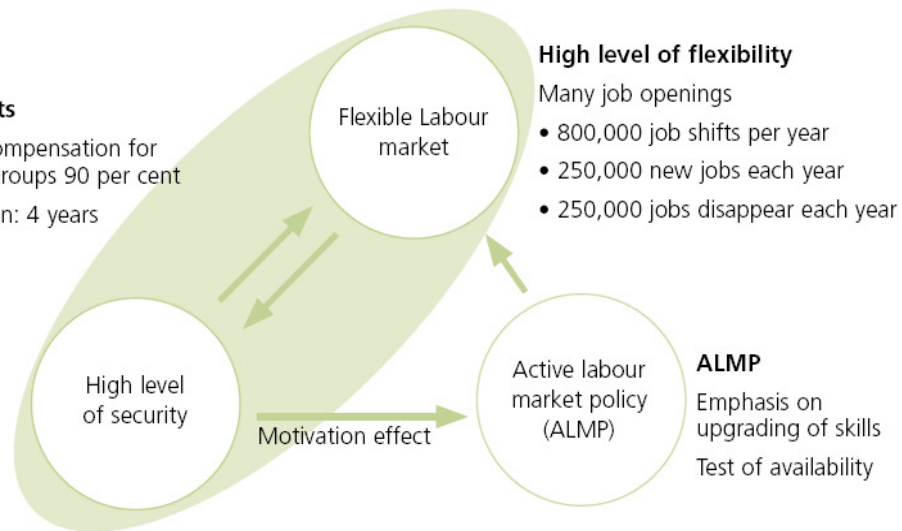


# The Danish flexicurity model

## THE DANISH FLEXICURITY MODEL

### Benefits

High compensation for wage groups 90 per cent  
Duration: 4 years



Martin Steen Kabongo  
Senior Adviser, DI

2 March 2007  
SIMA Conference in Lisbon

# Confederation of Danish Industries

Committed Industry



DI is a private business and employers' organisation - funded entirely by currently 7.000 companies.

DI aims to provide the best possible working conditions for the Danish industry.

DI is also concerned with issues like education, the environment, and the integration of immigrants.

DI negotiates the largest collective agreements on the private labour market in Denmark

# The Danish Labour Market is characterised by

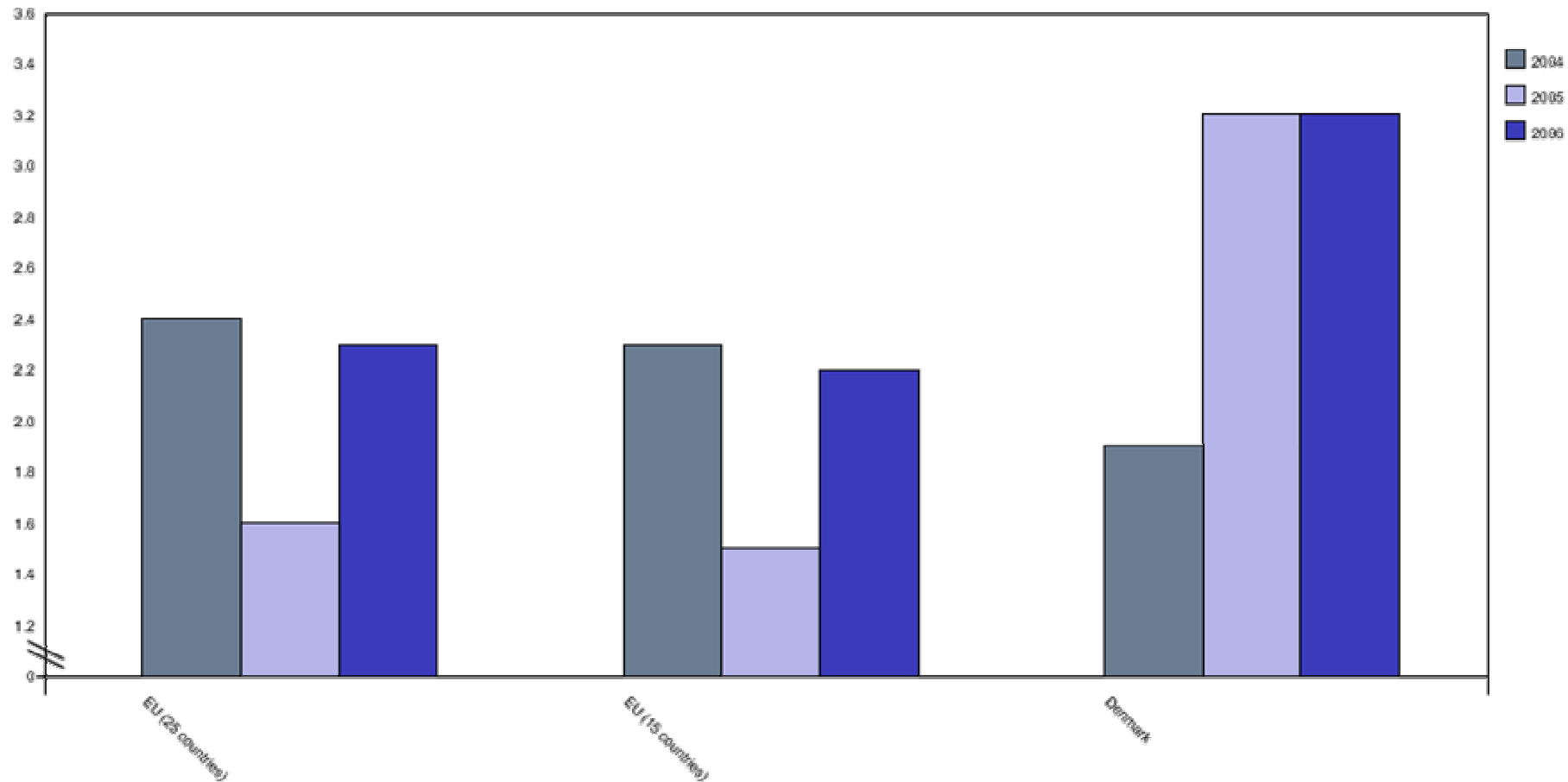
---

- Very flexible labour market
- High level of security
- Strong labour organisation on both sides of the industry
- High level of unionisation (80 pct)
- Long tradition for collective bargaining – since 1899
- High regulation by collective agreements - few by law
- Tendency towards more intervention by government and the European Union

