



The

School of Social
and Political Studies

at the University of Edinburgh



Flexicurity: Can Scotland learn from Denmark?

Dr Elke Heins

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Overview

1. The Danish concept of flexicurity - the 'golden triangle'
2. Features of Danish labour market policies
 - Labour market flexibility
 - Active labour market policy
 - Social security/unemployment benefits
3. Is policy transfer feasible?

Background

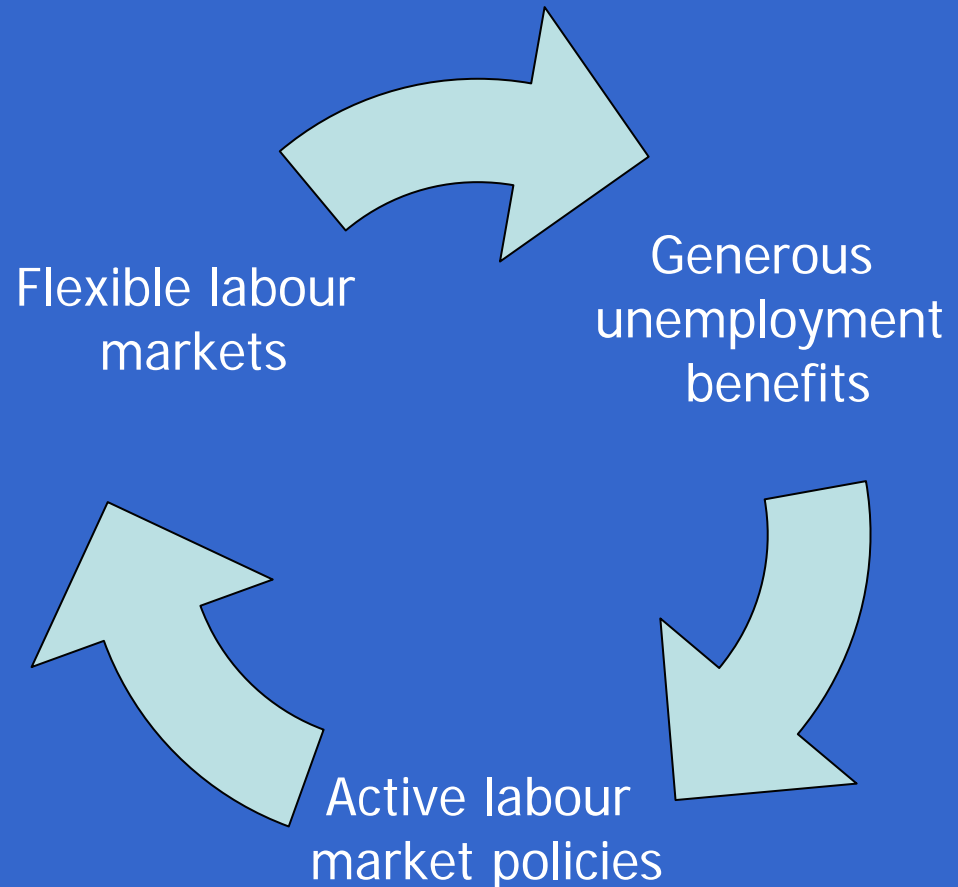
- Need for flexibility:
 - Globalisation and technological progress
 - Individualisation and changed family patterns
 - End of “standard employment contract” and rise of “atypical” contracts
- Need for security:
 - for vulnerable groups of employees and other labour market outsiders (problem of segmentation of labour markets – insiders/outsideers)
 - preserving social cohesion in our societies

