



# Danish flexicurity and the crisis

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# What is flexicurity?

- Contraction of "flexibility" og "security". The basic idea is that flexibility and security are mutually supportive
- Born in the Netherlands in 1995/96 as a political strategy
- Adopted in Denmark in the early 2000's as an description of the Danish labour market
- ILO, OECD and EU canonizing the Danish case as "best practice"
- Framed as a common concept for labour market and social policy reforms by the EU-commission in the late 2000's
- Farewell flexicurity after the GFC in 2008?





# Good-bye Danish flexicurity?

*“This may mean that **the Danish model will be buried in the graveyard of socio-economic models**, where it will lay in vicinity to other former celebrities like the Swedish model, the Japanese model, the Irish Celtic Tiger model, former versions of the German model and so on while the usually badly noted German model could be resurrected as European alternative to the low employment, low social protection model of the United States”*

Quote: Peter Auer, 2010 (paper for IIRA Congress in Copenhagen)

*“Prior to the global financial crisis this model [the Danish flexicurity model] delivered excellent outcomes in terms of labour market dynamism and inclusiveness, but **is has struggled recently**”*

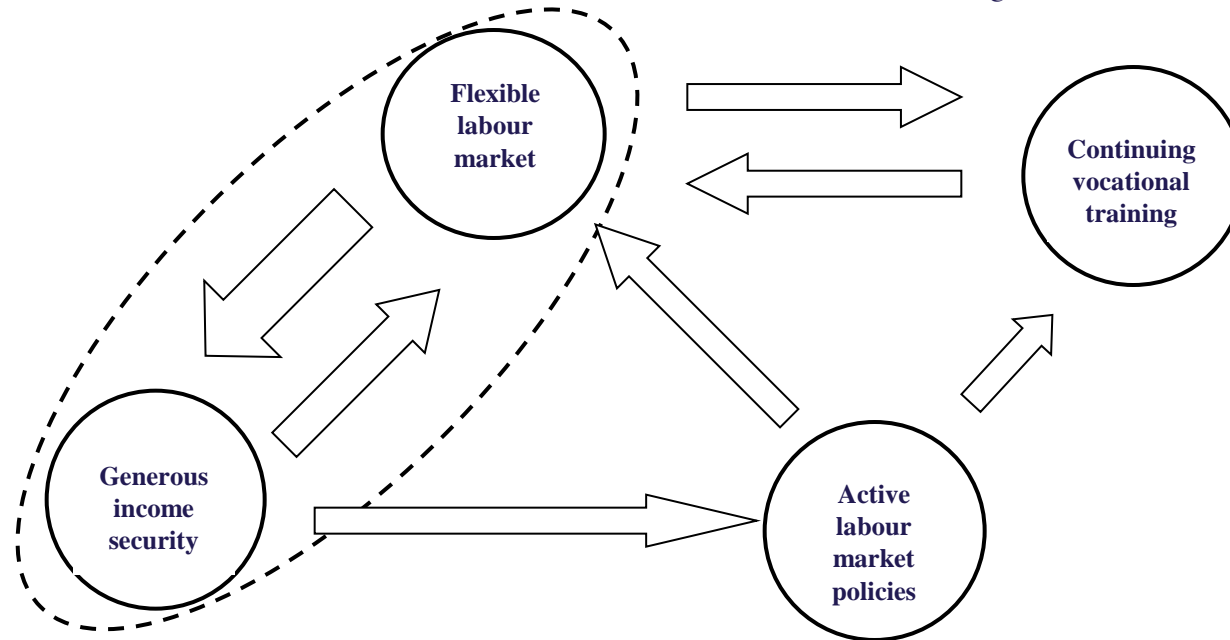
Quote: OECD report, 2016



# The Danish case of flexicurity

- Low EPL
- High job mobility and low tenure

- Public expenditures and participants among the highest in the world



- 2 years eligibility for unemployment insurance benefits
- Up to 90 % of former income
- Indefinite means-tested social assistance

