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The Danish flexicurity system – a solution for everyone?

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Abstract

In this paper, we examined the Danish flexicurity model that is a special mix of both labor market and social policies. We highlighted its key elements and the reasons why it is successful. These include the efficient social safety net, employment protection, and active labor market policy. We analyzed the feasibility of such model in other EU Member States. As a conclusion, there are two fundamental features that are needed for differences that can significantly challenge potential adaption elsewhere: high public spending and supportive culture. Therefore the Danish flexicurity system cannot be implemented as a whole in most of the EU Member States in the upcoming few years.

JEL Classification: J40, H53

Keywords: active labor market policy, Denmark, employment, European Union, flexicurity, labor market, social security

Table of contents

Abstract	
List of figures	1
1. Introduction	2
2. The Danish flexicurity system: a special mix of labor market flexibility and social security	5
2.1 Origin of concept	5
2.2 The “golden triangle”	5
2.2.1 Overview of the concept	5
2.2.2 Social safety net	7
2.2.3 Employment protection	8
2.2.4 Active labor market policy	9
2.3 Problem and challenges	9
2.4 Results of the Danish flexicurity system	10
2.4.1 Employment and unemployment rates	11
2.4.1 Competitiveness	12
2.4.2 Happiness	14
3. Flexicurity in the European Union	16
3.1 High public spending	16
3.2 Supportive culture	20
4. Conclusion	21
References	23

List of figures

Figure 1. The “Golden Triangle” of flexicurity	6
Figure 2. Unemployment rates and durations in the benchmark group, 2012	12
Table 1. Denmark’s rank in the GCR.....	14
Figure 3. Total general government and socail protection expenditures as % of GDP, 2012	17
Figure 4. Total general government expenditure % of GDP in the EEA, 2012*	19

1. Introduction

Global competitiveness of Europe has long been an important issue. Due to competition with other developed regions as well as the appearance and rise of emerging markets, the European competitiveness is not always satisfying in several fields (Schwab & Sala-i-Martin 2013). Many experts and European leaders attribute the current lack of competitiveness in European countries to the large welfare system, oversized social spending, and inefficient labor market policies. As the Euro Crisis evolved, several prominent people – including European Central Bank President, Mario Draghi – emphasized that the current European social model is already gone requiring important reforms as it could no longer guarantee jobs for youths (The Wall Street Journal 2012). Stronger voices also blamed it for most of the troubles and the unwillingness to implement austerity measures on the continent in general (Begg 2012). The importance of this issue is unquestionable. For instance, German chancellor Angela Merkel noted in an interview that Europe accounts for approximately 7% of the world's population while its share in global GDP is around 25% and has to finance 50% of global social spending. Based on these figures she emphasized that Europe would have to work very hard to maintain its prosperity and welfare (Peel 2012).

Lack of competitiveness on the European labor market is not a completely new problem, however, the current Euro Crisis catalyzed this phenomena considerably. European leaders and experts have already dealt with this issue and the revised Lisbon Strategy for Growth and Jobs called on Member States to “*promote flexibility combined with employment security and reduce labour market segmentation*” (European Commission 2005 pp. 15). The current 10-year strategy (Europe 2020) by the European Commission for advancement of the economy of the EU also aims to boost growth and employment. The EU has set 5 targets to achieve by 2020 including (European Commission 2011a):

- (1) employment (75% employment rate¹);
- (2) R&D / innovation (3% of the EU's GDP to be invested in R&D/innovation);
- (3) climate change / energy (20% renewable energy share, 20% increase in energy efficiency, 20% drop in greenhouse gas emissions comparing to the 1990 level);

¹ I.e. 75% of the 20-64 year-olds to be employed.

- (4) education (minimum 40% of 30-34-year olds completing territorial education); and
- (5) poverty / social exclusion (at least 20 million fewer people in or at risk of poverty² and social exclusion).

In the above mentioned strategy development, the Danish a core element of the Danish labor market policy, the so-called ‘flexicurity’ system significantly inspired the EU leaders claiming that **it can be a useful tool to sustain Europe’s competitiveness and social achievements at the same time** (Denmark 2013).

This paper examines the Danish active labor market policy and the flexicurity system as a whole. It highlights the key features and advantages of this system and analyzes the question if it can be implemented in the rest of the European Union (EU). The issue this paper is examining has a growing relevance in the EU. Since flexicurity system might have a more widespread effect in the upcoming years we find it essential to analyze and have a deeper understanding on it as the leading example of such labor market model.

In order to conduct our research, we apply the following structure and methodology. First, we review the most important characteristics of the active labor market policy (ALMP) system in general. We review the most influential literature and summarize it. Second, we explain how flexicurity fits into the ALMP and what extra features it has in Denmark. This will make it possible to underline why this system has been a successful solution in Denmark for several years. We also review a wide range of literature here and analyze a few key statistics and rankings that are highly related to labor market efficiency. Third, we review the latest labor market policy and targets by the European Union that stresses the importance of flexicurity and supports its development in other Member States as well. Finally, we compare the Nordic countries (including Denmark) and the rest of the EU on the basis of the key macro factors statistic significantly influencing flexicurity. In order to do so, we set up the following hypothesis:

H: The Danish flexicurity system cannot be implemented in most of the EU Member States today due to economic and cultural differences.

² Poverty threshold income is set at 60% of the median household income.

In the next chapter we underline the most notable characteristics of the ALMP and flexicurity in Denmark.

