



# The rise and fall of the Danish flexicurity model

Søren Kaj Andersen  
FAOS, Dept. of Sociology University of Copenhagen



## Headlines

The Danish flexicurity model – the rise ...

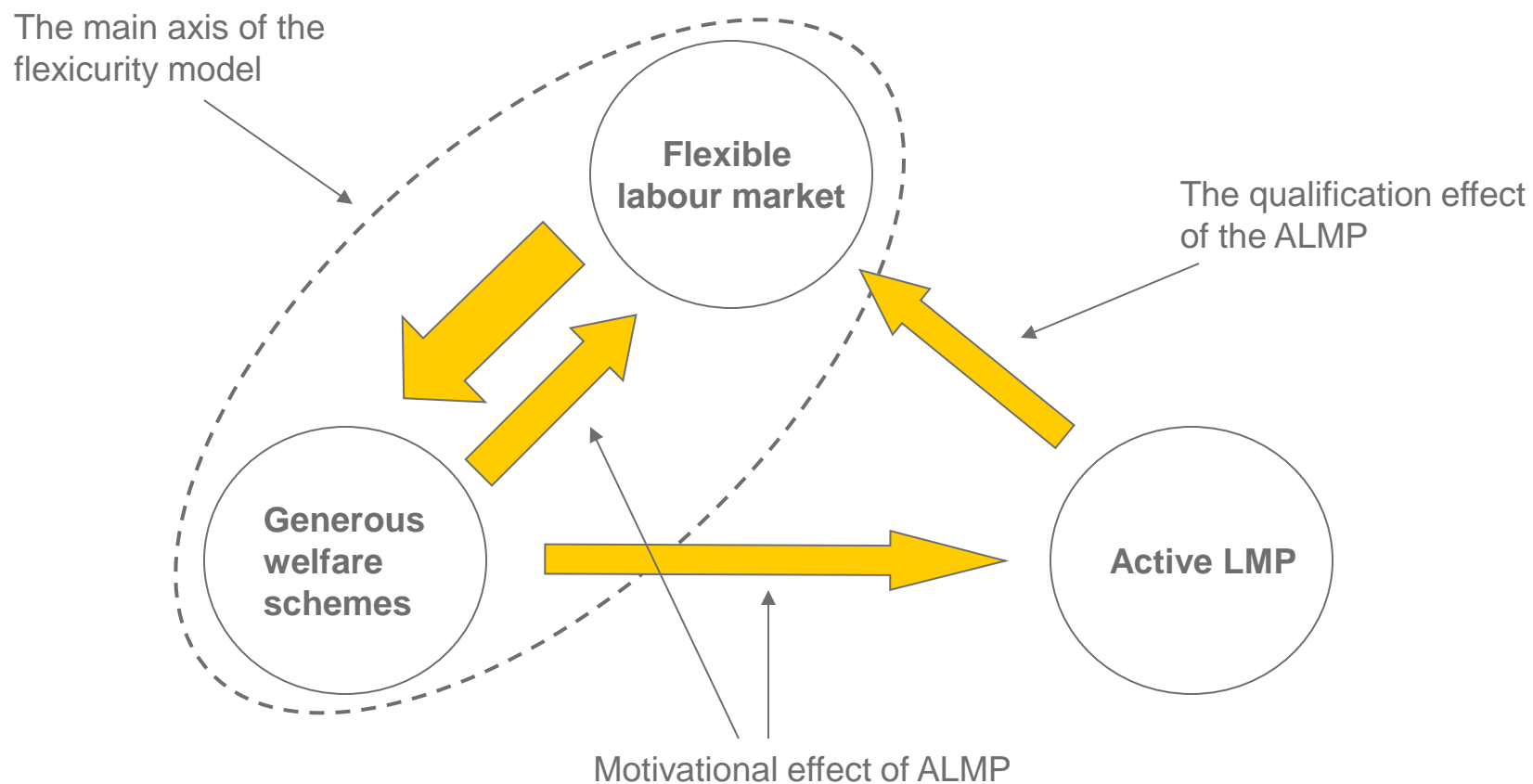