# Growth rate

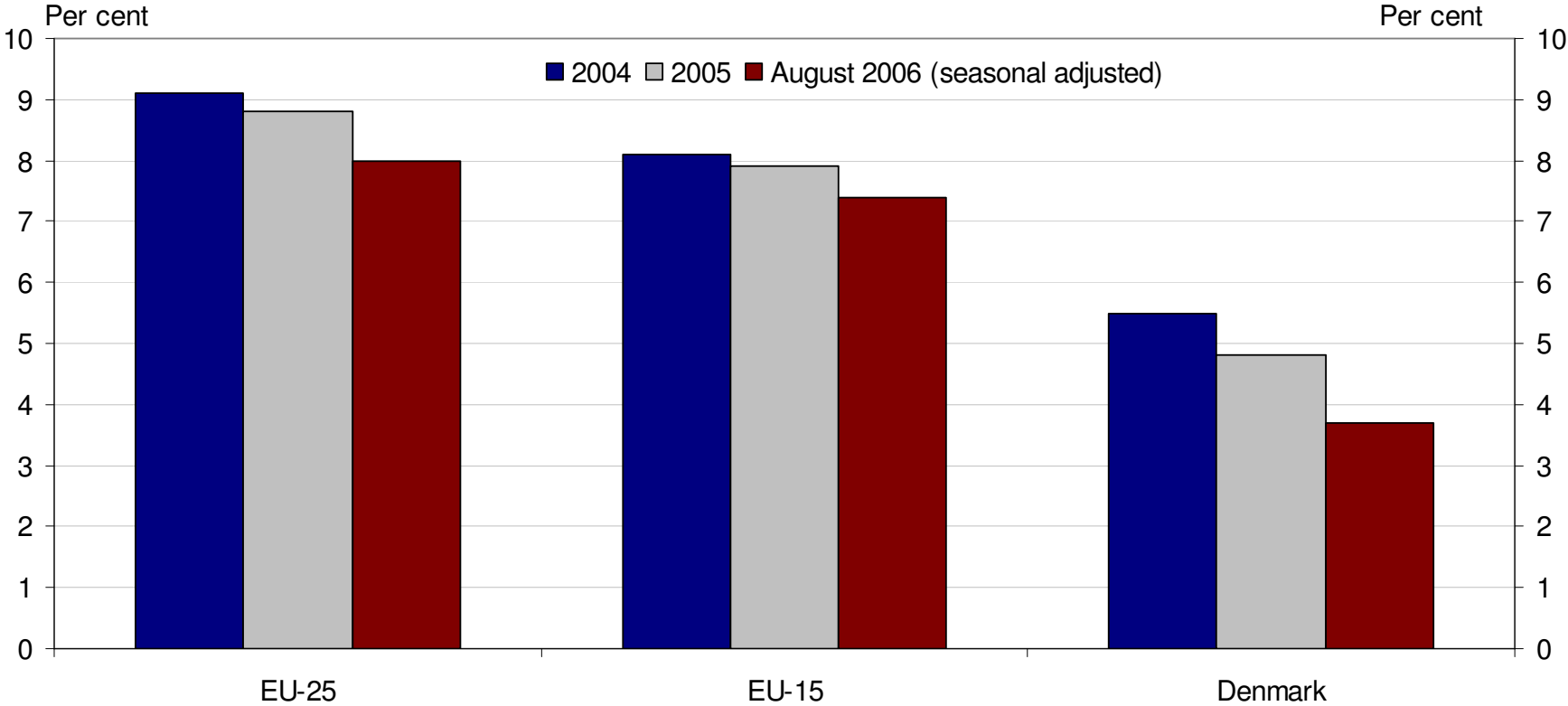
## Real GDP growth rate

Growth rate of GDP volume - percentage change on previous year



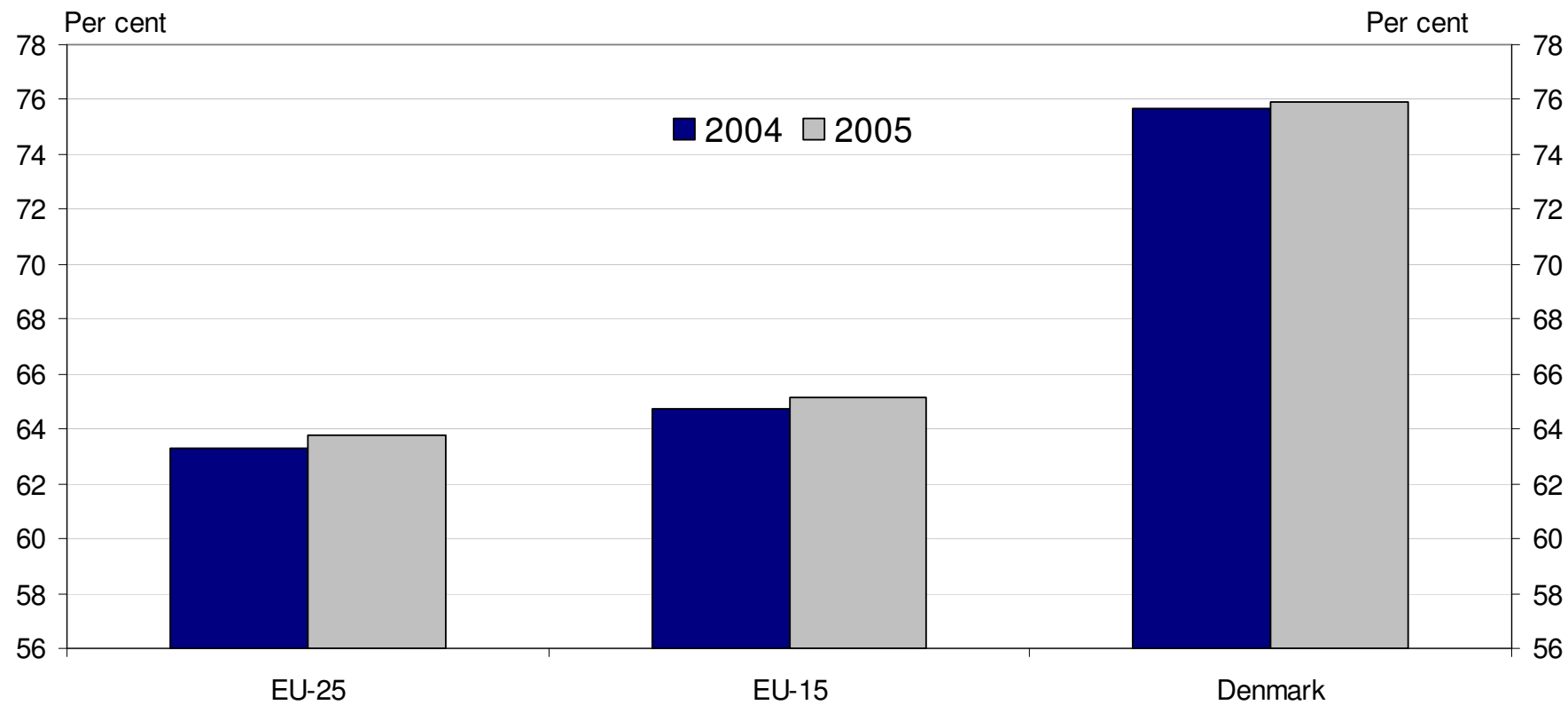
Source: Eurostat

# Unemployment rate



Source: Eurostat

# Employment rate

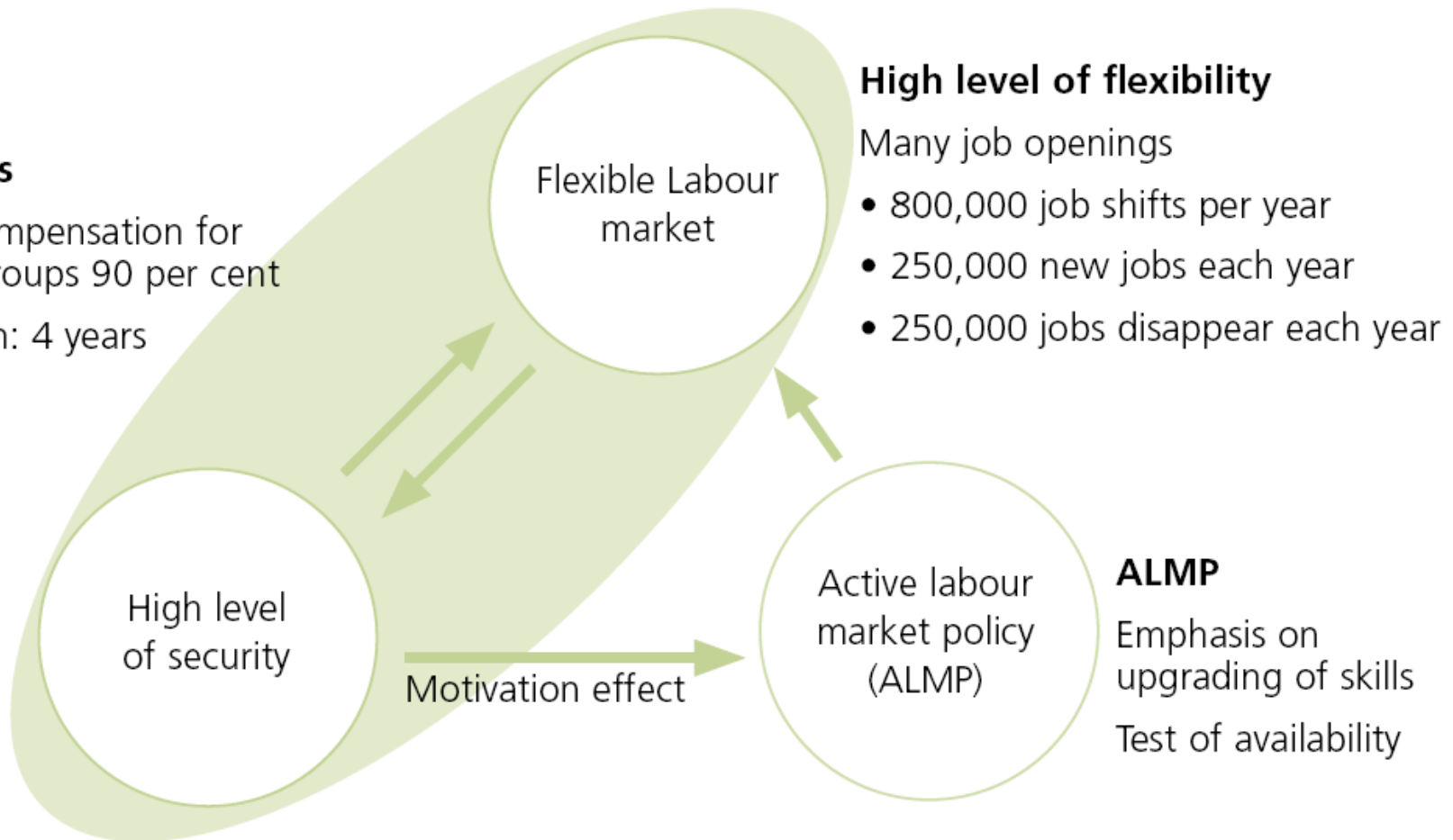


