

*Navigating
Economic
Change*

THE
ECONOMY 2030
INQUIRY

Flexicurity and the future of work

Lessons from Denmark

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June 2023



*Navigating Economic Change
Lessons from abroad and history*

Navigating Economic Change

As the UK is buffeted by the economic shocks and challenges of the 2020s, The Economy 2030 Inquiry, a collaboration between the Resolution Foundation and the Centre for Economic Performance at the London School of Economics (LSE), funded by the Nuffield Foundation, is publishing a series of essays examining how policy makers from a range of advanced economies, including the UK in the recent past, have managed periods of disruptive economic change. As we seek to reformulate the UK's economic strategy for new times it is vital that we learn the lessons of these comparative and historic perspectives.

Some consider the trajectory of a national economy following a major shock – for instance, Germany after unification, New Zealand after the UK joined the European Community, Estonia post-USSR and the UK during the tumultuous 1980s. Others examine the experience of particular cities – for instance a group of post-industrial ‘turn-around cities’ - or the adjustment of key features of a national economic system, such as Danish ‘flexicurity’. Together they offer a powerful and timely set of insights on the successes and failures of economic policy makers in the face of economic shocks and structural change.

The essays are written by a range of leading economists and national experts and reflect the views of the authors rather than those of the Resolution Foundation, the LSE or The Economy 2030 Inquiry.

They have been commissioned and edited by Gavin Kelly (Chair of the Resolution Foundation and member of the Economy 2030 steering group) and Richard Davies (Professor at University of Bristol and fellow at the LSE's Centre for Economic Performance).

The Economy 2030 Inquiry

The Economy 2030 Inquiry is a collaboration between the Resolution Foundation and the Centre for Economic Performance at the London School of Economics, funded by the Nuffield Foundation. The Inquiry's subject matter is the nature, scale, and context for the economic change facing the UK during the 2020s. Its goal is not just to describe the change that Covid-19, Brexit, the Net Zero transition and technology will bring, but to help the country and its policy makers better understand and navigate it against a backdrop of low productivity and high inequality. To achieve these aims the Inquiry is leading a two-year national conversation on the future of the UK economy, bridging rigorous research, public involvement and concrete proposals. The work of the Inquiry will be brought together in a final report in 2023 that will set out a renewed economic strategy for the UK to enable the country to successfully navigate the decade ahead, with proposals to drive strong, sustainable and equitable growth, and significant improvements to people's living standards and well-being.

Introduction¹

Over recent decades, the Danish labour market has performed comparatively well. Denmark has exhibited not only a low unemployment rate, but also rising employment and high job mobility across shifting economic cycles.²

This success is often attributed to so-called Danish ‘flexicurity’: a jobs market model characterized by high levels of external numerical flexibility for employers (relaxed hiring and firing procedures), high levels of security for employees (comparatively generous unemployment benefits), and high levels of support in finding new roles (via well-developed active labour market policies, ALMP).³

The combination of these different elements distinguishes the Danish system and has generated international interest in the flexicurity model, including the extent to which it might be adapted and adopted in other countries.

Yet accounts of flexicurity often lag behind the reality of labour market trends in Denmark. Over recent decades, highly flexible models of employment often associated with less comprehensive forms of social protection have become increasingly common. Since the turn of the century, *contractual flexibility* – understood here as non-standard work – has played an increasing role for employers as well as employees.⁴

So-called external numerical flexibility is no longer just about the ease of ‘hiring and firing’ employees in permanent full-time positions, but also about utilizing various forms of short-term, or limited-hour, contracts. For example, the share of well-known forms of non-standard work contract such as marginal part-time (less than 15 work hours per week) has more than doubled since 2000.⁵

Other forms of non-standard work, such as digital platform work and other forms of solo self-employment, have also become more prevalent in the Danish labour market.

This chapter introduces the reader to the flexicurity model, sets out recent changes in Danish employment patterns which mirror trends in many other advanced labour markets (including the UK⁶), and seeks to draw conclusions about what these trends mean for the future direction of flexicurity. We argue both that the trend towards greater contractual flexibility is a significant challenge to traditional flexicurity, and that the Danish model displays signs of being able to adjust to these changes. There may be lessons to be drawn from this experience as the UK considers the

1 This chapter draws on research conducted as part of the research projects The Digital Economy at Work (Grant No 26659), TransEuroWorkS (Grant No 101061198) and Atypical Workers and the Trade Union Movement (3F Grant), as well as a number of previous journal articles including: A Ilsøe, The Danish Flexicurity Model - a Lesson for the US? in F Hendrickx, Flexicurity and the Lisbon Agenda: A Cross-Disciplinary Reflection, Antwerp: Intersentia, October 2018; A Ilsøe, Signs of segmentation? A flexicurity perspective on decentralized collective bargaining in Denmark, Economic and Industrial Democracy, 33(2), May 2012; and T Larsen & A Ilsøe, Nordic Relief Packages and Non-standard Workers: Toward Expanded Universalism and Institutional Inequalities, Nordic Journal of Working Life Studies, December 2022.

2 T Bredgaard & P Madsen, Farewell flexicurity? Danish flexicurity and the crisis, European Review of Labour and Research, 24(4), April 2018.

3 S Bekker & M Mailand, The European flexicurity concept and the Dutch and Danish flexicurity models: How have they managed the Great Recession? Social Policy & Administration, 53(1), September 2018. A Ilsøe & T Larsen, Non-standard work in the Nordics – Troubled waters under the still surface, The Nordic Councils of Ministers, TemaNord 503, February 2021.

