



# Flexicurity: The Danish Model

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## Abstract

The Danish labor market system is often referred to as the Danish Model. It is an example of *flexicurity*, a term that combines the words security and flexibility.

This system boasts of more than 100 years of history, and it is one of the preconditions for the rich Danish welfare state, which has a generally high income based on rather small but adaptable firms. The basis for this system is the collective agreements established through negotiation with a “balance of compromise” accepted by both employers and employees. The state normally does not interfere in the negotiations.

The well-functioning Danish Model has many similarities with the systems in the other Nordic countries. The word *flexicurity* was first used in the Netherlands in the mid-1990s to refer to political initiatives. Flexicurity inspired by the Danish

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Model became official EU policy incorporated into the European Employment Strategy in 2007, and it has since become a political initiative promoted in different plans and closely monitored.

Policy is probably not transferable from one country to another. The Danish society is a sizeable welfare state with high taxes and social benefits, but the Danish Model is itself under pressure from both internal and external forces during a time of rapid globalization and international competition. Regardless, the Danish labor market and government policy still effectively balance both employers' and employees' interests. The Danish Model is still alive.

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**Keywords**

Flexicurity · Denmark · Labor market · Danish Model · Income security · Active labor market policy

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## Introduction

The Danish labor market system is considered a well-functioning arrangement and is often referred to as the Danish Model. It is often cited in the literature as an exemplary model of flexibility plus security, or flexicurity. The Organisation for Economic Co-operation and Development (OECD) highlighted the model in 2004, and the European Commission officially made it a part of the European Employment Strategy in 2007.

The basis for this system is the collective agreements established through negotiation with a “balance of compromise” that is accepted by both employers and employees. This article discusses the formation of this long-lived relationship and the recent state. It is compared to the situation in other countries and to political efforts to export the system to other countries. The system itself is under pressure, and its future development concludes the discussion.

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## The History of the Danish Model

The young American economist Walter Galenson worked as a labor attaché at the American embassy in Denmark just after World War II. He was fascinated by the Nordic method of handling the labor market, which led him to research how it functioned. His study was published in 1952 in the book “The Danish System of Labor Relations. A Study in Industrial Peace” (Galenson 1952). He observed a relatively harmonious relationship between the trade unions and employer associations. Both parties handled most labor market regulations without governmental regulation. The few conflicts that did occur were small and resolved in a controlled way.

Research on the Danish system (or the Danish Model as it later was called) was still a rather understudied field until the publication of “The survival of the Danish

Model. A historical sociological analysis of the Danish system of collective bargaining” (Due et al. 1994), which was one of the many studies performed by the Employment Relations Research Centre (FAOS) in the Department of Sociology at the University of Copenhagen. A similarly productive national center was established to study the Danish Model at Aalborg University in the CARMA (Centre for Labor Market Research).

The Danish Model was the outcome of numerous historical developments (Due et al. 1994; Jensen 2017a, b; Knudsen and Lind 2018; Kristiansen 2015a, b; Larsen and Ilsøe 2016; Madsen 2008; Scheuer 2007). It was not a result of a preconceived overall plan but was instead the product of different political elements established in different situations over time. Once implemented, an element had a strong aspect of path dependency during later development. Over the years, the parties have cultivated mutual trust and respect such that the bargaining model has been solidified as a joint ideology for more than 100 years (Dunlop 1959). All Danish governments on the left and right have accepted this ideology.

A low level of employment protection was established in 1899 after a long period of worker strikes. It ended in negotiations between the two main organizations – the Confederation of Danish Employers (Dansk Arbejdsgiverforening – DA) and the Danish Confederation of Trade Unions (De samvirkende Fagforbund – later LO, now FH). After a rather peaceful process, the Danish workers’ unions accepted the employers’ right to freely hire and fire in the so-called September Agreement. Employers had the right to manage and distribute work. In return, the employers recognized the unions’ right to organize and to be the representative counterpart in collective agreements on behalf of the unions’ members. With this compromise, the Danish employers were among the first to accept trade unions and negotiations for collective agreements. This step was important for workers. Previously, employees could be criminally liable for taking part in collective actions. However, with this new agreement, collective actions were allowed in certain situations.