Source: Eurostat

# The Danish flexicurity model

## Benefits

High compensation for wage groups 90 per cent  
Duration: 4 years



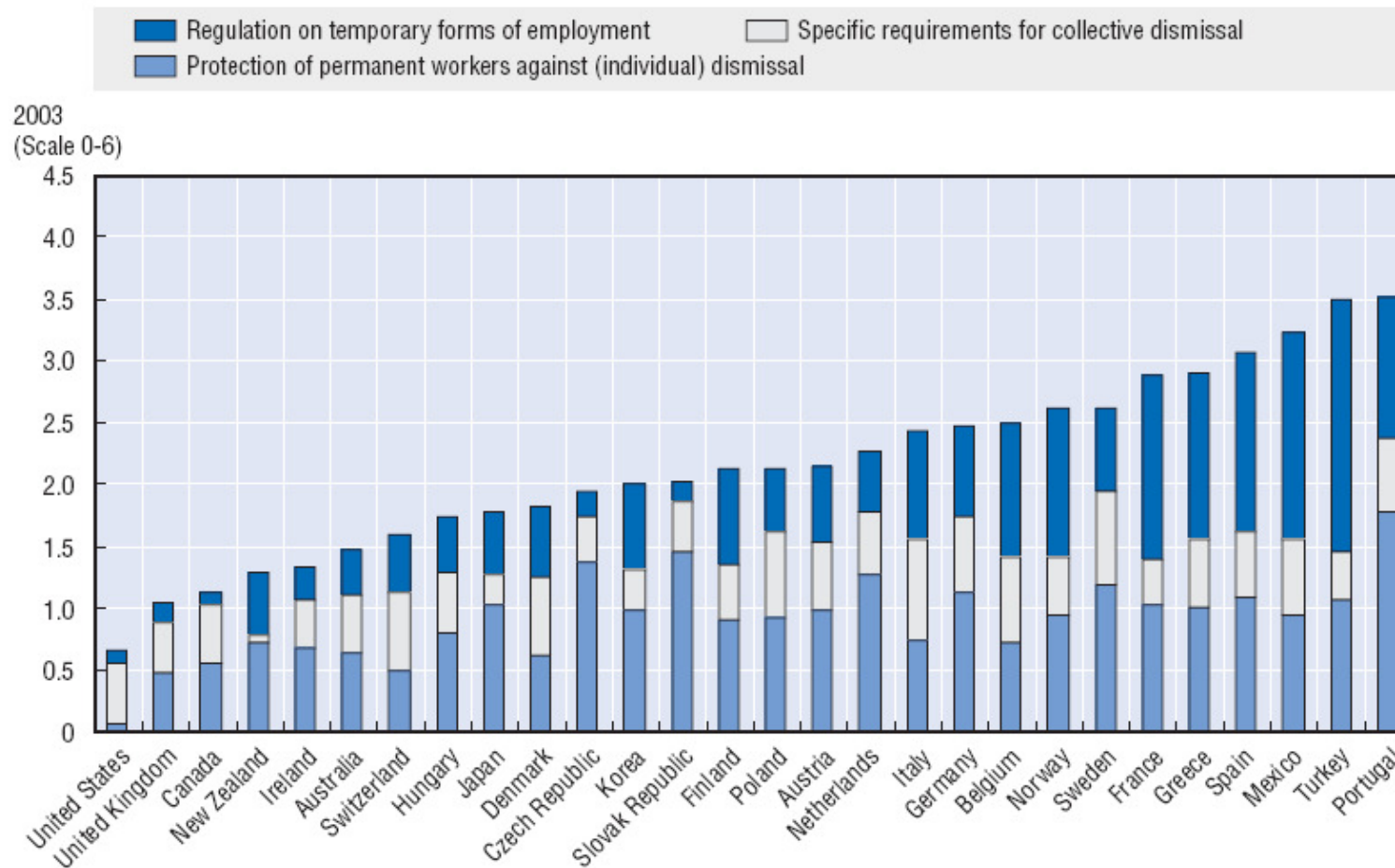
# Danish flexicurity

---

- High degree of flexibility
  - External flexibility - it's easy to hire and fire
  - Internal flexibility - flexible working hours
  - Functional flexibility - adaptability and vocational training
  - Wage flexibility
- High degree of security
  - High employment security
  - High income security - especially for low income groups
  - Low job security
- Active labour market policies
  - skills upgrading
  - motivation effect



