Dutch and Danish Flexicurity

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International competitiveness

Source: The Economist, Press Release, March 30th, 2005
Employment rate 2003 (percentage)

Source: OECD: Employment Outlook 2004
Older workers’ employment rate, EU15, 2003 (% population aged 55-64)

older workers' employment rate 2003  
Lisbon target 2010
Unemployment rates, men and women, 2003 (% labour force 15+)
### Employment rates
Full time equivalent (population 15-64)

<table>
<thead>
<tr>
<th>%</th>
<th>The Netherlands</th>
<th>Denmark</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employment rate all</strong></td>
<td>51.3</td>
<td>56.8</td>
</tr>
<tr>
<td><strong>Employment rate men</strong></td>
<td>68.9</td>
<td>73.8</td>
</tr>
<tr>
<td><strong>Employment rate women</strong></td>
<td>33.8</td>
<td>40.0</td>
</tr>
</tbody>
</table>

Source: Employment in Europe 2006
### Part-time employment (population 15-64)

<table>
<thead>
<tr>
<th></th>
<th>The Netherlands</th>
<th>Denmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part time all</td>
<td>36.7</td>
<td>39.7</td>
</tr>
<tr>
<td>Part time men</td>
<td>16.3</td>
<td>18.0</td>
</tr>
<tr>
<td>Part time women</td>
<td>66.1</td>
<td>68.9</td>
</tr>
</tbody>
</table>

*Source: Employment in Europe 2006*
## Fixed-term contracts (population 15-64)

<table>
<thead>
<tr>
<th>%</th>
<th>The Netherlands</th>
<th>Denmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed term all</td>
<td>11.3</td>
<td>12.3</td>
</tr>
<tr>
<td>Fixed term men</td>
<td>8.6</td>
<td>9.7</td>
</tr>
<tr>
<td>Fixed term women</td>
<td>15.1</td>
<td>15.6</td>
</tr>
</tbody>
</table>

Source: Employment in Europe 2006
### Security

#### Job protection

<table>
<thead>
<tr>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>UK USA</td>
</tr>
<tr>
<td>High</td>
<td>Denmark</td>
</tr>
</tbody>
</table>

Social protection
The Netherlands: Socio-economic and political Context

- The ‘Dutch decease’ (80’s and early 90’s)
  - Jobless growth
  - Stagnating participation rates
  - Segmented labour markets (”insider and outsider” groups)
  - Failing integration of 2nd generation immigrants

- Causing...
  - Increasing number of welfare recipients
  - Long-term unemployment and early retirement
  - Rising costs (not able to comply with the convergence criteria?)
  - Crime and apathy
The Netherlands: Policy reforms

- 1991: Decentralisation of the public employment services
- 1995: Preparation for “flexicurity” legislation
- 1996: First social assistance act – focus on job-search and public activation
- 2002: Restructuring of the public employment and social services systems (one entrance for all), privatisation of the reintegration programs
- 2003: “Agenda for the future” (special effort in the 30 largest municipalities)
- 2004: Second social assistance act – reinforcement of the activation objective accompanied by economic incentives for the municipalities
Dutch “Flexicurity” arrangements

Preparations 1995-1998: new efforts to give more security to people in atypical employment relationships and politically to create new flexible forms of employment

Legislation 1998: WAADI – liberalisation of the license system (dismissals)

Legislation 1999: “Wet Flexibiliteit en Zekerheid”

- regulation of conditions for non-core employees
- protection for atypical workers
  (part-time and agency workers, people on fix-termed contracts)
**Denmark: Socio-economic and political Context**

- Economic problems and high unemployment during the 80es and beginning of the 90es
- New Social Democratic lead governments 1993-2001
- New Policy-Mix of offensive macro-economic policy and active LMP
- Readjustments of policy in 1995, 1996 and 1999 in accordance with recovery
- New Liberal-Conservative government in 2001
The Danish labour market system

⇒ A voluntaristic bargaining system
   (collective agreements since 1899)

⇒ A political interventionist strategy

⇒ densely organised labour market
⇒ negotiated regulation of labour market relations
⇒ active labour market policies (especially since 1994)
⇒ generous unemployment benefit system (socializes costs of flexibility)
The Danish flexicurity system

The primary axe of the Flexicurity system:
- Strong rotation between jobs
- Low job security
- Quick structural adaptation