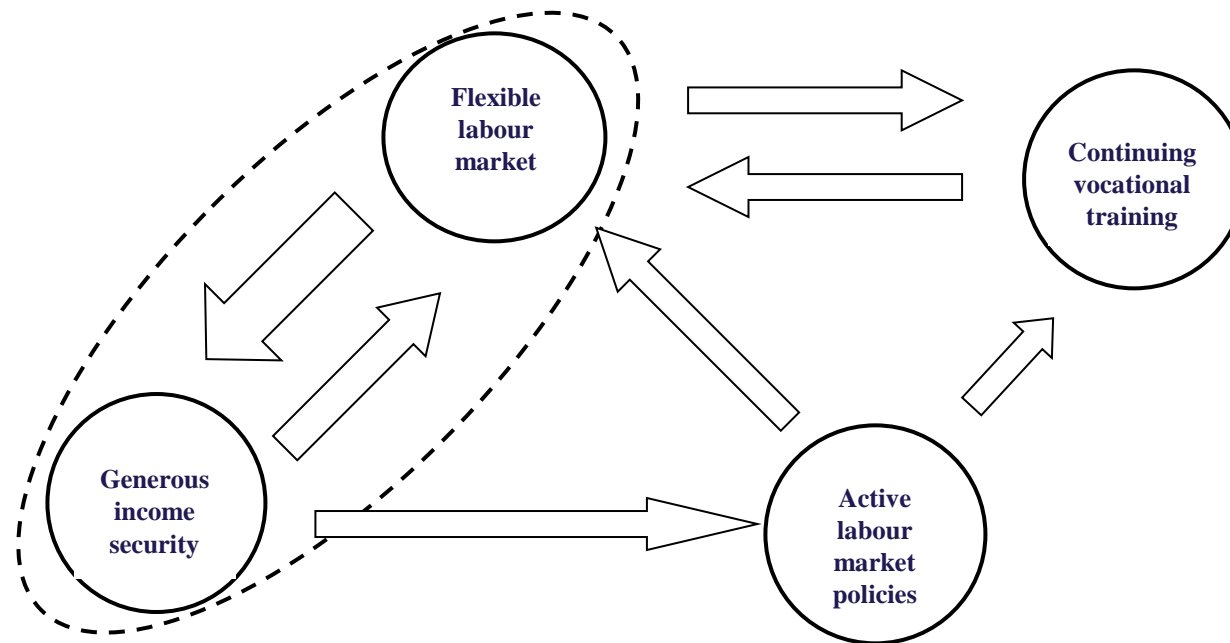
- Strict criteria for showing availability
- High spending on ALMP
- Low incidence of long-term unemployment
- Motivation and qualification effects



# Preconditions of Danish flexicurity

- September Compromise between capital and labour (1899)
- Collective bargaining (“The Danish model”)
- Law on Salaried Workers (1938)
- Many SMEs

- Financed by the public budget for employed and unemployed
- Indirect subsidy to the competitiveness of Danish firms



