

## **The Welfare State as an Investment Strategy: Denmark's Flexicurity Policies**

Thomas Bredgaard

Associate Professor, Ph.D.

Centre for Labour Market Research, Department of Political Science,

Aalborg University, Denmark

[thomas@dps.aau.dk](mailto:thomas@dps.aau.dk)

Arthur Daemrich

Assistant Professor

Business, Government and the International Economy Unit

Harvard Business School, USA

[adaemrich@hbs.edu](mailto:adaemrich@hbs.edu)

July 2012

© 2012 Thomas Bredgaard & Arthur Daemrich

No written or electronic reproduction without permission

# The Welfare State as an Investment Strategy: Denmark's Flexicurity Policies

Thomas Bredgaard and Arthur Daemmrich

## 1. Introduction

Denmark has one of the most comprehensive and expensive welfare states in the world. Social expenditure as a percentage of GDP was 26 percent in 2007, compared to 19 percent averaged across the OECD.<sup>1</sup> Taxes are correspondingly high, peaking at a marginal rate of 63 percent for high earners and averaging 40 percent for all taxpayers.<sup>2</sup> The country's value added tax is 25 percent. Nonetheless, Denmark consistently ranks among the most competitive nations of the world. The workforce is well educated, and Danes switch jobs and start new businesses at rates far above those in other welfare states. The Danish version of "flexicurity" is often emphasized as key to understanding this unexpected complementarity between a generous welfare state, a competitive labour market, and entrepreneurial activity (Auer 2000; Daemmrich and Kramarz 2009; OECD 2004; Wilthagen & Tros 2004). Danish flexicurity can be described as a "golden triangle" combining a flexible labour market with low dismissal protection, a relatively generous social security system (notably in unemployment benefits and social assistance), and active labour market and education policies (Madsen 1999; Bredgaard et al. 2005). Firms in Denmark gain global competitive advantages from a mobile labour force and government funding of public services and infrastructure, while workers benefit from domestic employment opportunities and continuing training.

This article examines both how the welfare state can serve as a national strategy to invest in economic competitiveness and sustainable national prosperity, as well as the significant challenges associated with operating an open economy in a period of increased labor mobility. By calling the welfare state a national investment strategy we do not seek to argue that a set of leaders explicitly designed Denmark's institutions – welfare programs, citizen and worker associations, and private-sector organizations – and their interrelationships to respond effectively to challenges raised by globalization (Viator 2007). As in most democracies, in Denmark different groups viewed the goals of economic growth and employment from different vantage points. Flexicurity is only identifiable as a national strategy in retrospective analysis. Yet the interaction of historical legacies, institutional-structural features, and reform-oriented leadership in Denmark combined to position the country and its populace to handle stresses from changing employment more effectively than in many other countries.

Much of the academic literature on labour market policy is focused to policies for income insurance through unemployment programs and the relationship among welfare benefits, union representation, and ethnic homogeneity (Kahn, 2012). This article explores Denmark's experiences related to its openness to globalization, and shifts in national politics related to immigration and debates over multiculturalism. The sections that follow describe the origins of the Danish welfare state and its history of business-labor relations, the restructuring of welfare and labour policies that occurred in the 1990s, and present and near-term labour market tensions related to immigration and the globalization of work. We also assess the policy responses in Denmark to the global financial crisis, and their effects on the balance between flexibility and

security. Despite signs that the generosity of the welfare state is declining, thus far the basic complementarities between the welfare state and a competitive labour market remain intact. We conclude by assessing the possibilities and impediments for cross-national transfer of policy lessons from the Danish case.

## 2. Origins and Evolution of the Danish Welfare State

Modern Denmark reflects a long history of independence, but a notable decline in geographic size since the country's peak of military power in the 15th century. Perhaps unique among contemporary government descriptions of their nation's history, the official website of Denmark recently described the country in terms of lost wars and lost territory: "The present configuration of Denmark is the result of 400 years of forced relinquishments of land, surrenders, and lost battles."<sup>3</sup> Welfare programs, initially designed to moderate the impacts of industrialization on workers, were key to the largely tranquil transformation of the country from a large northern European superpower to a small and prosperous nation.

Although the origins of Danish welfare programs can be traced to "poor laws" enacted in 1708, formal institutions of the welfare state were established starting in the late 19th century to reduce tensions among an emerging urban industrial working class (Jonasen 1999; Madsen 2007). Welfare programs then shifted from the "deserving poor" to insure broader swaths of the population against the loss of livelihood due to old age (1891), sickness and chronic disease (1892), unemployment (1907), and disability (1921). The development of the welfare state continued through the interwar period, but accelerated after World War II with expanded social benefits and free education. Universal coverage of retirement (*folkepension*) was approved in 1956 for people over age 65, independent of former employment and income (Jørgensen 2008).

In 1973, a compulsory health insurance program funded through government tax revenue replaced "sickness funds" and other forms of health insurance. An extensive safety net became the norm; even conservative politicians and industry leaders rarely challenged the fundamental principles of redistributionist policies. By the late 20th century, Denmark's comprehensive welfare state also sought to promote social cohesion and equality through maternity and paternity leave, childcare, and extensive cultural and educational programs. As a result, Denmark is the world's most equal developed country as measured by the Gini coefficient of income distribution (see also Table X.1 for comparative indicators).<sup>4</sup>

Underpinning support for the welfare state, unions and employers' associations negotiate wages, working hours, working conditions, and other aspects of employment through a centralized collective bargaining process. A spirit of give and take has characterized negotiations since the historic "September compromise" of 1899. At the time, unions sometimes employed a tactic of sequential strikes in a particular region. However, when carpenters in several small towns initiated a small strike in April 1899, employers responded with a nationwide lockout. A month later, workers from 11 trades were blocked from employment. Lengthy negotiations ensued, culminating in an agreement that formalized labor negotiations and set the stage for collective bargaining to act as the primary mechanism for resolving disputes, rather than turning to the courts or government intervention (Jørgensen 2002). Trade unions accepted employers' "right to manage" and their authority to hire and fire the number and types of workers that they deemed necessary. Dismissal benefits were modest under the agreement. In return, employers accepted the right of workers to join unions and to strike during negotiations on wages, benefits, and working conditions.

Since the September compromise, a scheduled and sequential negotiation process between employers and employees has been governed by cooperation agreements, which also are subject to periodic renegotiation. Cooperation agreements established a variety of rules, including when employees were allowed to strike. As a result, the government is only rarely drawn into the collective bargaining process. Similarly, regulation and implementation of dismissal protection is done through collective agreements negotiated by the social partners for each occupational group. This makes the system flexible and adaptable to the diversity in each occupational and sectoral group. Conflict resolution takes place in a specialised arbitration system administered by the social partners in consultation.