The problem: Perceived dichotomy between flexibility and security

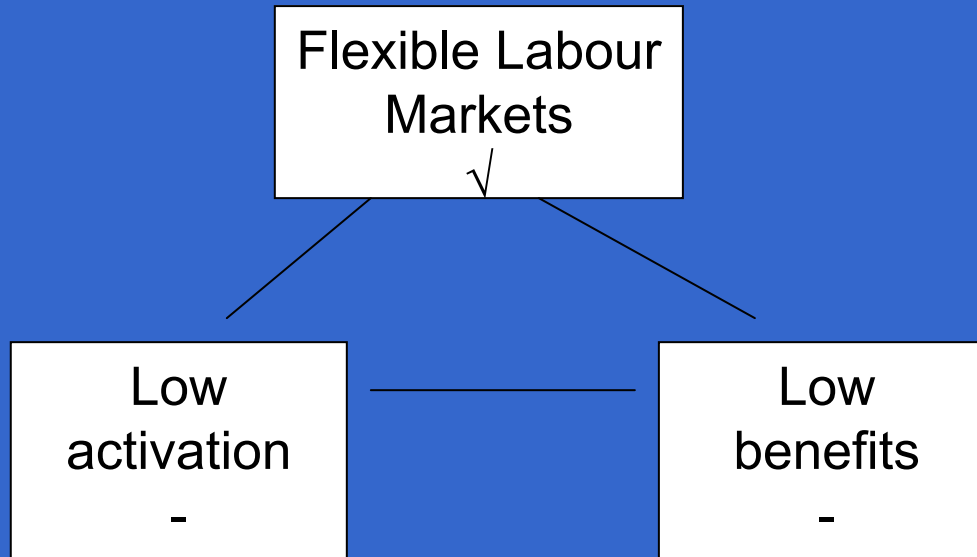
- Key principles that underpin a flexicurity strategy are that flexibility and security should not be seen as opposites, but can be made mutually supportive
- Idea: Trade-offs between these two possible

The Danish concept of flexicurity

- Mainly going back to policy approaches in Denmark and the Netherlands
- Denmark:
 - Increasing the flexibility of normal work, without giving up security
 - Danish “golden triangle”:



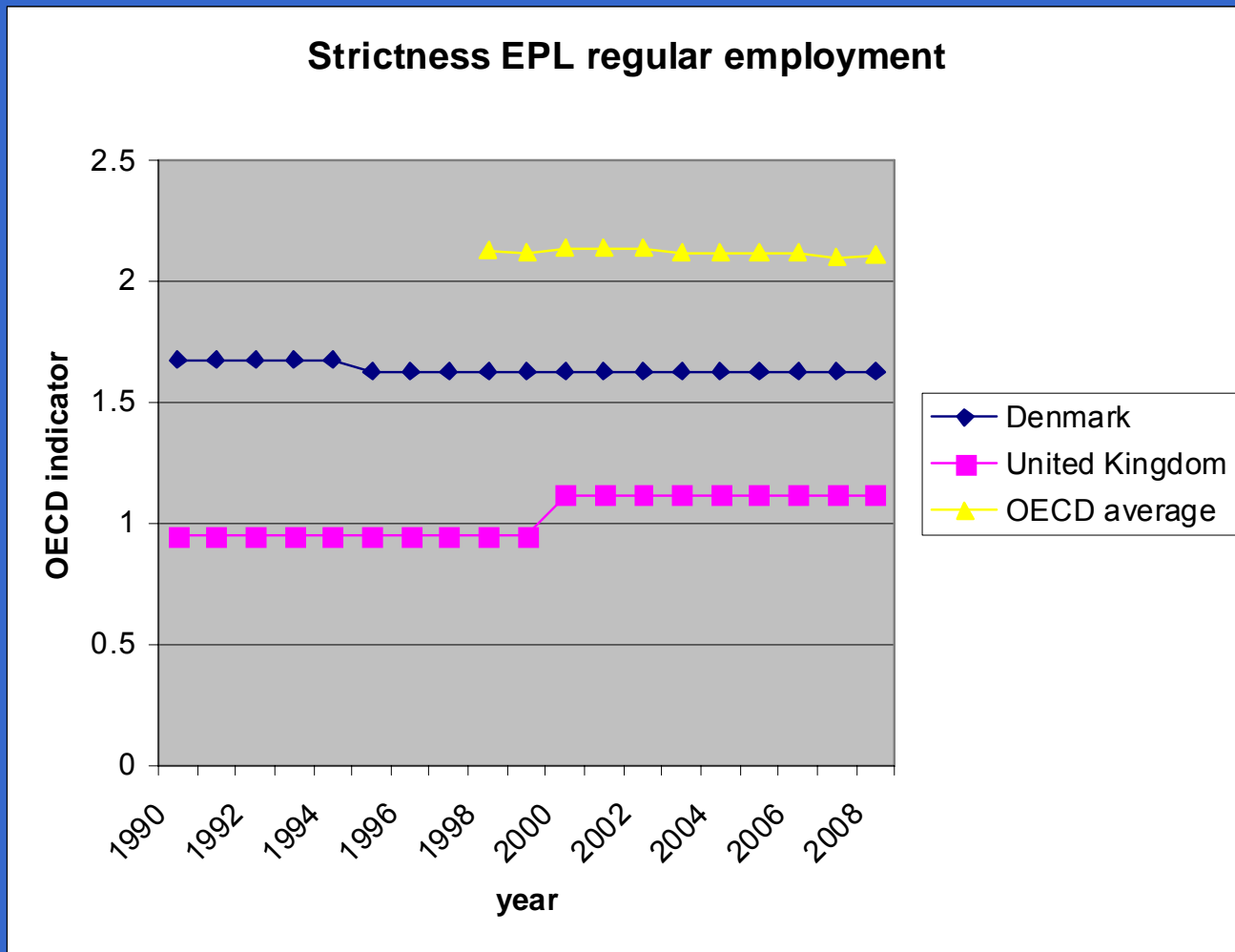
The UK system in contrast



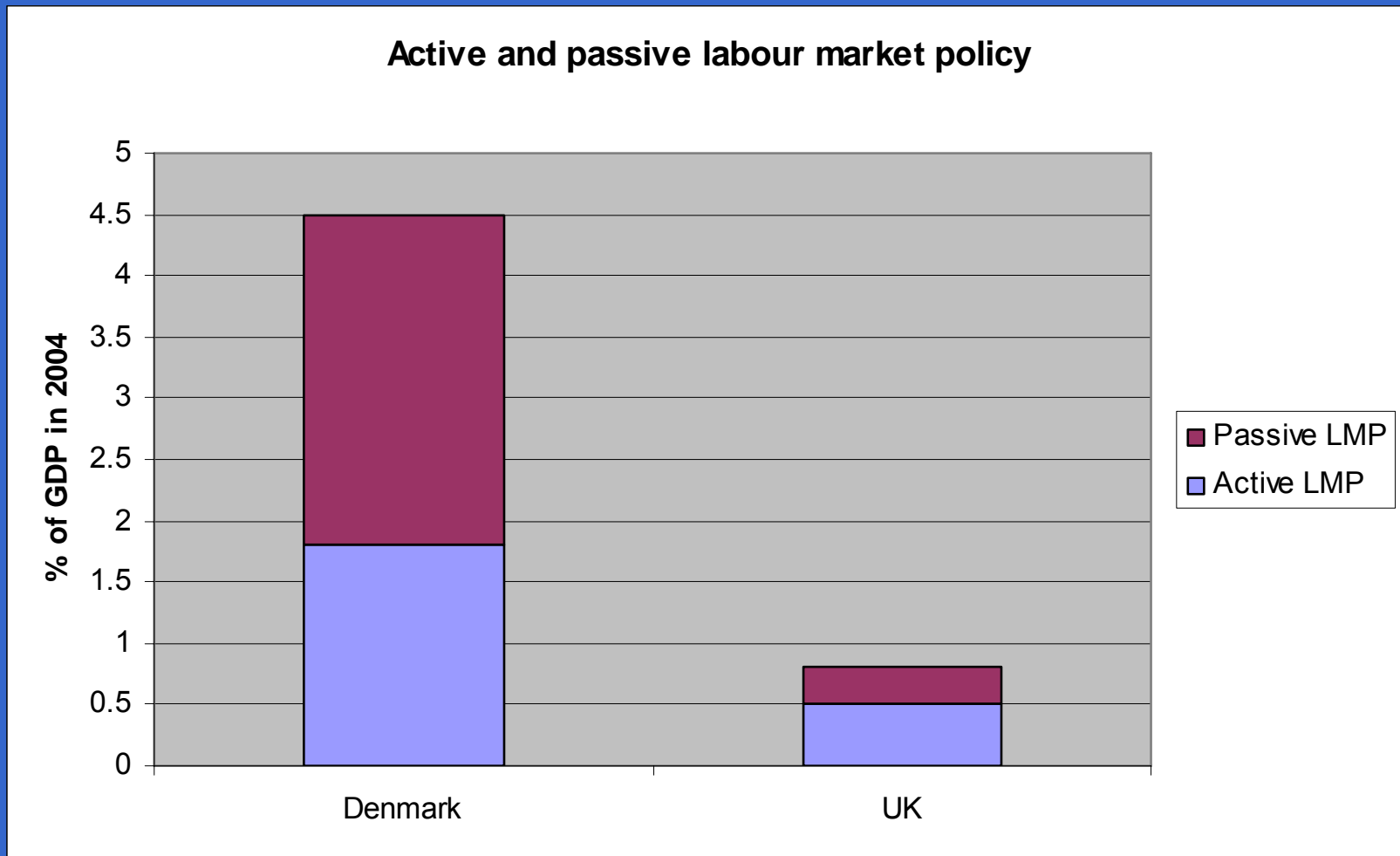
- low employment protection legislation
- Low benefits
- Low activation