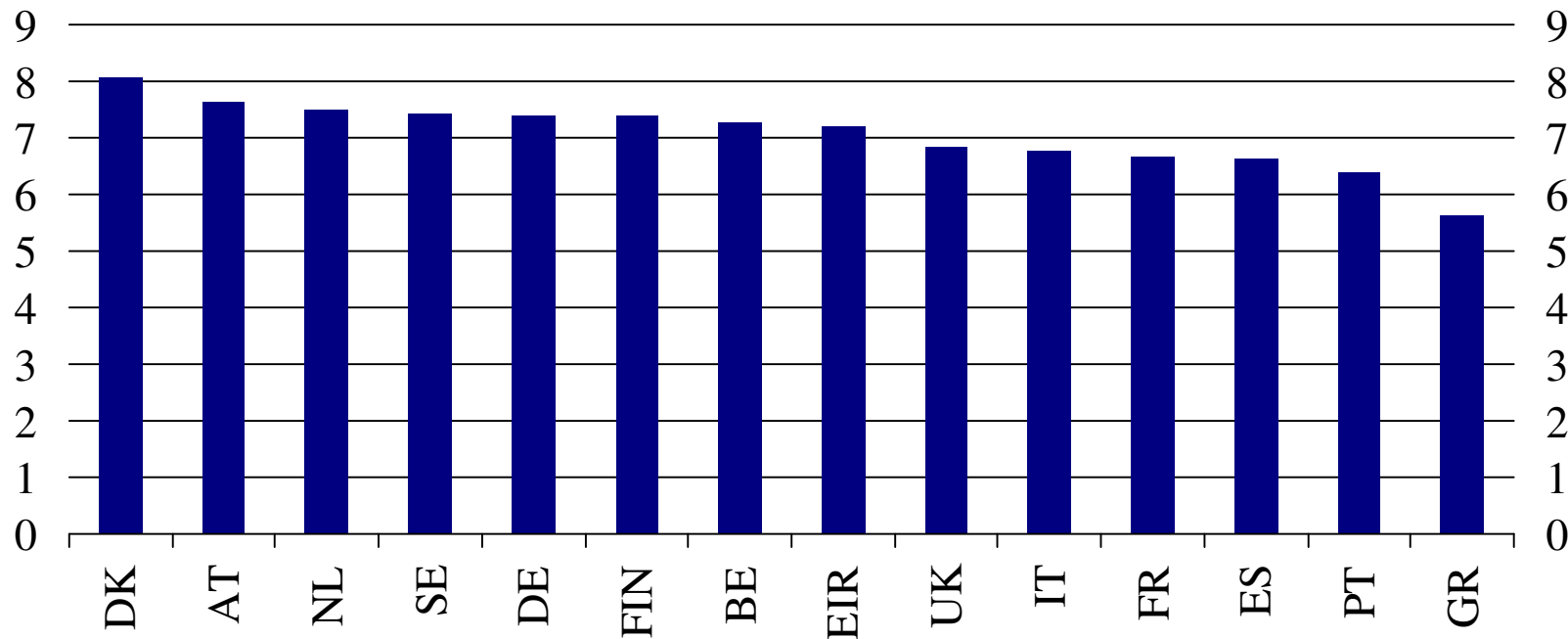
# Overall strictness in EPL



Source: OECD2004

# Employment Security

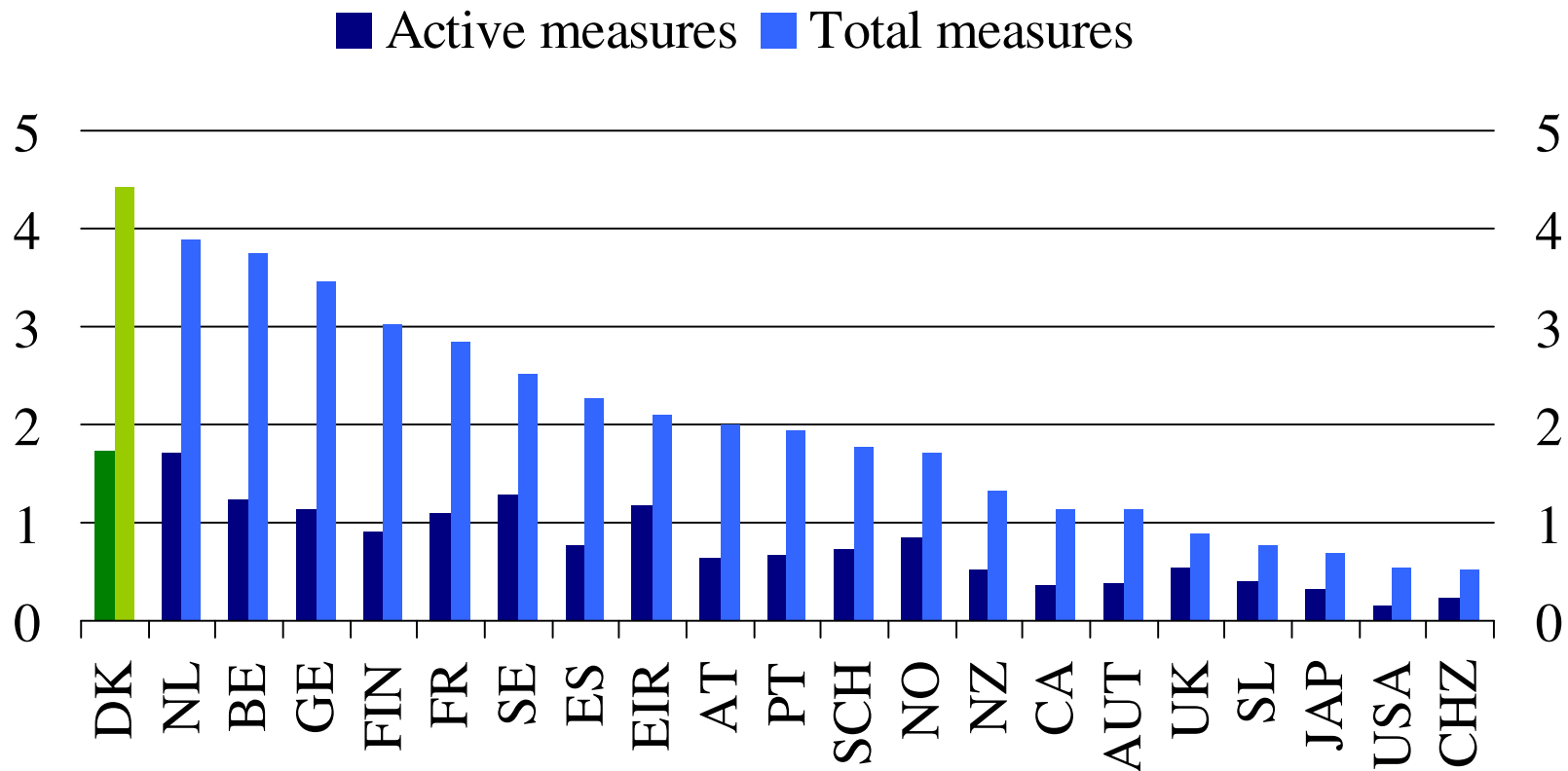
Scale from 1-10 – the higher the number the more secure