An important exception to this corporatist system is the 1938 law on salaried workers (*Funktionærloven*), which defines a salaried worker as someone who carries out office work, clinical work, or supervises the work of others. The majority of public employees and about half of the employees in the private sector are covered by the law. It stipulates, among other things, a set of dismissal rules, especially notice periods depending on the duration of employment.<sup>5</sup> There is no special protection for public employees, and notice periods and severance pay are comparatively low (Bredgaard 2012). In international comparison, Denmark's employment system is both highly coordinated among employers and unions and rather flexible.

Low job protection is integral to the Danish industrial structure, which is dominated by small and medium-sized enterprises. It is, furthermore, aligned with the long liberal tradition of the Danish welfare state, which relies on social partners – unions and employers – to regulate most of the terms and conditions of the labour market, in contrast to the state regulation found in other countries.

**Table 1. Comparative Indicators of Welfare States and Unionization**

	Income Equality (Gini Coefficient) <sup>a</sup>	Days to Start a Business <sup>b</sup>	Corporate Income Tax Rate	Income Tax and Social Security <sup>c</sup>	Union Density <sup>d</sup>	Collective Bargaining Coverage	Trade as % GDP <sup>e</sup>	Enabling Trade Index (Global Rank) <sup>f</sup>
Denmark	.25	6	25%	55%	70%	87%	54%	5.41 (3)
France	.33	7	33%	41%	8%	95%	28%	5.02 (20)
Germany	.28	24	33%	45%	23%	63%	44%	5.20 (13)
Japan	.25	31	41%	50%	20%	24%	17%	4.80 (25)
The Netherlands	.31	8	25%	52%	78%	82%	73%	5.26 (10)
Sweden	.25	15	26%	56%	22%	92%	51%	5.41 (4)
United Kingdom	.36	13	28%	50%	29%	35%	30%	5.06 (17)
United States	.41	6	35%	35%	12%	14%	15%	5.03 (19)

<sup>a</sup> The World Bank, "World Development Indicators," <http://www.worldbank.org>, accessed December 2011.

<sup>b</sup> The World Bank, "Doing Business," [www.doingbusiness.org](http://www.doingbusiness.org), accessed December 2011.

<sup>c</sup> Tax rate for a married couple with no children calculated as the total income tax and social security over gross income of \$100,000 prior to any deductions. Source: KPMG, "Individual Income Tax and Social Security Rate Survey," [www.kpmg.com](http://www.kpmg.com), accessed December 2011.

<sup>d</sup> Union membership as a proportion of employed wage and salary earners. Source: J. Visser, "Union Membership Statistics in 24 Countries," *Monthly Labor Review* (January 2006): 38-49 (data from 2003).

<sup>e</sup> Share of trade in goods and services to the country's GDP. Source: OECD, OECD Factbook 2010: Economic, Environmental, and Social Statistics," [www.oecd-ilibrary.org](http://www.oecd-ilibrary.org), accessed December 2011.

<sup>f</sup> Index on scale of 0–6, measuring institutions, policies, and services that enable trade, with subindexes measuring market access, border administration, transport and communications infrastructure, and the business environment.

Source: World Economic Forum, "The Global Enabling Trade Report 2009," [www.weforum.org](http://www.weforum.org), accessed December 2011.

Comparing across developed economies (Table 1), Denmark combines an open and competitive economy, low taxes on employers, and high taxes on labour with a flexible labour market governed through collective regulation and bargaining. Whereas countries with high union density and collective wage bargaining typically also restrict new-business formation and tax capital, Denmark, the Netherlands, and Sweden have followed a different economic strategy. The key to understanding complementarities among interests more typically in conflict with one another is flexicurity.

### *Danish Flexicurity*

The term "flexicurity" came into vogue among Danish policymakers in the early 2000s and soon captured the interest of European Union leaders and reporters worldwide. Attention to the Danish model coincided with an economic upturn (until 2008), declining unemployment, and stable macroeconomic performance. But a balance between labour market flexibility and income security has characterized the Danish labour market for a century, including during an extended period of persistently high unemployment in the 1970s and 1980s (Bredgaard et al. 2008). We therefore caution that a low and stable unemployment rate is not automatically attributable to flexicurity (c.f. Andersen and Svarer 2007).

In the Danish case, flexicurity should be understood as a historical byproduct of a specific combination of employment flexibility and income security (Wilthagen and Tros 2004). Neither the Social Democratic prime minister Poul Nyrup Rasmussen (1993-2001) nor his successor the liberal Anders Fogh Rasmussen (2001-2009) invented flexicurity, though both have sought to take credit for it. But important policy changes did occur under both leaders that impacted the balance between flexibility and security.

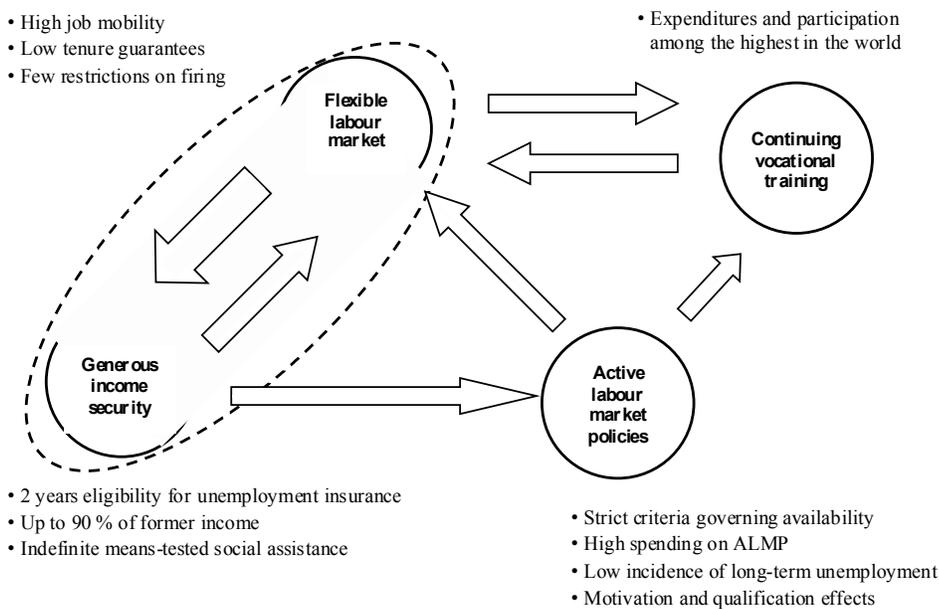
Starting in the late-1980s, unemployment grew steadily in Denmark to a peak at 12.4 percent in 1993. A brief upturn from 1985 to 1987 was halted by inadequate skilled labour and rising inflation. This dilemma firmly placed the concept of "structural unemployment" on the political agenda and paved the way for significant changes of labour market policies. In 1993, the newly elected Social Democratic coalition government introduced a labour market reform package. The reforms aimed to motivate the unemployed to seek and take jobs on the ordinary labour market by reducing the length of unemployment benefits and by removing the right to extend unemployment benefits through participation in training programs and other government alternatives.<sup>6</sup>

At the same time, reforms sought to improve workplace skills among the unemployed by introducing new individual action plans and education and retraining programs. A key element in the reform package was an expansive fiscal policy to kick-start private consumption and the demand for labour. Finally, there were features in the package that served to reduce labour supply. First, persons participating in active labour market programs were no longer registered as unemployed. Second, new entitlements for paid leave (parental, educational, and sabbatical) quickly became popular and reduced the labour supply in the short term. These leave schemes were gradually phased out as total unemployment started to fall in the late 1990s.

