

Danish employment policy - history and challenges



"Aus der tiefen Krise in den Höhenflug - Wie reformiert man in Skandinavien?"
Norwegisch-Deutsche Willy-Brandt-Stiftung, Berlin am 28. Januar 2004

The Danish situation on the labour market

- Low unemployment in relation to other EU Member States and a significant fall in unemployment in the 90s.
- Among the countries with the highest participation and employment rates.
- But, at the same time, we are the country with the biggest number of people on public support. We spend a big share of public expenditure on transfer incomes.

- State of affairs as per 2004: A well-functioning labour market, but with temporary problems:
- Economic recession - increasing unemployment and stagnating employment as in the rest of Europe.
- Demographic challenge: More people in the high age groups - fewer in the work force.

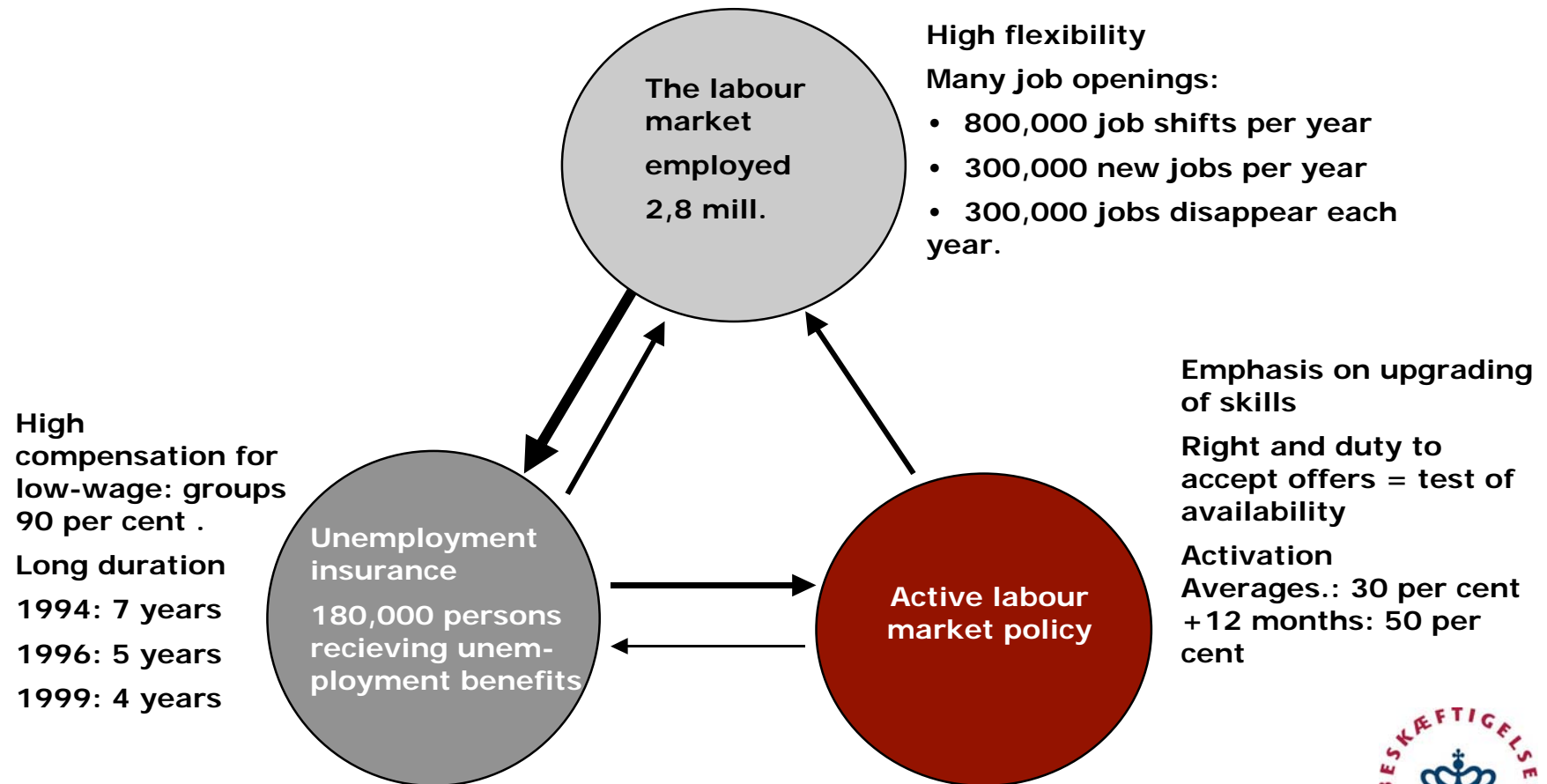


Characteristics of the danish employment policy

- The active labour market policy in Denmark has traditionally been built on a broad political consensus.
- A high degree of regionalisation of the administration - 14 independent regions/counties in Denmark.
- Close involvement of the social partners:
 - In connection with labour market reforms, the social partners have supported the active line.
 - Involvement of the social partners in the regional management and implementation of the measures.



The Danish model (flexicurity)



The effects of the labour market policy

The labour market policy - and the activation measures as such - do not create more jobs. But they are important pre-conditions for the creation of jobs:

- Contribute generally to a high effective supply of labour - by ensuring that the labour force is actively seeking jobs and have the qualifications needed.
- Contribute specifically targeted to preventing marginalisation/long-term unemployment and to ensuring that the unemployed maintain their qualifications. (This aspect of the measures was seen in Denmark in the 90s when the long-term unemployed came into employment as soon as the jobs were there).



Labour market reforms in Denmark

From 1994 during a period of high unemployment rates:

- Unemployment period 7 years + leave schemes
- Intensified activation measures
- Individual action plans with a flexible framework for job offers, education/training and vocational guidance
- Training leave for employed and unemployed persons for up to 24 months
- Child care leave 12 months + ordinary maternity leave for 6 months
- Sabbatical leave for 12 months
- Transitional leave scheme for long-term unemployed persons over the age of 50 years

