



REGERINGSKANSLIET

Ministry of Employment

Minister for Employment

Tal vid EESK, hearing 7 juli - Flexicurity and Restructuring

I am happy to be here today in this important hearing, and we very much look forward to the report of the EESK on the important and timely issue of flexicurity and restructuring.

Because, even though flexicurity has been the topic of the day for at least a couple of years now, it does not cease to be a pressing and important issue. On the contrary. Adjusting the balance between flexibility and security in the labour market is a continuous process. The crisis reminds us of this.

To put it simply, flexicurity is intended to signify that flexibility and security need not be contradictory terms in the labour market. The interests of companies and individuals can be reconciled in a mutually strengthening relationship.

However, this is where the simplicity ends. Flexicurity is a hotly debated topic, and a term that is interpreted differently by virtually everyone taking part in the debate.

Flexicurity is not about a ready-made model. It's not about introducing a one-size-fits-all labour market model in Sweden, or in any other country for that matter.

The reason why it's not possible to simply introduce, copy or imitate another country's labour market policy is that both the conditions and challenges in different countries' labour markets are different.

What is possible in one country might not be at all possible in another. Historical, cultural and institutional factors differ, as do the types of problems countries face. Measures that are necessary in one country may not be needed in another. Measures that are necessary today might not be necessary tomorrow.

When the common principles for Flexicurity were adopted in 2007, unemployment was falling and employment was on the rise.

Today, we are facing a rather different situation.

Unemployment is set to rise significantly in many member states. Many workers have already lost their jobs, and many more are at risk of losing theirs. And those already without a job, will find it more difficult to get one.

I would however argue, that while the current economic situation presents great challenges, it also provides us with an opportunity to address much needed reforms.

It presents an opportunity to take measures to improve the way our labour markets handle adjustment. Flexicurity can be a tool in improving the adaptability of individuals and companies alike, which is a necessary requirement for improved welfare.

Our experience from the Swedish crises of the early 1990's taught us a hard-won lesson. In the beginning of the 90's, unemployment levels soared in Sweden as the real economy was hit by a home-grown financial crisis. Within only a few years time, the unemployment sky rocketed from 1.5 to 8 %. Those who were hit the hardest faced long periods of unemployment and many drifted, directly or indirectly, into labour market exclusion.

Experience showed that once these men and women had lost touch with the labour market, re-entry proved to be very difficult; regardless of the business cycle.

Almost 15 years later, when this government came into office in 2006, the Swedish labour market had not yet fully recovered from the crisis.

And what is the lesson learned? Well, our experience shows that the promotion of labour market participation is crucial, even in times of economic recession. And it is particularly important to avoid short sighted measures that will trap men and women in long term inactivity.

With the rising unemployment rates that we are seeing in the Union today, it becomes more important that we avoid measures which induce premature labour force withdrawal of those who have lost their jobs. Measures like early retirement schemes must be avoided.

Rather than facilitating exits from the labour market we need to put priority on measures that facilitate mobility within and into the labour market.

Implementing targeted, timely and structurally motivated measures that stimulate both demand and supply for labour, improving matching and ensuring access to an education system that is well adapted to the labour market needs has to be priorities.

There is no doubt that the crisis is now at the centre of attention. At the same time, it is important that we do not block the view of the underlining structural problems and long term challenges facing us. The Flexicurity strategy can provide us with much assistance here.

To fully benefit from the increased globalisation and technological change we need to stay competitive and improve the flexibility of the labour market in order to better adapt to change.

Because, essentially, flexicurity is about facilitating adjustment in the labour market; not because adjustment is an absolute end in itself, but so as to improve the possibilities of tackling structural change, which is a necessary requirement for economic growth, higher real wages and improved welfare.

Adjustment is however not just about making transitions possible for those already in work or those who risk losing their jobs; it is also for those who are unemployed or out of work due to long-term illness and for those who are completely detached from the labour market.

Even before the crisis, one in five Swedes was outside the labour market or was working less than he or she wished to.

This extensive and long-term labour market exclusion has led to wider gulfs in society. Promoting a balance between security and flexibility must be about finding a balance that provides everyone with opportunities for employment, including those who are the most detached from the labour market.

We need to lower thresholds to enter the labour market and provide those in the labour force and those outside the means to upgrade their skills and create strong incentives for them to enter, re-enter and to stay in employment. In other words, we need to make sure that individuals are not shut out in the continuous restructuring that takes place.

The action that is taken today, and in the coming years, will matter in the long run.

I hope and believe that the report of the EESK will shed some much needed light on these issues and I look forward to your report.

Thank you.