With these labour market reforms, the third pillar in the "golden triangle" became more functional in relation to two separate aspects of active labour market policy: motivating and

qualifying the unemployed. The Danish version of flexicurity thus can be illustrated as a parallelogram (see Figure X.1) in which workers do not simply cycle between employment and unemployment with benefits. Rather, they also may enter active labour market programs and continuing education, even while still employed.

**Figure 1. Danish Flexicurity**



The *flexible labor market* is characterized by high rates of job turnover and average job tenure comparable to liberal economies like the United Kingdom or United States. High job-to-job mobility is generally found in countries with low dismissal protection.<sup>7</sup> Recent research on the effects of job protection has found that strict regulations can reduce workplace switching; negatively impact some groups of workers, notably youth; and encourage labor market duality that hinders productivity and economic growth (Venn 2009, 5). Firms in Denmark, by contrast, can fire and hire with few restrictions, and entrepreneurs can start new companies with a minimal amount of bureaucratic delay.

The second element in Danish flexicurity is *generous income security*, especially unemployment benefits and social assistance for the unemployed. One of the main assumptions of flexicurity is that the availability of generous income replacements increases the risk-taking propensities of the labor force, thereby facilitating job mobility. For instance, seasonal unemployment in the construction industry is buffered by supplementary unemployment benefits. As a consequence, employers do not have to dismiss temporary workers. Compared to other OECD countries, Denmark has one of the longest entitlements periods for unemployment

insurance (currently 2 years) and the highest maximum replacement rates for low-wage earners (up to 90 percent of former income). If unemployment benefits are exhausted, or the unemployed individual has not paid contributions into unemployment insurance funds, then means-tested social assistance is available as a last resort (between 60 and 80 percent of unemployment compensation, depending on care responsibilities). Unemployed individuals have to demonstrate “labor market availability” by searching for jobs, accepting positions at local job centers, and participating in activation programs. In international comparison, the Danish rules for showing availability are relatively strict and have been tightened repeatedly during the last decade (Velfærdskommissionen 2005, 96).

The central dimension of complementarity in Danish flexicurity thus requires workers and trade unions to accept low job security offset by relatively generous income security. Companies and employers’ associations, on the other hand, accept the costs of the relatively generous income security system because it creates a more flexible labor force.

The third element in Danish flexicurity is *active labour market policies*. Among OECD countries, Denmark has one of the highest total expenditures on labor market policies (2.56 percent of GDP in 2008) as well as the highest expenditure on active labor market policies (1.35 percent of GDP in 2008) (OECD 2010a). Active labor market policies have two important and somewhat contradictory functions: first, to motivate the unemployed to find work without assistance, and second, to qualify those who cannot find employment on their own. As a metric of active labour market policy effectiveness, long-term unemployment rates in Denmark have consistently remained among the lowest across the OECD.

Finally, *continuing vocational training*, or lifelong learning, plays an important role in Danish flexicurity. In international comparisons, Denmark’s expenditures and share of training participants is among the highest in the world (Trepartsudvalget 2006). For instance, the Eurostat Labour Force Survey in 2009 found that Denmark had the highest rate of participation in adult vocational training in Europe. More than 30 percent of people aged between 25-64 years had participated in adult vocational training within the previous four weeks compared to a European Union (27) average of 9 percent. Participation in continuing training underpins a flexible labor market by increasing the employability of Danes, improving both their numerical and functional flexibility (Bredgaard et al. 2009).

**Table 2. Standardised Unemployment Rates, 1990-2010**

	1990	1995	2000	2005	2008	2010
Denmark	7.2	6.8	4.3	4.8	3.4	7.4
France	8.4	11.4	9.0	9.3	7.8	9.8
Germany	4.8	8.0	7.5	10.6	7.3	7.1
Japan	2.1	3.2	4.7	4.4	4.0	5.1
The Netherlands	5.9	6.6	2.8	4.7	2.8	4.5
Sweden	1.7	8.8	5.6	7.3	6.2	8.4
United Kingdom	6.9	8.5	5.4	4.8	5.6	7.8
United States	5.6	5.6	4.0	5.1	5.8	9.6

Source: OECD, “Labour Market Statistics,” *OECD Employment and Labour Market Statistics* (database), accessed November 2011.

Although there is no clear-cut causality between flexicurity and unemployment, Denmark's unemployment rate began falling after the introduction of the 1993 labour market reforms (Table 2). Job training and active labour market policies likely contributed; a recent review of over 100 studies of labour market intervention programs worldwide finds that job search assistance programs have short-term positive effects while classroom and vocational training reduce unemployment in the medium-term (Card, et al. 2010). The unemployment rate in Denmark continued falling until the 2008 global financial crisis. Unemployment more than doubled from 2008 to 2010, but still remains among the lowest in the OECD.

**Table 3. Denmark's Balance of Payments**

(US\$, billion, current prices)	1990	1995	2000	2005	2010
Current Account Balance	1.4	1.9	2.3	11.1	17.1
Exports - Goods	36.1	50.3	50.1	82.5	95.8
Exports - Services	12.8	15.3	23.7	43.4	60.4
Imports - Goods	31.2	43.8	43.4	75.2	87.1
Imports - Services	10.2	14.0	21.1	37.0	51.9

Source: IMF, International Financial Statistics, <http://elibrary-data.imf.org>, accessed December 2011.

Throughout the 1990s and first decade of the 2000s, Denmark enjoyed steady national economic growth and a consistently positive balance of trade in goods and services (Table X.3). While flexicurity cannot be singled out as the causal force behind this success story, the accommodative pattern of relations between business and labour made for a rather uniquely smooth transition from an economy dominated by manufactured goods and agricultural products to rising international trade in services. As exports, services including shipping, logistics, and consulting rose from one-third of goods exports in 1990 to two-thirds by 2010. Even a near-doubling of imported goods between 2000 and 2010 could be paid for through rising exports of both goods and services. Unlike other small economies on the European periphery (e.g., Greece, Italy, and others) or even large economies like the United States, Danes did not respond to the combination of low borrowing costs and low-cost imported goods from manufacturing powerhouses in Asia by running up large trade deficits.

