



INTEGRATED PROGRAMME OF THE EU SOCIAL DIALOGUE 2009-2011

**JOINT STUDY OF THE EUROPEAN SOCIAL PARTNERS
“THE IMPLEMENTATION OF FLEXICURITY AND THE ROLE OF THE
SOCIAL PARTNERS”**

NATIONAL FICHE:

DENMARK

PREPARED BY: Eckhard Voss
Draft version: December 2010
Revised version: March 2011



Project of the European Social Partners with the financial support of the European Commission

Contents

Preface	3
1 The economic and social context.....	4
Economic crisis and recovery	4
Labour market indicators and trends.....	5
Flexicurity in the labour market and labour market policy	6
Conclusion	7
2 Flexibility and security in recent labour market and social policy reforms	8
Introduction and overview	8
Lifelong learning and the mobility of workers	8
External/internal flexicurity and contractual arrangements.....	9
Active labour market policy	11
Supportive social security systems.....	11
High quality and productive workplaces	12
Gender equality.....	12
Financial sustainability	13
Conclusion: Strengths, weaknesses and challenges.....	13
3 The role of social partners	14
General remarks on the role of social partners	14
Main instruments and levels of influence	15
Recent changes and challenges	15
Cases of good practice in the field of labour market flexibility and security	16
4 Key points arising	17
Sources and references.....	18
Replies to the questionnaire survey, interviews and other contributions.....	18
Further resources	18

Preface

This national fiche is part of the EU Social Partners’ Study “The implementation of flexicurity and the role of social partners” carried out in the context of the EU Social Dialogue Work Programme 2009-2011, which includes “*Jointly monitoring the implementation of the common principles of Flexicurity, notably in order to evaluate the role and involvement of the social partners in the process and to draw joint lessons*”.

To implement this task in the best possible way and to involve national member organisations actively in the gathering of data and information, the study applies a methodology that consists of multiple levels of analysis using a variety of instruments to be implemented with the help of a team of experts:¹

- The expert team, with the advice of European Social Partners, agreed on a *set of selected statistical indicators* in the field of employment and economic and social development with labour market relevance.
- National social partners were asked to participate in a *questionnaire-based survey* focussing on the relevance of the flexicurity concept within national labour markets, the role of the social partners in policy implementation and their views of the flexicurity concept. To complement the research, the expert team visited a number of countries and carried out interviews with national social partners.²
- Based on the two sources above and a review of available written materials and information, the expert team prepared 29 national “*fiches*” on the implementation of the flexicurity principles and the role of social partners in the respective national contexts.
- Results of the questionnaire survey and main findings of the national analyses were discussed at four “*country cluster seminars*” that were organised by the European Social Partners with the help of national sections in Warsaw (November 2010), Lisbon (December 2010), Paris (31st January-1st February 2011) and The Hague (8th February 2011).
- In the light of the overall study results and the comments received by national social partners in the contexts mentioned above, the expert team has prepared a *comparative synthesis report* on “Social Partners and Flexicurity in Contemporary Labour Markets” that was presented and discussed at a *EU-level synthesis seminar* on 31st March and 1st April 2011 in Brussels.

This national fiche aims to present a broad overview on the economic and social context and the state of play with regard to flexibility and security in the labour market and current social security arrangements (sections one and two). Secondly, the report describes the role of the social partners and social dialogue in the implementation of policies and practices that can be considered under the broad umbrella of “flexicurity” (section three), also summarising inputs provided by national social partners to the questionnaire, from interviews carried out and other contributions made in the context of the study. Section three also presents brief descriptions of cases of good practice as has been indicated by the national social partners.

The text was originally prepared as draft report in the autumn of 2010 in order to facilitate the discussion at the cluster seminar on 31st January and 1st February 2011 in Paris. The original dossier has been reviewed and revised to take into account the comments and discussions that took place during the seminar or received afterwards.

However, it should be stressed that this report is presented as an “independent expert report”. It represents the views of the individuals involved in its preparation and does not purport to represent the views, either individually or collectively, of the social partners’ representatives that contributed to it, or those of the European level social partner organisations that were responsible for its commissioning.

¹ Expert team: Eckhard Voss (co-ordinator), Alan Wild, Anna Kwiatkiewicz and Antonio Dornelas.

² The following countries were visited in the context of the project between May and July 2010: Denmark, France, Ireland, Italy, Czech Republic, Poland, Germany, Portugal and the Netherlands.

1 The economic and social context

Economic crisis and recovery

After having experienced the most severe recession in many decades, lasting four quarters from the middle of 2008 to the middle of 2009, Denmark again experienced positive growth in the second half of 2009. However, despite the turnaround in growth, the Danish economy contracted by -4.9% in 2009.

According to a recent assessment made by the EU Commission³, “the Danish economic downturn already started before the onset of the global economic crisis and was initially triggered by domestic factors, as the economy was suffering from a bursting housing bubble and tight labour market”. What set Denmark apart from other countries during the crisis was the remarkable weakening of private consumption due to falling real estate prices and the bleak economic outlook – despite rising disposable incomes caused by tax cuts, falling interest rates, initially stable employment and the release of pension funds.

In 2009, benefitting from the resumption of international trade, Danish imports and exports stopped falling and private consumption started to grow again from the third quarter. According to the EU Commissions’ Autumn Forecast, the Danish recovery experienced in the second half of 2009 is going to continue in 2010-2011, primarily driven by domestic demand.

DENMARK - MAIN ECONOMIC INDICATORS AND OUTLOOK

	2007	2008	2009	2010	2011
GDP – annual percentage change	1.6	-1.1	-5.2	2.3	1.9
Employment – annual percentage change	2.8	1.9	-3.1	-1.4	0,3
Unemployment rate (Eurostat definition)	3.8	3.3	6.0	6.9	6.3
General government balance (as percentage of GDP)	4.8	3.2	-2.7	-5.1	-4.3
General government gross debt (as percentage of GDP)	27.3	34.1	41.5	44.9	47.5

Source: European Commission: Autumn 2010 Economic Forecast.