SOURCE: CEPS (2004) and Eurostat.

# Expenditure on Labour Market Measures

Per cent of GDP



SOURCE: OECD (2005).

# Four forms of work flexibility:

---

1. External flexibility (the flexibility of hiring and firing)
2. Internal flexibility (working hours, overtime, part-time work, etc.)
3. Functional flexibility (multi-employability, flexible organisation of work)
4. Wage flexibility (performance or result-based pay)

# Danish labour market flexibility

---

- However, for workers there is no legislative regulation of:
  - notice of dismissals
  - protection against unfair dismissals
  - minimum wages
  - pensions
  - overtime pay
- In effect, collective agreements regulate these working conditions

# Flexibility in Working Hours

---

The 37 hours of work per week is calculated as an average over:

Share of employed per cent

---

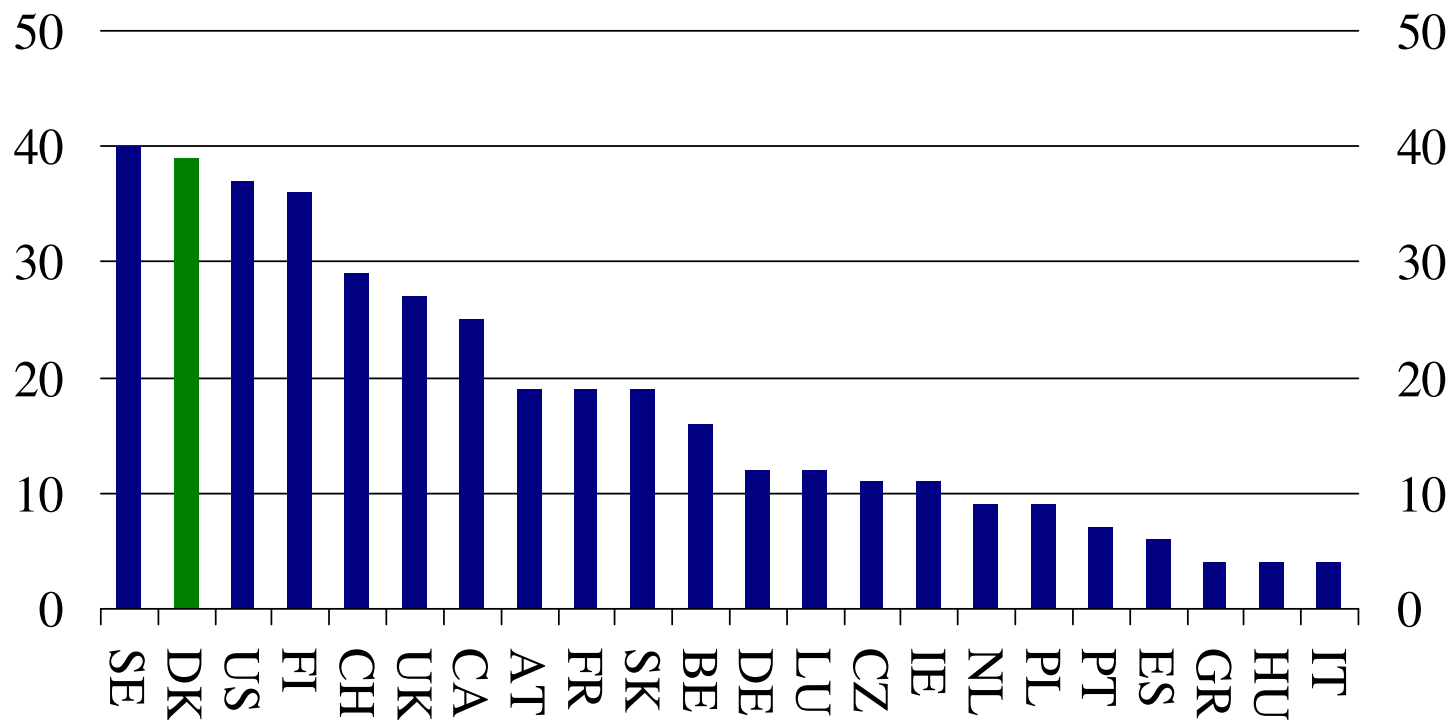
	In 1998	In 2004
No flexibility	7	2
3 weeks – 6 months	24	7
6 months to 11 months	13	15
1 year or more	56	77

---

NOTE: The figures represents collective agreements for approximately 90 per cent of the employees at the DA/LO area.  
SOURCE: DA.