4 A Ilsøe & T Larsen, Non-standard work in the Nordics – Troubled waters under the still surface, The Nordic Councils of Ministers, TemaNord 503, February 2021.

5 S Rasmussen et al., Nonstandard Employment in the Nordics – Toward Precarious Work? Nordic Journal of Working Life Studies 9(6), June 2019.

6 J Rubery et al., Challenges and Contradictions in the ‘Normalising’ of Precarious Work, Work Employment and Society 32(3), June 2018.

balance between flexibility and security within its own labour market in the context of recent shocks and the ongoing net zero, demographic and technological transitions.

Flexicurity – a definition

Although the concept of flexicurity is often associated with Danish labour market regulation, flexicurity is not a Danish invention. The concept was originally launched in 1995 in The Netherlands by the sociologist Hans Adriaansens.⁷ It referred to a policy reform process of increasing security for workers who are hired on flexible terms, and attracted a lot of attention from other European countries and the European Commission.⁸ Academics initially adopted a narrow definition of the concept, focusing on security for those in specific areas of highly flexible employment, such as contract workers or temporary agency workers.⁹ Over time, the concept evolved and now applies to many other categories of employees in the labour market. In the Danish context, the concept is usually applied in this broad sense, relating to the overall system of labour market support and regulation affecting both the employed and unemployed.¹⁰

Despite the term having been used in different ways in the recent past, today there is more of a shared view of its meaning. While it is true that nearly all countries combine at least some elements of both 'flexibility' and 'security' in their labour market, it is doubtful that all systems can meaningfully be described as embodying 'flexicurity'. There seems to be consensus, among academics at least, as to certain criteria that should be fulfilled if the label is to be meaningfully applied. These are as follows:

- 1) a combination of flexibility for employers and security for employees, implying a degree of trade-off;
- 2) that this combination produces advantages for both employers and employees – so this is a positive sum, rather than zero-sum, game; and,
- 3) that the degree of flexibility and security balance each other in a meaningful way, in depth, scope and length (here, depth refers to the extent of flexibility and security, scope relates to which groups of workers are covered, and length refers to time, such as whether the flexibility and security occur simultaneously).

The Danish flexicurity model – a golden triangle

Both in Denmark and abroad, the Danish version of flexicurity has become synonymous with the idea of a 'flexicurity model'.¹¹ Here, the model refers to the combination of liberal 'hiring and firing' rules (external numerical flexibility), relatively generous unemployment benefits (income security) and an active labour market policy/ ALMP (employability security). This combination is termed 'the golden triangle', due to the considerable success of these elements in the Danish labour market from

⁷ T Wilthagen & F Tros, The concept of 'flexicurity': a new approach to regulating employment and labour markets, *European Review of Labour and Research* 10(2), May 2008.

⁸ F Hendrickx, *Flexicurity and the Lisbon Agenda: A Cross-Disciplinary Reflection*, Intersentia, October 2018; A Tangian, *Monitoring flexicurity policies in the EU with dedicated composite indicators*, The Institute of Economic and Social Research (WSI) Working Paper 137, June 2005.

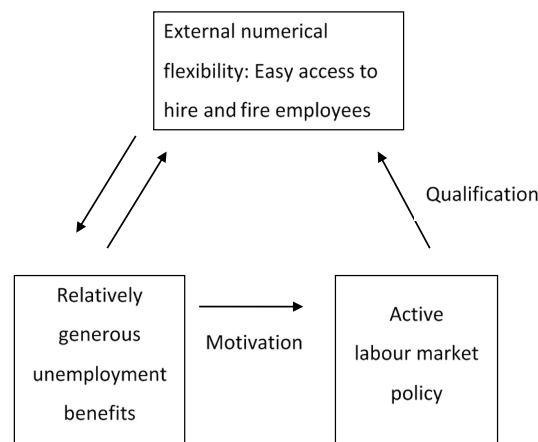
⁹ U Klammer & K Tillmann, *Flexicurity – Soziale Sicherung und Flexibilisierung der Arbeits- und Lebensverhältnisse*, Düsseldorf, WSI, November 2007.

¹⁰ T Bredgaard & P Madsen, *Farewell flexicurity? Danish flexicurity and the crisis*, *European Review of Labour and Research*, 24(4), April 2018.

¹¹ A Ilsøe, *The Danish Flexicurity Model - a Lesson for the US?* In F Hendrickx, *Flexicurity and the Lisbon Agenda: A Cross-Disciplinary Reflection*, Intersentia, October 2018.

the mid-1990s to the mid-2000s (see Figure 1, below).¹² During this period, Denmark experienced historically low unemployment levels together with a rising employment rate. At the same time, it appeared fairly easy for dismissed workers not only to find new employment but also employment matching their skill levels. During both the Global Financial Crisis and the Covid-19 pandemic, the Danish model demonstrated its ability to deliver broad-based security for ordinary workers experiencing job loss, supporting them back into employment (although the efficiency of the model has also been debated).¹³ In 2022, the unemployment rate fell to a historic low (2.6 per cent) supported at the same time by comparatively high government investment in ALMP (1.2 per cent of GDP, three times the OECD average).¹⁴

Figure 1: The ‘golden triangle’, i.e. The Danish Flexicurity Model



SOURCE: T Bredgaard, F Larsen & P Madsen, *The flexible Danish labour market – a review*, CARMA Research Papers 2005 (1), January 2005

Flexicurity in comparison – Denmark and the UK

Both the Danish and the British labour markets are characterized by high levels of external numerical flexibility (see Table 2). The OECD Employment Protection Legislation (EPL) indicator, which measures how easy it is for employers to hire and fire employees within existing regulatory frameworks, places both the UK and Denmark in the same group of ten OECD countries with ‘Low Regulatory Protection’, with the UK being judged to be marginally more liberal than Denmark.¹⁵ However, the level of income security in case of job loss is very different. In Denmark, it is the norm to join a voluntary unemployment insurance scheme, and it is only members of these schemes that can claim unemployment benefit for up to two years, provided they meet the eligibility criteria (listed in Table 1). For those covered, the replacement rate is fairly high, equating to an average of 57 per cent of previous earnings.