2. The Danish flexicurity system: a special mix of labor market flexibility and social security

2.1 Origin of concept

As a concept, the phrase flexicurity was first used in the Netherlands in the mid-1990s. This concept rather referred to a restrictive system for dismissal of permanent employees, which motivated firms to increase flexibility by hiring temporary workers on fixed-term contracts and introducing other atypical employment solutions. However, in this system workers have a lower level of social security (e.g. rights to unemployment benefit, pension, and holidays) (Madsen 2006).

2.2 The “golden triangle”

2.2.1 Overview of the concept

In general, the Danish flexicurity system is not a single labor market policy but rather a special combination of labor market flexibility and social security. The name itself also refers to this unique mix as it was made up by the merger of the words ‘flexibility’ and ‘security’. It is best described by a triangle in which the three corners correspond to the (1) social safety net (including unemployment insurance and social assistance) (2) employment protection (limited notice periods and procedural inconveniences), and (3) activation policy (Andersen et al. 2011).

Danes put a great emphasize on secure employment and income meanwhile flexibility in hiring and firing of workers also considered essential to keep up competitiveness. By this combination workers are willing to take more risks: a secure background motivates employees to be more mobile in the labor market. On the other hand, flexibility enables employers to be more risk-taking: less rigid employer regulations help to have larger fluctuation, adjusting the number and type of employees to the respective labor demand (Ministry of Employment 2013). The third element (ALMP) offers guidance, trainings, and jobs to all unemployed catalyzing the transitions in the labor market. Unemployment security is well reflected by the relatively high level of unemployment benefit (up to 90% for the lowest paid workers), while flexible rules for hiring and firing can be illustrated by the fact that approximately 25% of Danish private sector workers change jobs each year. Around 1.5% of GDP is spent on ALMP (Denmark 2013).

In brief the recent success of the Danish model is often explained by this triangle illustrated in Figure 1.

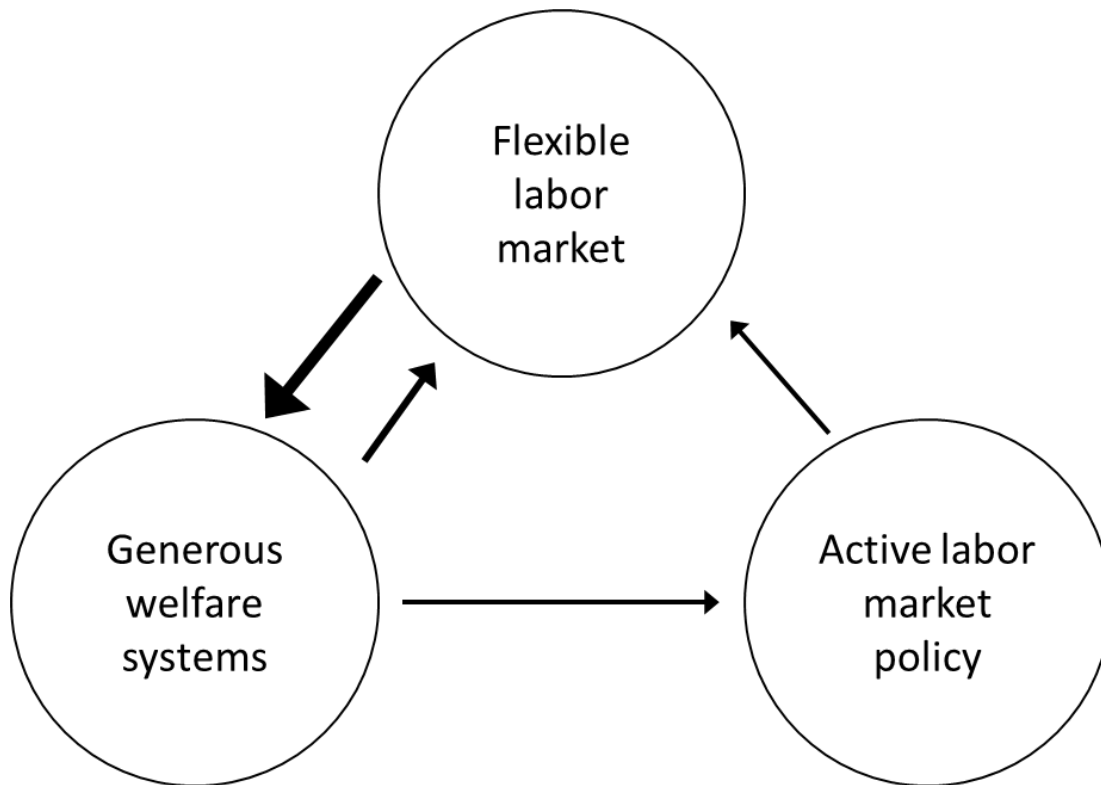


Figure 1. The “Golden Triangle” of flexicurity
Source: (Madsen 2002 p.3)

The arrows indicate flows of persons between different positions within work, welfare and active labor market programs. It illustrates well that relatively large number of workers lose their job each year (wide arrow) and thus they enjoy the unemployment benefits of the generous welfare system but the most of them return to employment after a short spell of unemployment otherwise they are assisted by active labor market programs making them able to re-enter a job (this is illustrated by less wide arrows as this part involves fewer people).

This triangle set of these policies resulted in low (long-term) unemployment rates and high perceived job security. Analyses of labor market reactions to the Global Crisis since 2008 found that Denmark’s flexicurity could respond to the challenges more efficiently than for instance the Netherlands and Germany that have a fairly comparable economic structure but stricter

employment protection (Andersen et al. 2011). In the following subsection we highlight some basic, macro-level figures that can explain the favorable performance in these three fields.