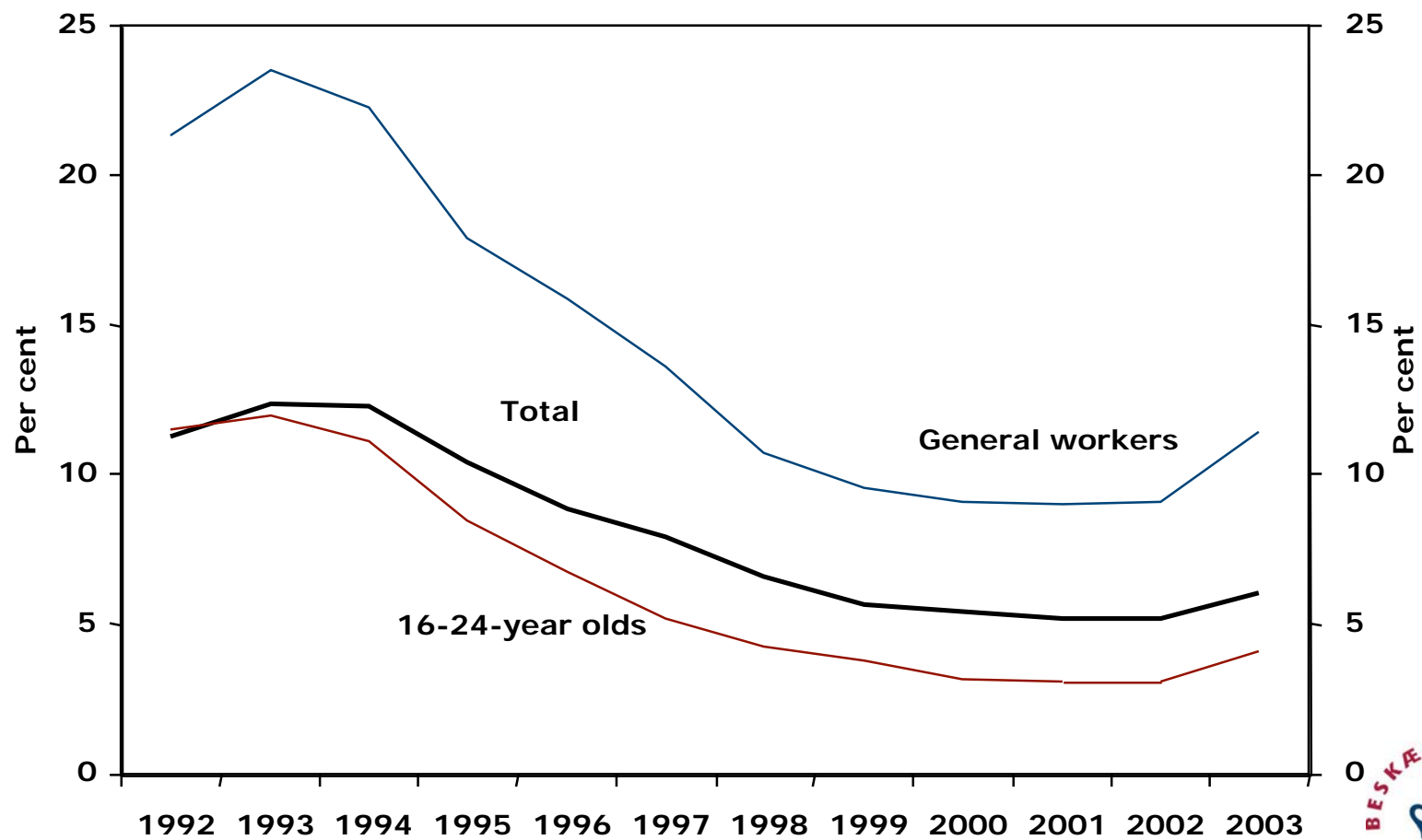


The direction of the most important changes in the 90's

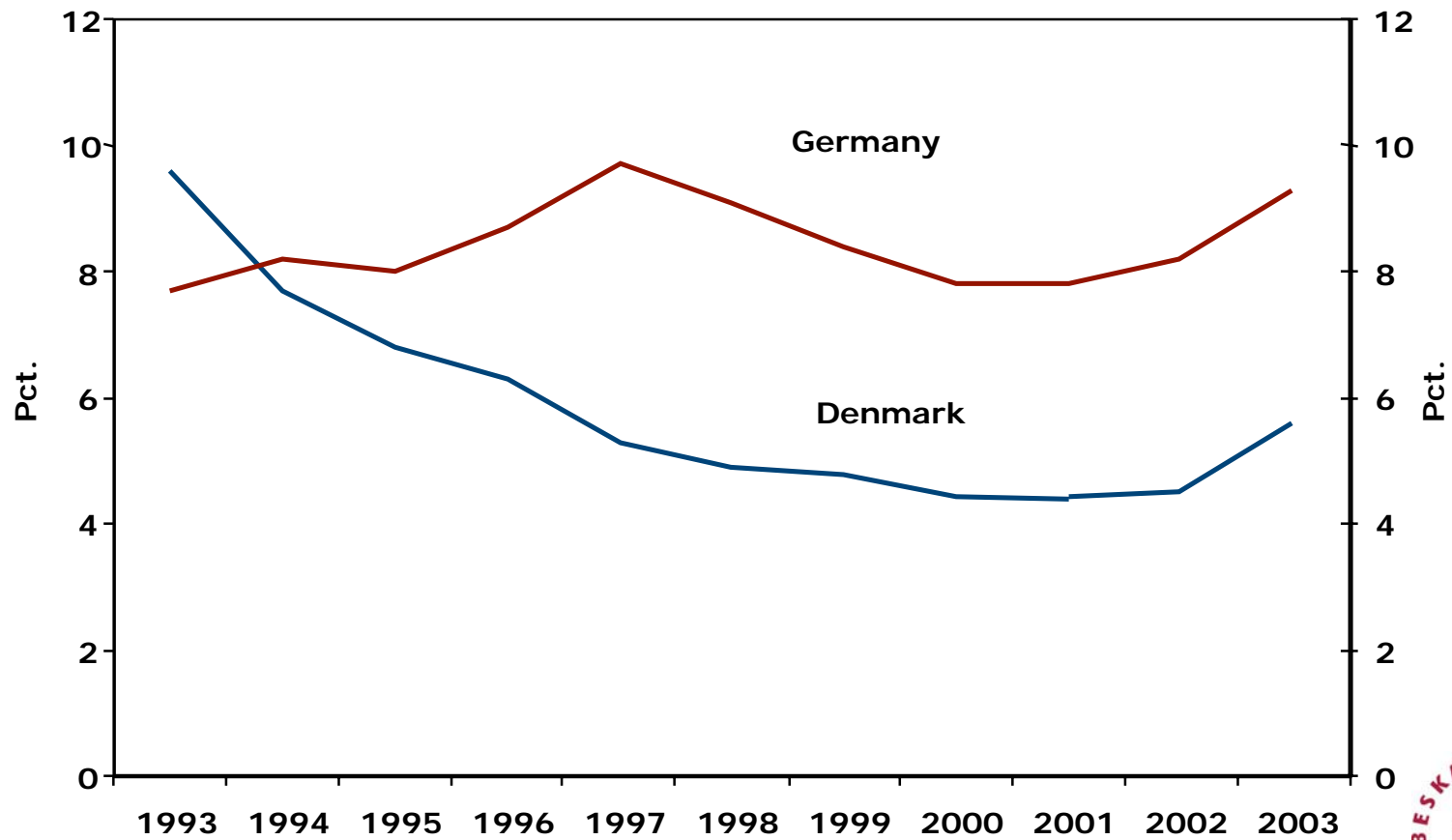
- Restrictions and adjustments in line with falling unemployment.
- Broad political consensus and acceptance on the part of the social partners.
- Active line.
- Right and duty principle.
- Reduction of the benefit period from 7 (+2) to 4 years.
- Stricter rules on availability for work.
- Involvement on the social partners and decentralisation of measures.