¹² T Bredgaard, F Larsen & P Madsen, *The flexible Danish labour market – a review*, CARMA Research Papers 2005 (1), January 2005.

¹³ S Bekker & M Mailand, *The European flexicurity concept and the Dutch and Danish flexicurity models: How have they managed the Great Recession?* Social Policy & Administration, 53(1), September 2018.

¹⁴ Unemployment rate from: Statistics Denmark, *Stort set uændret ledighed i oktober*, accessed on 07 July 2022. Spending on ALMPs from: Finansministeriet, *Aktiv beskæftigelsesindsats*, May 2018.

¹⁵ OECD, *Employment Outlook 2020: Facing the jobs crisis*, July 2020.

TABLE 1: Key features of the Danish unemployment and social assistance systems

	<i>Unemployment benefits</i>	<i>Social assistance</i>
Membership	Requires membership for both employees & self-employed	Universal – citizen based
Benefit levels	Earnings-related insurance covering up to 90 per cent of past earnings with an upper income cap of DKK 19,351/€2,580 per month in 2022	Means-tested covering 11,944 DKK/ € 1,603 per month (if parent including child benefit: 17,126 DKK/ €2,299 per month) in 2022
Eligibility criteria	General: 12 months' membership of an unemployment insurance scheme Employees: 1,924 accrued working hours over last three years, if full-time insured (1,258 accrued working hours, if part-time insured) Self-employed: Company closure & minimum income €872 per month – last 3 years	Aged: 30+ years Asset value: Less than 10,000 DKK/ € 1,343) Not entitled to other forms of social benefits Individual assessment Work requirement of 225 hours of paid work

SOURCE: T Larsen & A Ilsøe, *Nordic Relief Packages and Non-standard Workers: Toward Expanded Universalism and Institutional Inequalities*, *Nordic Journal of Working Life Studies*, December 2022.

About four in five Danish workers are members of an employment insurance scheme, although only those that meet the aforementioned hours-eligibility criteria are entitled to unemployment benefits. The non-insured – as well as those who do not qualify for unemployment benefits or have exhausted their unemployment benefit rights – may be entitled to social assistance paid by local government, provided they meet relevant eligibility criteria for support. Social assistance is means-tested and calculated on an individual basis with consideration given to family status, but it is typically considerably less generous than unemployment benefits (see Table 1).

Access to unemployment benefits is somewhat different in the UK. Unemployment benefits financed through general taxation are only eligible to those meeting certain conditions. Job seekers aged 16 or more are entitled to contributory unemployment benefits for up to 26 weeks (182 days), provided they meet the eligibility criteria, involving having paid National Insurance contributions corresponding to one year within the last two years equal to 26 times the lower earnings limit.¹⁶ But these unemployment benefits have a very low upper cap of £84.80 per week; this means that individuals on

¹⁶ Gov.uk, Job Seekers Allowance, Department of Work and Pensions, accessed 20 April 2023.

average earnings face a net replacement rate of 12 per cent of previous earnings.¹⁷ For those without access to contributory benefit, there is means-tested social assistance (via Universal Credit) which is based on an individual assessment taking into account family circumstances. Comparisons are difficult given wider variations in welfare systems, including support for housing costs, but the basic monthly benefit level of support for claimants aged 25 and over with one child are dramatically lower in the UK (£742 or €852) than they are in Denmark (€2,299).¹⁸

In addition, workers are more likely to have access to further training after job loss in Denmark than in the UK: Denmark spends around 1.2 per cent of GDP on active labour market policies compared to 0.3 per cent of GDP in the UK (2018 figures). This may make Danish workers more confident when they can sustain their employability throughout their working life, as they are able to update their skills and tend to be able to retain or increase their wage level from job to job. For Danish employers, the advantage is that they can recruit new employees from a pool of highly mobile workers with access to training.

TABLE 2: A comparison of flexibility and security in Denmark and the UK

	Denmark	UK
External numerical flexibility	EPL: 1.5	EPL: 1.4
Income security (unemployment benefits)	Coverage rate: 87 % Replacement rate: 57 %	Coverage rate: 100 % Replacement rate: 35%
Active Labour Market Policies (expenditure as percentage of GDP)	1.2 %	0.3 %
Employment rate	77 %	76 %
Unemployment rate	4.5 %	3.6 %
Job-to-job mobility	10.7 %	11.3 %