Thanks to the strong public-finance position, the Danish government was able to react to the crisis with a significant fiscal expansion in line with the European Recovery Plan. Tax cuts decided upon in 2007 came into effect in 2009, and a second major tax reform was passed with effect from 2010 onwards, significantly reducing the tax on labour. In addition to the tax cuts, the budgets in 2009 and 2010 increased public consumption and infrastructure investments in railroads, schools and day-care facilities. On top of the fiscal expansion, the financial system was aided by two bank-rescue packages. A third bank-rescue package was adopted in March 2010, aimed at amending the legislation relating to failing financial institutions in order to secure a fast and efficient liquidation.

The deep recession and the fiscal expansion have had its impact on public finances: The budget balance is expected to turn from a 3.2% surplus of GDP in 2008 to a deficit of 2.7% in 2009 and an expected deficit of 4.3% in 2011 according to the EU Commissions’ Economic Forecast.

Unemployment continued to rise throughout 2009 but the growth in unemployment moderated significantly at the end of the year and – at least according to Danish sources has been decreasing in the

³ EU Commission: Spring Economic Forecast 2010, p. 75.

first quarter of 2010 as a result of the economic recovery measures adopted. The rise in unemployment during 2008 and 2009 in Denmark was significant and above the EU and Euro area average – the unemployment rate doubled from only 3.3% in 2008 to 6% in 2009. However, it has to be stressed here, that the Danish labour market was in a very stable and good condition in 2008 with a high employment rate, nearly full employment and long-term or structural unemployment not being a major problem.

A major instrument used by Danish companies to retain employment during the economic crisis in 2008 and 2009 has been the job sharing schemes, i.e. the possibility of up to 13 weeks out of work with support of supplementary unemployment benefits.⁴ The official figures illustrate the importance of this instrument during the crisis: While in the period from January to May 2008 the number of persons receiving supplementary unemployment benefit was 1,061, there was a sharp increase in the same period in 2009 with 24,176 persons. In 2010 the number of persons covered by this support scheme decreased again to 6,184 in the same period (figures provided by LO Denmark).

Labour market indicators and trends

With a rate of 75.7% in the 15 to 64 year age range in 2009, Denmark has the highest employment rate in the EU and considerably higher than the EU average (64.6%). Both male and female employment rates are above the Lisbon targets of 70 and 60%. It should be mentioned here also that in the last decade the increase of the employment rate was particularly strong in the group of older workers.

In 2008 goods-producing industries (agriculture, manufacturing, energy, and construction) employed around 24.0% of the Danish workforce while more than ¾ of the workforce was employed in public and private services which make the structural change towards the service industry in Denmark significantly stronger than in the EU27 average. With a self-employment rate of only 6.2% (2009) Denmark ranks clearly at the lower level of the EU27 where the average self-employment rate is more than two times higher.

DENMARK - MAIN LABOUR MARKET INDICATORS 2009 IN COMPARISON TO EU27

Employment rate – % population aged 15 - 64	75.7	64.6
Employment rate older people – % population aged 55-64	57.5	46.0
Self employed - % total population	6.2	15.5
Employment in services - % total employment	77.8	70.4
Employment in industry - % total employment	19.4	24.1
Employment in agriculture - % total employment	2.8	5.6
Unemployment rate - % labour force 15+	6.0	8.9
Youth unemployment rate - % labour force 15-24	11.2	19.6
Long term unemployment rate - % labour force	0.5	3.0
Inequalities of income distribution (2008)	3.6	5.0

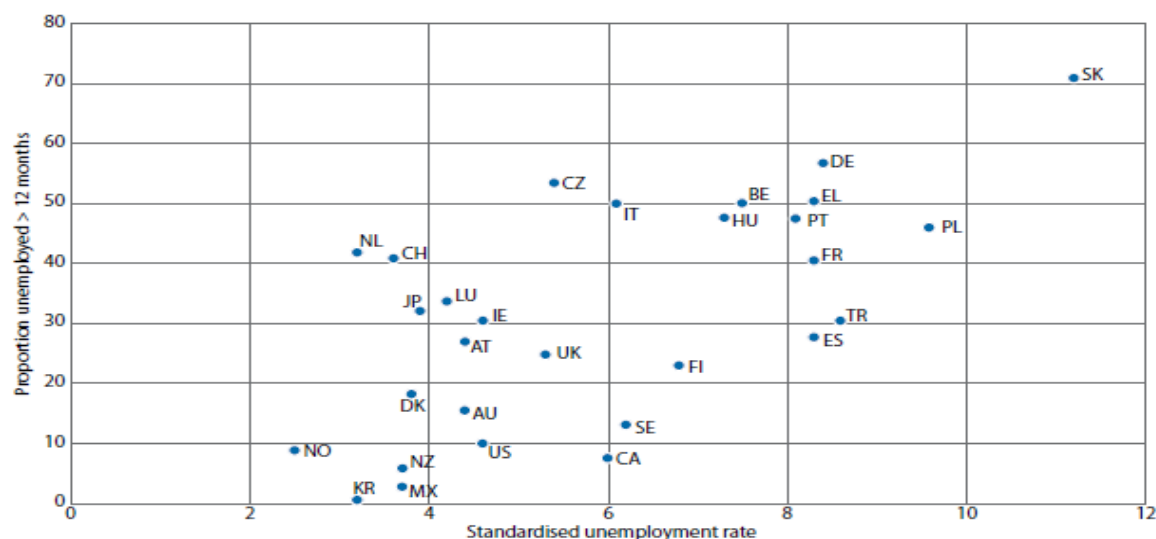
Source: Eurostat, *Employment in Europe Report 2010*.