The Danish labor market is characterized by a high level of self-management by social partners. The government followed the September Agreement with legislation (Kristiansen 2015b). A joint commission consisting of representatives from the two areas of industry was established in 1908 on an initiative from the government. Two years later, the government decided to establish the Labor Court Act and Mediation Act. Both instruments enable the labor market to solve problems themselves. Through the rules of the Mediation Act, “neutral” mediators can take care of compromises in collective bargaining rounds. “Conflicts of rights” can be solved by the labor court by judges appointed by the organizations themselves and with a legal judge appointed by the government. It has become a special court with high decision-making authority and without the possibility of appeal.

The development has experienced a periodization based on the degree of centralization in negotiations after the current rules for collective bargaining were introduced in 1934. Until 1950, national bargaining was decentralized by trade through the next period in 1979 by national agreements between the two national organizations for employers and employees. A third period from 1981 to 1991 shifted back to a trade-by-trade bargaining, while the structure of both national organizations

progressed. Within a few years, the number of bargaining agreements fell from 650 to 20–25. Currently, most negotiations are local and are performed under a national frame called an *organized/centralized decentralization*.

To help make agreements, a state mediation body was established 1910 called the Conciliation Board, which has extended competencies that enable the parties to renew collective agreements. Through this approach, a rather strong centralized system of collective bargaining was established. An arbitrator was allowed to intervene in conflicts if he or she judged a conflict to have negative consequences nationwide. The arbitrator could send suggestions for a ballot. It has become possible to send suggestions in packets with several areas of the labor market together, and the majority can decide and overrule single areas.

This framework established the labor market's basic structure. In many ways, it is an unusually and internationally unknown system with its detailed rules for intervening in the parties' actions. As a result, the Danish state expanded legal control of the labor market at a time when the general attitude was that a state should not interfere in economic and social life. Relatively few areas of working life were covered by law compared to other countries. Even many International Labour Organization (ILO) conventions concerning working life issues were not ratified as, for example, the 1919 convention regarding the 48-hour work week.

The September Compromise existed until 1960 when it was replaced by a new compromise, the Main Agreement. One new element was a rule pertaining to the dismissal of an employee. The agreement established that a dismissal should be reasonably justified either by the circumstances associated with the employee or the employer.

The pragmatic solution was now a “mirror image” of the dominant political situation in the Social Democratic labor movement in which the political party in parliament accepted the market economy and capitalism (Jensen 2017b). Politics concerned “politics along the market” to secure better living conditions by improving market function. The trade union movement was very closely connected to the dominant Social Democratic party. Except in the years after each of the two World Wars was the ideological rivalry very weak, and the labor movement performed to a large degree as a unified whole. The majority of unions in 1898 joined the national labor organization. This organization had representatives in the Social Democratic party, and the party had representatives in the labor organization executive committee.

The trade unions have traditionally displayed a high degree of unionization. Most trade unions have been organized along craft principles together with two unions for unskilled workers. Craft unionism can position union members in the labor market better than trade unions based on principles of geography to be general or divided after industrial area. In particular, over their history, crafts have developed traditions in the guild-based production system to help unemployed peers and prevent them from experiencing decreasing wage levels. The craft unions became forerunners in the formation of union-run unemployment funds. The first funds emerged in the 1880s, and in 1905, 32% of all union members were covered by union-run unemployment funds. Since 1907, the state supported those funds. The voluntary system

was chosen because it was cheaper for the state to have income from insured persons. The system, which was called a “Ghent system” after the Belgian city, has only been established in a few countries. Besides Denmark and Belgium, the system is only operating in Sweden and Finland (Lind 2009).

The trade unions have, in general, been pragmatic and cooperative (Knudsen and Lind 2012b). In reality, the important unions have never been split into religious or political parties. In 2018, the union of Christians (KRIFA) had only 135,000 members out of almost 3 million workers, and it had never influenced collective agreements. In 1995, the tight connection between the Labor Organization and the Social Democratic party was formally halted. During those years, new non-political, or “yellow,” unions came on the scene. The majority of workers were still members of trade unions, which gave them the ability to be a powerful negotiating body against employers.