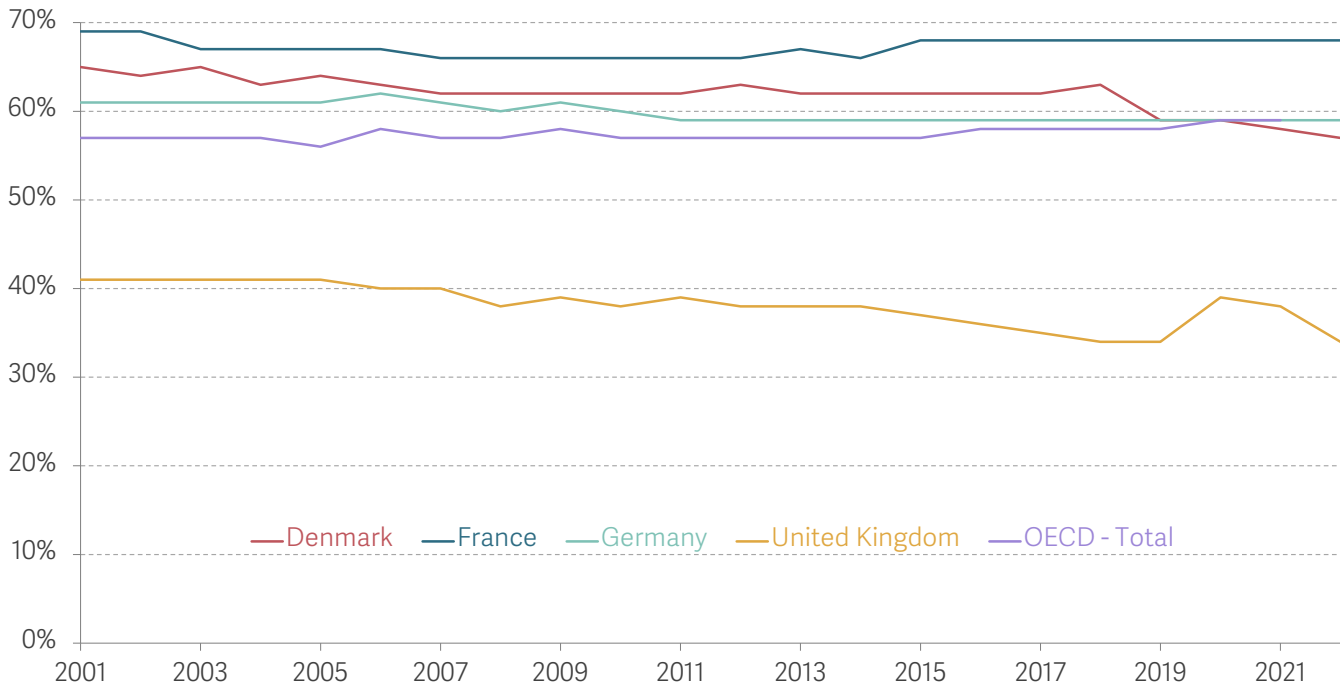
EPL: Employment Protection Legislation Indicator. Low value means easy legal access to hiring and firing. High value means less easy legal access to hiring and firing (2019). Job-to-job mobility: share of employed who changed jobs within the last year (2019). SOURCE: Eurostat/Labour Force Survey. Coverage rate: share of workers covered by the unemployment insurance (2020). In principle unemployment benefits in the UK cover all workers, but in reality, it might exclude some (for example, migrant) workers. Replacement rate: average replacement of former earnings via unemployment benefit including housing benefit/ Universal Credit in the UK (2022). ALMP expenditure (2018). Employment and unemployment rates (share of working population aged 15-64 years) (Q3 2022)
SOURCE: Analysis of OECD; Danske A-kasser.

¹⁷ If individuals additionally claim Universal Credit/ housing support the replacement rate rises to 35 per cent in 2022 (as shown in Table 2). Gov.uk, Job Seekers Allowance, Department of Work and Pensions, accessed 20 April 2023; OECD, Benefits in unemployment, share of previous income (indicator), accessed on 07 July 2022.

¹⁸ The UK figure includes both Universal Credit and Child Benefit.

Both the Danish flexicurity model and the UK system of protection cover a broad group of workers (scope of security), but the Danish flexicurity model delivers far higher remuneration in case of unemployment (depth of security) and for a considerably longer period (length of security) than the UK model (see Table 2). Also, more workers have access to further training in the Danish case, due to the more extensive ALMP. As employers' access to external numerical flexibility is high and relatively similar in both countries, the result is a more balanced package in the Danish model than in the UK, because it matches high flexibility with comparatively high levels of security. That said, Danish unemployment benefits have been criticised by politicians, and especially unions, for being increasingly eroded as the cap on payments (which affects the replacement rate for those paid above it) has not kept pace either with price inflation nor growth in average earnings. As a result, the average replacement rate in Denmark has dropped 5 percentage points over the last twenty years, which stands in sharp contrast to countries like France and Germany, where it has remained fairly stable (see Figure 2). Conversely, high levels of flexibility are matched with low levels of security in the UK, with a low and generally declining replacement rate (see Figure 2).

FIGURE 2: The development of replacement rates in Denmark, the UK, France and Germany



NOTES: These figures are for a single person earning the average wage, without children, for a duration of 2 months, including housing benefits and social assistance benefits.
SOURCE: Analysis of OECD.

In sum, while the security dimensions differ markedly between Danish and the UK models, they share some similarities when it comes to employment rates (about 75 per cent) and unemployment rates (less than 5 per cent). Also, labour market dynamism in the form of job-to-job mobility is rather similar (10.7 per cent of workers move between jobs each year in Denmark, and 11.3 per cent in the UK) (2019 figures, see Table 2). Accordingly, it does not seem as if the higher level of security in the Danish case has any negative impact on the flexibility and mobility of the labour market compared to the UK.