The Danish labour market in the last decade developed very positively compared to the EU average with high employment and low unemployment rates. As the table above shows, Denmark performs particularly well also in regard to youth unemployment and long term/structural unemployment. In no other EU country the long term unemployment rate was as low as in Denmark in 2009 according to Eurostat data.

⁴ As an anti-crisis measure, the possibility of extending the job sharing schemes by another 13 weeks period was agreed in 2009. This crisis- specific extension is possible until spring 2011.

This is also illustrated by the following graph taken from the latest Employment in Europe Report which shows that Denmark is characterised by a comparatively low unemployment rate and a low share of those persons staying unemployment for more than 12 months.

INCIDENCE OF LONG-TERM UNEMPLOYMENT AND THE UNEMPLOYMENT RATE 2007



Source: *Employment in Europe Report*, p. 73, based on OECD figures.

Also regarding inequalities in income distribution Denmark ranks at the top level of countries, i.e. characterised by a rather moderate income inequality⁵ as compared to the EU27 average.

Flexicurity in the labour market and labour market policy

It is a well known fact that ‘flexicurity’ stems from the Danish labour market model. The term is an expression to describe a labour market which since a long time (for some commentators already since the end of the 19th Century, i.e. the historic collective bargaining agreement of 1899) is characterised by both very flexible arrangements and a high level of social security. This is illustrated in particular by indicators such as the strictness of employment protection – notice periods in Denmark are relatively short.

A high level of flexibility is compensated by remarkable standards of social protection, active labour market policy, and support for measures increasing the individual employability and coverage by collective bargaining. Here, it is important to note that in Denmark regulation of pay and working conditions are strongly based on collective agreements and has only a limited range of framework legislation on pay and working conditions – the flexicurity model is based since the historic agreement of 1899 by a fundamental autonomy of social partners regulating labour relations and working conditions by means of collective agreements which are concluded by strong social partner organisations.

In addition to high social security the Danish labour market is characterised by an active labour market policy which gives the unemployed a right but also a duty to activation. This also includes measures to support and actively encourage job mobility in the labour market. Apart from a relatively high level of

⁵ According to Eurostat income distribution inequality is measure by the ratio of total income received by the 20% of the population with the highest income (top quintile) to that received by the 20% of the population with the lowest income (lowest quintile). Income is understood as equivalised disposable income.

compensation (especially for the ones who have the lowest pay) for the unemployed they are under an obligation to participate in activities that will contribute to help them find a new job quickly.

As most of the following indicators and in particularly the relatively high level of job satisfaction illustrate⁶, the Danish model works well. As recent figures show, Danes not only change jobs frequently⁷, they are also well equipped to do so: High levels of educational attainment correspond to top-level rates in lifelong learning and further training. This climate of employment security results in a high mobility of workers and willingness to change jobs: While more than 60% of Danes are of the opinion that it is good to change jobs every few years, less than 30% of workers in Austria, Germany or Poland share that view.⁸

DENMARK - FLEXICURITY INDICATORS IN COMPARISON

Total population having completed at least upper secondary education (population aged 25-64, %), 2009	76.3	72.0
Part-time employment - % total employment, 2009	26.0	18.8
Fixed-term contracts - % total employees, 2009	8.9	13.5
Access to flexitime, % total employees aged 15-64, 2004	37.0	31.3
Percentage of employees (all enterprises) participating in CVT courses , 2005	35	33
Lifelong learning participation – percentage of the population aged 25-64 participating in education and training over the four weeks prior to the survey, 2009	31.6	9.3
Job satisfaction – percentage of workers that are either very satisfied or satisfied with working conditions in their main paid job (EWCS 2010)	94.9	84.3
Strictness of employment protection – regular employment, 2008	1.63	2.11*
Strictness of employment protection – temporary employment, 2008	1.79	2.08*
Strictness of employment protection – collective dismissals, 2008	3.13	2.96*
Public expenditure on <i>passive</i> labour market policies (categories 8-9) - % of GDP, 2008	1.20	0.96
Public expenditure on <i>active</i> labour market policies (categories 2-7) - % of GDP, 2008	0.98	0.46
Persons at-risk-of-poverty after social transfers - % of total population, %, 2009	13.1	16.3

Source: Eurostat; *Employment in Europe Report 2010*; Eurofound (*European Working Conditions Survey 2010*); OECD. *OECD average

Conclusion

The Danish flexicurity “golden triangle” of easy hiring and firing, strong active labour market policies and high social security is regarded by key actors in Denmark as the main reason for quite a positive employment development during the last decade and also in the context of mastering the financial and economic crisis. Against this, main challenges are seen rather in a future labour shortage: Population ageing, with fewer people in the working-age group, will reduce the size of the labour force already from 2010 onwards. The crisis will also lead to more people to leave the labour market voluntary, opting for retirement or education rather than facing unemployment. It should be added here, that the public labour market, in particular the municipalities do not face any labour shortages and whether this will emerge in the future is doubtful according to *Local Government Denmark*.

⁶ For information on job satisfaction (and other topics) amongst state employees see also the publication of the Danish State Employers Authority 2007 where main results of a “motivation survey” carried out in 2006 are presented.

⁷ As quoted in a recent publication of LO Denmark on Flexicurity, approximately one out of three Danes changes her or his job every year. See LO Denmark 2008, p. 4.

⁸ See LO Denmark, p. 4

2 Flexibility and security in recent labour market and social policy reforms

Introduction and overview

The following information is based mainly on the replies of Danish social partners to the questionnaire survey on the role of social partners in the development and implementation of flexibility and security in contemporary labour markets, information provided by the social partners in the context of the interview mission to Denmark as well as further material, particular reports of the Danish government in the context of the implementation of the Lisbon reform programme and the European Recovery Plan.

