing their welfare. The scientific literature highlights a wide range of effects, both positive and negative, of EPL on labour market performance. On the one hand EPL stabilizes the employee-employer relationship and stimulates the investments in training with consequences in higher productivity, but on the other hand it raises the costs incurred by firms while adjusting the stock of employment diminishing the firms' ability to cope with challenges like globalisation, technological change and innovation. A stricter EPL favours insiders and is detrimental to the employment opportunities of outsiders contributing to labour market rigidity and higher unemployment especially the long-term unemployment.

Based on the OECD 2004⁵ methodology we have calculated a summary indicator of the overall stance of EPL. This is a weighted average of three sub-indicators on dismissal regulations covering 1) regular employee; 2) temporary employee; and 3) collective dismissals.

⁵ OECD (2004) Employment Outlook

In the list of the 23 countries analysed by the authors the overall index calculated for Romania based on 2003 Labour Code ranked our country in the 22nd place with one of the most stringent dismissal regulations (see table 1). The changes made to the law in 2005 and 2006 have increased the external numerical flexibility placing Romania in the 18th place. The relaxation of the rules was made especially in terms of regular employment and collective dismissals keeping the rules for temporary employment quite rigid.

Table 1: Summary indicators of the strictness of employment protection

Rank	Country	Regular employment	Temporary employment	Collective dismissals	Overall EPL (Version 2)
1	United Kingdom	1.1	0.4	2.9	1.1
2	Ireland	1.6	0.6	2.4	1.3
3	Slovak Republic	2.3	0.4	3.8	1.7
4	Hungary	1.9	1.1	2.9	1.7
5	Denmark	1.5	1.4	3.9	1.8
6	Czech Republic	3.3	0.5	2.1	1.9
7	Bulgaria**	2.1	0.9	4.1	2.0
8	Finland	2.2	1.9	2.6	2.1
9	Poland	2.2	1.3	4.1	2.1
10	Austria	2.4	1.5	3.3	2.2
11	Netherlands	3.1	1.2	3.0	2.3
12	Estonia**	2.7	1.3	4.0	2.3
13	Italy	1.8	2.1	4.9	2.4
14	Germany	2.7	1.8	3.8	2.5
15	Belgium	1.7	2.6	4.1	2.5
16	Slovenia**	2.7	2.3	3.3	2.6
17	Sweden	2.9	1.6	4.5	2.6
18	Romania* (2006)	2.0	2.9	4.4	2.8
18	Lithuania**	2.9	2.4	3.6	2.8
19	France	2.5	3.6	2.1	2.9
20	Greece	2.4	3.3	3.3	2.9
21	Spain	2.6	3.5	3.1	3.1
22	Romania* (2003)	2.7	3.0	5.3	3.2
23	Portugal	4.2	2.8	3.6	3.5

Sources: OECD Employment Outlook 2004;*authors calculations using the OECD methodology; **Tonin (2005)

The least regulated countries are United Kingdom, Ireland and Denmark while stricter employment protection is a feature of the Mediterranean countries like Greece, Spain or Portugal. As can be seen, the new member states do not constitute a homogeneous group in terms of EPL strictness. Slovakia and Hungary are placed at the top of the list having a very relaxed legislation. So, one could say that there is no pattern specific to the Central and Eastern European countries.

Figure 1 emphasizes the evolution of the EPL for Romania after December'89. In 1992 the law was deeply relaxed in order to allow the large wave of dismissals during the restructuring phase of the economy.