One or many models? Recent debates on flexicurity

The 'golden triangle' of flexible hiring and firing, generous wage insurance and intensive support for those out of work provides an important part of the explanation for the development of the Danish labour market model. But there are other forms of flexibility and security that are also important, and that contribute to additional positive-sum trade-offs. Foremost here is the extensive role played by collective bargaining in the public and private sectors, with agreements covering, among other issues, flexible working, training, and access to various paid leave entitlements. Often, collective agreements delegate negotiations on, for example, flexible working hours (internal numerical flexibility) to the workplace level, which may enhance individual companies' capacity to adjust to fluctuations in demand and thereby contribute to a high rate of retention of the workforce across the economic cycle (job security).¹⁹

If we expand the flexicurity perspective in this way, it becomes clear that some forms of security and flexibility are predominately negotiated (and adjusted) centrally (either between the main social partners, or by the state), while others are subject to decentralised company-based bargaining. This reflects the shifting locus of Danish collective bargaining that is often described as a process of 'organized decentralisation', where sector-level agreements increasingly assume the character of framework agreements, enabling local social partners to negotiate and implement bespoke solutions.²⁰ Wage increases have been the object of local-level bargaining right back to the start of the 20th century, while flexible working hours and changes in the nature of work organisation are more recent topics for local negotiations.²¹ The issue of employees' work-life balance is also receiving increased attention in both central and local bargaining.²²

Union densities and the coverage of collective agreements remain high in Denmark: 67 per cent of all employees are union members and 82 per cent of all employees are covered by collective agreements in 2019 (compared to a union density of 24 per cent and collective agreement coverage of 27 per cent in the UK).²³ Furthermore, one in two Danish companies have on-site union-affiliated workplace representatives with bargaining competencies (Danish shop stewards), which suggests that most workers benefit from bargaining power at a company-level.²⁴ The solidity of trade union coverage has helped reduce union fears that the decentralization of bargaining competencies would create a dynamic towards deregulation and potential deterioration of pay and working conditions. Danish sector-level agreements also provide local managers and shop stewards with a de facto right of veto, as they can opt to terminate any local deal and fall back on sector-level agreements. This has been an important precondition for unions when accepting any delegation of bargaining competencies from the sector to the company level.²⁵

19 A Ilsøe, *The Flip Side of Organized Decentralization – Company-Level Bargaining in Denmark*, *British Journal of Industrial Relations*, 50(4), December 2012.

20 J Due et al., *The survival of the Danish Model. A historical sociological analysis of the Danish system of collective bargaining*, Copenhagen, DJØF Publishing, January 1994.

21 A Ilsøe, *The Flip Side of Organized Decentralization – Company-Level Bargaining in Denmark*, *British Journal of Industrial Relations*, 50(4), December 2012.

22 T Larsen & S Navrbjerg, *Bargaining for equal pay and work-life balance in Danish Companies. Does gender matter?* *Journal of Industrial Relations*, 60(2), January 2018.

23 OECD, *Collective agreement coverage*, online OECD database, accessed on 07 July 2022; OECD, *Trade union density*, online OECD database, accessed on 07 July 2022.

24 T Larsen & A Ilsøe, *Varieties of organized decentralisation across sectors in Denmark: A company perspective*, *Industrial Relations Journal*, 53(4), May 2022.

25 J Due et al., *The survival of the Danish Model. A historical sociological analysis of the Danish system of collective bargaining*, Copenhagen, DJØF Publishing, January 1994.

More recently, the discussion on flexicurity has centred around the growing use of non-standard employment contracts in the Danish labour market, and the emergence of new forms of casual or fragmented work in certain industries, such as hotels, restaurants and transportation.²⁶ Also, several recent analyses have raised the question of whether low-wage service work delivers what are sometimes termed 'living hours' – that is, sufficient weekly working hours to make a living.²⁷ In sum, we can observe a significant (and broadly increasing) reliance on *contractual flexibility* within the Danish labour market – the use of contracts that deviate from what is still thought of as the 'standard' work contract: permanent full-time jobs. Contracts may deviate from the norm in three ways:

1. Employment status (various forms of self-employment instead of employee status)
2. Length of contract (fixed-term contracts of various length instead of open-ended contracts)
3. Guaranteed hours (less than full-time hours guaranteed in employment contract including zero-hour contracts).

On this basis, around one in three of all those working in the Danish labour market are non-standard workers according to the Danish Labour Force Survey, but with important variations in the scope and form of non-standard work (see Figure 3). Around 10 per cent of all those employed hold a fixed-term contract and this overall figure has remained relatively stable since 2000; this figure is higher within educational and female dominated sectors. By contrast, other forms of non-standard work such as marginal part-time work and platform work are some of the fastest growing non-standard employment forms in the Danish labour market (see Figure 3); although platform work is admittedly growing from a low-base. Temporary agency work increased up until the 2008 financial crisis only to rapidly decline -and has slowly increased since then. Solo self-employment has slightly increased since the Millennium (by 5 per cent). Non-standard forms of work also tend to be low-paid. Marginal part-time work (10 per cent) and platform work (1 per cent), for example, are more prevalent in low-wage service sectors like cleaning, hotels and restaurants and retail trade, whereas temporary agency work (1 per cent) is used to a wide extent in manufacturing.²⁸ And a 2022 large scale survey among low-wage workers in Denmark indicated that around 5 per cent of low-wage workers are employed on zero-hour contracts, and another 10 per cent work as subcontracted workers.²⁹ This relationship between low pay and non-standard forms of employment is also a feature of the UK labour market.³⁰

26 Rasmussen et al. 2021 and Authors own calculations based on Statistics Denmark, The Danish Labour Force Survey, and Eurostat.

