



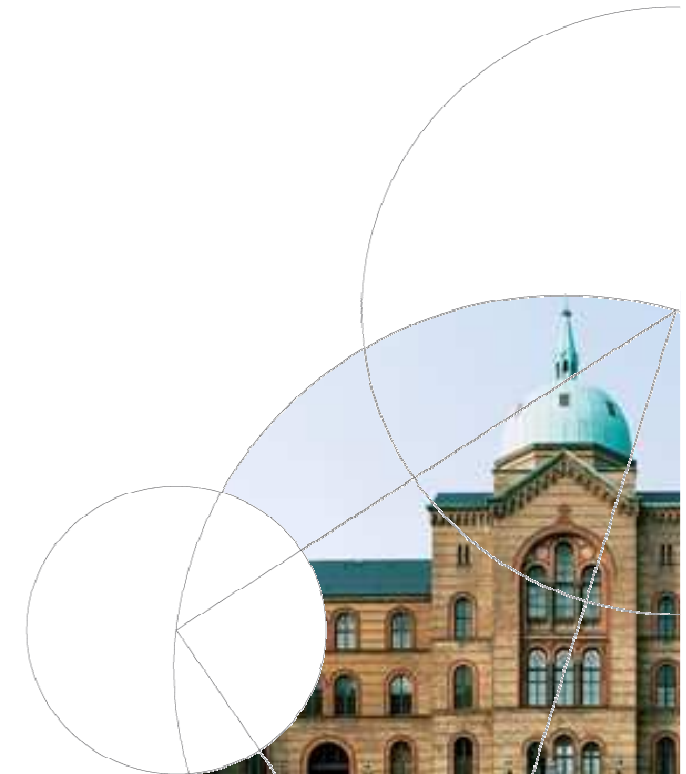
*Reactions to rising unemployment in Denmark
- a 'paradise' under pressure*

Mikkel Mailand

Employment Relations Research Centre, FAOS
Department of Sociology University of Copenhagen

TURI-conference, Madrid, May 4-5, 2010

17-05-2010
Dias 1



1. Introduction

Focus of the presentation

- unemployment figures have **raised more during the crisis in DK** than in most other EU-countries, but the 7 % is **still among the lowest in EU**
- the Danish **flexicurity-models** been seen **as best practice**
- how has the **teacher's pet responded to the crises** – overall and the different parts of the FC-model?
- **role model or good-weather model?**

2. Outline

Outline

- the **golden triangle** – the most well-known version of Danish FC-model
- impacts and responses leg 1: **high numerical flexibility?**
- impact and responses leg 2: **high income security?**
- impact and responses leg 3: **high employment security?**
- Conclusion A: are impacts and reactions **as expected** – **still a role model?**
- Conclusion B: is the golden triangle a **reliable model?**

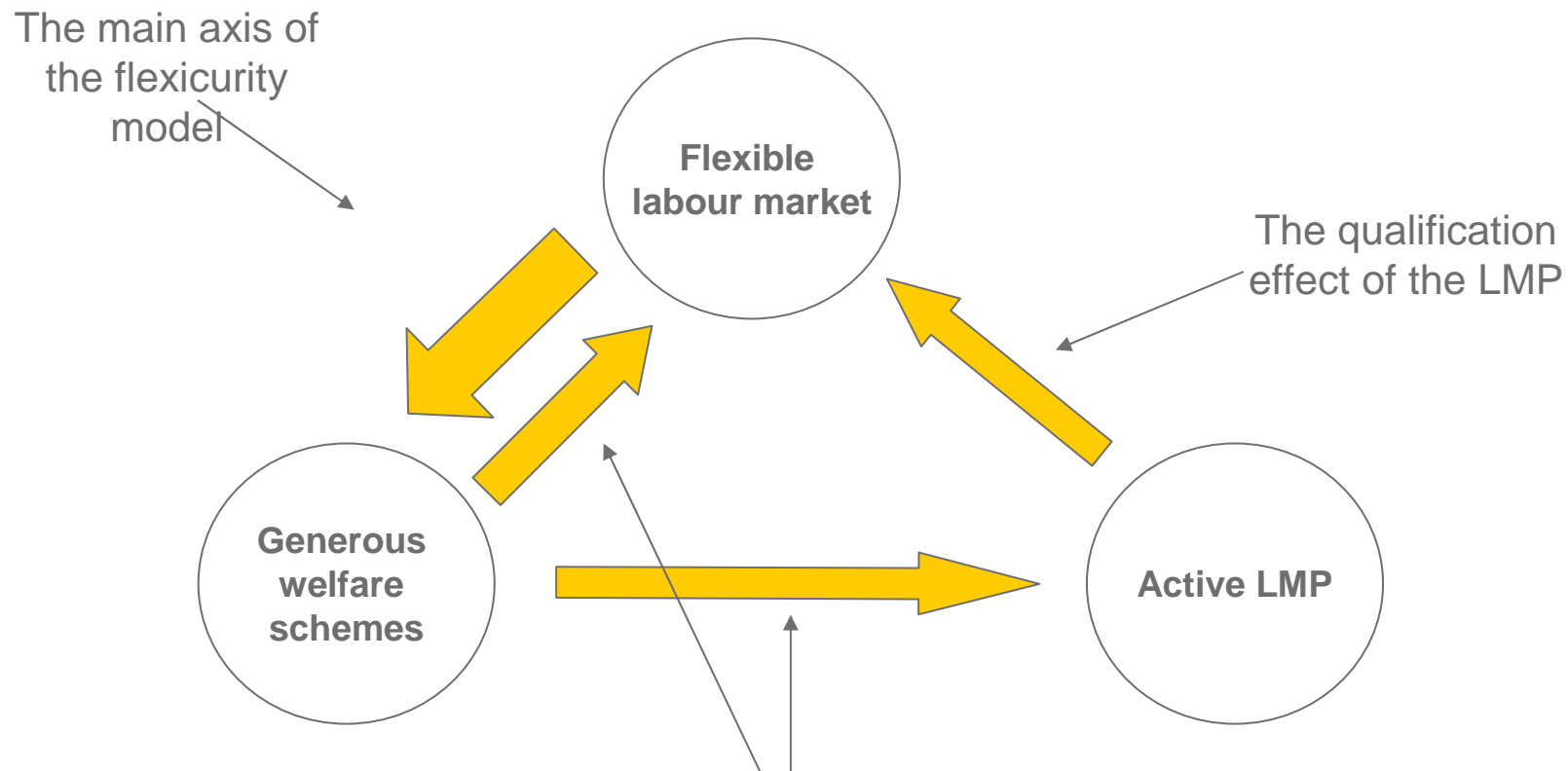
Sources includes (inter alia)