2.2.2 Social safety net

According to Acemoglu & Shimer (2000) unemployment insurance (UI) can influence workers' decisions about the type of jobs they look for and accept. They say that in an economy with risk-averse workers and without any UI workers will more likely to accept low productivity jobs that are easier and faster to obtain. In this case firms offer implicit insurance to workers by offering jobs with low unemployment risk and charging an insurance premium in the form of lower wages. This can result in a suboptimal job allocation as workers will be more likely to accept jobs that require lower level of skills than what they have resulting a lower level of output in the economy. This phenomenon may have an even more significant effect in knowledge based economies that have an accordingly higher ratio of high-skilled jobs.

This inefficient composition of jobs can be improved by a certain level of UI encouraging workers to take more risk which, through the above mechanism, increase welfare and the level of output. (Acemoglu & Shimer 2000) UI reduces search incentives. Workers will tend to spend more time on adapting to the new conditions (job search, trainings) and thus they are more likely to find a job suitable for their skills if they have a secure income meanwhile. It also result a higher level of output in the economy meaning that the entire economy and thus the population can benefit from the positive externalities.

The above-mentioned theory is particularly relevant in the case of Denmark as it has one of the most generous unemployment benefits and also one of the most advanced and knowledge-based economies in the world. Unemployment insurance is voluntary (half of Danish workers participate in it) but unemployment-insurance funds are subsidized. Its amount is up to 90% of the previous wage, however the maximum level is EUR 2,000 per month. The maximum duration is 2 years after which employees can apply for social assistance (Andersen et al. 2011). Based on competitiveness researches Denmark is clearly an innovation driven and knowledge-based country as well (Schwab & Sala-i-Martin 2013). The combination of these two strengthen the relevance of the theory we introduced by Acemoglu & Shimer (2000).

2.2.3 Employment protection

According to The World Bank's Doing Business report 2013, Denmark stood out in terms of 'Ease of Doing Business': ranked 5th out of 189 economies measured – and 1st in Europe – reflects an attractive environment for employers. Doing Business Report is an annual flagship report of the World Bank Group and it examines the business regulatory environment, especially barriers for employers. It compares national data worldwide, and can be a useful tool for competitive comparisons of different countries in case of foreign direct investments. (The World Bank 2013a)

The Doing Business Report structures its evaluation in several pillars including "Employing workers" part, which can be relevant in our study. It measures flexibility in the regulation of employment and covers areas such as rigidity of employment (including difficulty in hiring, rigidity of hours worked and difficulty of redundancy) and redundancy costs³. Difficulty in hiring examines factors such as fix-term contracts and permanent tasks (e.g. maximum cumulative duration of the contract) and the situation of the minimum wages (ratio of minimum wage to the average value added per worker). Rigidity of hours includes five different factors, namely: restrictions on night work, maximum length of the workweek in days and in hours including overtime, average paid annual vacation days for a worker. Difficulty of redundancy looks at eight areas. The most important questions are the following: Is redundancy allowed as grounds of termination? Is notification/approval required for termination of a redundant worker? Does the law require the employer to reassign or retrain a worker before making the worker redundant? Redundancy cost means the cost of advance notice requirements expressed in weeks of salary (The World Bank 2013b).

Denmark performed extremely good in the fields of 'difficulty of hiring'⁴ and 'redundancy costs (weeks of salary)'⁵ – in both cases it scores 0.0 (lower score means better performance) (The

³ The model uses assumptions about the workers and businesses. It assumes that the business operates in the economy's largest city it is 100% domestically owned manufacturer employing around 60 workers who earn average salary and are lawful members of the usual race and religion of the society etc. (The World Bank, 2013b)

⁴ It covers three aspects namely whether fixed-term contracts are prohibited for permanent tasks, the maximum duration of fixed-term contracts, and the ratio of the minimum wage for a trainee or first-time employee to the average value added per worker (The World Bank 2013c).

⁵ "This variable estimates the cost of advance notice requirements severance payments and penalties due when terminating a redundant worker, expressed in weekly wages." (Schwab & Sala-i-Martin 2011, p. 523)

World Bank 2013b). Although these figures show that no termination payment is required we must note that the generous and long-term unemployment benefits can easily make up of this shortfall in income. This is the opposite of the policy followed in Germany or France where job security is more important than income security and where more traditional forms of flexibility have been implemented such as working time flexibility or functional flexibility (Madsen 2006).

2.2.4 Active labor market policy

As high UI can considerably reduce search incentives a high level of activation is crucial to combat moral hazard and maintain search incentives in order to motivate workers to be employed again quickly. The Danish activation policy involves several different forms such as counselling, assessment programs, job trainings and wage-subsidized jobs (Andersen et al. 2011). The ALMP in Denmark shows that in this system workers have rights but also obligations to benefit from the flexicurity model. Unemployed people (depending on their age) have the right and duty to have an activation offer (e.g. they get enrolled in a subsidized training) after no later than a certain weeks of unemployment. Number of weeks also depends on age – younger people have fewer weeks to have an activation offer (Andersen 2011).

2.3 Problem and challenges

Using the concept of triangle a number of problems and challenges can also be identified in the Danish employment system. Based on Madsen (2002) we summarize them in four points below.

