

FLEXICURITY

OR

How the work force, employers and the government in a small country got together in adapting to market demands in a globalized world

Interview with the Danish Minister for Employment, Claus Hjort Frederiksen

By Anne Mette Skipper

The economy seems to be going so well in Denmark that some would wonder if the Danes have found a secret formula. Is this the doing of Flexicurity?

Minister of Employment, Claus Hjort Frederiksen, himself an example on this occasion by having been flexible with his schedule when asked for an interview and very attentive to questions, says, "there is no secret formula. We will happily share our experiences with the rest of the world and maybe some would find inspiration in our experiences".

The minister receives the interviewer informally in his office in Copenhagen overlooking Christiansborg, the Danish parliament building, and his answers are straight and to the point:

"In a globalized world, governments can try to protect jobs – and many countries are doing so. But in the long run the fact is that no job can be guaranteed in a globalized world.

We in Denmark have taken the position that as jobs cannot be protected, we can at least guarantee a certain level of income and supplementary training so that a person who has lost his or her job can become qualified for another. We have a system that pays a relatively high unemployment benefit – up to four years, and for the lowest levels with an amount of up to 90 percent of the previous salary."



Photo Ricky Molloy, 2006

It is an expensive model. What makes it certain that people will look for a job under these favourable conditions?

"Well, it is of course not the highest paid wages that get 90 percent of their salary in unemployment benefits. Experience has shown that there is an impressive willingness in Denmark to adjust to new conditions, and that people do not want to stick to their job at any price. It is normal and even desirable that people change jobs and get different experiences. It is now being seen as an additional qualification. This being said, we do spend a lot of money on job activation and on training courses so that people can acquire new skills and qualify for new jobs."

So flexicurity is a formula that can work only on certain conditions?

"Yes. People should be ready to accept employment. To ensure this, facilities like for instance child care are guaranteed. It is also important that there is no fear of losing pension rights by changing jobs. Pension contributions are paid into a fund and will follow the person wherever she/he works. Pensions are therefore not dependent on working a lifetime for the same company. So in Denmark there is no fear for the safety of your pension."

For the workers' unions and the employers' organisations to accept this system what are the benefits?

"In simple terms: It makes it easy for companies to hire people because they can also fire them easily.

What is Flexicurity?

A hybrid of the English words flexibility and security

Flexicurity has three main components:

- Flexibility in hiring and firing
- A social welfare system which provides income security
- An active employment policy

For the workers flexicurity means that you have the possibility to keep updating your professional skills to match demands in the job market.

This being said: For flexicurity to work it requires a high degree of organization among employers and employees. This we have in Denmark. Secondly: It takes a willingness from all involved to make the system work and constant adjustment. At the end of the 1980s and in the beginning of the 1990s we had more than ten percent unemployment in Denmark so the parties – employers and workers unions – decided to work together to improve the situation.

Furthermore, we have all in Denmark accepted that adjustment to international markets is a necessity. We cannot compete with low salaries abroad. Denmark is a welfare society with a high level of quality of life, so we have to compete by being more effective, innovative and creative.”

But it costs a lot of money to constantly train people?

”Yes and we cannot go on increasing taxes. They have to come down. There is also a change in the Danish immigration policy. For years we have accepted people who do not have an education level that permits them to find work in a high technology society. Now we will introduce a sort of green card system like in Canada to attract only highly qualified employees from abroad. We still have people from poor countries who came to Denmark some decades ago where only 50 percent are working. There are some 50,000 people from these countries in Denmark who have difficulty speaking Danish and therefore finding work. We are trying very hard to get them into the labour market. For years the state has been very generous to immigrants without work. This is changing.

Like other countries in Europe we will have a demographic problem in the future with many more people reaching retirement age and a generation of fewer young people. We could have had further economic growth last year if we had had 60,000 more skilled workers. Now with the opening up of regulations making it easier for more people coming from new EU countries to work in Denmark, we hope to attract qualified people. We already have thousands of people from Sweden, Germany and Poland working in Denmark.”

Is it true that Denmark hesitates to accept foreigners’ qualifications and that the push to get people to work is so hard that you have academics driving taxis?

”Academics driving taxis is not a widespread problem. However, we realize that we have sometimes not been good at recognizing foreigners’ skills so now we are introducing tests of real competence.”

How can you avoid workers pushing for much higher wages when there is a shortage of skilled workers?

”Denmark is a small country with a high degree of transparency. There is a good understanding among Danish employees that if they want to have a job it is necessary for the enterprise to make a profit. So contrary to many countries we do not have minimum salary defined by law in Denmark. The parties – employers and employees – have agreements on a minimum level of around 110 kroner per hour. But they also have some elasticity in working overtime. If things do not go well it is even possible to lower salaries.

This being said it is a characteristic of the Danish labour market that we have many small companies, 70 percent of the enterprises have less than 20 employees.

This means that they can be competitive in supplying small quantities, they generally have good logistics and they have a reputation for sticking to their terms of delivery.

Even with all the possibilities of changing workplace there is mostly a close relationship between employers and employees.”

Special features of the Danish labour market:

- Long tradition of extensive social dialogue and strong social partners
- Wide coverage of collective agreements
- Low level of unemployment, 1.8 percent, second lowest among OECD countries
- High level of job mobility, almost one quarter of the Danish work force change jobs every year
- High level of ongoing training of the work force
- Economic growth among the highest in EU countries
- Low inflation
- International ratings: Second most peaceful country in the world after Iceland
- Second highest taxes after Sweden
- Third most competitive after USA and Switzerland