Danish labour market policies

1. Employment protection

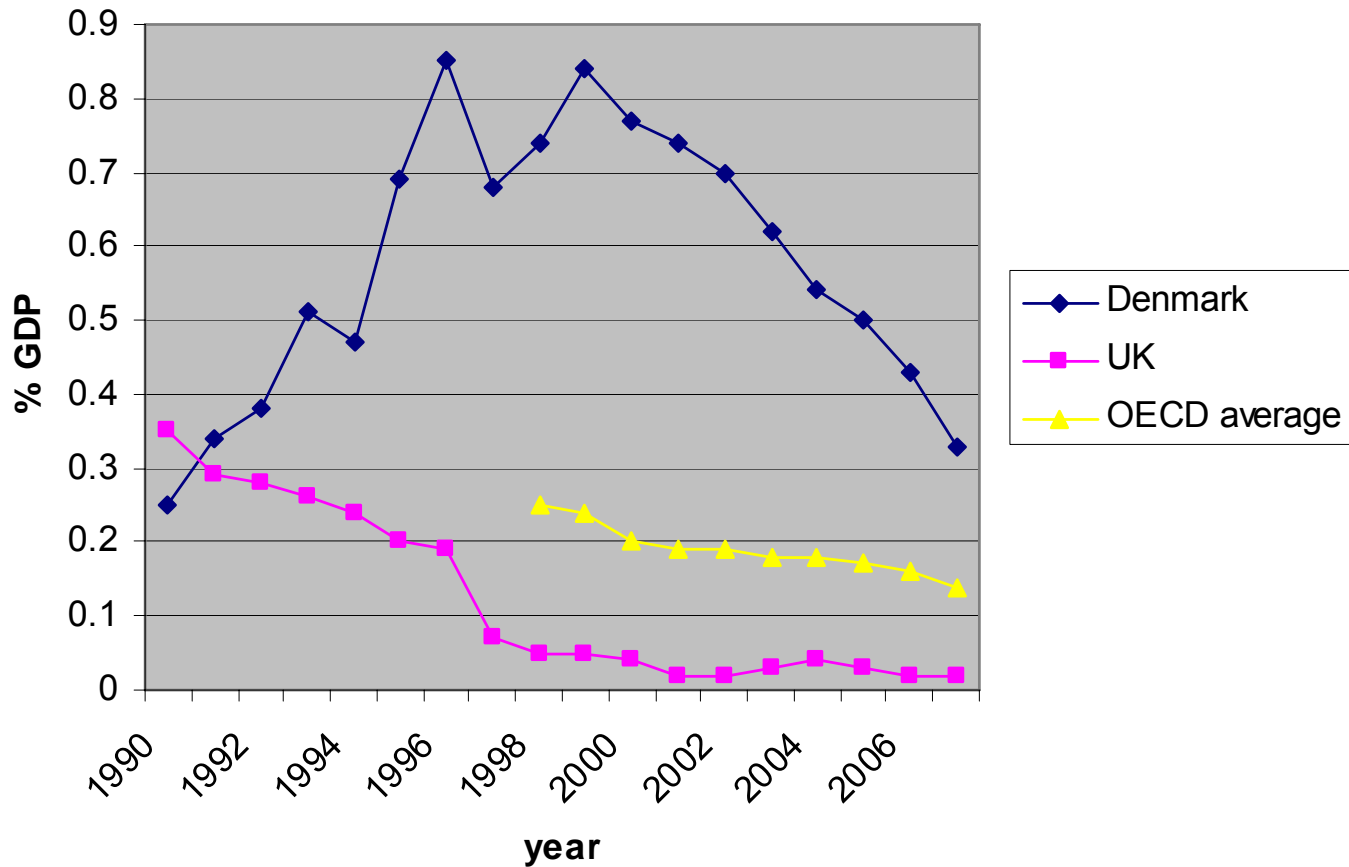


2. Spending on Labour Market Policies



3. Expenditure on training

Public expenditure on training as percentage of GDP