Flexible labour market

Social security
- Income security
- High perceived job security

The social partners

Active labour market and educational policies

Employment security
# Job turnover and shift of employment 2001, Denmark

<table>
<thead>
<tr>
<th></th>
<th>Number of jobs/employment</th>
<th>Number of jobs/employment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Job turnover</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job creation</td>
<td>285.000</td>
<td>12.1</td>
</tr>
<tr>
<td>Job destruction</td>
<td>266.000</td>
<td>11.4</td>
</tr>
<tr>
<td><strong>Shift of employment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New jobs</td>
<td>736.000</td>
<td>30.8</td>
</tr>
<tr>
<td>Dismissals</td>
<td>714.000</td>
<td>30.2</td>
</tr>
<tr>
<td>Number of wage earners</td>
<td>2379.000</td>
<td></td>
</tr>
</tbody>
</table>

Source: AErådet on behalf of IDA
Average tenure

Source: Auer & Casez, 2003
Job-to-job mobility 2004

number of jobs per person

Source: Eurobarometer 64.1 on geographical and labour market mobility – September 2005
But: The Danes love it more than the Dutch people
Protection for people in ordinary employment 2003

Source: OECD: Employment Outlook 2004
OECD “Summary indicators of the strictness of employment protection legislation” (EPL), late 1990s and 2003.

<table>
<thead>
<tr>
<th></th>
<th>Regular employment</th>
<th>Temporary employment</th>
<th>Collective dismissals</th>
<th>Overall EPL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Late 1990s</td>
<td>2003</td>
<td>Late 1990s</td>
<td>2003</td>
</tr>
<tr>
<td><strong>The Netherlands</strong></td>
<td>3.1</td>
<td><strong>3.1</strong></td>
<td>1.2</td>
<td><strong>3.0</strong></td>
</tr>
<tr>
<td><strong>Denmark</strong></td>
<td>1.5</td>
<td><strong>1.5</strong></td>
<td>1.4</td>
<td><strong>3.9</strong></td>
</tr>
</tbody>
</table>
Level of economic well-being

Source: Gallie & Paugam (2000)
Unemployment insurance system

Net compensation ratio 2002

Source: OECD (2002)
Expenditures for active labour market policy 2005

Graph showing spending as percent of GDP for various countries:
- Denmark:
- Netherlands:
- Belgium:
- Germany:
- Finland:
- France:
- Sweden:
- Spain:
- Portugal:
- Austria:
- Switzerland:
- Norway:
- Ireland:
- Italy:
- Canada:
- UK:
- Japan:
- USA:

Legend:
- Active
- Passive

Spending as percent of GDP
Unemployment developments 1990-2004: Danish success in fighting unemployment

Source: Eurostat
Denmark: the Phillips curve flattened out!

Source: ADAMs databank

Labour market policy reform
Some basic figures for Danish flexicurity: “the security of the wings”

- 20 percent of the workforce experience unemployment each year
- 30 percent change jobs each year
- 11 percent in ALMP each year
- 13 percent of the workforce complete a CVT-courses each year
Challenges to the Danish “Flexicurity”:  

- **bad integration of immigrants** into the labour market (employment rate only 47 – Danes 77)  
- **new labour market policy arrangements** weaken active and tailor-made measures (“municipalization”)  
- From 2007 **reduced role of the social partners**, which might create demotivation  
- **reduced public support for vocational training and further education** will reduce mobility
Labour Market Regimes and ‘Flexicurity’

<table>
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<tbody>
<tr>
<td>‘Governmental regulation’ (for weak groups)</td>
<td>’Governance without much government’ (for the whole system)</td>
</tr>
<tr>
<td>Social partners important</td>
<td>Social partners in pivotal positions (until 2007)</td>
</tr>
<tr>
<td><strong>Part-time economy:</strong></td>
<td><strong>Full-time economy:</strong></td>
</tr>
<tr>
<td>Gender based</td>
<td>Not gender-based</td>
</tr>
<tr>
<td>Many fixed-term contracts</td>
<td>Few fixed-term contracts</td>
</tr>
<tr>
<td>Job protection high</td>
<td>Job protection low</td>
</tr>
<tr>
<td>High social protection</td>
<td>High social protection</td>
</tr>
</tbody>
</table>
Comprehensive childcare coverage

Childcare coverage rates 0-3 years

Source: Benchmarking Working Europe 2005

Data source: OECD (2001)
The new EU “flexicurity” chart of Europe

Figure 6

PCA: Country scores along security and flexibility/employability

Sources: DG EMPL calculations from Eurostat and OECD data.

Source: Employment in Europe 2006
Economic security and employment

\[ y = 26.037x + 45.229 \]

\[ R^2 = 0.2793 \]

Source: Andrew Watt: Transfer no. 4, 2004
Economic security and unemployment

\[ y = -12.605x + 17.404 \]
\[ R^2 = 0.1608 \]

Source: Andrew Watt: Transfer no. 4, 2004
Works better with a safety net!