Large groups expelled from the labor market. The continuous shifts between jobs also test the productivity of employees. As a result, some workers can be gradually expelled from the labor market if they cannot meet the requirements, increasing the extent of marginalization⁶. Over the 40-year period from 1960 to 1999 the number of people receiving transfer income quadrupled reaching 800,000 which equals to one quarter of the adults aged 15-66 years⁷ (Madsen 2002 p. 11). This means that a shrinking number of active employees have to support the transfer income of others.

⁶ Growing number of people expelled from the labor market. “Marginalization occurs when people are systematically excluded from meaningful participation in economic, social, political, cultural and other forms of human activity in their communities and thus are denied the opportunity to fulfil themselves as human beings.” (Jenson 2000 p. 1)

⁷ This figure corresponds to the rates of other Nordic countries.

Unemployment benefits and poverty traps. The high amount of unemployment benefits increases the risk of financial disincentives, especially in low-income groups. Even though this phenomenon can be theoretically logical, it is hard to verify empirically. The general attitude has been emphasizing the importance of relying on early and intensive activation measures to combat problems related to the potential disincentives of the unemployment benefit system.

Problems of active labor market policy. In case of economic downturn and the rise of unemployment, the demand for ALMP can considerably grow further increasing public expenditure that might have already been exposed to the threat of austerity measures. This means that in on one hand more expenditure is needed, on the other hand the government wants to reduce public spending.

Future demographic changes. Due to aging population, the risk of the above-mentioned marginalization is growing. Moreover, the rise of immigrants from non-European countries also poses a challenge to the system (especially to ALMP) due to their different skills and educational or cultural background. Only 7.4% of ALMP programs offered to immigrants on social assistance are subsidized employment programs, thus labor market integration of immigrants may be improved considerably (Heinesen et al. 2011). A more diverse society can pose considerable problems due to cultural issues. Studies of welfare states have repeatedly suggested that homogeneity plays a crucial role in the support for redistributionist policies as members of the society feel more responsibility or solidarity for those who share common features or values (e.g. ethnicity, religion). (Bredgaard & Daemmrigh 2012)

2.4 Results of the Danish flexicurity system

According to the theoretical framework introduced before, the flexicurity system may have several advantages on economic development. In the following chapter we highlight three key fields that can reflect the direct and indirect effects and results of the flexicurity system. We choose employment data as a more specific and direct indicator of results of the flexicurity system, while we also examine national competitiveness and happiness results as more general and less direct indicators. We acknowledge that the latter two include a wide range of other factors hence the flexicurity system as a variable factor is not significant enough to explain them

entirely. However, connections among these fields are emphasized by more authors and we also find it important to introduce and analyze.

2.4.1 Employment and unemployment rates

The Danish employment rate was 75.4% in 2012 achieving the 5th place in the EU behind Sweden, the Netherlands, Germany, and Austria, meanwhile the EU-28 reached 68.4%. Denmark's 2020 target is 80% and its pre-crisis level was 79.7% (Eurostat 2013a) (European Commission 2011).

Considering the characteristics of the flexicurity system the unemployment rate can fluctuate more (less rigid employment regulations thus faster changes in labor market in line with the respective economic conditions), but the average period of unemployment can also be shorter (more efficient and successful job search due to ALMP). Figure 3 illustrates the unemployment rates and the average unemployment durations in months in 2012. Denmark is compared to a benchmark group we arbitrarily chose and including countries and group of countries that can be a good basis for comparison⁸.

Labor market figures show that both Denmark's unemployment rate (7.6%) and average unemployment duration (7.9 months) are in the top three, although they do not stand out extremely. However, the importance of a factor should not be neglected here: Denmark achieved these figures with less rigid legal environment in the labor market. Meanwhile Germany or the Netherlands apply traditional flexible tools such as wage or working hour reduction instead of downsizing that clearly results in more favorable unemployment rates in the end. For instance, the adjustment of total labor input was largely based on employment change in Denmark, while Germany and the Netherlands rather altered the total labor hours (Andersen 2011).

⁸ Germany, the Netherlands, and Sweden were chosen due to the similarities in their economies and welfare policies. France, Poland, Spain and the United Kingdom were selected because of their economic and political importance in the EU, while the reason for Hungary is to show the domestic data as well.