4. Unemployment benefit generosity

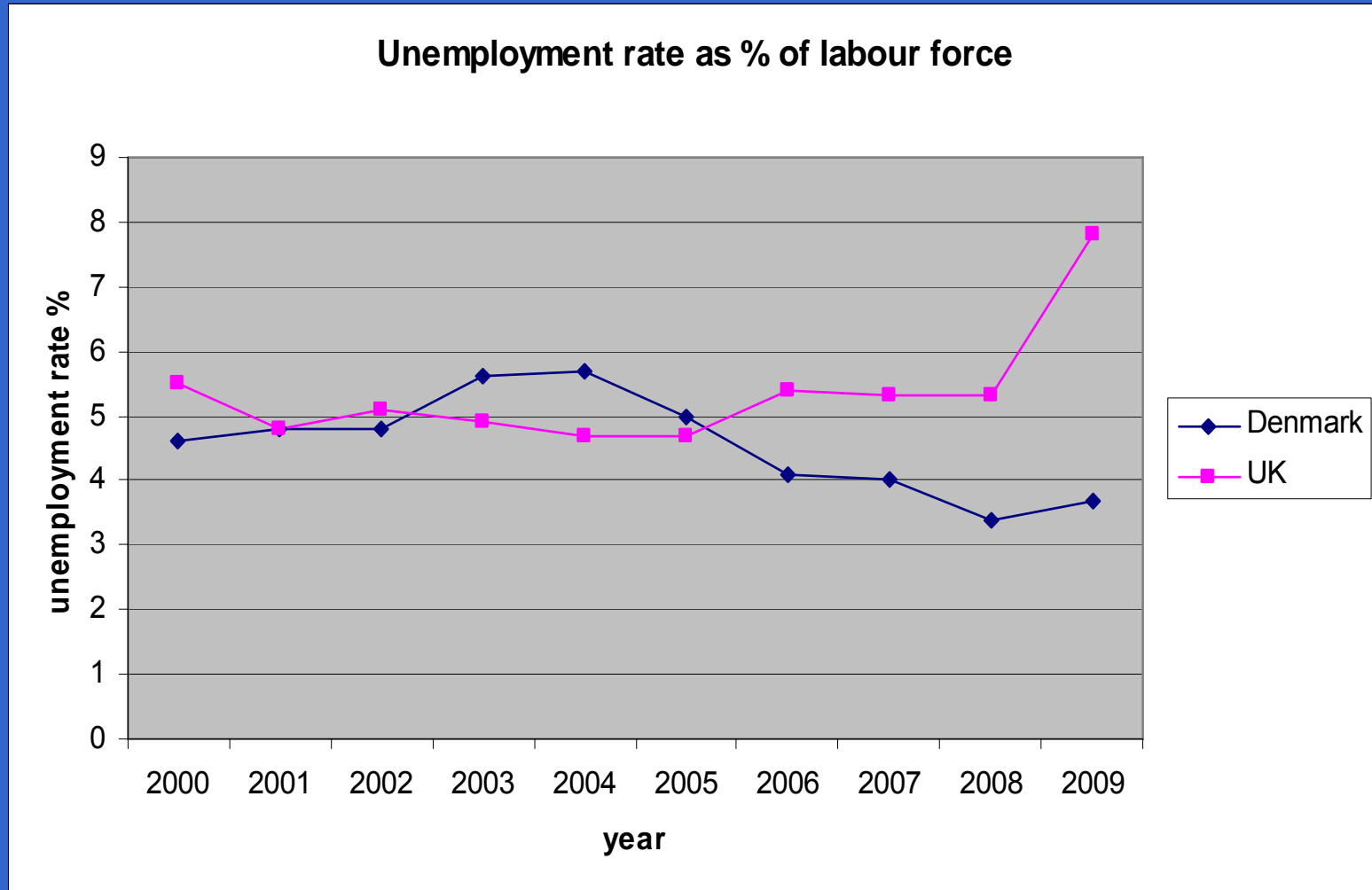
Net replacement rates (single unemployed person),
different wage levels; % of previous wage, 2004