The complementarity we identify among the flexible labour market, generous income security, active labour market policies, and education programs, however, are not the product of a deliberate national strategy designed and implemented in a single step. Danish and European Union politicians have become strong advocates for flexicurity in recent years and have sought to distill transferrable policy lessons. We find that the Danish version of flexicurity is the product of a gradual historical, political, and social evolution of welfare and labour market institutions. While compromise among government, industry, and unions was key to flexicurity's emergence, Danish trade unions ultimately were key to securing the balance between flexibility and security by supporting vocational training and even the offshoring of certain kinds of work as economic transitions associated with globalization were underway.

### *Trade Unions and Globalization*

In contrast to unions in many countries that have opposed free trade, open borders, and the offshoring of jobs to lower wage countries, Danish unions adopted a strikingly different strategy in the 1990s. Opting not to confront industry or the government about workplace changes arising from globalization, they embraced flexicurity as a way to protect employment in Denmark through new job creation. While warning that “the focus must remain on flexibility for the employees not the flexibility of the employees,” unions educated their members about the benefits of trade and which sectors were likely to undergo employment shifts (Danish Confederation of Trade Unions 2008: 6). In contrast to other European countries, the majority of workers remained members of unions even as employment changed from manufacturing to service jobs.

Furthermore, Danes retained union membership even while unemployed. Unionization rates declined significantly in Great Britain (from 53 percent in 1980 to below 30 percent by 2005), France (from 19 percent in 1980 to below 10 percent by 2005), and Germany (from 35 percent in 1980 to 20 percent by 2005). In Denmark, union density declined less rapidly and from a much higher level: 77 percent in 1995 to 70 percent in 2005 (Visser 2006). Traditionally, unemployment insurance funds were an additional recruitment channel for trade union membership. Although there is no legal obligation to join both unemployment insurance funds and trade unions, many members are either not aware of the difference or decide to support the trade union movement when subscribing to unemployment insurance.<sup>8</sup>

Yet the movement of labor across national borders that accompanied globalization in the 1990s and early 2000s posed a challenge for union representation of workers. Officially, the unions walked a fine line between social integration and limits to immigration. The Danish Confederation of Trade Unions (LO), for example, issued a policy statement on globalization that argued: “Foreign labour should be welcome ... provided that their employers observe the rules on pay and working conditions agreed between the social partners” (Danish Confederation of Trade Unions 2006: 39).

Rather than demanding employment for life and the retention of uncompetitive manufacturing sectors, Danish unions instead pushed for on-site skills enhancement, retraining of unemployed workers to make them attractive to new industries, and combined employer and government support for education. A 2007 LO report on employee-driven innovation thus emphasized: “It is widely agreed that a substantial part of Denmark’s solution to globalization consists of a greater emphasis being placed on training, research, high technology and innovation. ... If it hadn’t been for globalization, Denmark would never have been able to maintain its position as one of the richest countries in the world at a time when competition grows increasingly fierce” (Danish Confederation of Trade Unions 2007: 6). Even on more controversial issues such as outsourcing, unions came to see workers’ interests as aligned with the success of the country. If firms prospered, there would be more jobs even as some manufacturing moved to lower-cost locations.

When the liberal and conservative government of Anders Fogh Rasmussen sought to loosen regulations and lower taxes after 2001, it nevertheless continued to support flexicurity policies. Claus Hjort Frederiksen, the minister of employment, thus argued in 2007: “It is no secret that in Denmark we see flexicurity as an important response to the challenges presented by globalization. It means that enterprises can easily adapt to the changing needs and requirements resulting from globalization. Workers achieve a high degree of employment security and social security” (Frederiksen 2007).

Unions helped define a new concept of employment security as globalization changed the kinds of industries that prospered in Denmark. The outgoing head of LO argued in a speech at the annual party congress in 2007 that:

*When I was young, security meant having a good, solid job. This was not very exciting—but in a way, it was very safe. This security disappeared as globalization emerged. Security is no longer to hold on desperately to the same job throughout your life. Security is to stay cool when you hear rumours of outsourcing from the boardroom. Because deep down you know that you have solid skills and that you will quickly be able to find a new job if the old one is relocated. Security is not to be able to stay on. Security is to be able to move. It is precisely this new security through training and education that we have now embarked on creating for every worker.<sup>9</sup>*

Echoing their union leaders and government officials, Danes felt secure that if they lost their jobs, they could find employment again quickly. Despite the low levels of formal job protection, there was – at least until the global financial crisis – a high feeling of job security among all subgroups of Danish workers (Auer 2007). In a Eurobarometer survey from 2005, more than 70 percent of Danes agreed it was “good for people to change jobs every few years,” in contrast to fewer than 30 percent of Germans, Austrians, or Poles (European Foundation 2006). The positive attitude toward globalization in the Danish population meant that a similar Eurobarometer survey in mid-2008 found that 78 percent of respondents in Denmark agreed globalization was a good thing for domestic companies and would foster job growth, compared to a European average of 39 percent.<sup>10</sup>

**Table X.4 Employment in Denmark**

	1997	2000	2005	2010
Agriculture, Forestry, Fishing, and Mining	120,590	107,877	92,228	79,056
Manufacturing, Utility Services, and Construction	650,457	648,012	584,391	489,447
Trade, Tourism, Transportation, Information, and Communication	656,585	686,476	660,267	723,949
Financial, Real Estate, and Insurance	296,343	344,225	382,021	388,748
Public Administration, Education, Health, Arts, and Entertainment	931,801	962,198	979,560	989,353
Other	13,882	10,520	11,995	14,439
Total	2,669,658	2,759,308	2,710,462	2,684,992

Source: Adapted from Statistics Denmark ([www.statbank.dk](http://www.statbank.dk)), accessed December 2011

Danes held a more positive view on globalization despite shifts in employment that workers in other countries found threatening and disruptive. Over the course of the past two decades, employment in traditional heavy industries, including agriculture, mining, manufacturing, and construction dropped by more than 25 percent (Table 4). Vocational training integral to flexicurity programs helped workers in traditional sectors to generate greater output despite

lower total employment, and to produce niche products that sold globally. At the same time, investments in education made it possible for Danes to transition to new positions in service industries.

Few countries have resolved how to compensate the losers from globalization. Unrestricted welfare programs promote free riders and retraining programs assume governments can predict which industries will succeed domestically in the future. Yet Denmark managed the transitions associated with our current era of globalization through negotiated compromises among unions, industry, and political parties. The country promoted skilled labor and high-value employment at globally competitive firms, even as it maintained the world's most generous welfare system. Consequently, Denmark over the first decade of the 2000s defied longstanding expectations that high taxes and extensive income redistribution inevitably lead to underinvestment by individuals to develop marketable skills and by firms to develop new products and services.