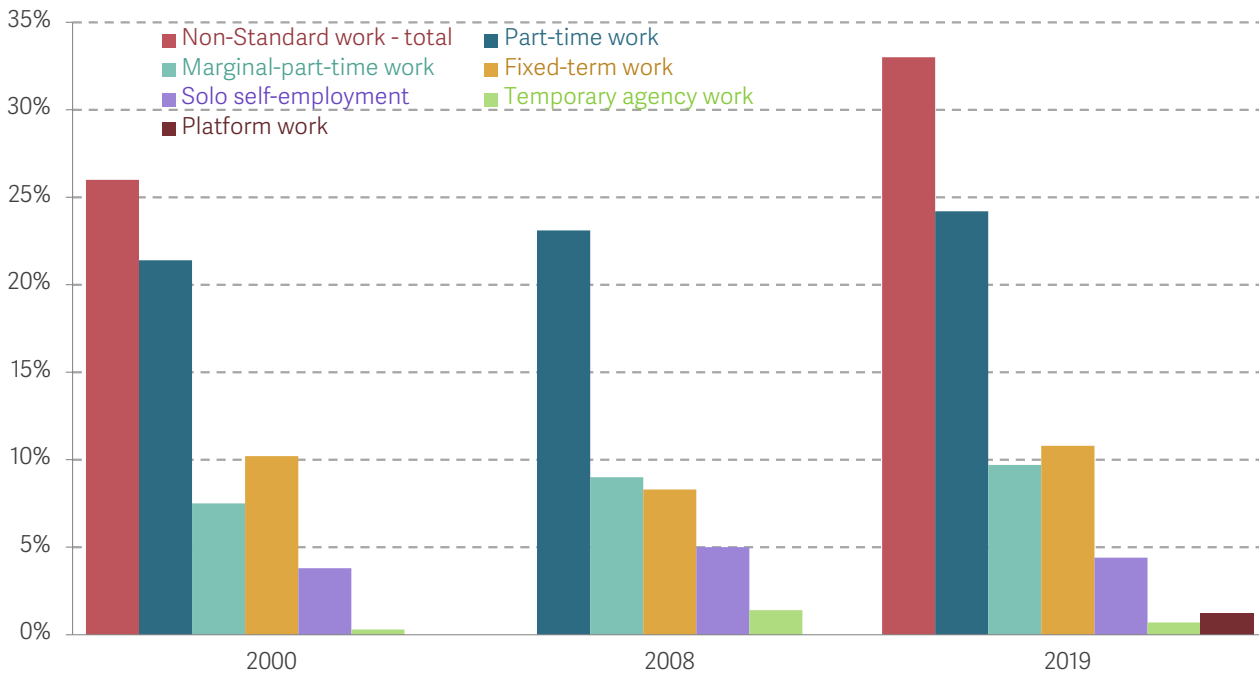
27 A Ilsøe, T Larsen & J Felbo-Kolding, Living hours under pressure: flexibility loopholes in the Danish IR-model, *Employee Relations*, 39(6), October 2017.

28 A Ilsøe & T Larsen, Non-standard work in the Nordics – Troubled waters under the still surface, The Nordic Councils of Ministers, TemaNord 503, February 2021.

29 T Larsen, A Ilsøe & E Bach, Innovative Union services and non-standard work in Denmark - National report for the Breakback project, Research Paper 186, University of Copenhagen, January 2022.

30 N Cominetti, C McCurdy, G Thwaites & R Vieira-Marques, Low Pay Britain: Improving low-paid work through higher minimum standards, Resolution Foundation, April 2023.

FIGURE 3: Different measures of non-standard work contracts as share of the working age population (15-64): Denmark



NOTES: Someone is classified as working in non-standard work (i.e. the total) if they tick any of the six measures of non-standard work.

SOURCE: Analysis of Rasmussen et al., 2021 and Authors own calculations based on Statistics Denmark, The Danish Labour Force Survey, and Eurostat.

The significant reliance on contractual flexibility – especially with regards to employment status and guaranteed hours – is a challenge to the Danish flexicurity model. Part-time workers are entitled to lower unemployment benefits than full-time workers and they are less likely to be members of an employment insurance scheme.³¹ Likewise, self-employed workers are forced to close their business before they can receive unemployment benefits and many struggle to meet the various eligibility criteria for unemployment benefits. Traditional flexicurity was not designed with these workers in mind.

In 2018 the Danish unemployment benefit system was reformed to make it easier for groups such as people with multiple jobs to access support by allowing them to combine earnings from their employee jobs with those from self-employment when calculating entitlement to benefits. However, representatives of the solo self-employed as well as unions (such as The National Union of Commercial and Clerical Employees (HK) and The Danish Association of Masters and PhDs (DM)), remain critical of the requirement for the self-employed to close down their business in order to receive benefits.³²

The Coronavirus crisis exposed cracks in Danish social protection: namely, non-standard workers were particularly exposed to job loss and benefitted little from support packages.³³ The Danish government

31 T Larsen, A Ilsøe & E Bach, Innovative Union services and non-standard work in Denmark - National report for the Breakback project, Research Paper 186, University of Copenhagen, January 2022.