It should be noted that the information presented here is not intended to provide a comprehensive overview of all policy measures and reform initiatives but concentrates on major aspects and trends as identified by and in the above mentioned sources.

Generally and in accordance to the close connection between Denmark and the EU flexicurity concept, the European Council in its recommendations on the implementation of the Lisbon National Reform Programme is drawing quite positive conclusions regarding labour market reforms in Denmark. In its 2008 recommendations⁹, the European Council is stressing that Denmark has been “making very good progress in implementing its National Reform Programme over the 2005-2007 period”. Among the strengths, the European Council is mentioning in particular the integrated approach of reform planning and the active participation of stakeholders.

Lifelong learning and the mobility of workers

Since Denmark strongly is focusing on the development of the knowledge society as the major factor of global competitiveness, measures to increase the qualification and skills levels are a high priority of the Danish government. As far as investment in adult and supplementary education is concerned, the goal of the government’s “Globalisation Strategy” is to provide lifelong education for everyone. In the context of higher education it is a key objective of the 2006 “Welfare Agreement” that at least 50 per cent of all young people are to have a higher education in 2015 at the same time as the completion age is reduced. (Danish Government 2009, p. 9)

To follow up on its agreement with social partners in 2007, the Government has enhanced activities within adult education though, inter alia, a broader recognition of actual qualifications from prior learning, establishment of local advisory networks for adults, and the creation of the National Centre for Qualification Development, which evaluates and oversees the efforts. Furthermore, adult education centres are created, and courses that strengthen basic qualifications for adults have been promoted on a larger scale. (Danish Government 2009, p. 34)

The Danish social partners play a crucial role both in the development of innovative instruments as well as the implementation of measures to increase the mobility of workers.

As an example illustrating this role, the *Danish Confederation of Trade Unions* LO has referred to the (renewed) collective agreement for the industrial sector in 2007 according to which the employee has the right to up to two weeks of training and education paid by the employer. This scheme is financed by contributions from the employers through payment into a solidarity fund on sectoral level (which was

⁹ Council of the European Union: “Recommendation for a Council Recommendation on the 2008 up-date of the broad guidelines for the economic policies of the Member States and the Community and on the implementation of Member States’ employment policies”, Brussels 4 March 2008, p. 14.

established by a collective agreement in 2004 already). The fund is aiming to encourage the individual workers to further education by providing financial support.

Also in the public sector, the social partners have developed and implemented a number of initiatives in the field of lifelong and continuous learning and training: In 1999, the social partners in the state sector concluded an agreement on Strategic and Systematic Competence Development in Government Institutions and agreed to set up a joint Centre for Development of Human Resources and Quality Management (SCKK). Comprehensive measures and schemes to enhance and support competence development among state sector employees including managers have been developed in successive collective bargaining rounds.

Framework of competence development in the Public Sector

The social partners have agreed on a general framework regarding the development of competences with the purpose to oblige both employers and employees (at local level) to make an increasing prioritising of development of competences. This concerns the day to day learning by practise and training as well as the life-long-learning via courses, etc. to ensure the development of the employee and secure the skills-need of the workplace. The agreement obliges the so-called “Cooperation and coordination committee” (works council) of each region to have yearly strategic discussions regarding development of competences. In addition to these discussions the different units also have to have a competences development plan. Furthermore the agreement states that each employee has the right (and the obligation) to take part in a yearly performance review. During this review the employer and the employee draw up an individual development plan for the year to come.

Source: Danish Regions

Also, in the state sector, the social partners have agreed during successive collective bargaining rounds on comprehensive measures and schemes to enhance and support competence development among state sector employees.

According to the Danish local government organisation KL the flexicurity labour market model has in general raised the awareness of the need for competence development of municipal workers.

A further example illustrating the substantive role of Danish social partners with regard to lifelong learning and skills development is mentioned by the *Confederation of Danish Employers* DA and relates to the continuous improvement and adjustment of the Danish adult vocational training system. In 2009 a fine tuning of the programme was agreed as part of a tripartite agreement “strengthening the adult vocational training”. Among other measures, 13 new adult vocational training coordination centres were established. They are to coordinate in relation to the companies and to ensure stronger governance both regarding the supply and quality of the adult vocational training programmes. The result being an even more active and focused programme.

With regard to professional mobility and job transitions, there have been a number of measures in Denmark in order to improve the capacity of both the job centres as well as the individual unemployed to support access to new work: For example, the jobcentres today are obliged to draw up an individual action plan for each unemployed person, focusing on clarification of skills and competencies, on activities that will enable the individual to get a job as well as providing the unemployed with job offers. In order to improve the access to a new job, the jobcentre are also focussing on re-training and re-education to equip the unemployed leaving one sector or industry to acquire a job in another sector or industry.

External/internal flexicurity and contractual arrangements

As described above, the external flexicurity in Denmark is high: Around one third or approx. 700,000 employees every year change the job. Even more interesting is that in 2005 more than one third of the Danes moved between jobs voluntary, i.e. because they wanted a new job and not because they are forced to move. According to DA, this figure today may be even higher.

Denmark has flexible contractual arrangements and generally, the use of flexible working time arrangements is already quite widespread. In order to achieve internal numerical mobility, the collective agreements open up for varying weekly work time. According to DA, through local agreements 85% of the employees in the private sector are covered by rules of varying weekly work time which helps the employees to a better work-life balance, i.e. 20-25% of the work force holds a part time job with some economic sectors having much higher part-time rates, e.g. in the social and health care sector.

Again, social partners are playing an important role in developing and implementing working time flexibility. A practical example for this is the health care sector and the regional workforce: Here, for example around 60% of the nurses that are employed by the Danish regional authorities are working part-time. In order to improve the security and status of part-time workers the social partners in regions and municipalities in 2008 concluded a political agreement guaranteeing the right to obtain a full-time job under certain conditions for nurses and health care assistants. As reported by the Danish social partners, flexible working time arrangements in the private sector have been extended considerably. Employers and trade unions have explicitly chosen to prioritise more flexibility in the working time arrangements with leaving more competences for deviations at company level.