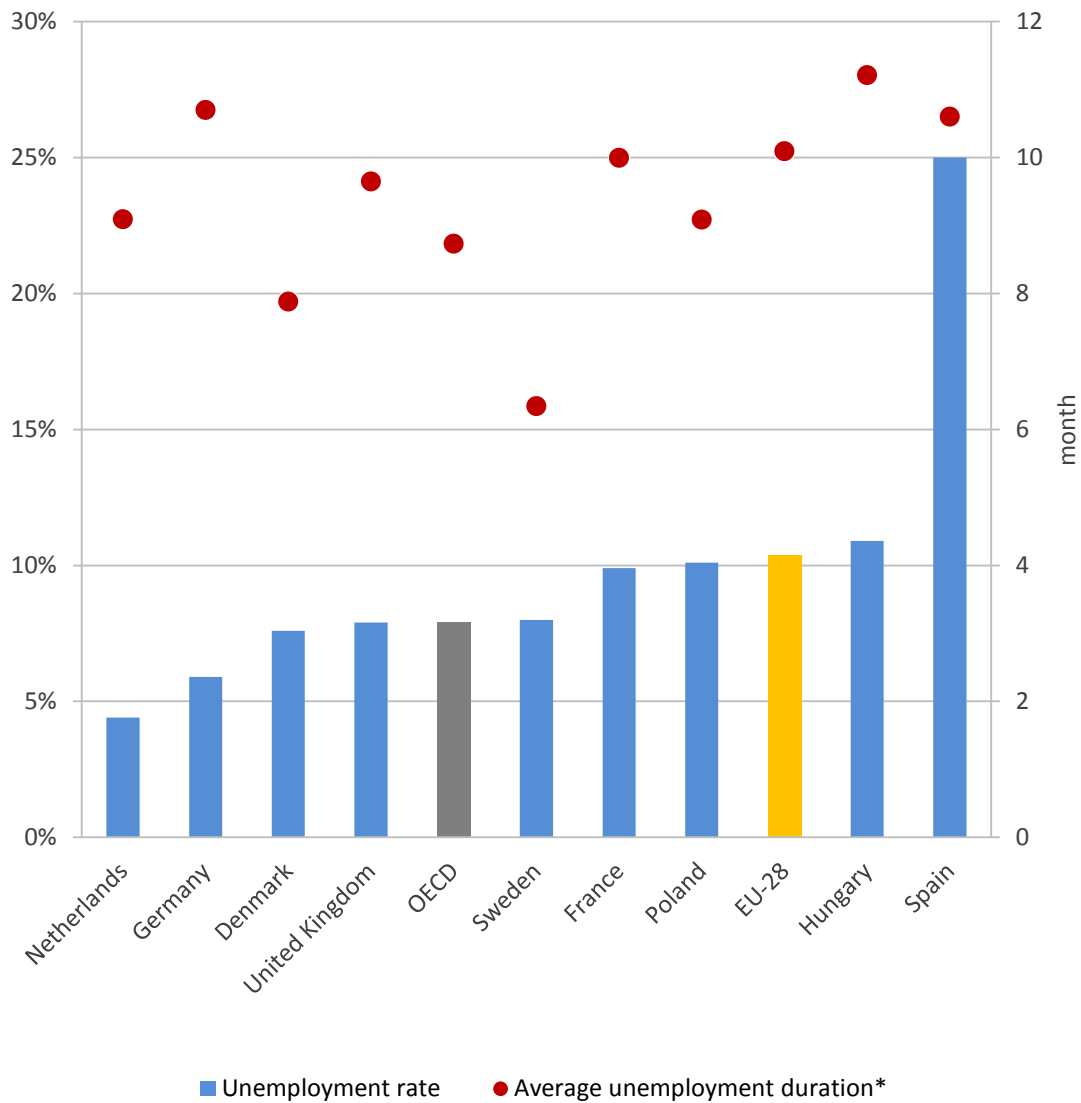


Figure 2. Unemployment rates and durations in the benchmark group, 2012

Source: own concept based on OECD (2013a) and OECD (2013b)

*Average unemployment duration is calculated by the numeric average of 5 different lengths of duration: less than 1 month; 1-3 months; 3-6 months; 6-12 months; and more than 1 year

2.4.1 Competitiveness

Finally, we examine competitiveness as a result of the Danish flexicurity system. National competitiveness is a “country’s ability to create, produce, distribute, and service products in international trade while earning rising returns on its resources” (Scott & Lodge 1985 pp 14-15)

Competitiveness can be measured easier than happiness, because the previous one is an elusive concept based on statistical grounds. Important questions are what the main aspects of national competitiveness and the corner points of comparison are. Satisfactory answers to them are ensured by competitiveness indices, which evaluate and classify almost all countries in the world. The World Economic Forum conducts a survey and publicizes a report (Global Competitiveness Report) about the results each year.

This report analyzes data of 134 countries from more than 100 different aspects creating the Global Competitiveness Index (GCI). One-third of the data analyzed is hard (e.g. statistics) meanwhile two-third is soft (e.g. opinion of CEOs). Data of the examined countries are structured in a 12-pillar criteria system. These 12 pillars can be divided to sub-pillars, and the countries are divided into three main groups based on them. The pillars are the following: valuation of institutions; infrastructure; macroeconomic environment; health and primary education; goods market efficiency; labor market efficiency; financial market development; technological readiness; market size; business sophistication; and innovation. The three main groups reflect different stages of economic development and include factor-driven, efficiency-driven, and innovation-driven economies. Factor-driven economies compete based on their factor endowments such as low-skilled labor (pillars 1-4 have significant role), efficiency-driven economies develop more efficient production and increase quality (pillars 5-10 dominates), while innovation-driven countries are able to sustain higher wages and standard of living as their businesses can compete with new or unique products and services (pillar 11-12 matters the most). (Schwab & Sala-i-Martin 2013)

Denmark is usually ranked really well according the Global Competitiveness Reports: in 2013, Denmark was the 12th most competitive country in the world and the 8th in terms of labor market efficiency (Schwab & Sala-i-Martin 2013). In table 1, Denmark's last 5 years general and labor market specific rank can be seen. Denmark was among the top 12 countries in overall competitiveness and among the top 8 in labor market efficiency in the past 5 years.

Year	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
GCI Rank	3	5	9	8	12
Labor Market Efficiency	5	5	5	6	8

Table 1. Denmark's rank in the GCR

Sources: (Schwab & Sala-i-Martin 2011, 2012, 2013)

2.4.2 Happiness

In order to assess the “happiness of Denmark” we have to define what it means, and why it is important. The literature of happiness is very rich, a wide range of articles can be found in this field. According to Clark et al. (2007), researching and measuring happiness is more and more popular nowadays. The main reason for this can be the fact that the goal of the modern society, the sense of life is reaching happiness (Veenhoven 2008). That is why decision makers started to pay more attention to figure out what the triggers of happiness are.