The financial crisis – job losses

The death of a role model

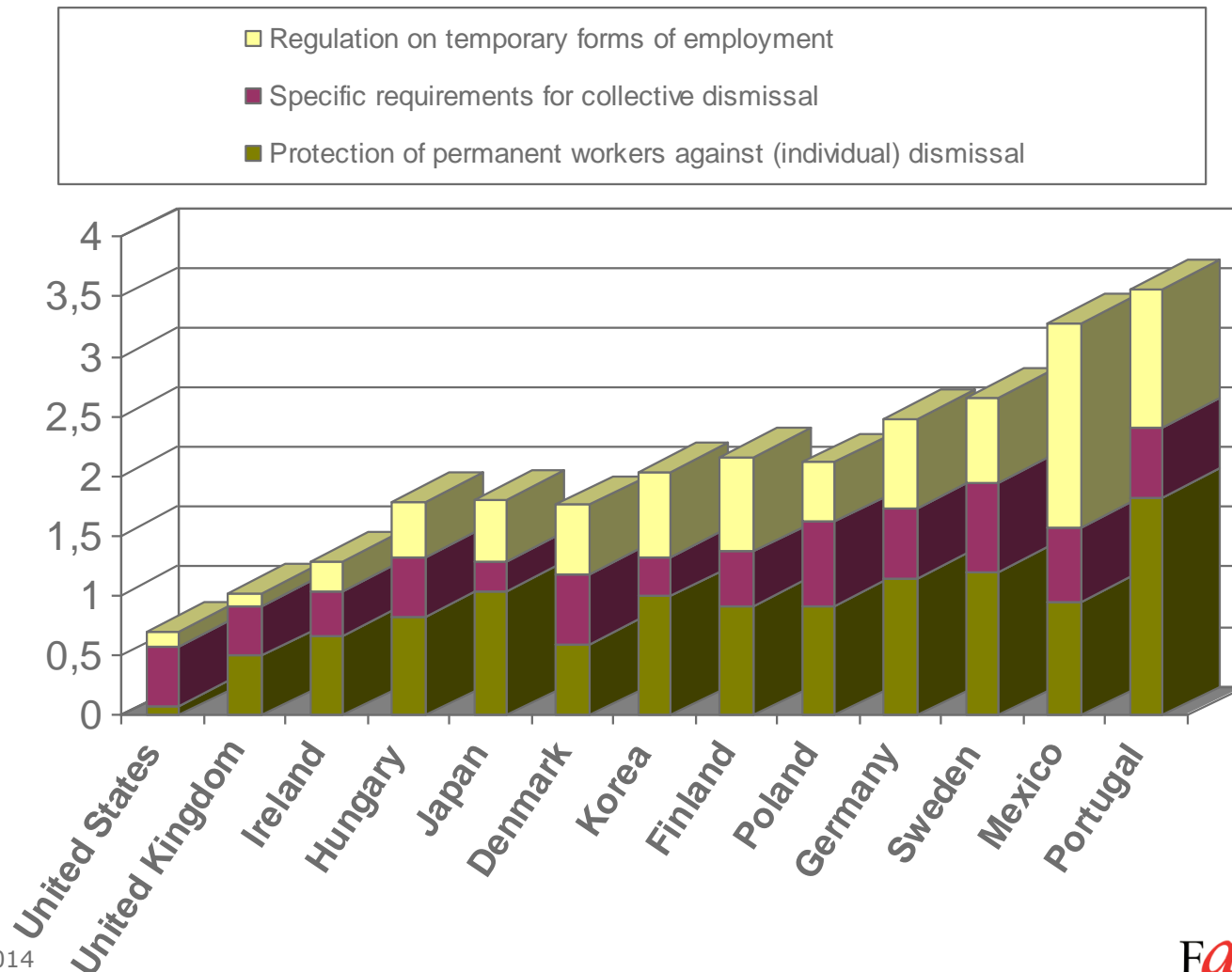
The Danish debate on short-time work

The fall of the Danish flexicurity model – what can be learned?