Unemployment in Denmark, 1992 - 2003



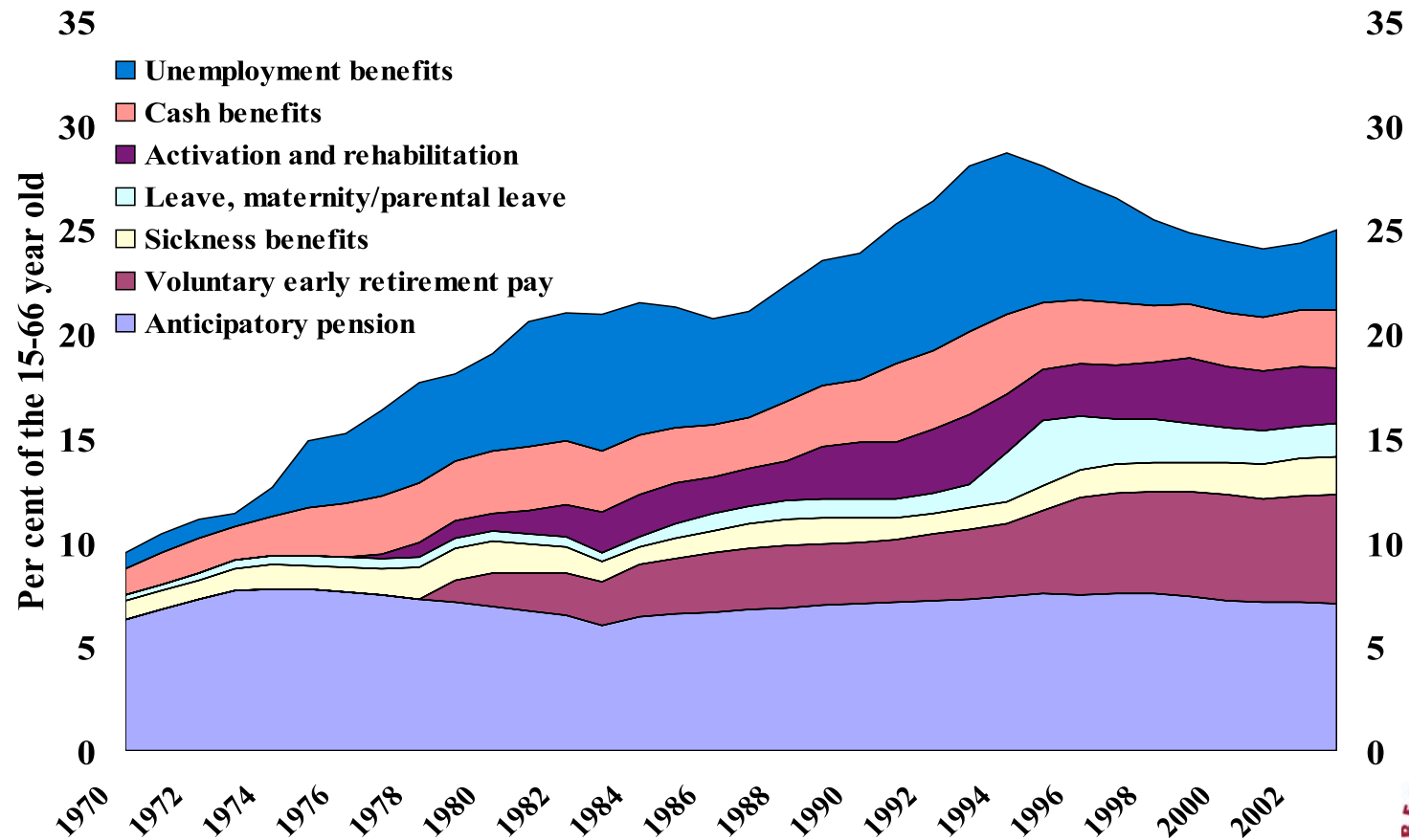
Unemployment, 1993 - 2003



Source: OECD and own calculations



Persons on transfer payments, 1970-2003



Adjustments in the labour market policy 1996

- Unemployment period - 5 years
- Right and duty to activation after 2 years
- The employment requirement for entitlement to unemployment benefits is extended from 6 to 12 months
- Special initiatives targeted on young persons. Young persons under 25 years of age without any formal education/training receive unemployment benefits for six months followed by education/training at the rate of 50 per cent of the unemployment benefits
- Restrictions in the right to training leave
- Stop for new entrants into the transitional leave scheme
- Abolition of the sabbatical leave scheme



Adjustments in the labour market policy 1999

- Unemployment benefit period - 4 years
- Right and duty to activation after 12 months
- Stricter rules on the duty to be available for the labour market
- The special youth measures are extended to cover all persons under the age of 25 years
- Strengthening of activation measures in relation to persons on social assistance
- Reform of the early retirement pay system



Adjustments of the labour market policy 2000 - 2002

2000:

- The training leave scheme is abolished and replaced by the Act on adult vocational training

2001:

- Reform of the anticipatory pension scheme
- Strengthening of the efforts to create more subsidised jobs for persons with reduced working capacity; flex jobs on a full-time or part-time basis

2002:

- The child care leave is replaced by an extended maternity/paternity leave of 12 months



2002: New reform “More people in employment”

- Continuance of the “right and duty” principle, but a new view on activation - a more individual access - no rigid time limits.