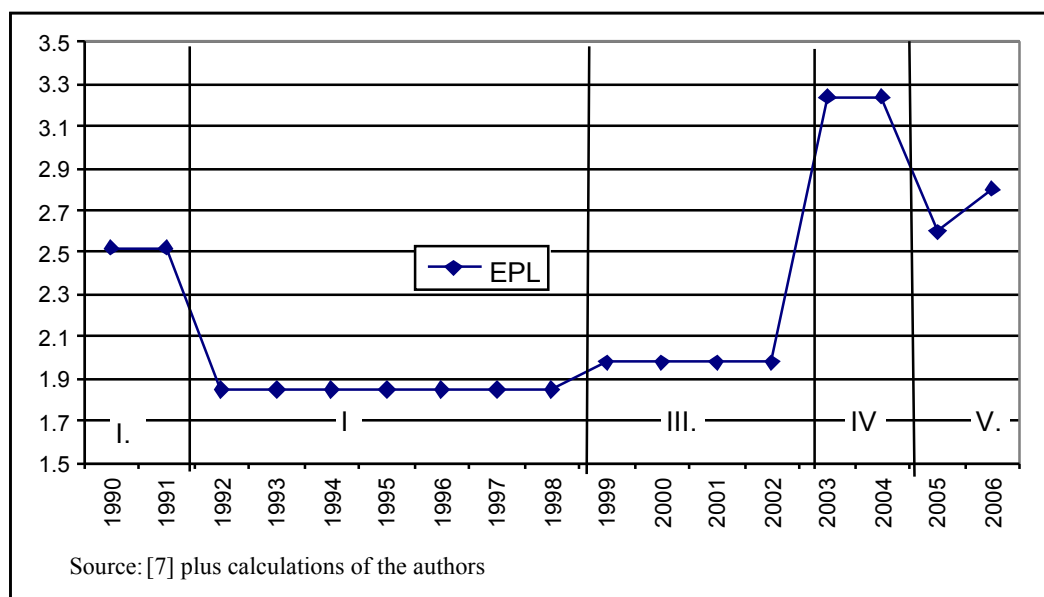


Figure 1: The index of the strictness of employment protection legislation for Romania, 1990-2006

In 2003 a new Labour Code was enacted because the old law didn't suit the economic and social realities at that moment. The aim was to discourage the undeclared work and to take into account the principle of workers' protection. Thus, although in line with European directives, the new Romanian legislation was generally more protective for the employees. After a short while, both employers and employees voiced their disapprovals related to the restrictions imposed. As a consequence, the law was amended twice, in 2005 and 2006, in order to make the labour relations more flexible.

In the authors' opinion, the current Romanian law is still rigid continuing to cause a wide distance between the labour market "insiders" and "outsiders". It is a stringent need to increase the employment opportunities of the young people, the persons who are benefits dependant and those who are working in the informal sector.

The analyses based on the EUROSTAT statistical figures show that in 2008 14.0% of EU 27 employees had fixed-term contracts and that represents a continuation of the rise in prevalence of this more flexible form of contract (figure 2). By contrast, in Romania only 1.3% of employees worked on a temporary basis. The figures show a decrease in the last five years of around 1.5 percentage points. Also, it may be noticed that in 2008 1.3% of males and

1.1% of females held fixed-term contracts while the share of fixed-term employment in EU 27 was 14.9% for women compared to 13.2% for men.

The strictness of EPL for temporary employment may be an important element in explaining the incidence of temporary work. In Romania, the summary score regarding this area jumped from 2.25 in 1992 to 3.0 at the date the new Labour Code came into force. That represents a relatively stricter regulation compared with most of the EU countries.

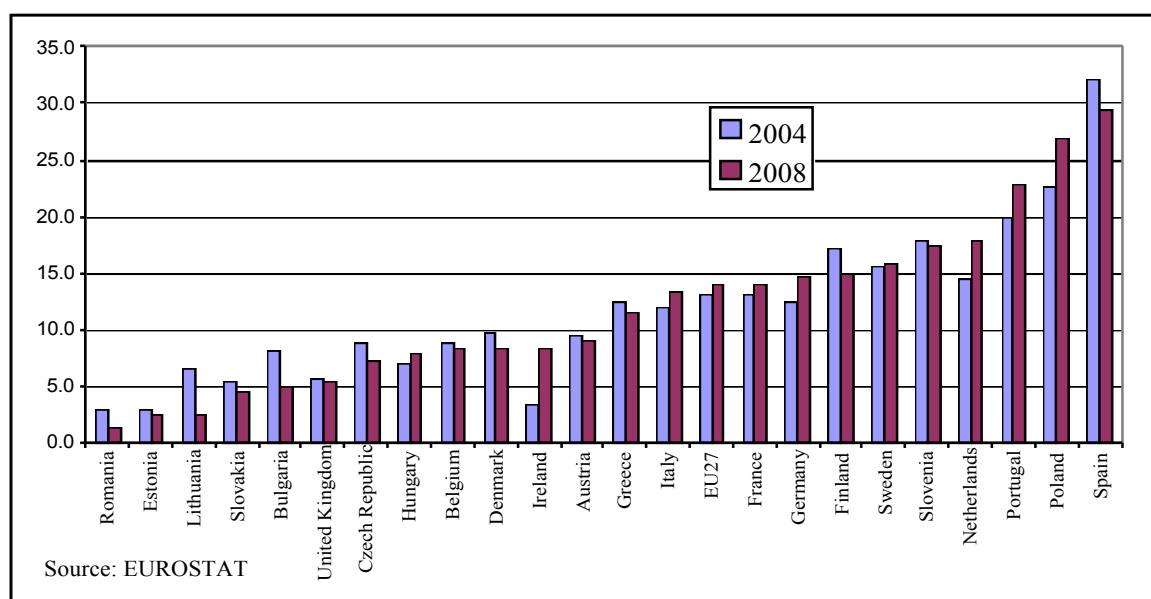


Figure 2: Temporary employees as a percentage of the total number of employees (%), 2004 and 2008