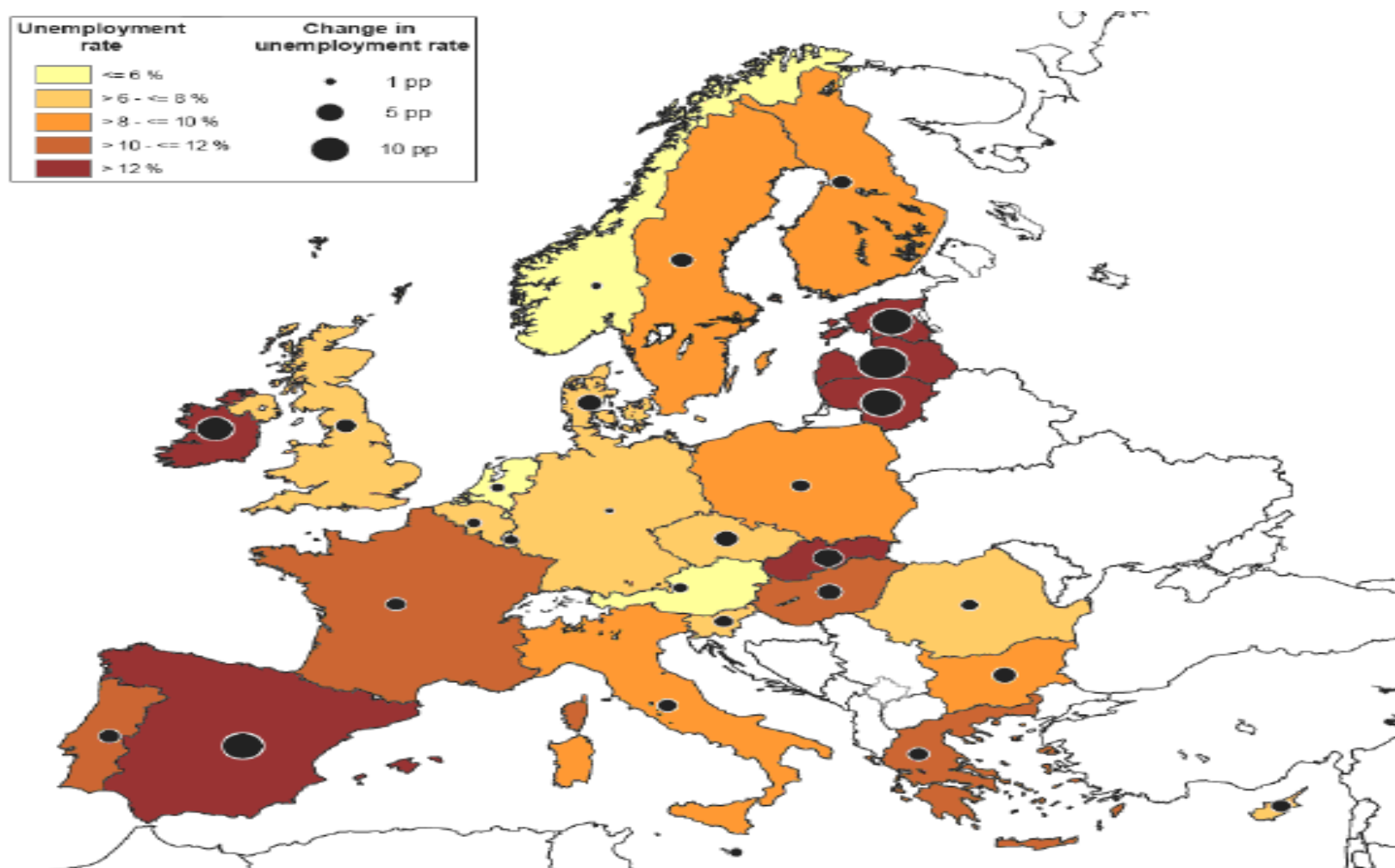
## The Danish flexicurity model



# The overall strictness in Employment Protection Legislation (EPL) OECD 2003



# Unemployment, February 2010 + increase in unemployment since the beginning of the crisis, EU27



Denmark: 6th highest  
increase in unemployment  
in the EU

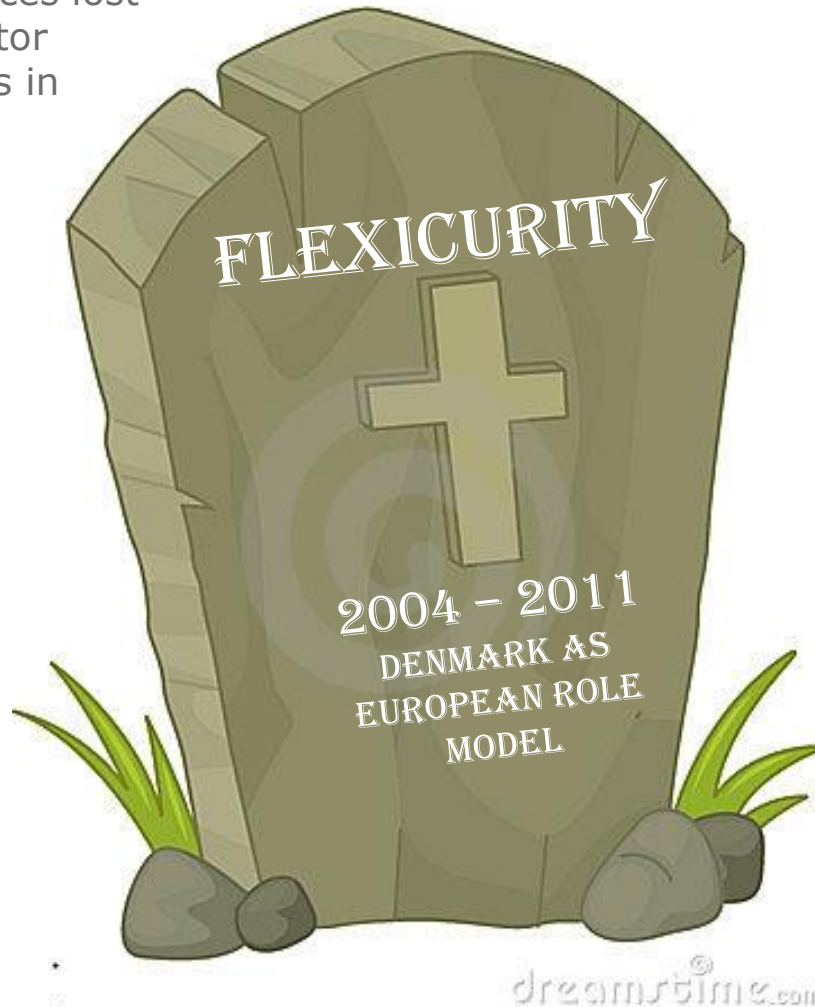
200.000 work places lost  
in the private sector  
- incl. 70.000 jobs in  
manufacturing

Denmark could not  
follow the positive  
trends in Germany  
and Sweden

New jobs: low  
qualifications / low  
wages

"From banker to  
undertaker"

The Danish  
flexicurity model =  
dead as European  
role model!



Inger Støjberg,  
Minister for Employment 2009-2011

## Flexicurity overrated ?



CUT-BACKS IN 'SECURITY':