Denmark's labour market reforms also countered the prediction that a decline in demand for unskilled work in developed countries, a product of the relocation of labor-intensive production to developing countries, would disproportionately hurt smaller rich countries. The economist Paul Krugman argued in the 1980s and early 1990s that shifts in the relative demand for skilled and unskilled labor was increasing unemployment in Europe (Krugman 1994). Yet when the political scientist Peter Katzenstein examined the economic disruptions confronting small states operating in world markets, he observed that they had historically adjusted policies in ways that sustained both openness to globalization and their unique welfare states (Katzenstein 1985, 2006). Denmark and other small countries had firms that nimbly filled niche markets; government monetary and fiscal policies were flexible, reactive, and incremental; and the political system had a tradition of pragmatic compromise among labor, industry, and parties. Katzenstein argued that "exposed to global markets that they cannot control, the small European states have accommodated themselves to a situation that Americans are now beginning to experience as a crisis" (Katzenstein 1985: 38). Denmark's structural policies thus built on a historical foundation of responding to economic change thrust upon the country.

Even as Denmark reconfigured its welfare state, the country's prosperity, open borders, and liberal conception of citizenship also made it attractive to immigration. Significant tensions emerged concerning access to education, training, and welfare programs as well as the political and social values displayed by new immigrants, especially those from predominantly Muslim nations. As a result, just as Denmark was on the vanguard of reforming the classic welfare state in the 1990s, it has since been on the leading edge of calling into question aspects of immigration and labour mobility that are often ignored or downplayed in analyses of globalization.

### **3. Immigration and the Politics of Employment**

Thanks to its northern location and small economy compared to Germany or France, Denmark was not a significant immigration destination until the last two decades of the 20th century. Despite their ethnic homogeneity, Danes historically defined themselves primarily around shared values rather than ancestry, religion, or racial composition. Political, workplace, and many social activities are carried out through organized associations, with more than a million associations registered in Denmark. The country is noted for its equality, social responsibility, personal involvement in the good of the community, and high rates of participation by women in the workforce. For most Danes, the welfare state is an integral part of that self-conception, and

democratic values are seen as part of the Danish identity. Danes consider democracy not just a form of government, but also a way of life (Campbell et al. 2006).

In the initial post-WWII growth period, small numbers of immigrants were invited to Denmark from Turkey, Pakistan, Morocco, and Eastern Europe to work in manufacturing. During the first oil crisis of the early 1970s, a backlash in the form of restrictions on residency permits led to a slowing of immigration. A second wave of immigration began in the 1980s with refugees from Iran, Iraq, and Palestine, and continued in the 1990s with refugees from Somalia and Bosnia. Denmark's population by the early 1990s had grown to 5.1 million, with the vast majority identifying themselves as having Danish ethnic heritage. Alongside refugees, a new influx of immigrants working in blue-collar jobs and agriculture started in the 1980s and accelerated in the 1990s. With a domestic fertility rate of 1.7 (below the 2.1 needed to maintain a constant population), Denmark has come to rely on immigration for population growth and to fill undesirable jobs. As a consequence, the population composition changed significantly from 4 percent identified as of non-Danish origin in 1990. By 2010, immigrants and their offspring made up more than 10 percent of the country's 5.5 million inhabitants.<sup>11</sup>

Studies of welfare states have repeatedly suggested that homogeneity is critical to popular support for redistributionist policies (Alesina et al. 2001; Campbell & Hall 2008). In line with this finding, immigration also became politically contentious in Denmark, even though in both absolute and relative terms it was on par with other European countries, and even lower than some. Immigration became sufficiently contentious that the Danish People's Party (Dansk Folkeparti, or DPP) won 13 seats (out of 179 seats in total) in the parliament starting in 1998. When a new coalition government led by Anders Fogh Rasmussen was forged in 2001 between Liberals and Conservatives, it came to rely on the DPP for votes to pass new legislation. The DPP, whose share of the popular vote grew from 7 percent in 1998 to nearly 14 percent in 2007, used strong nationalistic rhetoric during campaigns. The DPP introduced a distinctively anti-multicultural discourse into Danish politics with warnings that "Denmark is a paradise for fanatics who, with human rights in hand, will turn Denmark into a multi-ethnic society."<sup>12</sup>

While the Social Democrats and other left-of-center parties adopted pro-immigration platforms, a series of controversies over free speech and democratic values put them on the defensive. Though defending the principle that "Solidarity ... means automatic rejection of racism and animosity towards foreigners," Social Democrats grew concerned about the failure of recent immigrants to integrate into Danish society and adopt progressive values concerning, among others, the role of women in society (The Danish Social Democrats 2005; Hedtoft 2003).

The issue came to a head in the wake of political cartoons depicting the Prophet Mohammed and other icons of Islam that were published in the Danish paper *Jyllands-Posten* in 2005. Reprinted in early 2006, they set off protests throughout the Muslim world. At their most violent, crowds of protesters set fire to Danish embassies in Syria, Iran, and Lebanon. More than 70,000 Pakistanis took to the streets in protest in February 2006, and eight people were killed in 2008 when a powerful bomb ripped through Denmark's embassy in Islamabad. To many Danes, these protests suggested that Muslims – including immigrants to Denmark – held views on freedom of speech and press that were irreconcilable with Danish values. Even after the issue calmed through dialogue and the passage of time, the DPP took advantage of shifting demographics to repeatedly warn of risks to core Danish principles from immigration.

Migration and integration issues have calmed in recent years due to the more imminent political and policy attention to the financial crisis and rising budget deficits. In 2010, the DPP supported the liberal-conservative government's major retrenchment package, which included

halving the period of eligibility for unemployment insurance (from 4 to 2 years), a freeze on municipal budgets until 2013, and proposals to reduce the length and generosity of early retirement benefits. In return, the DPP demanded increased border controls to fight organized crime by foreigners entering Danish soil, a measure which drew international media attention for its conflict with the Schengen agreement's principles of free movement of goods and labour in the European internal market.

However, following the general election in October 2011 a new government, led by the Social Democratic Prime Minister Helle Thorning Schmidt and supported by three smaller left-leaning parties plans to repeal the border control legislation. Yet, a key member of the ruling coalition (Radikale Venstre) supports reform to early retirement policies. As a consequence, reforms to key welfare state policies are likely to move forward, with potential consequences for the core deal between labour and business that makes flexicurity work.<sup>13</sup>

#### **4. Danish Flexicurity and the Global Financial Crisis**

Broadly, the development of the Danish welfare state and employment system displays a hybrid character between the liberal welfare states characterised by high flexibility for employers and the generous Nordic welfare regimes characterised by high security for employees. To date, this hybrid model has managed to reconcile the dynamic forces of the free market economy with the social security of the universal welfare states. Some observers have been inclined to consider the balance unstable and bound eventually to become either fully liberal or a completely coordinated market economy (Hall & Soskice 2001). But it is evident that the Danish case of flexicurity is the result of a long evolutionary development and supported by relatively stable institutions and class compromises. Crucial in this institutional configuration is the legitimacy of strong and organised social partners capable of striking negotiated and flexible labour policy agreements.