The main question is what happiness depends on? In our opinion it has something to do with general well-being (where flexible labor market and social security play important roles). Factors coming from inside (gender, age, and race) and from the environment were examined by researchers. Genetic factors, level of net income, quality of educational system and labor market, social, cultural attributes all can affect happiness differently. (Ebstein et al. and Hamer 1996 in Inglehart & Klingemann 2002)

Happiness is a psychological condition that is why it is not easy to measure and compare. It is measured mostly by self-evaluation. The Sustainable Development Solutions Network (SDSN) uses a ten-point-scale in order to conduct a happiness survey and create the World Happiness Report. In this report, people in over 150 countries are surveyed and compared. Six key variables explain 75% of the variation in annual national average scores among countries. These six factors are the following: real GDP per capita; healthy life expectancy; having someone to count on; perceived freedom to make life choices; freedom from corruption; and generosity. In this paper, freedom to make life choices (e.g. flexibility in the labor market) and generosity (the base of the social network) are the most relevant factors.

According to the recently launched World Happiness Report Denmark is considered to be the happiest nation in the world followed by mainly Nordic countries in the top 10 (Norway, Switzerland, Netherlands, Sweden, Canada, Finland, Austria, Iceland, Australia) (Helliwell et al. 2013 p. 22). Some of the most important highlights by the report can be directly influenced by a good combination of labor market and social policies. It shows that happier countries tend to be richer, but social factors such as the strength of social support, the lack of corruption and the degree of personal freedom are even more important. Unemployment and low pay are among the most significant factors of unhappiness (Helliwell et al. 2013).

As a conclusion, we suggest that Denmark's good results in the above mentioned fields are connected to the efficient policies and social mechanisms that sustain the flexicurity system. We acknowledge that these findings have limitations and need further research, however, it shows a few important connections that are important to be mentioned in case of an analysis about the flexicurity system.

3. Flexicurity in the European Union

In chapter 2, we introduced, analyzed and highlighted the main features of the Danish flexicurity systems. Based on these findings we conclude that the efficient flexicurity is a special set of different policies rooted in the Nordic culture and institutions. As we simplified its model (see Figure 1) it is clear that each element of the model is highly related to the others and cannot work or develop without each other. Therefore, when it comes to the adaption of flexicurity in other countries one should be extremely cautious and analyze the local environment first. we underline this point because economies, cultures and institutions of other Member States in the EU vary a lot meaning that flexicurity is not a “one size fits all” solution that can be easily transferred to other regions in Europe.

Based on the analysis of the flexicurity system in chapter 2 we identified two major factors that are inevitable to apply such policy: (1) high public spending; and (2) supportive culture. we summarize their roles below.

3.1 *High public spending*

Denmark just like other Nordic countries has much higher public spending than the rest of Europe. In 2012, Denmark was the number one in the field of total general government expenditure⁹ as percentage of GDP overtaking France and Finland (Eurostat 2013c). Figure 3 shows the total general government and social expenditures and reflects a considerable difference among EU Member States. Central and Eastern European (CEE) countries have typically lower public expenditure. Hungary and Slovenia have the highest expenditure as percentage of GDP, however, even their figures are slightly below the EU-28 average, meanwhile Bulgaria and the Baltic States tend to have the lowest ratios in the EU. On the other hand, Nordic and Western European countries have usually higher rates: the difference between the maximum and minimum figure is 23.6 percentage points (ppt).

We must note that introducing such measures in other Member States would rise social spending and thus taxes as well. Taking the above mentioned differences into account the feasibility of

⁹ Eurostat collects data on general government expenditure by economic function such as general public services, defense, education, environmental protection, health, and social protection. In each individual Member State, social protection has the largest scale of government expenditures (Eurostat 2013b).

such model can be doubtful as its funding may be problematic. This finding is particularly relevant in the case of Southern or new Member States since their level of such spending is lower and significant increase cannot be expected due to public resistance.