The EUROSTAT statistical figures show that from 2004 to 2008, in Romania, the share of part-time employment declined from 9.2% to 8.6% (figure 3). At the same time, at the overall EU level, in 2008, 17.6% of workers were in part-time employment, with 0.9 percentage points more than in the year 2004. In Romania, we notice that there is a relative balance between the female part-time employment rate (9.3%) and the male rate (8.1%). Meanwhile in EU 27 part-time employment continues to be predominantly a feature of female employment: for instance, in 2008 the female rate (30.6%) was significantly higher than the male rate (7.0%).

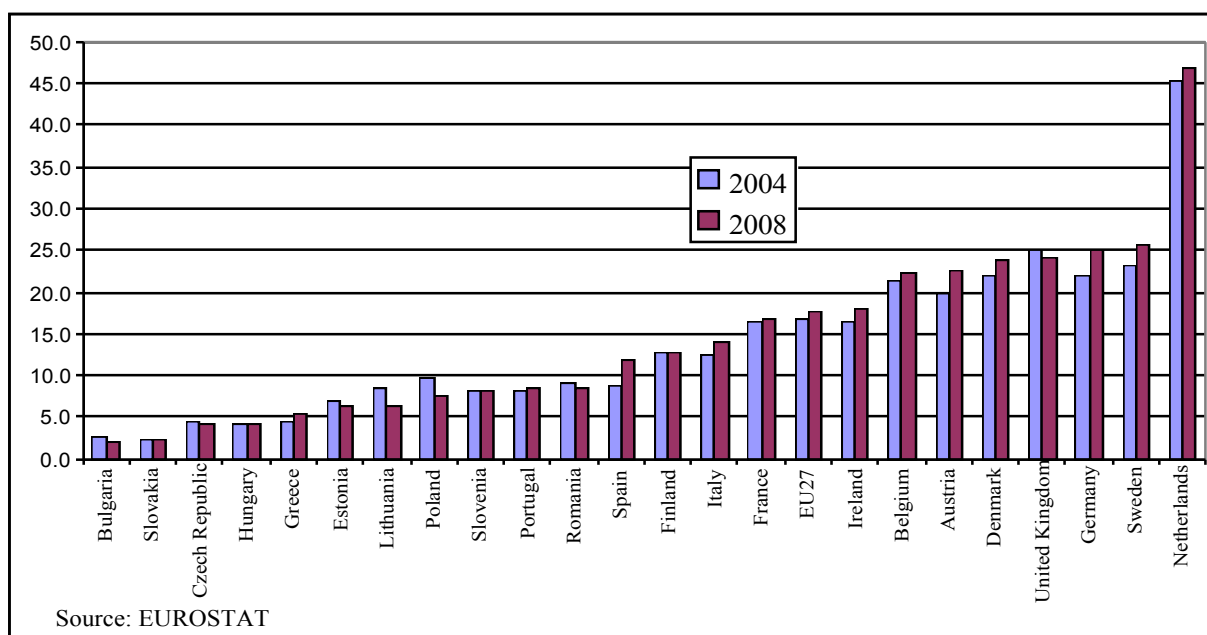


Figure 3: Part-time employment as a percentage of the total employment (%), 2004 and 2008

3.2. Active Labour Market Policies (ALMP)

Active Labour Market Policies aim at reducing labour market imperfections and at preventing the degradation of the situation of some disadvantaged groups of people (the youth, disabled, unskilled, long-term unemployed, etc.). ALMP enhance the human capital of those persons participating in programmes and sustain their employability. Thus, the provisions are expected to improve the efficiency of the job-matching process.

Some figures regarding expenditure on active and passive labour market policies as a percentage of GDP in the selected European countries are presented in figure 4. Romania is placed near the bottom of the list spending 0.076% GDP on ALMP and 0.228% GDP on PLMP. Generally, all the new member states spend a relatively low amount of resources on LMP. The three highest spending countries are Belgium, Denmark and Sweden. The magnitude of the resources involved indicates that a model like Denmark's cannot be applied to other Member States.