Nevertheless, Danish flexicurity is not a static policy programme without tensions and challenges. The global financial crisis that started in 2008 and European debt crises of the past three years have brought four key conflicts to the fore that challenge the Danish flexicurity model's core principles.

First, Danish workers have begun to demand greater job protection. Since the beginning of the financial crisis in September 2008, registered unemployment has almost tripled from 2.5 percent (2008, third quarter) to 6.1 percent (2011, second quarter). Around 175,000 jobs were lost between 2008 and 2010 (about 6 percent of total employment), and unemployment is projected to continue to increase through at least late 2012. It is, therefore, no surprise that the general feeling of work security has declined. Trade unions responded quickly. When the social partners began collective bargaining in the private sector in the spring of 2009, unions demanded a new right to severance pay. Dismissed employees now will be entitled to special severance pay, with double or treble the compensation upon six or eight years seniority. The severance is calculated as the difference between the monthly unemployment benefit payment and the previous monthly wage, reduced by 15 percent.

By itself, the new benefit will not sharply alter the flexibility of the labour market, but it has opened a path to raising the costs of firing employees that may be expanded in future collective bargaining. In upcoming bargaining rounds for the public sector, trade unions likely will demand greater job security, including longer terms of notice and severance pay. Employers' associations resisted similar demands in 2011. Some trade unions instead plan to ask for new

entitlements to adult vocational training, in accord with the long-term employment security of the Danish flexicurity model. But if the recession persists and unemployment rises, then Danish workers will demand a new balance between flexibility and security, with more regulation of firing.

Second, income security has declined in recent years. Demands by unions for greater job protection therefore are also a reaction to the decline in the generosity of unemployment benefits. While Denmark's net compensation rate is high for low wage earners and the long-term unemployed by international comparison, it is surpassed by other countries for high-wage earners with short durations of unemployment. All types of welfare benefits, including unemployment benefits and social assistance, are regulated each year on the basis of average wages, minus a 0.3 percent deduction and excluding pension contributions. Since the mid-1980s, deductions and exclusions have led to a substantial decline in compensation. For the average blue collar worker, the net compensation rate has declined by 25 percent since 1982. In the current economic climate, the unemployment benefit period was reduced to two years. The relative decline in unemployment generosity has negatively affected both the support for the balance between employer flexibility and employee income security. Perversely, it also is reducing the likelihood that workers will voluntarily join the unemployment insurance system. As membership in unemployment insurance funds and trade unions declines, the legitimacy of the Danish model of voluntarist and flexible labor market regulation declines as well, producing increased political pressure for state legislation.

Third, declining employment security is associated with changes to flexicurity programs over the past decade. Since the liberal-conservative government took office in 2001, there has been a stronger focus on the motivation effects of employment policies, rather than improving worker qualifications. This is indicated by fewer opportunities for participation in education and training for the unemployed and instead a stronger focus on short-term job training and job search assistance accompanied by stronger sanctions for non-compliance. Changes have been characterized as a shift from "human capital" towards "work first" approaches (Larsen 2009). Reforms were implemented by a new and more local delivery structure consisting of municipal job centers, private employment service providers and unemployment insurance funds (Bredgaard 2011). Policy changes to the content and organization of employment policy coincided with a dramatic decline in registered unemployment. Consequently, until the beginning of the financial crisis changes to employment policies were largely invisible and untested at scale. However, during the crisis the "work first" approach quickly became unpopular and was shown to be ineffective as unemployment rose.

The adult vocational training system also underwent changes since 2001 that created challenges when unemployment spiked after 2008. At present, unskilled workers are less likely to participate in vocational training compared to other occupational groups. This is problematic in light of a general skill bias in technological industries and in the response to globalization by firms in Denmark of seeking creative and self-motivated workers. The financial crisis and the economic recovery plan of the government challenged the vocational system by reducing spending and cutting entitlements to training courses. However, the new Social Democratic coalition government has pledged to return to higher levels of spending on vocational training.

Fourth, mutual trust has declined. Dialogue and compromise between the social partners and the government are enabled by mutual trust and have been an important precondition of flexicurity in its pioneering countries, Denmark and The Netherlands (Wilthagen & Tros 2004). Trust between the trade unions and Anders Fogh Rasmussen's liberal-conservative government

suffered a blow during the economic crisis, especially following the shortening of the unemployment benefit period and changes to the early retirement system. Generally, mutual trust between the government and the social partners is an important precondition for the balance between external flexibility and security. The government must trust that the social partners are capable of regulating the labour market through collective agreements, necessitating an ability to compromise and implement policies that cover the entire labour market. In return, the social partners are granted institutionalised voice in the formulation and implementation of policy decisions on labour market issues.

Similarly, the level of trust between the trade unions and the employers association and a climate of collaboration on workplace policy is vital for reaching balanced compromises and negotiated solutions. This is not to imply that conflicts do not exist or that the actors have inherently common interests, but rather that the viability of flexicurity requires a high level of social capital and trust to reach negotiated combinations of flexibility and security (Bredgaard et al. 2006). The new Social Democratic coalition government is trying to rebuild trust with the social partners, in part through new tripartite negotiations scheduled for 2012. With a stated goal of a long-term vision for an effective labour supply and improved public finances, the government is also seeking to reinvigorate the core principles of flexicurity.

## **5. Conclusions**

The specific Danish combination of external numerical flexibility, income security, and employment security is the result of bargains struck over time as the country's employers and workers adjusted to economic change. While Denmark's social welfare institutions became a national strategy to invest in creating a well-trained and flexible workforce, it was not the product of a deliberate or recent policy plan. This makes Danish flexicurity impossible to export in a single step to other contexts where other institutional preconditions prevail. This is not to say that rapidly developing middle-income countries or other OECD members may not be inspired by the European welfare policy discourse in general, or by Danish flexicurity specifically.

More generally, Denmark offers an example of the tensions countries face when finding a balance between forces of globalization, in particular, greater trade in goods and services, free capital flows, and the offshoring of manufacturing jobs, and domestic social welfare policies. The Danish economy grew in the 1990s and 2000s through pro-business policies, labor market reforms, and structural adjustments. Companies headquartered in Denmark learned to operate globally as niche players, while associations representing employers and workers together fostered public support for international trade and even the offshoring of jobs in many industries. The emergence of a new framing for employment security around education and mobility rather than holding the same job for a long period gave Danish companies a competitive edge and made Denmark an attractive European location to foreign firms.