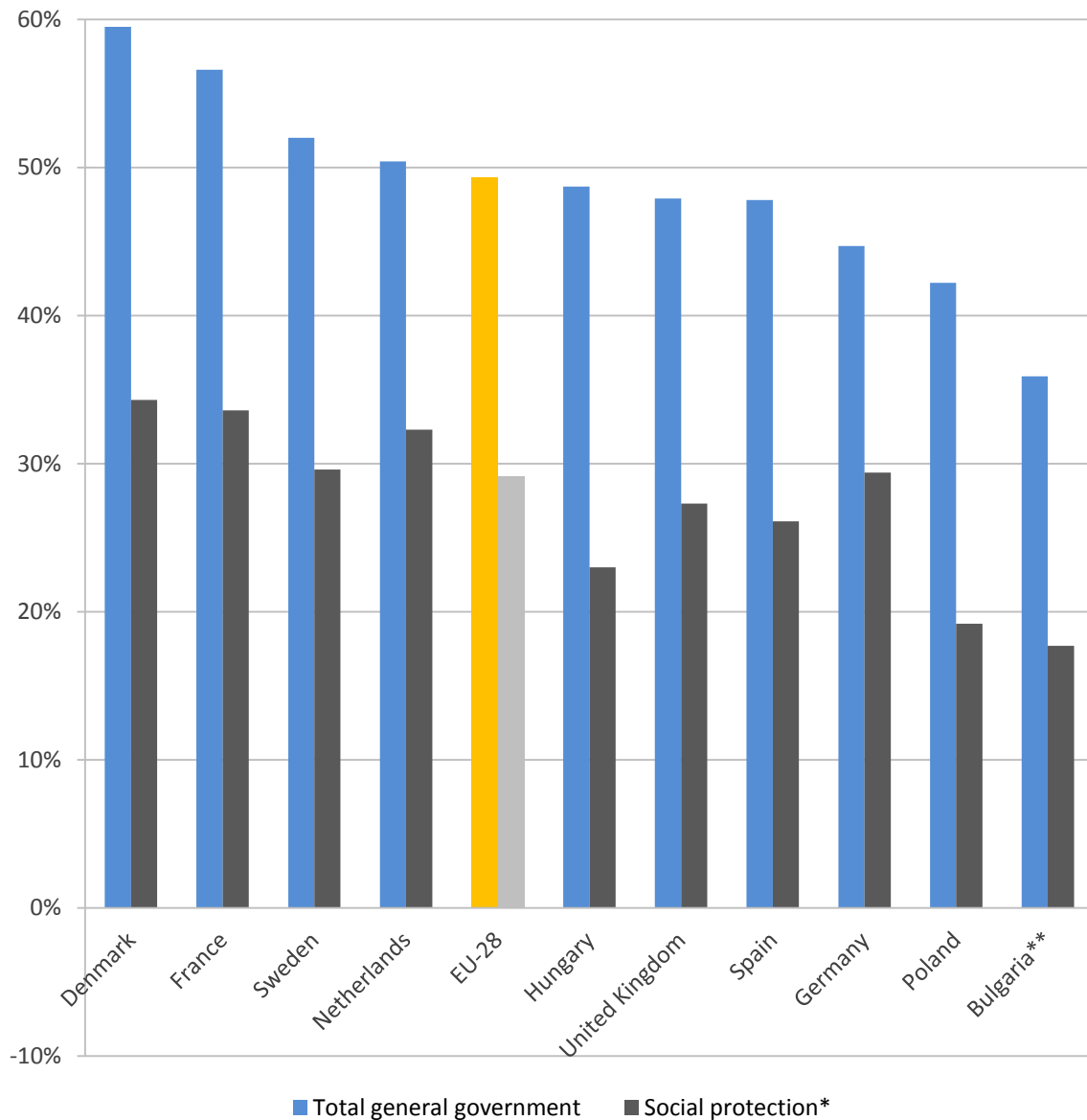


Figure 3. Total general government and social protection expenditures as % of GDP, 2012

Source: (Eurostat 2013c) (Eurostat 2013b)

*Social protection data is 2011

**Bulgaria is included as the Member State with lowest expenditure

It is a truism that Nordic countries are well known for their generous welfare system. Social spending is famously high in the region, total general government expenditure as percentage of GDP is relatively large as well (see Figure 4). This picture has been changing in the region as Nordic countries started to cut or reallocate public spending but they are still among the leaders in the EU in this field (The Economist 2013).

Nordic countries have high social expenditure and correspondingly high tax burdens. In Denmark, taxes peak at a marginal rate of 63 percent for high earners and averaging 40 percent for all taxpayers, while value added tax is 25 percent (Bredgaard & Daemmrigh 2012 p. 2). These countries score well on indices measuring national competitiveness such as Global Competitiveness Index (GCI) by the World Economic Forum (WEF) or Doing Business rankings by the World Bank. This phenomena might be a paradox for an American, however, a large portion of the social spending (such as child care, training schemes or public health care) facilitate economic activity and keeps people employable (Begg 2012).