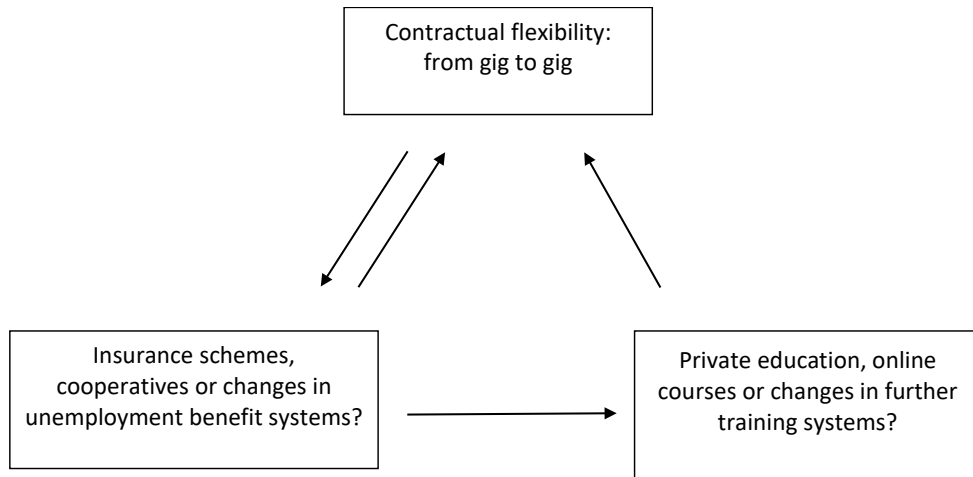
32 T Larsen, A Ilsøe & E Bach, Innovative Union services and non-standard work in Denmark - National report for the Breakback project, Research Paper 186, University of Copenhagen, January 2022.

33 T Larsen & A Ilsøe, Nordic Relief Packages and Non-standard Workers: Toward Expanded Universalism and Institutional Inequalities,

developed more than 30 temporary relief packages with the intention to include as many groups of non-standard workers as possible. Despite these good intentions, many non-standard workers were unable to meet the eligibility criteria. Surveys among solo self-employed and marginal part-time workers indicate that many gave up and did not apply at all.³⁴

These challenges have sparked fresh debate about whether self-employed workers need their own version of a (new) flexicurity model, which recognises that their work is organised in ‘tasks’ instead of ‘jobs’ (see Figure 4). These workers perhaps need new institutional vehicles to support income security (for instance, via cooperatives) and to help them access training. Freelancers, for instance, must often shoulder the costs of further training courses themselves in addition to covering their loss in earnings while in training.

FIGURE 4: **The golden triangle 2.0 – the current debate on flexicurity for freelancers**³⁵



Danish flexicurity: challenges and its future

The Danish flexicurity model has been viewed as a role model in many European discussions of how to combine flexibility and security in 21st century labour markets. The Danish model was widely seen as a success during the 1990s and 2000s. It ensured ‘employability security’ within the labour market: the security to have a job, protection in the periods in-between jobs, and support in finding new or better work. This is reflected both in high employment rates and low unemployment rates. It is also visible in the high levels of job to job mobility that exist in Denmark, which suggests a system in which workers are willing and able to take the risk of moving to roles that may better suit their skill-levels and preferences.

However, since the 2010s, the flexicurity model has been debated more critically for three reasons. First, there has been a significant shift in non-traditional forms of employment. An increase in contractual flexibility has come at the same time as it has become clearer that workers with non-standard contracts are not adequately covered by the original flexicurity model. It is noteworthy that the EU Commission recently adopted new guidelines allowing collective bargaining for certain groups of solo self-employed workers including platform workers. These guidelines may well become

³⁴ A Ilsøe & T Larsen, The coronavirus crisis reveals blind spots in Nordic labour market data – A sociological perspective. *Acta Sociologica*, 63(4), October 2020.

³⁵ Figure from A Ilsøe & T Larsen, *Digitale Arbejdsmarkeder – fra jobs til opgaver*, Copenhagen: DJØF Publishing, August 2022.

an important vehicle helping these groups of workers to access income protection and training via collective bargaining.³⁶

A second challenge comes in the form of the declining value of unemployment benefits relative to wages. This has been the subject of much debate, most recently during the Covid crisis, where the Danish government in close collaboration with social partners and with broad political support across the political spectrum, decided to temporarily increase the unemployment benefit level for groups being laid-off under the various job retention schemes. The social democratic government has also decided, with support from the left-wing parties, to restore the underlying replacement rate to match the levels achieved during the Coronavirus crisis. Specifically, these rule changes increase unemployment benefits levels for the first three months of unemployment (from 19,728 DKK / €2,649 to 23,449 DKK/€3,149 per month) and they come into force from May 1st 2023. More generally, the longer trend towards the declining replacement rate of Danish unemployment benefits has also led to the emergence of private unemployment insurance offering full-wage compensation. Unions organizing highly skilled, but also some low skilled workers, are now offering such private insurance schemes that top up ordinary unemployment benefits in the case of unemployment. In 2021, 12 per cent of Danish wage earners had signed up for this form of private insurance.³⁷ These schemes are highly controversial and have led some unions and left-wing parties to fear they could represent the beginning of the end of the Danish flexicurity model as we know it.³⁸

A third challenge to flexicurity comes in the form of pressure to simplify it. This was reflected in the proposals of a Royal Commission set up by the former social democratic led government (December 2019) to evaluate the social assistance system, but which did not involve an assessment of the unemployment insurance system, which was left out of the evaluation. The main challenge associated with the existing social assistance system is its complexity, where the inherited incentive structures for up-skilling, job-seeking and paid work rarely had the intended effect, as social assistance claimants often struggle to navigate the system.³⁹ The proposed simplification of social assistance involved greater usage of financial incentives to increase employment take-up and further training by claimants as well as rolling back the existing work requirements to qualify for social assistance (the so-called 225 hours working hour rule).⁴⁰ These proposed rule changes do not, however, cover the unemployment benefit system where the existing work requirements for job seekers remain unchanged. It remains to be seen if and how the Danish government will implement these changes and what the differing approaches taken between the two systems would mean.