In the 1980s and 1990s, some analysts held that small countries would find it impossible to maintain their social welfare offerings in the face of impending growth in international trade and shifts in manufacturing to more populous and low-wage countries like India and China. As it turned out, Denmark and some other small northern European countries were able to reform their labor markets and offset the outsourcing of manufacturing with domestic growth of high-value jobs in services, design, and other areas. A new concept of employment security – based on skills and mobility – helped Danes adjust to changing economic conditions. Public consensus

evolved to support international trade agreements and lower barriers to the flow of goods and services. The lack of large domestic markets helped companies in Denmark think globally at an early stage, leading to competitive advantages. At the same time, low corporate taxes and few restrictions on layoffs stimulated growth and provided incentives for foreign firms to invest in Denmark. Government revenues were used to provide public education, health care, and unemployment benefits that gave workers security even when jobs moved overseas. Rather than suffer as a small state in the global economy, Denmark prospered.

The welfare state proved more flexible than many analysts had expected and served to resolve dilemmas associated with growing international trade, manufacturing and services shifting to low-wage countries, and the consequent displacement of entire job categories. Unsurprisingly, Denmark's economic growth and generous welfare programs also made it attractive to immigrants. Importing specialists and technical experts is critical in a small country of five million people with a growing economy; furthermore, the process of upgrading domestic workers into better wage jobs left gaps in unskilled work filled by foreigners, and Danes' liberal values supported open borders for refugees.

As immigration increased in the 2000s, tensions emerged regarding the sustainability of welfare offerings in light of many immigrants' attitudes and preferences concerning women in the workforce and education of their children. Within Denmark, the Danish People's Party, a minority member of the ruling coalition, brought concerns about immigration to a head, forcing the prime minister to walk a fine line between continued integration with the EU and domestic concerns about multiculturalism. This raises a fascinating contradiction found in many countries: without domestic support, free trade agreements and open borders are not possible, but as economies grow at differential rates, those with significant in-migration find it difficult, if not impossible, to sustain the same political support for openness.

Academic studies of welfare states have found that redistributionist policies arise more frequently and are less politically contentious in more ethnically and racially homogenous nations. Following this line of argument, diverse countries like the United States have minimal social welfare programs because its citizenry lacks solidarity with the notion that taxes will pay for benefits for people who do not look or act like them. There is no doubt that Denmark originated its welfare state in a period of cultural homogeneity. The interesting question now is whether a strong welfare state can build solidarity and help even quite diverse sub-groups learn to view one another as sharing collective goals and values. Alternatively, Denmark may be at a tipping point of losing its historical collective support for the social welfare state as it becomes more diverse. Growing trade in goods, services, and new dimensions of the "creative economy" – all key features to the current era of globalization – are linked to tensions concerning immigration. Greater diversity often promotes greater innovation. But even countries seeking to foster creativity and innovation cannot easily select who will immigrate. On a positive note, Denmark's experiences suggest that social welfare programs that often are thought to inhibit innovation and economic growth can instead do the opposite, if properly designed and calibrated to changing economic conditions.

Contrary to a dominant view among free-market purists, the welfare state helps make globalization possible. Without broad domestic support, free trade agreements (that benefit elites) are not possible, but without sharing benefits, broad support cannot be maintained. For Denmark, immigration is vital to the economy's future. But this is bringing to the fore tensions about ethnic and political identity. Denmark has a strong history of building solidarity and helping subgroups view one another as sharing collective goals and values. Who is a Dane does

not have to be answered in terms of ethnicity or the number of generations one's family lived in Denmark; it can be answered through the development of values around work and participation in the public sphere.

Finally, many countries can take a modest but significant lesson from the Danish ability to find a common vision across industry, unions, and political parties. Globalization has made all countries relatively smaller and more exposed to the world, even the United States. Yet there is little to suggest that countries reform automatically in the face of outside pressure. Rather, it requires commitment and negotiated compromise to strike grand bargains that support continual retraining (and not just at moment of high unemployment in a business cycle downturn) and provide a better social safety net for people whose jobs are most at risk from international competition.

## References

Alesina, A, E. Glaeser & B. Sacerdote (2001). "Why Doesn't the U.S. Have a European-Style Welfare State?" National Bureau of Economic Research Working Paper No. 8524

Andersen, T.M. & M. Svarer (2007). "Flexicurity – Labour market performance in Denmark", *CEifo Economic Studies*, 53(3), pp. 389-429.

Formateret: Engelsk (USA)

Auer, P. (2000). *Employment revival in Europe. Labour market success in Austria, Denmark, Ireland and the Netherlands*, Geneva: ILO.

Auer, P. (2007). In search of optimal labour market institutions, pp. 67-99 in H. Jørgensen & P.K. Madsen, *Flexicurity and Beyond*, Copenhagen: DJØF Publishing.

Bredgaard, T., F. Larsen, P.K. Madsen & S. Rasmussen (2009). "Flexicurity på Dansk." *CARMA research paper 2009:2*. Aalborg: Centre for Labour Market Research (CARMA).

Bredgaard, T., F. Larsen & P.K. Madsen (2005): The flexible Danish labour market – A review, Aalborg: CARMA Research Papers 2005:01.

Bredgaard, T., F. Larsen & P.K. Madsen (2008): "Flexicurity: In Pursuit of a moving Target", *European Journal of Social Security*, 10(4), pp. 305-25.

Bredgaard, T. (2011): "When the government Governs: Closing compliance Gaps in Danish Employment Policies", pp. 764-774, *International Journal of Public Administration*, 34: 2011.

Bredgaard, T. (2012): "Flexibility and Security in employment Regulation: What Can be Learned from the Danish Case?", H. Arthurs & K. Stone, *Employment Regulation after the Standard Employment Contract*, Russel Sage.

Campbell, J.L., J. A. Hall & O. K. Pedersen, eds. (2006): *National Identity and the Varieties of Capitalism: The Danish Experience*, McGill-Queens Press.

Campbell, J.L. and J. A. Hall (2008): "National Identity and the Political Economy of Small States," Working Paper.

Card, D., J. Kluve, and Weber, A. 2010. Active labor market policy evaluations: a meta-analysis. *Economic Journal* 120: F452-F477.

Daemmrich, A. and Kramarz, B. 2009. Denmark: globalization and the welfare state, Harvard Business School case 709-015.

Danish Confederation of Trade Unions (2006): *Denmark in a Globalised World*, Copenhagen: LO.

Danish Confederation of Trade Unions (2007): *Employee-Driven Innovation*, Copenhagen: LO.

Danish Confederation of Trade Unions (2008): "A Flexible Labour Market Needs Strong Social Partners", Copenhagen: LO.

Danish Social Democrats, "Policy and Principles" (October 20, 2005), <http://socialdemokraterne.dk>, accessed February 2009.