Flexible working time arrangements

84 percent of the Danish employees are covered by provisions that give a possibility of opting for varying weekly working time (2008 figures), i.e. if needed, 84 percent of the employees can increase or decrease their working hours in periods compared to the standard norm of 37 hours. Furthermore, 59 percent of the Danish employees are covered by provisions that give free possibility of deviating from the general provisions in the collective agreements covering working time through individual agreements at company-level (regarding i.e. overtime work, time off in lieu etc.). In 1998 provisions on working time in the collective agreements could not be waived by local agreements, while 59 per cent of employees had this option in 2008.

Source: Confederation of Danish Employers DA

Also in the field of internal flexibility there are examples of compensation and increasing the aspect of security: Through regional social partner agreements on well-being and health in the workplace there is an obligation of the employer to ensure that the staff members have a strong influence on their working conditions and working time, for example by measures taken in the region of Southern Denmark, where staff members are to a large extent planning their working-time plans in their units on themselves with the employer concentrating on fine-tuning.

Another example of internal flexicurity which was a major instrument of companies to react to the financial and economic crisis after September 2008 is job-sharing in order to retain employees.

A recent scheme focussing on working time flexibility has been reported by the social partners in the state sector (*State Employers Authority and Organisation of Public Employees*): The “*Plus Working Time*” scheme is a voluntary option making it possible for the employer and the individual employee to agree additional working hours. The normal working week is 37 hours but the new arrangement makes it possible to work anything up to 42 hours a week. The arrangement can be for a limited period or on a more permanent basis. Although this is a matter of individual, voluntary agreement, the collective agreement specifies that local trade union representatives have a role to play in monitoring the implementation and have to give the go-ahead before the individual agreement is signed.

In the state sector, the *State Employers Authority* together with the *Danish Central Federation of State Employees’ Organisation* (CFU) have developed – to some extent deriving from tripartite agreements in 2007 the following welfare reform initiatives – new initiatives taken in response to demographic change and the difficulties in recruiting and retaining skilled and experienced workers. One of these initiatives is the “*Senior Bonus*” scheme. This aims at retaining older workers in employment for longer by automatically paying them an additional 3% of salary if they remain in post beyond the average retirement age (this varies between 62 and 64). The bonus can be paid up to three years but employees also have the option to exchange the bonus for additional days’ of leave or extra pension entitlement.

With regard to external flexicurity, according to the Danish social partners’ replies to the questionnaire survey, there have been no important changes in this area during the past few years. The underlying principle of the Danish collective agreements is to provide flexibility. However, as in particular LO Denmark has stressed, increased flexibility has to be accompanied by improved security and financial compensation in terms of wages in order to maintain a balance between flexibility and security in the labour market.

Active labour market policy

Denmark has had an active labour market policy for many years, since the 1990s. The content of this policy has been a balance between the rights and duties of the unemployed; however, the balance between the two has shifted according to the situation of the economy and priority of the governments: After the mid 1990s – according to the DA reply to the survey – the focus of active labour market policy shifted towards the rights of the unemployed to upgrading of skills and qualifications. Later during the recent economic boom, focus shifted to the duties and individual responsibility of the unemployed of getting a job.

Though this view is not shared by *Local Government Denmark*, according to both the Danish trade unions as well as DA there have been serious deteriorations in this area due to the fact that it has been transferred to the local authorities and will thus be influenced by the economic situation in the individual municipalities. This used to be the responsibility of the state, and the introduction of active labour market policies was carried out in close cooperation with the social partners. According to the trade unions the situation in this area has also deteriorated due to cost-cutting in the appropriations for training and education.

Supportive social security systems

The Danish social security system – in return to high labour market flexibility – is based on a high degree of compensation, in particular for those employees with the highest risk of unemployment. Until quite recently, the period of right to unemployment benefit is four years. The compensation level ranges between 90% (for the lower income groups) and only 30% (for those with a very high income). There is no decline in compensation level – it’s a flat rate throughout the full period.

As agreed in the Danish parliament in July 2010 the duration of unemployment benefit entitlement will be shortened from four to just two years. This measure is part of a so-called “restoration plan” concluded by the Danish government earlier this year. According to the Danish trade unions this measure as well as other cost reductions in fields such as training, education and welfare is going to undermine the balance within the Danish flexicurity model. As an example the duration of the period of entitlement to unemployment benefit has just been halved from four to two years and, in this connection, no funds have been set aside for job creation for the unemployed. Social security has thus been reduced.

The *Confederation of Danish Employers* DA puts the reform also in the context of a shift that has taken place in the recent years in the active labour market policy and in particular strengthening the activation aspect: According to this, more focus has been put on the responsibility of the individual in searching for a job, availability for the labour market etc.. Thus, the rules covering the availability of the unemployed to the job market have continuously been tightened, e.g. by obliging the unemployed to show up at regular meetings with the local job centre, send in a CV, have an action plan drawn up, be actively seeking jobs etc.