For persons with former earnings relative to average:	67%	100%	150%
Denmark	84	61	47
UK	63	45	31

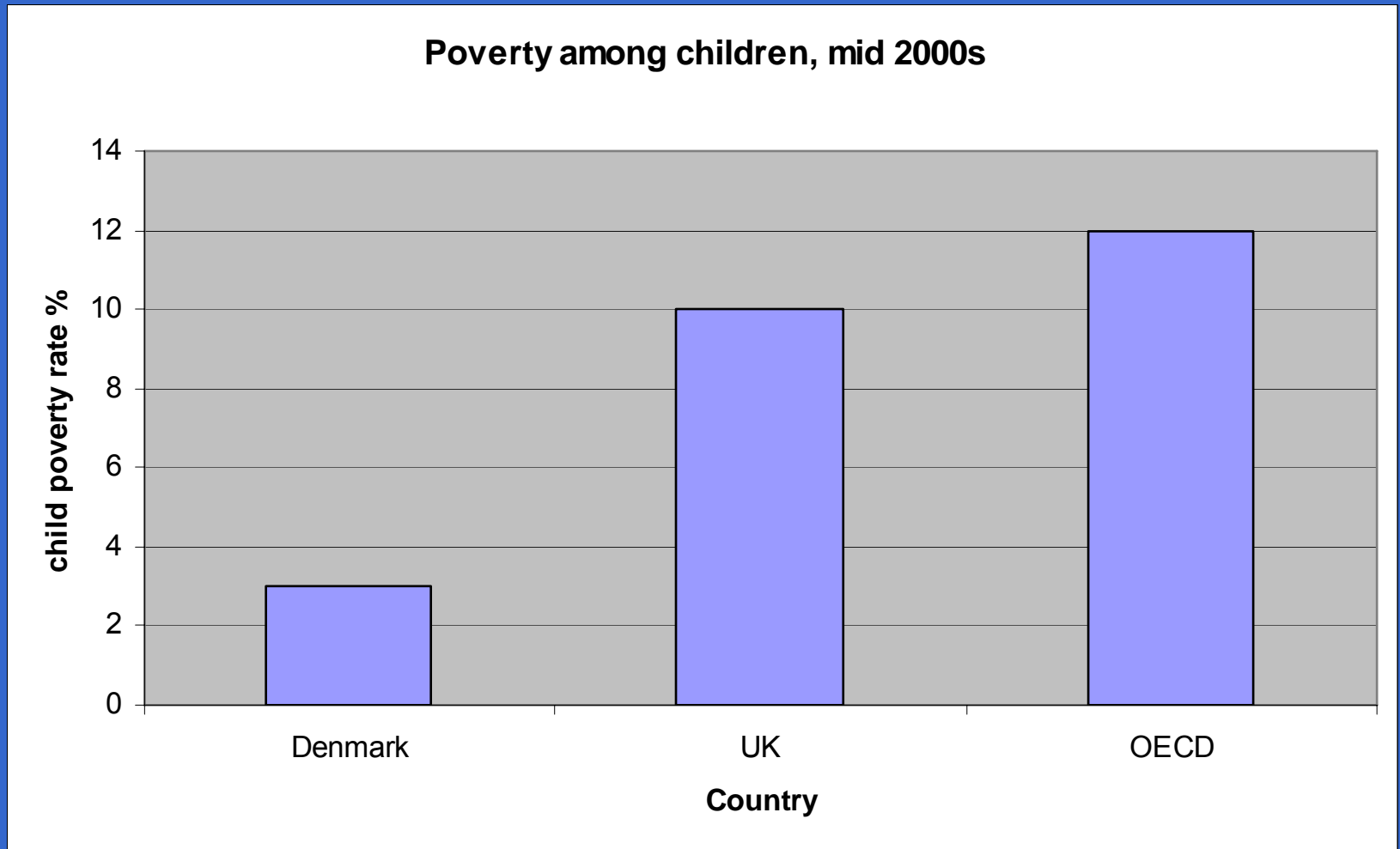
Note: rates vary depending on family situation and length of unemployment, additional (means-tested) benefits not included

Some outcomes:

1. Low unemployment rates



2. Low poverty rates



Features of Danish labour market policies

- Low to average level of employment protection
 - high job turnover rates: yearly average of 20% of labour force experienced a period of unemployment over the latter part of the 1990s
 - But unemployment spells were short and many were offered training (strong activation principle: strict availability for workers but also generous ALMPs)
 - In addition, generous earnings-related unemployment benefits (but ceilings apply) as a compensation for high job volatility
 - In sum, labour market transitions ‘mediated’ by social protection and labour market institutions
- More than 70% of Danes think that it is good for people to change jobs every few years