Period of unemployment benefits halved

Period of supplementary unemployment benefit reduced

The compensation of unemployment benefits hollowed out

The active labour markets policies downscaled

## "The flexicurity matrix", Wilthagen

<div>Security</div> <div>Flexibility</div>	Job security	Employment security	Income security	Combination security
<b>External numerical flexibility</b>	<ul style="list-style-type: none"> <li>• EPL</li> <li>• Early retirement</li> </ul>	<ul style="list-style-type: none"> <li>• ALMP</li> <li>• Training/life long learning</li> </ul>	<ul style="list-style-type: none"> <li>• Unemployment benefits</li> <li>• Minimum wages</li> </ul>	<ul style="list-style-type: none"> <li>• Protection against dismissal during various leave schemes</li> </ul>
<b>Internal numerical flexibility</b>	<ul style="list-style-type: none"> <li>• Short-time work/part time arrangements</li> </ul>	<ul style="list-style-type: none"> <li>• EPL</li> <li>• Training/life long learning</li> </ul>	<ul style="list-style-type: none"> <li>• Part-time supplementary benefit</li> <li>• Sickness benefit</li> </ul>	<ul style="list-style-type: none"> <li>• Different kind of leave schemes</li> <li>• Part time pension</li> </ul>
<b>Functional flexibility</b>	<ul style="list-style-type: none"> <li>• Training</li> <li>• Labour leasing</li> <li>• Outsourcing</li> </ul>	<ul style="list-style-type: none"> <li>• Training/life long learning</li> <li>• Job rotation</li> <li>• Multi-skilling</li> </ul>	<ul style="list-style-type: none"> <li>• Performance related pay systems</li> </ul>	<ul style="list-style-type: none"> <li>• Voluntary working time arrangements</li> </ul>
<b>Labour costs/wage flexibility</b>	<ul style="list-style-type: none"> <li>• Local adjustments in labour costs</li> </ul>	<ul style="list-style-type: none"> <li>• Changes in social security payments</li> </ul>	<ul style="list-style-type: none"> <li>• Collective wage agreements</li> <li>• Adjusted benefit for short-time work</li> </ul>	<ul style="list-style-type: none"> <li>• Voluntary working time arrangements</li> </ul>

## Varieties in flexibility – security balances

	Denmark		Germany
	<i>Employment security</i>		<i>Job security</i>
<i>External numerical flexibility</i>	<p>Wage subsidies for short-time work up to 6 months</p> <p>Unemployment benefit up to 24 months (cut back from 48 months in 2010), wage compensation around 50% of normal pay</p> <p style="text-align: center;">↓</p> <p>New job?</p>	<i>Internal numerical flexibility</i>	<p>Wage subsidies for short-time work up to 24 months</p> <p>Unemployment benefit up to 12 (32) months, wage compensation up to 67% of normal pay + company top-up</p> <p style="text-align: center;">↓</p> <p>Back to full-time employment in the same job?</p>

## Short-Time Work and Unemployment Levels – Outcomes

Short-time work/*Kurzarbeit* in Germany:

From the peak in mid 2009 of 1.443.000 the number was 220.000 in September 2010

Among others OECD in 2009 predicted that the number of unemployed could move towards 5 million in 2010

By October 2010 Germany had 2.945 million unemployed. *'The German employment miracle!'*

Unemployment rates:

Denmark: from 3.3% in 2008 to 7.3% in 2010 (October)

Germany: from 7.3% in 2008 to 6.7% in 2010 (October)

Source: Eurostat.

## The crisis, short-time work and the reaction of key-actors 1

From late 2008 – mid 2010: 70.000 jobs lost in manufacturing (18% of total employment)

Large employers in manufacturing arguing for 'a German solution' .... Grundfoss, Danfoss, Lego

The centre-right government + employers' associations rejected the idea

Trade union responses were mixed!

Outcome: No-change in regulation of short-time work

# The crisis, short-time work and the reaction of key-actors 2

*Two main reasons for the no-change policy on short-time work*

1. The reduction of the supplementary unemployment benefit for the partly unemployed – reduced from 52 to 30 weeks in early 2008
  - A prolonged short-time work scheme would loose state support after 30 weeks
  - The government + employers rejected to change this regulation
2. The continuing belief in 'flexicurity' – path dependency
  - The employers rejecting 'a break away' from the path of external flexibility
  - Mixed reactions among trade unions

# The fall of the Danish Flexicurity model– what can be learned? (1)

To move from one configuration of flexibility and security to another – what does it take?

1. Political and institutional capacity in the form of mutual trust  
Between employers and trade union  
Between employers/trade union and the government
2. Adequate central and decentralised platforms and channels for coordination and negotiation

DK had all this .. Or ..?

# The fall of the Danish Flexicurity model– what can be learned? (2)

## CUT-BACKS IN 'SECURITY':

- Period of unemployment benefits halved
- Period of supplementary unemployment benefit reduced
- The compensation of unemployment benefits hollowed out
- The active labour markets policies downscaled

The flexible regulation of dismissals rules and a basic assumption:

If regulation of unemployment benefits were weakened TU's would demand tightened dismissals rules!

The assumption was false!

Why:

- Lacking political support
- A weakened TU movement – loss of members
- The influence of neo-liberal economic policies