High quality and productive workplaces

As illustrated regularly in comparative surveys and polls, Denmark ranks high on various barometers and indicators of workplace productivity and competitiveness. In order to maintain this position and adjust it to new needs, the Danish government in cooperation with social partners have carried out various initiatives and projects in recent years. A few years back, Denmark implemented a globalisation plan which, by means of a long line of initiatives, was to improve the global competitiveness of Danish companies. However, as the Danish trade unions commented in their reply to the survey, most of these initiatives are concluded, and the government has not launched any new activities. However, the government in 2010 has set up a “Growth Forum” where social partners, company CEO’s and research experts are members. This forum has been commissioned to analyse and answer how to improve the competitiveness of Danish companies and thereby create economic growth in Denmark (looking at structural issues in the labour market, productivity development, production conditions in general, the demographic development, etc. etc.) In September 2010, it came up with 10 challenges Denmark is facing. In the spring 2011, it will come up with solutions to these challenges – and how to improve the competitiveness of Danish companies in a global world. The challenges identified are: Low productivity, pressurized competitiveness, a level of educational attainment lower than the countries that we normally compare us with, demographic challenges, labour supply only average in OECD comparison, not enough innovation, too few growth companies, a need for a more efficient public sector, too little competition, and the need for independence of fossil fuel.

Gender equality

In Denmark, the employment rate of women is comparatively high with a rate of 73.1% in 2009. Regarding the development of previously launched initiatives and the new initiatives, the following examples have been mentioned by the Danish government:

- Initiatives to promote the proportion of women in management, e.g. by the ‘*Charter for more women in management*’ in March 2008 which has been signed by 70 companies since the end of 2009. The goal is that 100 will have signed up to the Charter before the end of 2010. The Danish Corporate Governance Committee has updated its recommendations, according to which the composition of executive boards will be reflected on continuously in terms of, among other things, gender.
- Initiatives to overcome the gender-divided labour market and increase the participation of women in so far male dominated occupations, e.g. by the requirement that education and career advisors should be trained to counteract gender divisions in the choice of education. Moreover, a comprehensive guide on the work to break down the gender-divided labour market has been circulated to companies.

In their response to our survey, the Danish trade unions concentrated on the issue of equal pay and the role of social partners in this context. Equal pay has been included in almost all of the newly concluded collective agreements on the private labour market and the social partners have agreed to establish an Equal Pay Committee which is to contribute to reducing the wage differences between men and women. The overall situation of equal pay – amongst other things – also has been addressed by the *Danish Pay Commission* that has been established addressing various issues of pay relations in the Danish labour market. The Commission published its report in May 2010. The conclusions were quite clear, that in the public sector, there is equal pay between men and women. Men and women, who carry out the same job, receive the same pay level. However, there is seen a certain segregation of the labour market in the private sector: Men tend to chose technical education and jobs, while women tend to chose education and jobs in the health and care sectors.

In the DA reply to the survey, a fund for maternity and paternity leave was described. This fund was set up in the collective agreements in 2004. This fund reimburses the costs put on the employers during a maternity or paternity leave and therefore, encourages the continuous employment of especially young women. Furthermore, many initiatives have been taken in the private sector to encourage for instance in management.¹⁰

Financial sustainability

As mentioned already before, in particular the Danish trade unions are concerned about the financial sustainability of the flexicurity labour market model in the light of the austerity measures taken by the Danish government in the aftermath of the financial and economic crisis. Since the 24 billion Danish kroner “restoration plan” includes a number of significant cuts in unemployment benefits, welfare, education and other fields such as day care, employee organisations are worried about a major erosion of the security aspect of the flexicurity system without any compensation measures having been concluded so far.

According to DA, the restoration plan is an absolute necessity and also in line with the recommendation from the EU which the country is obliged to follow. DA is also concerned about the fact that in the summer 2010, Denmark unfortunately joined the ranks of EU countries with government deficits deemed high enough to pose a threat to the wider European economy, i.e. above the 3 percent deficit of GDP limit according to the Stability and Growth Pact. Therefore, getting the public spending under control is an absolute necessity for ensuring future growth and job creation in Denmark according to the organisation.

In their reply to the survey, the Danish trade unions are stressing the direct involvement and responsibility of social partners in the context of financial stability in times of crisis: The supplementary pension scheme ATP which is a statutory pension provision administered by the social partners already in the 1960s during the financial crisis lent large sums to the Danish National Bank in order to ensure currency stability and liquidity in order to protect the Danish currency from speculation.

Conclusion: Strengths, weaknesses and challenges

The Danish flexicurity model is clearly characterised by strengths rather than weaknesses. This has been also been confirmed by the European Commission in the review of Denmark’s achievements in the context of the Lisbon Reform Programme. In the Commissions annual country assessment for 2008 it is stated that “*Denmark has a highly integrated flexicurity model and performs well on all four components*”. (EU Commission 2008, p.19). This assessment also is shared by other EU comparative reports and analyses (e.g. Eurofound 2008).

According to the Danish social partners, employers as well as trade unions agree that the model has been also able to develop and implement anti-crisis measures in response to the financial and economic turmoil of 2008 and thereby contributed to a successful recovery of the economy.

¹⁰ The industrial employers’ confederation DI has launched a number of initiatives in the field of exchange and conferences (e.g. „Top Camp 2006”, Diversity Conference 2010) and other measures, e.g. the establishment of a DI Diversity Think-tank, so-called “Ambassador Corps” of a group of CEOs in the largest Danish companies to encourage women in leadership, networks of women in leadership positions, initiatives in the Nordic Cooperation. Further initiatives promoting diversity and gender equality are the “DI Innovation and Diversity Programme” or the database “Women on Board 2008” (database of qualified female candidates for board positions). DI in 2010 has been also in the process of developing a diversity web site that highlights company initiatives related to women in development.

With regard to the assessment of strengths and weaknesses of flexicurity and its major components as well as the impact of the current financial, economic and social crisis, the following results are arising from the responses of the Danish social partners to our questionnaire survey:

- Most social partners regard the implementation in the major policy fields of flexicurity in Denmark as a strength with only the trade unions being a bit more critical (stressing weaknesses in particular in the field of active labour market policy and social security systems as well as lifelong learning resulting from the described reductions in financial resources).
- With regard to the impact of the financial and economic crisis after 2008 the assessment of the Danish social partners is less clear: While the employers organisations (DA, local government, Danish Regions) do not see any substantial change in the flexicurity policy fields, the trade unions think that certain flexicurity principles (LLL, reliable and flexible contractual arrangements, active labour market policy, supportive social security systems, better access to work and job transitions, upward mobility of workers) is becoming more important by the crisis.