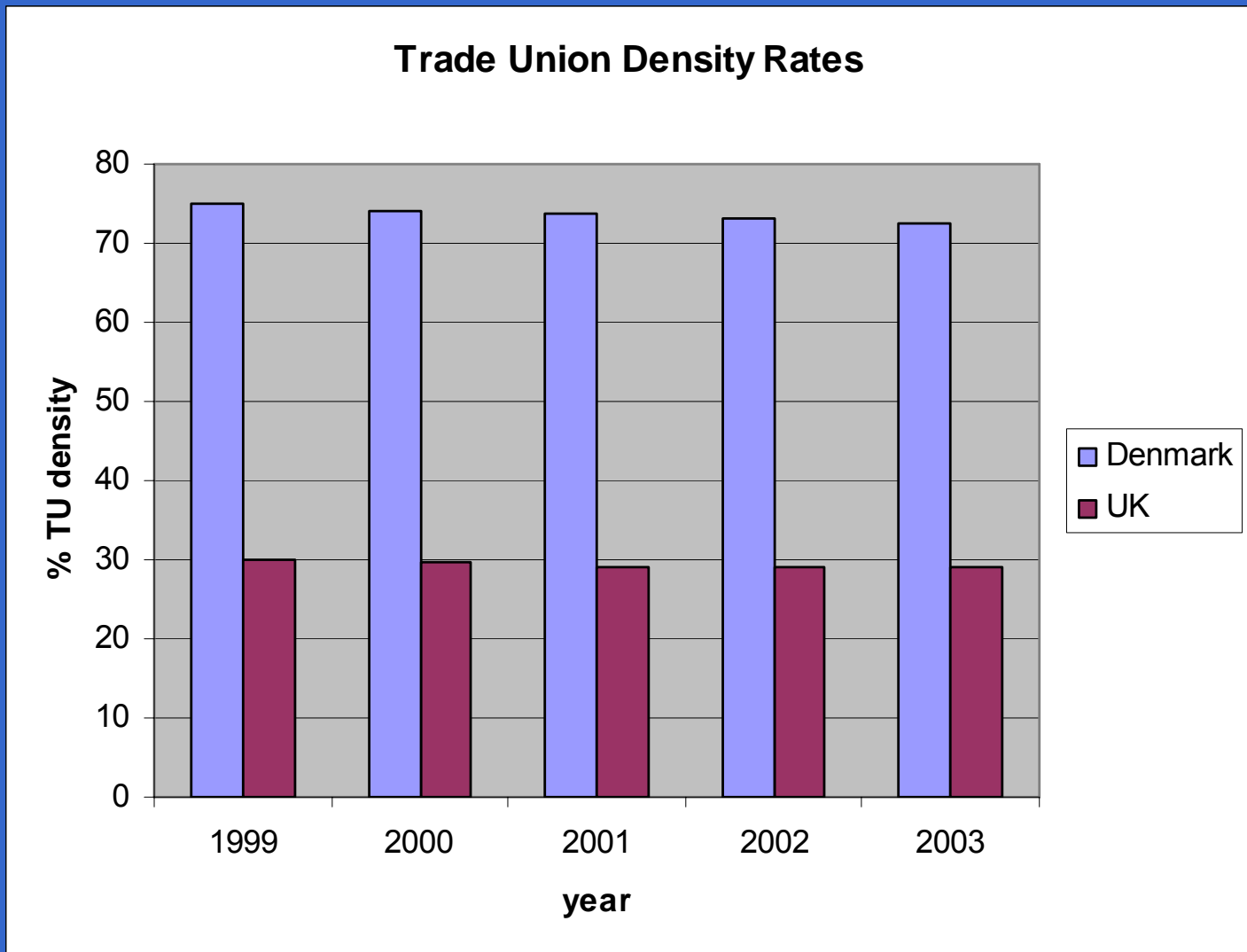
Is the Danish model transferable to other countries?

- Model based on certain preconditions: social policy and labour market institutions
- Flexicurity requires a climate of trust
- broadly-based dialogue among social partners, where all are prepared to take the responsibility for change with a view to socially balanced policies
- Collective bargaining system with decentralised elements
- Otherwise fear that one partner might be 'outsmarted'

Some Danish social policy features

- strong notion of universalism
- Aims of reducing inequality and poverty
- social service state
- predominately tax funding → high taxes accepted because of good 'returns' in terms of jobs and services
- employment focused (revenue and inclusion)
- strong role of social partners (employment policy; unemployment insurance; second pension), particularly strong trade unions

Strength of trade unions



How could it work nevertheless?

- Flexicurity should be developed as a positive sum game
- Change can be best designed as integrated and broad policy packages
- Flexibility and security should be designed as mutually reinforcing

Flexicurity pathway recommended for the UK

- Address opportunity and skills gaps among the workforce by embarking on a higher road towards a knowledge-oriented economy and deepening investments in skills
(European Employment Strategy)

Conclusions

- Danish model of flexicurity very successful
- Direct policy transfer unlikely
- Based on specific institutional preconditions which are different from UK, such as strengths and trust of social partners, in particular trade unions
- Nevertheless lessons can be learned and taken-for-granted assumptions challenged