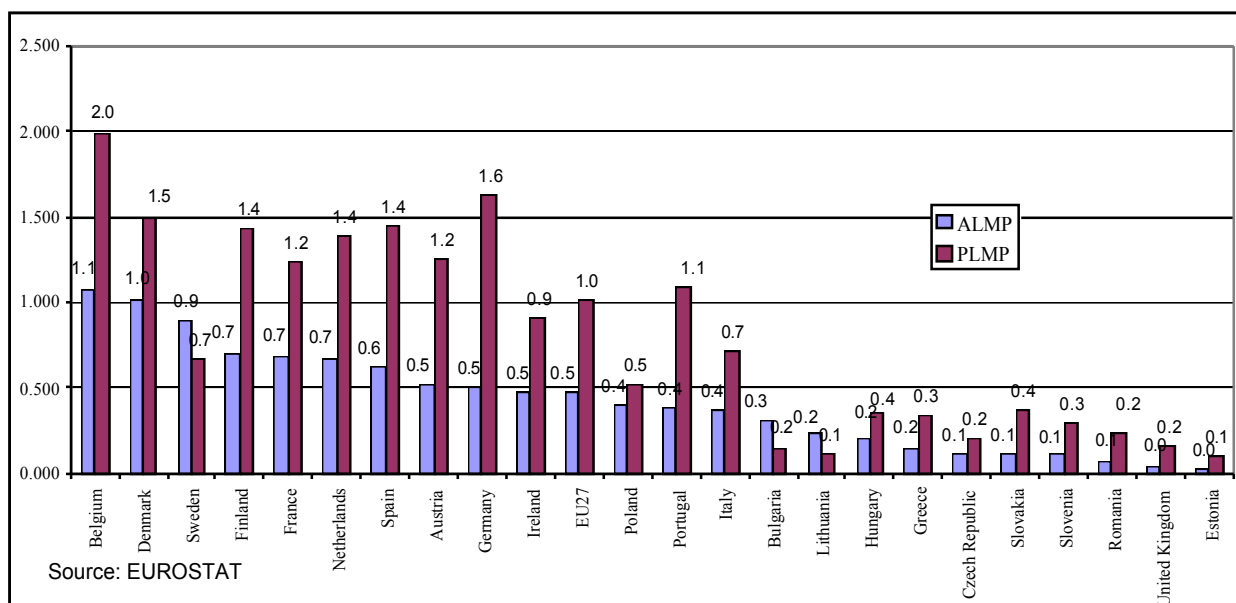


Figure 4: Expenditure on active and passive labour market policies as a percentage of GDP (2007)

The active labour market policies expenditure as a share of GDP per unemployed is over twenty-times higher in EU 27 than in Romania. This figure can be explained through a very low coverage rate of the Romanian unemployment insurance system.

The Structure of the expenditures on LMP in 2007 shows significant differences between our country and the EU average. Whilst most of the European Union countries spend a lot on training, Romania assigns to this area only 0.01 percentage points of GDP. In Romania, the largest share of the total ALMP expenditure is spent on employment incentives.

Table 2: Public expenditures on labour market policies

	LMP expenditure as percentage of GDP, 2007		Share of LMP expenditure by category 2007		LMP expenditure in PPS per person wanting to work, 2007	
	EU27	Romania	EU27	Romania	EU27	Romania
Labour market services (1)	0.193	0.037	11.5	10.9	710.2	67.3
Training (2)	0.179	0.010	10.7	3.0	658.4	18.6
Job rotation and job sharing (3)	0.002	-	0.1	-	8.6	-
Employment incentives (4)	0.122	0.042	7.2	12.3	446.1	76.2
Supported employment and rehabilitation (5)	0.064	-	3.8	-	233.4	-
Direct job creation (6)	0.069	0.023	4.1	6.9	252.1	42.5
Start-up incentives (7)	0.035	0.001	2.1	0.2	127.0	1.2
Out-of-work income maintenance and support (8)	0.934	0.228	55.5	66.8	3428.0	413.3
Early retirement (9)	0.085	-	5.0	-	311.0	-
Total LMP measures (2-7)	0.470	0.076	27.9	22.4	1725.7	138.4
Total LMP supports (8-9)	1.018	0.228	60.6	66.8	3738.9	413.3
Total LMP expenditures	1.682	0.341	100.0	100.0	6174.8	619.0

Source: EUROSTAT

3.3. Lifelong learning strategies

Table 3 shows that in 2008 9.5% of the EU27 population aged 25 to 64 participated in lifelong learning (LLL). The differences between countries are significant, ranging from a participation rate of 32.4% in Sweden to 1.4% in Bulgaria (1.5% in Romania).

Only seven countries have reached the target of 12.5% participating rate to be achieved by 2010 and seven countries show a negative trend in the overall LLL participation rate. Generally there are more women than men taking part in LLL.