# Participation in Continuing Education

Per cent of employed, 2003

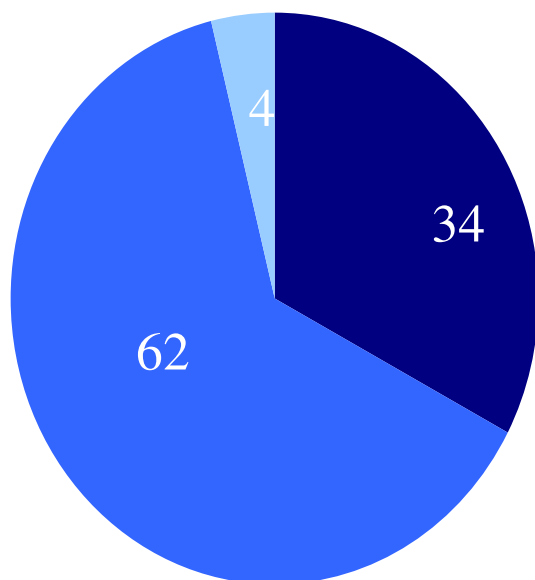


NOTE: Covers non-formal job-related continuing education and training over the previous 12 months. SOURCE: OECD (2006).

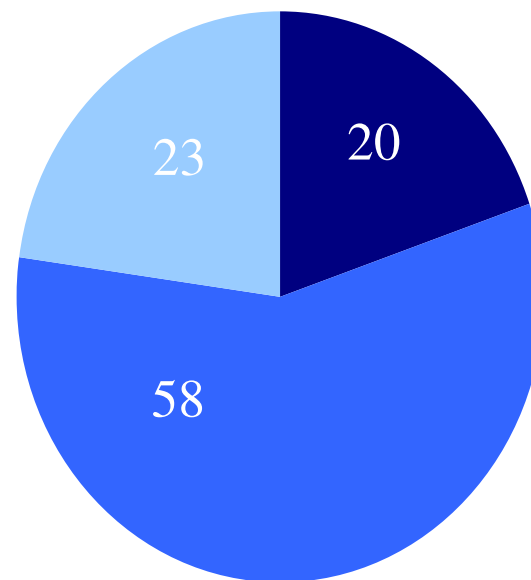
# Flexibility in Wage Setting

Per cent of employees where wages are negotiated:

■ Centrally      ■ Locally, but minimum wage centrally negotiated      ■ Locally



1989



2005

NOTE: DA/LO area.  
SOURCE: DA.



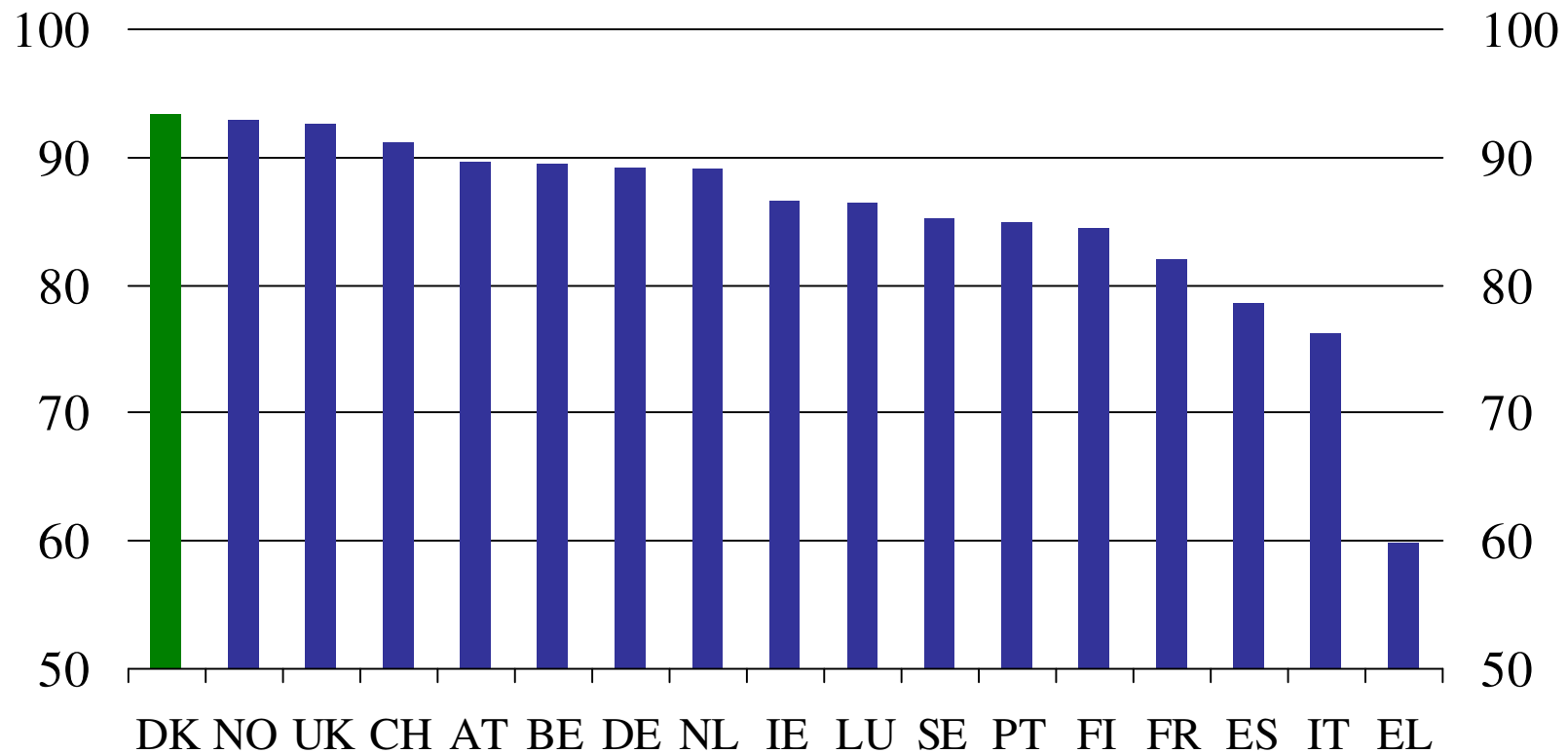
# Four forms of security

---

1. Job security (the certainty of retaining a specific job with a specific employer)
2. Employment security (the certainty of remaining in work – not necessarily with the same employer)
  - Income security (income protection in the event that paid work ceases)
1. Combination security (the certainty of being able to combine paid work with other social responsibilities and obligations)