- Direct focus on employment and more active job search.
- More regional flexibility, but activation after 12 months and “minimum requirements” to activation.
- Minimum requirements to contacts with the PES-system; strengthening of vocational guidance and follow-up activities.
- Involvement of other actors - private consultancy firms, unemployment insurance funds, etc.
- New job bank and CV bank
- Strengthening of integration measures
- Ceiling on social assistance and increased financial incentives to work for married couples on social assistance
- Vision for a one string administrative system.



Motivation - qualification - retention

- Motivation effect: Job search activities increase when unemployed people are given an activation offer (especially job offers)
- Qualification effect: The chance for unemployed people of getting a job increases (job offers and education/training)
- Retention effect: Job search activities fall under activation (especially education/training)



Education/training or job offers to unemployed people ?

Effect analyses generally show:

- Best employment effects of job training in the private sector
- A good effect of job training in the public sector
- The least effect of educational offers but a large variation:
- Good for longer ordinary education programmes - less good for short courses
- Best when the education programme is targeted on a concrete job and combined with job training in a private or public workplace

Big individual differences in background and needs, e.g.:

- Immigrants with poor educational and language skills
- Long-term unemployed unskilled women over 55 years of age
- Short-term unemployed engineers who only need a professional brush-up course

The answer is education and jobs - not education or jobs!

The problem is to provide job training places in the private sector; they only constitute about 5 per cent of the activation measures.