Table 3: Participation in lifelong learning, percentage of the adult population aged 25 to 64 participating in education and training, by sex

	Total			Females			Males		
	2008	2004	Change 2008 - 2004 %	2008	2004	Change 2008 - 2004 %	2008	2004	Change 2008 - 2004 %
Sweden*	32.4	32.1	0.9	39.3	36.5	7.7	25.8	27.9	-7.5
Denmark	30.2	25.6	18.0	35.5	29.1	22.0	25.0	22.1	13.1
Finland	23.1	22.8	1.3	26.9	26.4	1.9	19.3	19.2	0.5
United Kingdom	19.9	29.0	-31.4	23.2	33.1	-29.9	16.6	24.9	-33.3
Netherlands	17.0	16.4	3.7	17.2	16.8	2.4	16.8	16.1	4.3
Slovenia	13.9	16.2	-14.2	15.4	17.6	-12.5	12.5	14.8	-15.5
Austria	13.2	11.6	13.8	14.2	12.2	16.4	12.2	10.9	11.9
Spain	10.4	4.7	121.3	11.3	5.1	121.6	9.5	4.2	126.2
Estonia	9.8	6.4	53.1	12.6	7.5	68.0	6.6	5.1	29.4
EU27	9.5	9.3	2.2	10.4	10.0	4.0	8.7	8.7	0.0
Germany	7.9	7.4	6.8	7.8	7.0	11.4	8.0	7.8	2.6
Czech Republic	7.8	5.8	34.5	7.9	6.0	31.7	7.7	5.5	40.0
France	7.3	7.1	2.8	7.6	7.1	7.0	6.9	7.0	-1.4
Ireland	7.1	6.1	16.4	8.1	7.1	14.1	6.0	5.1	17.6
Belgium	6.8	8.6	-20.9	7.2	8.5	-15.3	6.4	8.7	-26.4
Italy	6.3	6.3	0.0	6.6	6.7	-1.5	6.1	5.9	3.4
Portugal	5.3	4.3	23.3	5.6	4.4	27.3	5.0	4.1	22.0
Lithuania	4.9	5.9	-16.9	6.1	7.4	-17.6	3.7	4.2	-11.9
Poland	4.7	5.0	-6.0	5.2	5.7	-8.8	4.2	4.3	-2.3
Slovakia	3.3	4.3	-23.3	4.0	4.8	-16.7	2.6	3.8	-31.6
Hungary	3.1	4.0	-22.5	3.5	4.6	-23.9	2.7	3.4	-20.6
Greece	2.9	1.8	61.1	3.1	1.8	72.2	2.8	1.8	55.6
Romania	1.5	1.4	7.1	1.6	1.4	14.3	1.3	1.3	0.0
Bulgaria	1.4	1.3	7.7	1.5	1.3	15.4	1.3	1.2	8.3

Source: EUROSTAT; *2007

In Romania there has been some slight progress between 2004 and 2008 taking into account the overall participation in LLL. Our country has only just started to access the ESF and the Sectoral Operational Programme has only just been approved by the Commission. There is great hope that the intervention of the ESF will develop the LLL and will improve the links between the process and the needs of the labour market.

3.4. Social security systems

The generosity of the unemployment insurance system depends mainly on the duration of the unemployment benefits and their level in respect to the previous labour income (see table 4).

The scientific literature highlights that the more generous the unemployment insurance system the higher unemployment rate is (especially the long-term component). This may be explained by the rise in the employees' wage claims, decreasing their job-search intensity and motivation to accept a job offer⁶.

The negative consequences of the generous unemployment insurance system can be partly offset by suitable ALMP aimed at returning the unemployed back to work.

In Romania the generosity degree is 4.8, very low compared with Denmark (30.2). The maximum duration of the benefit payments is unlimited in Belgium and due to this fact this country was placed at the top of the list.

Table 4: Generosity degree of Unemployment Insurance Systems, 2005

	Net replacement rate: initial phase of unemployment	Maximum duration (months)	Generosity degree
Belgium	58	Unlimited	100
Denmark	63	48	30.2
Portugal	82	24	19.7
France	67	23	15.4
Spain	62	24	14.9
Finland	54	23	12.4
Netherlands	65	18	11.7
Poland	51	18	9.2
Sweden	62	14	8.7
Germany	60	12	7.2
Austria	55	9	5.0
Romania	40	12	4.8
Ireland	31	15	4.7
Italy	63	7	4.4
Greece	36	12	4.3
Slovak Republic	64	6	3.8
Hungary	40	9	3.6
Czech Republic	50	6	3.0
United Kingdom	41	6	2.5

Source: OECD and authols calculations for Romania

Another very interesting indicator is the unemployment trap (see figure 6) which is measured by comparing the net income from a job to the net income while out-of-work. When

⁶ Schneider, Ondřej, Fialová, Kamila, "Labour Market Institutions and Their Contribution to Labour Market Performance in the New EU Member Countries, IES Working Paper: 27/2007

there is little difference between benefit income and the income from work, people may find it financially unattractive to accept a job and can be trapped in unemployment⁷. Hence the term unemployment trap is used to describe this situation.