With regard to main challenges, the following assessment has been made by the Council of the European Union in 2009:

“Denmark’s growth potential depends crucially on strengthening labour supply and productivity and on increasing returns from investment in human capital, research and innovation. Demographic ageing has started to affect labour supply, accentuating the need for reforms stimulating participation and hours worked. A further challenge consists of enhancing competition to lower the relatively high consumer price level in Denmark. The implementation of the energy and climate change package, agreed by the European Council, will require close attention.” (Council of the European Union 2009, p. 17)

Specific challenges from the point of view of the Danish social partners are addressed in the context of the next chapter.

3 The role of social partners

General remarks on the role of social partners

Denmark, with its long democratic tradition, has one of the longest established institutionalised systems of industrial relations and bargaining. In 1899 the so called *September Compromise* set the major components of the system and the institutional setting was further enhanced in 1910 by the establishment of an Industrial Court and the creation of the labour market’s official conciliators (EIRO, 2005). What is called the Danish Model is characterised by the institutionalisation of conflict resolution, high membership rates of trade unions and a well-established pattern of cooperation with regard to supporting industrial peace and stability and the absence of state interference in settling wages and working conditions. The model has supported economic growth as well as a rise in wages and improved working conditions.

The cornerstone of the system of collective bargaining is the provision in the Constitution on the right of association. The historic agreement between DA and LO remains substantially unaltered today and stipulates reciprocal recognition between employers and employees. This means that, on the one hand, the trade unions are obligated to recognize the employers’ managerial prerogative, and on the other hand, employers must accept the right of employees to organize themselves in unions. The social partners resolve cases of conflicting interests through negotiation or by reaching collective agreements rather than relying on legislation regulating industrial relations and the labour market. The Danish framework and regulations for collective bargaining, regulations regarding redundancy and dismissal and the rights of shop stewards is laid down in the General Agreement between the LO and DA, rather

than by law. Similarly, collective bargaining in the public sector is underpinned by basic agreements as well as rules drawn up by the social partners on the procedures for concluding collective agreements and the scope and mode of use of collective industrial action.

With regard to flexicurity and the implementation of flexicurity principles in the Danish labour market this clear means that the role of social partners and in particular collective bargaining agreements at national, sectoral as well as workplace level is crucial for the whole concept. This has been illustrated also in many parts of the previous chapter.

Against this, the purpose of this chapter mainly is to assess current trends and the role of different aspects of social partners' involvement, such as main instruments and level of influence as well as recent changes in other contexts from the point of view of the Danish social partners.

Main instruments and levels of influence

As already mentioned before, the Danish system of industrial relations is very much based on autonomous and bargaining orientated relations between the social partners which play an important role in the regulation of labour market and social security policy. This also is becoming very clear in the role of different instruments and levels of influencing flexicurity policies. According to the survey replies, collective bargaining at national, sectoral and company level is regarded as being the most important playing field in this context. Also the consultation of social partners with public authorities and tripartite agreements play an important or very important role in the modelling and implementation of policies fostering flexicurity in the labour market.

In contrast to this, most social partners regard lobbying and/or awareness raising campaigns or unilateral initiatives as not very important (the latter however is assessed quite important by the trade unions). According to the Danish social partners' common view, civil society initiatives are not relevant at all for the influencing and implementation of policies in the field of employment policy, labour market regulation and social policy.

DENMARK - MAIN SOCIAL DIALOGUE INDICATORS

	Denmark	EU27
Collective bargaining coverage, 2006	80%	63%
Trade union density, 2005	69%	25%
Employer organization density, 2006	52%	n.a.

Sources: Eurofound EIRO Country profiles, EU Industrial Relations Report 2008.

Recent changes and challenges

When it comes to the impact of the economic and financial crisis and other changes in recent years on social dialogue and the influence of social partners on policy and practice, the assessment of trade unions on the one hand and private as well as public employers on the other hand differ quite significantly.

While both private as well as public employers in their responses to the survey report an increased influence and a stronger role of social dialogue, trade unions are much more sceptical. From their point of view the influence on measures adopted in response to the financial, economic and social crisis has strongly decreased in all major policy fields apart from the core field of autonomous collective bargaining. This negative assessment clearly results also from the political orientation of the current Danish liberal-conservative government and the decrease of trade union influence in general.

This leads directly to the issue of major challenges: For the Danish trade unions recent developments both in terms of financial measures as well as social dialogue are regarded as undermining the balance between high flexibility and high standards of social and employment security in the labour market.

This concern is not shared by employers’ organisations: In particular for the private employers’ organisation DA challenges are rather connected to the qualitative improvement of flexicurity in the context of future labour market needs and the efficiency of the concept itself. Here, DA has recently started a project on “Flexicurity – 2nd Generation” which is stressing the need to improve in particular mobility and dynamism in the Danish labour market in order to maintain and increase competitiveness of the Danish economy in the global context. Starting from basic consideration that a well-functioning labour market is in the interest of companies, workers and the public, DA seeks to initiate a process of identifying good practice and efficient instruments and elements that contribute to mobility, dynamism and an open labour market. According DA, there is also a need to develop a new definition of “modern social rights” of employees in this context.

Cases of good practice in the field of labour market flexibility and security

Though not explicitly described as such the Danish social partners have mentioned several examples of good practice in the field of active social partners’ involvement in flexicurity practice:

An example mentioned both by LO Denmark as well as the private employers organisation DA is the *occupational pension scheme*. The pension funds are fully funded by the employer and the employee and are placed in an individual account in sectoral pension funds or commercial life insurance companies. Thereby, they ensure that the employee can enforce his or her pension rights independently of the employer's operations and has, for example, the right to transfer the pension from one pension fund to another if he/she changes job (and to transfer his/her seniority to the receiving fund with a few exceptions, c.f. the job transfer agreement).