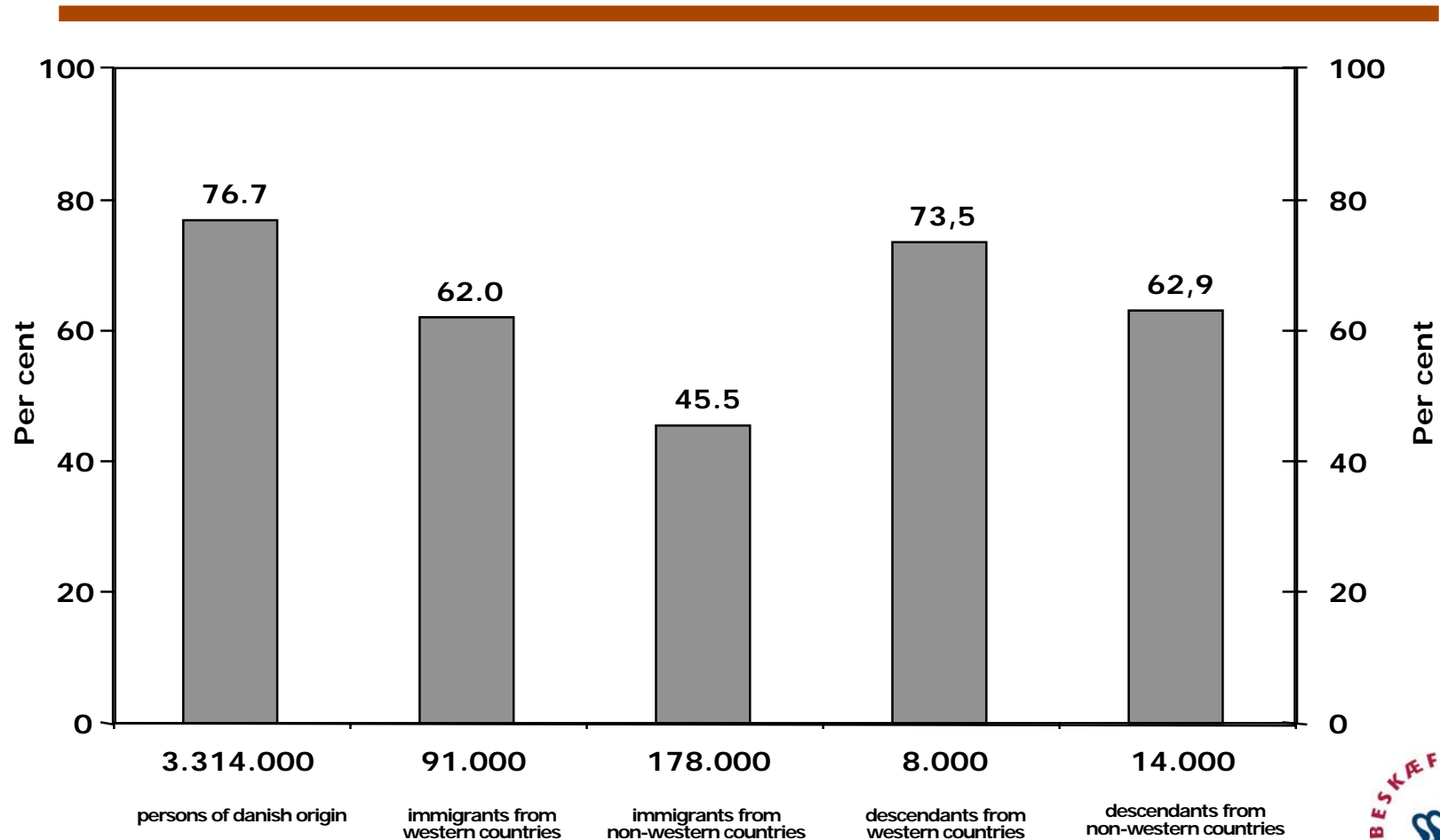


Immigrants

- An important part of the demographic challenge is to integrate immigrants on the labour market
- Present situation: Significant differences in the labour market attachment of Danes and immigrants
- Non-Western immigrants constitute 5 per cent of the population, but receive 35 per cent of the total amount of social assistance
- Foreigners constitute 76 per cent of married couples with children on long-term social assistance



Employment rates (16-66 years) 2002



Effects of integration on the labour market

- Labour market attachment is an important element in relation to social integration
- Less pressure on public expenditure
- An increase in the supply of labour



Denmark - a model for Europe ?

- Denmark has combined structural reforms with the maintenance of high social standards.
 - focus on ordinary employment
 - focus on groups at the margin of the labour market
 - upgrading of skills and qualifications
 - active policies instead of passive policies
 - the continuation of a socially fair distribution
 - respecting "flexicurity"