Denmark has the highest unemployment trap. In this country almost 90 per cent of the gross income gain is not received by the employee.

In Romania the unemployment trap in 2008 represented 63%, and the value is the same as for 2004. This meant that from every gross Euro earned by moving from a benefit to a job, 0.37 Euro remained as a net increase.

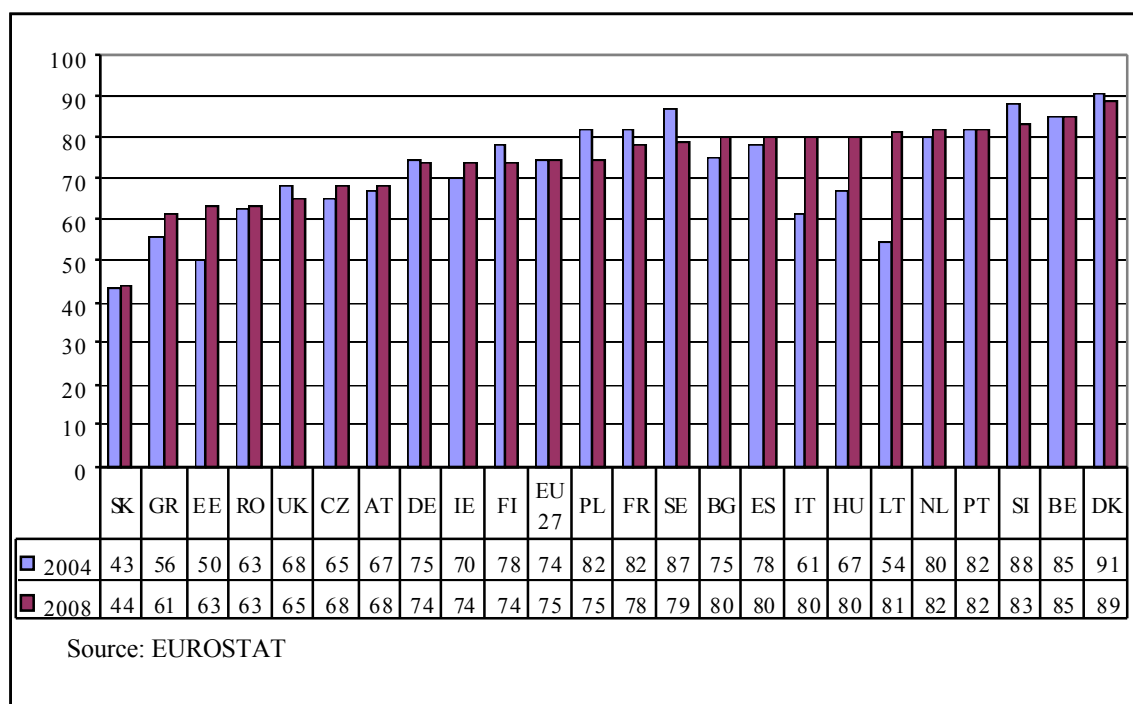


Figure 6: Tax rate on low wage earners: Unemployment trap

3.5. Effects on the labour market

EU 27 has experienced a rise in employment between 2004 and 2008 except United Kingdom and Hungary. Romania has witnessed an expansion in employment of around 2.3 % (see table 5). This development may be partly explained by the external migration of the labour force and by the significant weight of undeclared work (around 20 percentage of GDP). In addition our country has one of the highest tax-wedge on labour in Europe especially due to the social contribution rates. The reduction in employment was even higher

⁷ Report to the Employment Committee, "Making Work Pay. Facts, figures and policy options", EMCO/21/091003/EN

for women and older workers proving the development of a segmented labour market partly reflecting the difficulties of conducting comprehensive labour market reforms. This can also be a result of stricter employment protection legislation.