Despite these challenges, political support for the flexicurity model across Danish society remains strong. All major political parties want to preserve the model, but right-wing parties (such as Liberal Alliance) call for lowering both the levels of unemployment benefits and social assistance, arguing that this will strengthen work incentives. By contrast, left-wing parties, together with the Danish trade unions, have repeatedly called for increasing income support as well as increasing the duration

36 https://ec.europa.eu/commission/presscorner/detail/en/ip_22_5796

37 <https://www.fogp.dk/statistik/loensikring/>

38 T Larsen, A Ilsøe & E Bach, *Atypisk beskæftigede i atypiske tider: Regeringens coronahjælpepakker og deres effekter*, Samfundsøkonomen, 2020(4), December 2020.

39 Ydelseskommisionen, *Samlede anbefalinger til et nyt ydelsessystem*, Ministry of Employment, May 2021.

40 Ydelseskommisionen, *Samlede anbefalinger til et nyt ydelsessystem*, Ministry of Employment, May 2021.

of unemployment benefits. Before the major reform of the unemployment benefit system in 2010, the unemployed could receive benefits for up to four years instead of the current two-year limit. This allowed the unemployed to participate in longer-lasting further training initiatives.

More recently unions have focussed on demands from high-skilled workers for higher benefit levels that better match their earnings. Indeed, it has become increasingly difficult to attract highly paid workers to join unemployment insurance schemes due to the de facto lower compensation rate for these groups; workers on average wages (and their unions) are now increasingly criticising the level of unemployment benefits too.

Ensuring a strong future for flexicurity means making sure that the current system can adapt to new challenges. Recent reforms have started to address the challenges with lower coverage of non-standard workers such as those with multiple jobs. However, the solo self-employed workers, employees with zero-hour contracts, fixed-term workers and temporary agency workers with relatively short contracts continue to fall outside the full benefits of the Danish flexicurity model. This has sparked debate as to whether a flexicurity model 2.0 is needed - designed around the needs of workers with contractual flexicurity. Such a debate may also be relevant in the UK where precarious workers have low levels of social protection and would benefit from greater security than that provided by the low and flat rate system of income support.

Conclusion: lessons for the UK?

The UK labour market model displays interesting similarities, as well as sharp contrasts with the Danish flexicurity model. On the one hand, external numerical flexibility is at a similarly high level – employers have freedom to hire and fire at will. But despite this similarity on ‘flexibility’, marked differences exist when it comes to ‘security’, with benefit levels often being two times higher in Denmark than the UK. There does, however, appear to be a better balance between flexibility and security in the Danish model than the UK’s.

The depth (size of monthly payments) and the length of the income security also differs considerably between the two countries with Denmark offering two years of insurance and the UK up to 26 weeks. Indeed, the UK is an outlier when it comes to social security not only compared to Denmark, but also compared to other European countries such as Germany and France as illustrated in Figure 2.

Also, the overall level of government spending on ALMP (active labour market policies) is far lower in the UK than in Denmark and access to workplace and further training is more restrictive. This may support Danish workers’ employability over time and in the case of job loss, which may also be of relevance to employers seeking to hire new employees. It is noteworthy that all Danish employers’ associations support the flexicurity model both because they see it as a pre-requisite for retaining the highly flexible rules for hiring and firing that they greatly value but also because it helps secure access to a highly qualified workforce through the well-developed system of ALMP.

Finally, another major difference between Denmark and the UK is the importance of the collective bargaining system and multi-employer bargaining and sector level agreements. As we have discussed, union density and collective bargaining coverage remains comparatively high in the private sector in Denmark particularly compared to in the UK. This is an important part of the context for Danish model, as sector-level agreements reinforce both the flexibility and security aspects of the model as

well as facilitating access to further training. Given the very different UK context, with low levels of trade union membership and collective bargaining across large swathes of the private sector, this may suggest the need to explore new forms of sectoral arrangements to provide a stronger framework of protection for workers as part of any future rebalancing of the UK model between the dual goals of flexibility and security.

Navigating economic change: lessons from abroad and history

As the UK is buffeted by the economic shocks and challenges of the 2020s, The Economy 2030 Inquiry, a collaboration between the Resolution Foundation and the Centre for Economic Performance at the London School of Economics (LSE), funded by the Nuffield Foundation, is publishing a series of essays examining how policy makers from a range of advanced economies, including the UK in the recent past, have managed periods of disruptive economic change. As we seek to reformulate the UK's economic strategy for new times it is vital that we learn the lessons of these comparative and historic perspectives.

Some consider the trajectory of a national economy following a major shock – for instance, Germany after unification, New Zealand after the UK joined the European Community, Estonia post-USSR and the UK during the tumultuous 1980s. Others examine the experience of particular cities – for instance a group of post-industrial 'turn-around cities' - or the adjustment of key features of a national economic system, such as Danish 'flexicurity'. Together they offer a powerful and timely set of insights on the successes and failures of economic policy makers in the face of economic shocks and structural change.

The essays are written by a range of leading economists and national experts and reflect the views of the authors rather than those of the Resolution Foundation, the LSE or The Economy 2030 Inquiry.

They have been commissioned and edited by Gavin Kelly (Chair of the Resolution Foundation and member of the Economy 2030 steering group) and Richard Davies (Professor at University of Bristol and fellow at the LSE's Centre for Economic Performance).