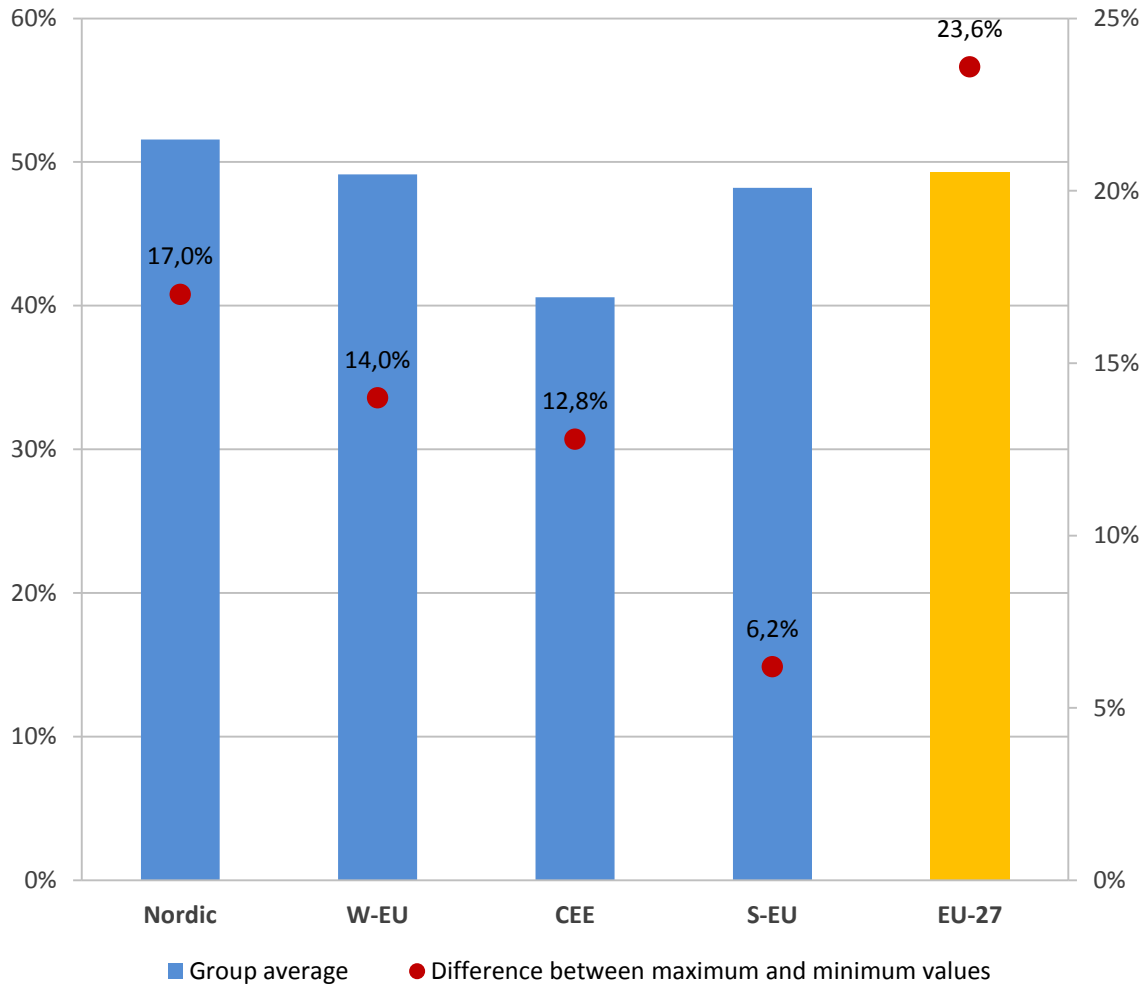


Figure 4. Total general government expenditure % of GDP in the EEA, 2012*

Source: Eurostat 2013c

Figure 4 legend

CEE (Central & Eastern European EU Member States): Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia

Nordic (Nordic countries): Denmark, Finland, Iceland, Norway, Sweden

S-EU (Southern EU Member States): Cyprus, Greece, Italy, Malta, Portugal, Spain

W-EU (Western EU Member States): Austria, Belgium, France, Germany, Ireland, Luxemburg, Netherlands, United Kingdom

*differences are presented in percentage points

3.2 *Supportive culture*

Cultural difference is also a key point when we examine how feasible it is to implement a different kind of policy. Nordic cultures, including Denmark, consider social equality and helping the individual really important. Nordic countries also typically feature among the best governed states with modest mindset (Tassinari 2013). Unlike other European cultures, societies in this region are based on a common set of basic values. Care for social outcast and vulnerable groups in society also plays an important role that are not necessarily experienced in other Member States to such an extent (Norden 2013). Flexicurity requires a huge amount of public spending financed by tax revenues that are accepted and held morally right by the majority of the population. Based on these findings feasibility in other Member States can be problematic.

Bredgaard & Daemmerich (2012) concluded that the Danish flexicurity system is not able to be exported elsewhere. Their explanation rather relies on historical analysis than data-driven comparisons. They emphasize the importance of historical perspective meaning that Denmark's social welfare institutions, well-trained and flexible workforce were not the product of a deliberate or recent policy plan that makes the Danish flexicurity impossible to export in a single step to other contexts where other institutional preconditions prevail. However, it does not mean that important elements of the flexicurity cannot inspire other EU or OECD members. They also point out that Denmark's welfare state is originated in a period of cultural homogeneity. Thus the development of policies based on strong solidarity as well as sharing collective goals and value can be more challenging in a diverse society.

4. Conclusion

In this paper we examined the Danish flexicurity model that is a special mix of both labor market and social policies. We highlighted its key concept and the reasons why it can work namely the “golden triangle” including flexible labor market, generous welfare systems, and active labor market policy. All of these three elements are deeply embedded in the Danish labor market and social policy and flexicurity could not work well if one of the elements is taken out. A few important direct and indirect effects of the flexicurity system were also described such as more competitive labor market with considerably low and short-term unemployment. Denmark also performs well in case of national competitiveness partly due to its labor market efficiency, and the general Danish happiness index is also outstanding that is greatly influenced by labor market conditions.

Finally, we analyzed the feasibility of such model in other EU Member States. The focus of this paper was rather the introduction and analysis of the model in order to understand the key points that must be examined if politicians and policy makers want to learn or transfer this model. We pointed out two key differences that are reasons for the challenges in case of adaption of flexicurity elsewhere. These are the high public spending and supportive culture. Since other EU Member States mainly do not have the same economic and cultural background their results in such fields are significantly different from the Danish figures. In general, we accepted our hypothesis, namely: the Danish flexicurity system cannot be implemented in most of the EU Member States today due to economic and cultural differences.

If we take the legacy of the European welfare model into consideration, our conclusion can raise two important questions. First, if the flexicurity system is not a universal solution for other countries what else they can develop in order to increase labor market competitiveness? Different social-economic background may need different kind of labor market and social policies in order to tackle this issue, however, many European states have similar social and economic development history that shows the logic of flexicurity can be useful to some extent. Second, should EU Member States continue to support the welfare state model or a different model is needed to sustain global competitiveness? In this case examination of the flexicurity system can be less relevant as it is a prominent example of the welfare state model. The analysis of these questions are out of the scope of the present paper, however, they can be basis of further research

in order to have a deeper outstanding on how EU Member States can improve their labor market competitiveness.

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