Table 5: Employment rate and labour productivity

	Employment rate									Labour productivity GDP (PPS) per person employed (EU27=100) 2008
	Total			Women			Older workers			
Country	2008	2004	Change 2008 - 2004, %	2008	2004	Change 2008 - 2004, %	2008	2004	Change 2008 - 2004, %	
Denmark	78.1	75.7	3.2	74.3	71.6	3.8	57.0	60.3	-5.5	101.5
Netherlands	77.2	73.1	5.6	71.1	65.8	8.1	53.0	45.2	17.3	114.5
Sweden	74.3	72.1	3.1	71.8	70.5	1.8	70.1	69.1	1.4	110.6
Austria	72.1	67.8	6.3	65.8	60.7	8.4	41.0	28.8	42.4	113.5
United Kingdom	71.5	71.7	-0.3	65.8	65.6	0.3	58.0	56.2	3.2	102.7
Finland	71.1	67.6	5.2	69.0	65.6	5.2	56.5	50.9	11.0	111.6
Germany	70.7	65.0	8.8	65.4	59.2	10.5	53.8	41.8	28.7	107.0
Estonia	69.8	63.0	10.8	66.3	60.0	10.5	62.4	52.4	19.1	63.8
Slovenia	68.6	65.3	5.1	64.2	60.5	6.1	32.8	29.0	13.1	84.4
Portugal	68.2	67.8	0.6	62.5	61.7	1.3	50.8	50.3	1.0	71.2
Ireland	67.6	66.3	2.0	60.2	56.5	6.5	53.7	49.5	8.5	130.2
Czech Republic	66.6	64.2	3.7	57.6	56.0	2.9	47.6	42.7	11.5	72.0
EU27	65.9	63.0	4.6	59.1	55.6	6.3	45.6	40.7	12.0	100.0
France	64.9	63.8	1.7	60.4	58.3	3.6	38.2	37.8	1.1	121.6
Spain	64.3	61.1	5.2	54.9	48.3	13.7	45.6	41.3	10.4	103.6
Lithuania	64.3	61.2	5.1	61.8	57.8	6.9	53.1	47.1	12.7	62.0
Bulgaria	64.0	54.2	18.1	59.5	50.6	17.6	46.0	32.5	41.5	37.2
Belgium	62.4	60.3	3.5	56.2	52.6	6.8	34.5	30.0	15.0	125.5
Slovakia	62.3	57.0	9.3	54.6	50.9	7.3	39.2	26.8	46.3	79.3
Greece	61.9	59.4	4.2	48.7	45.2	7.7	42.8	39.4	8.6	102.2
Poland	59.2	51.7	14.5	52.4	46.2	13.4	31.6	26.2	20.6	62.0
Romania	59.0	57.7	2.3	52.5	52.1	0.8	43.1	36.9	16.8	50.2
Italy	58.7	57.6	1.9	47.2	45.2	4.4	34.4	30.5	12.8	109.5
Hungary	56.7	56.8	-0.2	50.6	50.7	-0.2	31.4	31.1	1.0	71.3

Source: EUROSTAT

The long term unemployment rate for 2008 averaged 2.6% for the EU as a whole, down from 4.2% in 2004 (table 6). Amongst the individual Member States rates went down in 19 out of the 23 countries analyzed. In Romania the situation became better, the long term unemployment rate being in 2008 with 50.0 % lower than five years ago. The Denmark is again at the top of the list and the figure is improving which means that the flexicurity model applied there is a very strong one.

Table 6: Long term unemployment rate and youth unemployment ratio, 2004 and 2008

	Long term unemployment rate (% labour force)				Youth unemployment ratio (% population aged 15-24)		
Country	2008	2004	Change 2008 - 2004, %	Country	2008	2004	Change 2008 - 2004, %
Denmark	0.5	1.2	-58.3	Netherlands	5.3	8.0	-33.8
Sweden	0.8	1.2	-33.3	Denmark	7.6	8.2	-7.3
Austria	0.9	1.4	-35.7	Austria	8.0	9.7	-17.5
Netherlands	1.0	1.6	-37.5	Germany	9.8	11.9	-17.6
Lithuania	1.2	5.8	-79.3	Czech Republic	9.9	21.0	-52.9
Finland	1.2	2.1	-42.9	Slovenia	10.4	16.1	-35.4
United Kingdom	1.4	1	40.0	Estonia	12.0	21.7	-44.7
Ireland	1.6	1.6	0.0	Bulgaria	12.7	25.8	-50.8
Estonia	1.7	5.0	-66.0	Ireland	13.3	8.9	49.4
Slovenia	1.9	3.2	-40.6	Lithuania	13.4	22.7	-41.0
Spain	2.0	3.4	-41.2	United Kingdom	15.0	12.1	24.0
Czech Republic	2.2	4.2	-47.6	EU27	15.4	18.4	-16.3
Poland	2.4	10.3	-76.7	Portugal	16.4	15.3	7.2
Romania	2.4	4.8	-50.0	Finland	16.5	20.7	-20.3
EU27	2.6	4.2	-38.1	Poland	17.3	39.6	-56.3
Bulgaria	2.9	7.2	-59.7	Belgium	18.0	21.2	-15.1
France	2.9	3.8	-23.7	Romania	18.6	21.9	-15.1
Italy	3.1	4.0	-22.5	France	18.9	20.4	-7.4
Belgium	3.3	4.1	-19.5	Slovakia	19.0	33.1	-42.6
Greece	3.6	5.6	-35.7	Hungary	19.9	15.5	28.4
Hungary	3.6	2.7	33.3	Sweden	20.0	16.3	22.7
Portugal	3.7	3.0	23.3	Italy	21.3	23.5	-9.4
Germany	3.8	5.5	-30.9	Greece	22.1	26.9	-17.8
Slovakia	6.6	11.8	-44.1	Spain	24.6	23.9	2.9