Another example of a system ensuring and supporting flexibility and mobility in the labour market are the already mentioned *competence training funds*. They give the employees – independently of their workplace – a right to paid education and training. And even a continuing education beyond their current job function that is targeted at a wider sector. This means that employees at their own initiative may further educate themselves and prepare themselves to the challenges of a future labour market. With the renewal of the collective agreement for the industrial sector in 2007, the employee has the right to up to two weeks of training and education paid by the employer. This scheme is financed by contributions from the employers through payment into a solidarity fund.

A practical illustration of good practice in improving the access to work and equal opportunities in the Danish flexicurity system has been described in the response of Danish regions to the questionnaire: The social partners in the public sector have concluded an agreement called the “*social chapter*”. The social chapter sets the frames for initiatives dealing with the retention and recruitment of people who for various reasons are not able to hold a job on regular terms and conditions – people furthest from the labour market, people with mental and physical disabilities, etc. – and gives them the possibility of working under various flexible terms and conditions. Also, the social partners have conducted an agreement on integration and training positions for immigrants and descendants with poor language and/or professional skills who would not be able to achieve jobs or education within the ordinary frames. The purpose of the agreement is to qualify and train for taking up regular employment.

Finally, it should be stressed that also the social partners in the Danish public sectors are playing an important role in the implementation of various innovative measures and schemes as documented in this report by already two examples (“*Senior Bonus*” and “*Plus Working Time*”). Apart from that there have been other innovative initiatives such as in the field of recruitment of ethnic minorities into central

government or in the field of gender equality (see TUNED-EUPAN 2009). From the point of view of the Danish social partners in the public sector this clearly demonstrates that trade unions and employers in the state sector have some common perceptions of the challenges facing central government in being able to deliver quality services. It also shows that it is possible to take a flexible approach to pay and working time as long as flexibility is part of a negotiated framework and implemented in close cooperation with the trade unions at local (workplace) level.

The following table is presenting an overview of all examples and cases of good practice that have been pointed out by the Danish social partners in the context of the interviews at the country visit:

CASES OF GOOD PRACTICE IN THE FIELD OF “FLEXICURITY” AS SUGGESTED BY THE DANISH SOCIAL PARTNERS

	Social Partner	Flexicurity principle addressed
Occupational pensions schemes	LO, AC, FTF / ETUC	Financial sustainability / Social security
Competence training funds	LO, AC, FTF / ETUC	
Agreement on a “social chapter”	Danish regions/ Public Sector SPs /CEEP	Lifelong learning and mobility
Senior Bonus” and “Plus Working Time”	Danish regions/ Public Sector SPs /CEEP	Contractual arrangements
“Flexicurity – 2 nd Generation”	DA /BE	Redefining flexicurity
Denmark and Danish labour market is a very good example	Local Government Denmark / CEEP	Flexicurity pathways

Sources: Questionnaire replies and interviews

4 Key points arising

From the point of view of the author of this report the following key points are arising in regard to flexicurity in Denmark:

- *The Danish model of flexicurity is based on very specific national preconditions such as high standards of social security, strong and fundamental roles of social partners in the context of policy development and concertation as well as implementing flexicurity components at the company level – how can flexibility and security implemented in other national frameworks of social dialogue and social policy?*
- *Is there a need – both in the Danish as well as the European context – to rethink flexicurity as the Confederation of Danish Employers have suggested by the project “Flexicurity – 2nd Generation”?*

Sources and references

Replies to the questionnaire survey, interviews and other contributions

Questionnaire replies were received from quite a pleasing number of social partners both at the trade union as well as the private and public employers' side: LO Denmark in cooperation with FTF and AC (ETUC member organisations), DA (BUSINESSEUROPE) and the CEEP member organisations Danish Regions and Local Government Organisations.

A number of organisations also provided us with additional material and information in written form.

Additional interviews were carried out in the context of a country visit that took place on the 2nd of July 2010.

Further resources

1. Danish Government: Denmark's National Reform Programme 2008 - 2010, Copenhagen, October 2008.
2. Danish Government: Denmark's National Reform Programme. Autumn 2009 Report on the Implementation of the National Reform Programme, Copenhagen, October 2009.
3. EU Commission: Annual Progress Report / Annual Country Assessment, Brussels, December 2008.
4. EU Commission: Progress on the implementation of the European Economic Recovery Plan, Brussels, June 2009.
5. EU Commission: Progress on the implementation of the European Economic Recovery Plan, Brussels, December 2009.
6. EU Commission: “A year of delivery” - The Commission's Assessments of National Reform Programmes for Growth and Jobs, Brussels, December 2006.
7. EU Commission: “Time to Move Up A Gear” - The Commission's Assessments of National Reform Programmes for Growth and Jobs, Brussels, January 2006.
8. Council of the European Union 2009: Implementation of the Lisbon Strategy Structural Reforms in the context of the European Economic - Recovery Plan - Annual country assessments.
9. LO Denmark: A flexible labour market needs strong social partners. The European discussion on the Danish Labour Market: Flexicurity, Copenhagen, January 2008.
10. European Foundation for the Improvement of Living and Working Conditions 2008: Flexibility and Security over the life course, Dublin.
11. State Employer's Authority, Danish Ministry of Finance 2007: Diversity through Equality in Public Administrations in Europe, Copenhagen.
12. State Employer's Authority 2007: State Personnel Sector, Copenhagen.
13. TUNED-EUPAN 2009: Improving Trust in Central Government - A Report for TUNED and EUPAN. Final draft for Trust Conference 29-30 April, prepared by David Tarren, Working Lives Research Institute, London.