European foundation for the Improvement of Living and Working Conditions (2006): *Mobility in Europe – Analysis of the 2005 Eurobarometer Survey on Geographical and Labour Market Mobility*, Dublin.

Frederiksen, C.H. (2007): "Pathways towards a Better Combination of Flexibility and Security" speech at the Flexicurity Conference.

Hall, P.A. & D. Soskice (2001): *Varieties of Capitalism – The institutional foundations of comparative advantage*, Oxford: Oxford University Press.

Hedtoft, U. (2003): "Cultural Transformation: How Denmark Faces Immigration," OpenDemocracy.Net.

Ibsen, F., L. Høgedahl & S. Scheuer (2011): *Kollektiv handling – faglig organisering og skift af fagforening*, Copenhagen: Nyt fra Samfundsvidenskaberne.

Jonasen, V. (1999): "The History of the Danish Welfare State in Denmark", Aarhus: The National Danish School of Social Work.

Jørgensen, H. (2002): *Consensus, cooperation and conflict – the policy-making process in Denmark*, Cheltenham: Edward Elgar.

Jørgensen, H. (2008): "Flexible Labour Markets, Workers' Protection, and the 'Security of the Wings,'" Report to CEPAL.

Kahn, L. 2012. Labour Market Policy: A Comparative View on the Costs and Benefits of Labor Market Flexibility. *Journal of Policy Analysis and Management* 31: 94-110.

Katzenstein, P.J. (1985): *Small States in World Markets: Industrial Policy in Europe*, Ithaca, NY: Cornell University Press.

Katzenstein, P.J. (2006): "Denmark and small States", pp. 431-441, Campbell, J.L., J. A. Hall & O. K. Pedersen, eds. (2006): *National Identity and the Varieties of Capitalism: The Danish Experience*, McGill-Queens Press.

Kitromilides, Y. (2011): "Deficit Reduction, the Age of Austerity, and the Paradox of Insolvency," *Journal of Post-Keynesian Economics* 33 (2011), 517-536.

Krugman, P. (1994): "Past and Prospective Causes of High Unemployment," *Federal Reserve Bank of Kansas City Economic Review* 79, pp. 23–43.

Larsen, F. (2009): *Kommunal beskæftigelsespolitik: Kommunale jobcenter mellem statslig styring og kommunal autonomi*. Frydenlund Academic.

Madsen, P.K. (1999): *Denmark: Flexibility, security and labour market success*, Employment and Training Papers No. 53, ILO, Geneva

Madsen, P.K. (2007): "Distribution of Responsibility for Social Security and Labour Market Policy; Country Report: Denmark" Amsterdam Institute for Advanced Labour Studies Working Paper Number 07/51.

OECD. 2004. *Employment Outlook*, Paris: OECD.

OECD. 2010a. *Employment Outlook*, Paris: OECD.

OECD. 2010b. Social Expenditure: Aggregated Data. OECD Social Expenditure Statistics (database), accessed December 2011.

Trepartsudvalget (2006): *Livslang opkvalificering og uddannelse for alle på arbejdsmarkedet – rapport fra trepartsudvalget*, Bind 2 Kortlægning og analyser.

Velfærdskommissionen. 2005. *Fremtidens velfærd – sådan gør andre lande*, Copenhagen: Velfærdskommissionen, analyserapport (March).

Venn, D. 2009. "Legislation, Collective Bargaining and Enforcement: Updating the OECD Employment Protection Indicators." *OECD Social, Employment and Migration* working paper no. 89. Paris: OECD.

Vietor, R. 2007. *How Countries Compete: Strategy, Structure, and Government in the Global Economy*. Cambridge: Harvard Business School Press.

Visser, J. (2006): "Union Membership Statistics in 24 Countries," *Monthly Labor Review*, January 1, 2006: 38–49.

Wilthagen, T & F. Tros (2004): The concept of 'flexicurity': A new approach to regulating employment and labour markets, *TRANSFER – European Review of Labour and Research*, 10(2), pp. 166-187.

## Notes

---

1. Social expenditure includes public and private expenditures on pensions, survivor's benefits, incapacity-related benefits, health, family benefits, active labour market programs, unemployment benefits, housing and other social policy areas (OECD 2010b).
2. Skatteministeriet, "Marginal Tax for all Taxpayers," [www.skm.dk](http://www.skm.dk), accessed December 2011.
3. "About Denmark: History," <http://www.denmark.dk/en/menu/About-Denmark/History>, accessed February 2009.
4. The World Bank, "World Development Indicators," <http://www.worldbank.org>, accessed July 2011.
5. The notice period for salaried workers is 3 months after one year's employment, 4 months after five years employment and 6 months after ten years employment. For construction workers the similar notice periods are 3 days, 5 days, and 5 days. For industrial workers they are 21 days, 2 months, and 3 months (Madsen 2007: 27ff.).
6. Before the 1993 labour market reform, the unemployment benefit period could in practice be indefinite because participation in active labour market programs earned the participant a new period of unemployment benefits. When this link was removed, the maximum period became 7 years (divided into 3 years of passive support, and 4 years with obligations to participate in active labour market programs). In the later part of the 1990s, the maximum period was reduced to 5 years and then 4 years. In 2010, the maximum period was reduced to its current length of 2 years.
7. Since the early 1990s, the OECD has published measures on the strictness of employment protection as a composite index of protection for permanent workers against (individual) dismissal, specific requirements for collective dismissal, and regulation of temporary forms of employment. From 1995, the Danish summary indicator has remained unchanged (1.5) and is consistently among the lowest in the OECD (Venn 2009).
8. There are indications that the close link between unemployment insurance funds and trade unions has eroded. This is seen in the increasing membership of "alternative/Christian" trade unions that oppose the right to strike and have few or no collective agreements (from 53,000 members in 1995 to 173,000 members in 2011). Another indication is the increase in the number of unorganized workers from 685,000 in 1995 to 879,000 in 2011. (Ibsen et al. 2011).
9. H. Jensen, "President's Statement" LO's 35th Ordinary Congress, October 28–31, 2007, <http://www.lo.dk/englishversion/congress2007.aspx>, accessed February 2009.
10. "Eurobarometer 69: Public Opinion in the European Union" (June 2008), p. 46, [http://ec.europa.eu/public\\_opinion](http://ec.europa.eu/public_opinion), accessed February 2009.
11. Statistics Denmark, data series KRBEF3, <http://www.dst.dk/homeuk.aspx>, accessed January 2009.

---

12. P. Kjærsgaard, the leader of Dansk Folkeparti, interviewed in the newspaper *Jyllands-Posten* (January 20, 2002).

13. In January 2011, the government proposed to gradually phase out early retirement benefits. Key elements of the reform will postpone retirement from age 60 to 63 and reduce the entitlement period from 5 to 3 years.