Source: EUROSTAT

In our country the youth unemployment ratio has improved compared with five years ago, but the figure remains quite high. The young people are part of the disadvantaged groups because they are a new entry on the labour market and experience the same problems as any other outsiders.

4. Conclusions drawn from the depositions presented by participants at the public debates on the implementation of flexicurity

Given all these issues namely: an ineffective Labour Code regarding labour relations, the very deep social and economic crisis, concerns for the identification of a functional model that respects European principles of flexicurity, the Businessmen's Association of Romania (AOAR) and Academia de Advocacy have launched a public debate in order to stimulate the social actors to identify priority interventions regarding the Romanian model of flexicurity. The model has to be flexible, adaptable to labor market dynamics, not to be bureaucratic, new and better workplaces generator and has to open the

way towards a sustainable recovery. The public debate wished to be a procedural rigorous forum and also accessible to collect in a short period a large number of analytical and critical opinions and specific proposals. From the depositions presented the following conclusions were drawn:

- Majority of speakers has appreciated as welcome the attempt to organize a public debate on this subject, but still there is a minority that considers this topic out of point in the current economic crisis context;
- The social partners have different views both from conceptual point of view or regarding the mechanisms for implementing the concept. Some of them look to the concept from their interest area, other point out either the flexibility aspects or the social security issues. There is not a holistic or integrated approach of the flexicurity components;
- According to trade union officials, the labour protection legislation is not a rigid one containing only basic elements existing in other European Union countries and therefore the Labour Code should not be amended again. On the other hand, employers' representatives sustain the necessity of modifying the Labour Code and the Law no. 130/1996 because of the labour regulations do not correspond to the reality and require a series of changes leading to more flexible employment relationships.
- On the contrary, in employers opinion, Romania has a labour protection legislation still quite rigid (EPL=2.8), which prevents companies to easily adapt to market requirements and to become competitive. Therefore, the mobility of individuals in the labour market is relatively small, the rate of structural reallocation of labour is not at the desired level;
- Another conclusion is represented by the necessity to prevent increasing the unstable jobs, characterized by excessive flexibility, in the detriment of security and ensuring adequate rights for workers in all types of contracts;
- In the current economic downturn, an effective tool against unemployment is the internal flexibility (flexible employment contractual arrangements, atypical forms of employment, labor intensity, etc.), because it can limit the flows into unemployment, ensuring companies with the necessary stock of skills for periods of economic growth. Therefore, forced reforms regarding external flexibility are not recommended, because they are very risky in the current situation;

- Flexicurity policies imply budgetary costs that must remain compatible with sustainable public budgets but also have benefits. It is necessary to realize a fair distribution of costs and benefits, especially among firms, public and private budgets;
- It remarks the necessity of ensuring a reasonable level of income security while ensuring better access of individuals to labor market programs to enhance employability;
- Social dialog and social partners involvement both national and enterprise level play an important role in development and implementation of flexicurity policies;
- It has to be adopted active and passive labor market policies that ensure an optimal combination between labor market flexibility and social security. There is a wide range of active and passive labor market policies such as those existing in most EU countries, but the implementing manner and allocated resources are inappropriate;
- From depositions results that the flexicurity model can work only in circumstances in which workers have effective training opportunities. Lifelong learning system must be adapted to the labour market needs and investing in training has to be made by both the enterprise and the individual who must assume responsibility for their own permanent training.
- It is necessary the existence of some leverages for intervention at the Labour Inspectorate level through which to be penalized employers who do not comply with Labor Code provisions relating to continuous training of employees;
- Flexicurity is an aggregate strategy which presumes that policies have to be outlined and implemented in all four components (flexible contractual arrangements, lifelong learning strategies, active labour market policies, modern social security systems) simultaneously and not selectively.

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