# Job Satisfaction

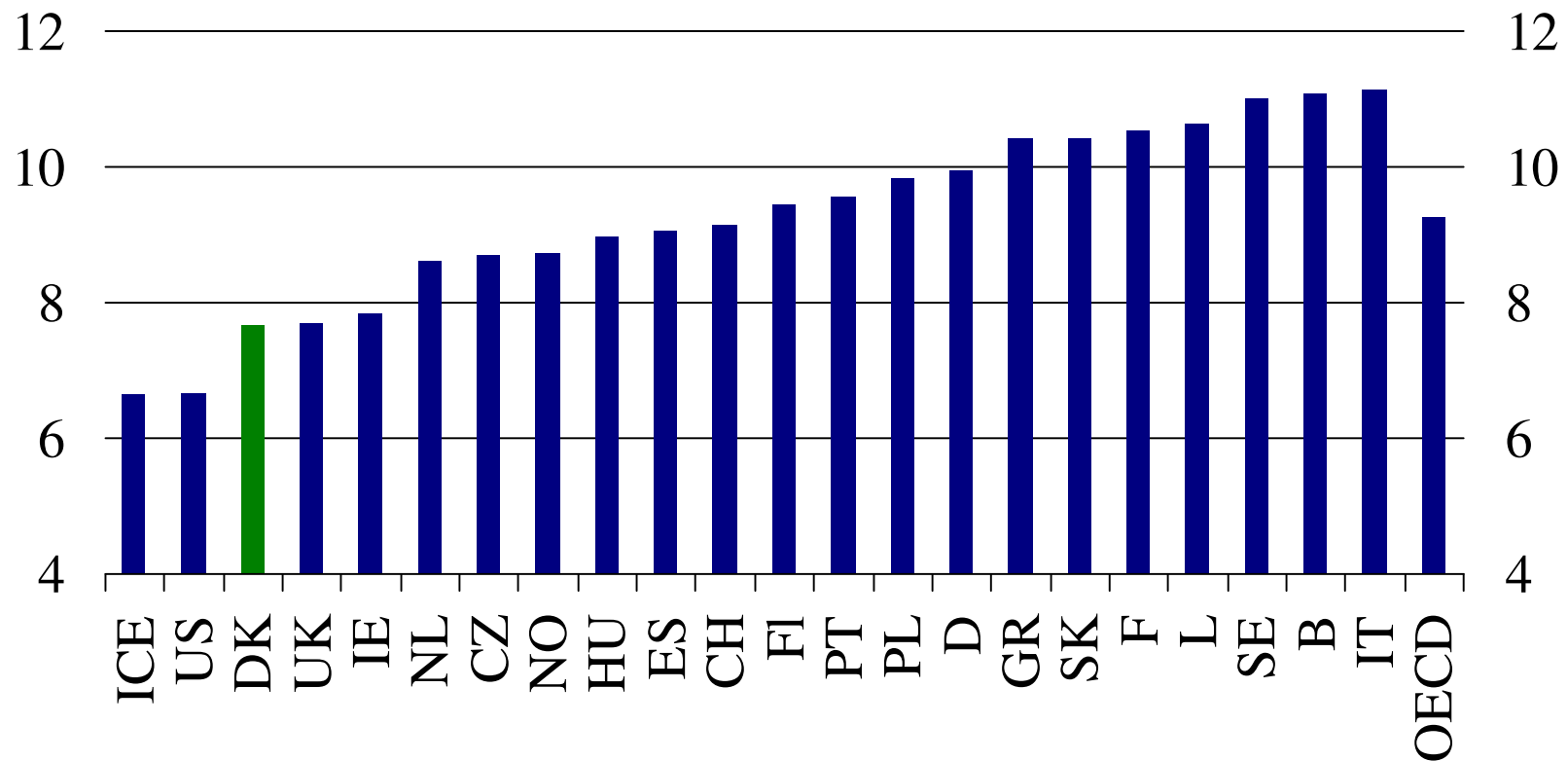
Per cent of employed, 2006



NOTE: The figures show the rate of employed who are satisfied or very satisfied with their occupation.  
SOURCE: EFILWC (2007).

# Average Job Tenure in OECD

Years



SOURCE: CEPS (2004).

# Making Work Pay

---

- Incentives to work for the lowest paid are small
- 26 per cent of the unemployed gain less than 70 Euro/month if they get a job
- 12 per cent of the employed gain less than 70 Euro/month compared with the unemployment benefit
- 5 per cent of the employed earn less than if they were unemployed

SOURCE: Rockwool Foundation (2003).

# Flexicurity is challenged by EU directives on

---

- Collective Redundancies
- Equal treatment in employment and occupation
- European Works Council
- European Company Statute
- European Co-operative Society
- Information and Consultation of Employees
- Information on Individual Employment Conditions
- Employer Insolvency
- Fixed term Work
- Health and Safety
- Parental leave
- Part Time Work
- Posting of Workers
- Transfer of Undertakings
- Working Time
- Young People at Work

# Improving flexicurity

---

- Flexibility
  - improve flexibility in collective agreements
  - improve flexibility in labour law
  - reduce the number violations against the peace obligation
  - strengthen the role of the social partners
- Security:
  - make work pay
  - create an effective public social security system
- Active labour market
  - ensure availability of the unemployed
  - attract foreign labour
  - better match between qualifications and companies' needs