- **Own research + colleagues:** Søren Kaj Andersen, Jesper Due, Christian Lyhne Ibsen, Carsten Jørgensen, Jørgen Steen Madsen



3. A three-leg version of the Danish FC-model – 'the golden triangle'

The **Danish flexicurity-model** according to Per K. Madsen et al.: How the **highly mobile** labour market is working



4. Impact and response leg 1: high numerical flexibility?

Impact of the crisis

- **rapid rise in unemployment**, many layoffs during 2009 – one of the first EU countries to be hit (a small open economy)
- increase in use of **short time work arrangement** (STWA) from August 2008 to June 2009 (30.000), but still limited compared to D (1.4 million in June 2009)

Government and social partner response

- in **DK STWA up to 6 month for app. 50 % of normal pay** – the government refused trade unions suggestions about extension. In D expanded to 24 months for app. 67 % of normal pay
- **limited demands at private sector collective bargaining** round 2010 and no or very limited wage-increases (wage-flexibility issue)



5. Impact and response leg 2: high income security?

Impact of the crisis

- **increasing state expenditures** on unemployment benefits
- maximum unemployment **benefit period long** (4 years), but:
- but **unemployment benefit funds' coverage has been decreasing** last ten years from approx 80 to 70 % - especially young people have during boom-years chosen not to be members
- **membership has been stabilised** during the crisis
- an unknown, but increasing, **part of the workforce is neither eligible** for unemployment insurance nor social assistance
- long term trend, which the crisis has made more visible: **replacement rates has been declining**, for mid-income down to 50 - 60 %, lower than in some other EU-MSs. UB in DK only generous for low-income groups



5. Impact and response leg 2 (cont.): high income security?

Government and social partner response

- **government: limited** because of, inter alia, fear of free rider problem. Free for students to enrol in unemployment benefit funds
- social partners: introduction of (limited) **redundancy payments** during collective bargaining round 2010 in private sector – existed only in financial sector previously

6. Impact and response leg 3: high employment security?

Impact of the crisis

- **relative increase in unemployment above EU-average** (only Baltic states, Bulgaria, Spain and Ireland above), but:
- outflow from employment in private sector was in 3Q2009 10 %, in-flow was 7 %. Hence, **labour market is still highly mobile** and job-creating
- the **long-term unemployment/all unemployment** ratio (4Q2009) the lowest in EU: 11 %
- number of **employees that fear losing their job the lowest** in EU (8 %); the number that think they can find a new job the highest (67 %)
- **youth'** unemployment has increased more than average, **immigrants'** less



6. Impact and response leg 3 (cont.): high employment security?

Government and social partner response

- government general: two resource programmes (**bank packages**) to keep the banks solvent and to facilitate loans
- government ALMP: 1) full **municipalisation** 2) **youth package** 3) forthcoming **long-term-unemployment initiative** w. closer contacts with clients, no more training?
- social partners '**responsible**' **CA 2010**



7. Conclusion A: Are the impacts and reactions as expected?

What is as expected from the Danish FC-model (positive and negative dev.):

- **rapidly rising unemployment** relatively above EU-average
- continued high level of **job-creation**
- low level of **long-term unemployment**
- continued **high perceived employment security**
- **limited use of STWA** and few agreements **on wage reduction**
- **high state expenditure** on unemployment benefits

What is not as expected from the FC-model (positive and negative dev.):

- declining membership of unemployment **benefit funds** (long-term dev.)
- growing share of workforce **falling through safety net** (long-term dev.)
- **income security** only high for the minority (long-term dev.)
- only **few new ALMP-initiatives** as responses to the crisis
- CAs on **redundancy payments**

Still a role model? – too early to say

- **more expected** than unexpected responses – some positive figures below negative
- the **permanent impact** and the **pace of recovery** important for overall evaluation of the model's response to the crisis



8. Conclusion B: Are the golden triangle theoretically satisfying?

The golden triangle

- grasp **some important features** of the Danish labour market, but:
- the **generous welfare schemes** are not generous for all groups – not even comparatively
- is **flexibility** so much higher in the Danish public sector than elsewhere?
- disagreements about **the effects of ALMP**
- **some groups** more covered by flexibility than security and vice-versa

Alternative FC-model used in Denmark

- adding the role **education** (not part of ALMP)
- downplaying income security and **emphasising employment security**
- **mobication** : mobility and education
- balancing **flexibility and security on company-level**, e.g. the Wilthagen-matrix