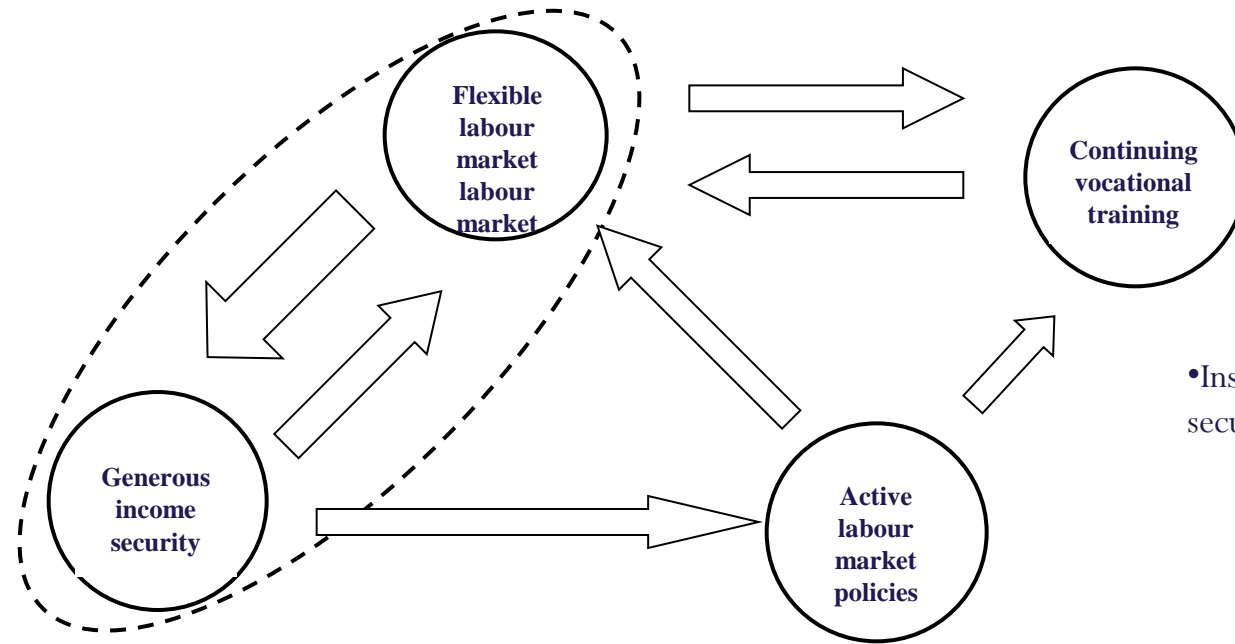
- Unemployment insurance administered by unemployment insurance funds (since 1907)
- Generous UIB as compensation for low EPL

- Balance between qualification and motivation effects (human capital and work first approaches)
- ALMP as social investment the labour market



# Challenges

- Growing job insecurity, precarity and polarization



- Institutions are not providing employment security and promoting labour market flexibility

- Declining generosity
- Decline in membership in unemployment insurance funds and trade unions



# Danish labour market performance during and after the economic crisis

- GDP declined by 6 percent in 2009 (compared to 4,5 percent in the Euro area)
- The employment rate fell by 3.6 percentage points (compared to 1.4 percentage points in EU-28)
- The unemployment rate doubled between 2007 and 2012 (from 3.8% to 7.5%)
- Long-term unemployment and youth unemployment increased, but from a low level
- The flexible Danish labour market performed as expected during and after the crisis
- There are few indications of increased structural unemployment or segmentation

		2007		2012	2017
Employment rate (%)	DK	79.0	→	75.4	76.9
	FIN	74.8		74.0	74.2
	EU-28	69.8	→	68.4	72.2
Unemployment rate (%)	DK	3.8	→	7.5	5.7
	FIN	6.9		7.7	8.6
	EU-28	7.2	→	10.5	7.6
Long term unemployment (%)	DK	16.1	→	28.0	22.6
	FIN	22.6		21.2	24.2
	EU-28	42.6		44.3	44.7
Youth unemployment rate (%)	DK	7.5	→	14.1	11.0
	FIN	19.2		19.0	20.1
	EU-28	15.9		23.3	16.8



# Farewell Flexicurity?

- One of the victims of the Great Recession in Europe was flexicurity as a political vision and strategy
- Dansk flexicurity have endured the economic crisis
  - The flexible labour market is still supported by generous social security, despite gaps in the safety net
  - Active labour market and education policies still provide employability and job mobility
  - Balances are fragile and tipping-points are unknown
- There are causes for concern
  - A rising share of workers are worried about losing their jobs, less willing to change jobs and would like better job protection
  - Flexicurity mainly cover a declining share of blue-collar workers
- The balances between flexibility and security are based on fragile institutions and compromises that require active maintenance and support to thrive