In the 1960s and 1970s, the unemployment insurance system was improved. During years of increased unemployment, the government raised the benefits to 90% of former wages up to a maximum. This improvement was paid by the state. A number of conditions must have been satisfied for the workers to get unemployment benefits, but since 1979, they have gradually tightened. The length of the period receiving benefits was gradually shortened from 9 years in 1994 to 2 years in 2011.

Workers have received a high level of representation and participation in decision-making in the workplace. Shop stewards as the representatives of the local trade union appeared in 1900 in agreements for the iron industry, and they later spread to all other sectors (Knudsen 1995). Their role is to represent the interests of the employees and the union locally and to “do his best to further good and smooth co-operation in the shop.”

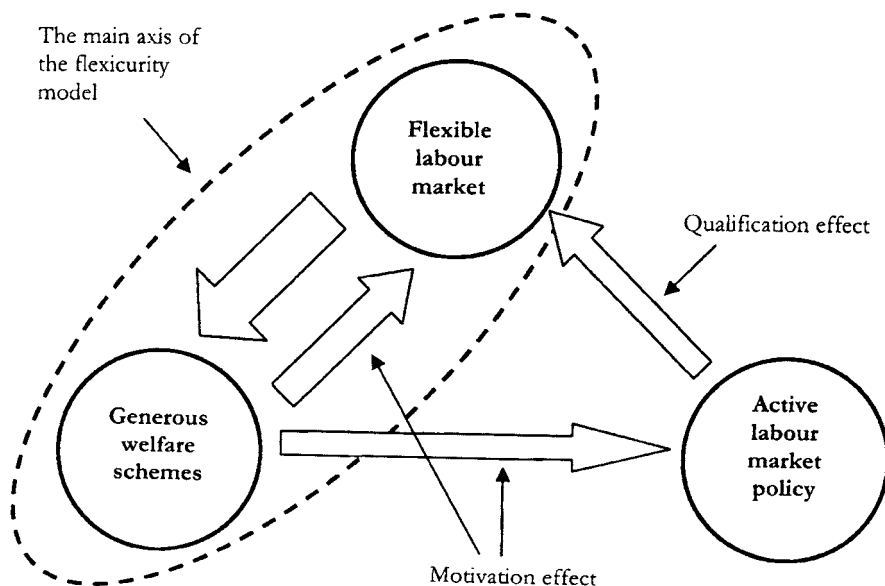
Another institution involved in decision-making is cooperation committees. They are joint management-employee bodies established in larger workplaces to discuss “management issues.” In the seats are shop stewards and representatives of employees without a shop steward. This institution has existed since 1947 after an agreement between the Labor Organization and the Danish Employers’ organization. Since then, the rest of the labor market has followed suit, including the public sector.

A third institution in the local cooperation is the health and safety committees for workplaces. They are organized under the auspices of governmental laws made after intense negotiations with the members of the labor market. They play a role in discussing and monitoring conditions relating to safety and health. The representative from the employees is a type of shop steward and has job security.

The company boards are the first institution permitting employees’ involvement. In public limited companies, they elect representatives to one-third of the seats on the boards according an act established in 1973.

There has never been an official minimum wage enacted by the government. A wage level is negotiated between the labor markets themselves. In general, the government is neutral with regard to wage negotiations except in cases of unsolved conflicts that threaten the economy.

An active labor market policy was a new issue for the Danish Model as a result of major reforms during the 1960s. Inspired by the Swedish Rehn-Meidner model



**Fig. 1** The Danish flexicurity model. The two most important axes in the model are at the left, but a third leg at right is added to shape the “golden” triangle with the active labor market policy (Madsen 2007, 66)

(Hedborg and Meidner 1984), reforms were implemented with a slightly lighter touch. The aim was to improve qualification flexibility, especially for reforms relating to the education and training of workers (Fig. 1).

The previously mentioned advantages of the labor market need to be viewed in connection with the development of the welfare state, which is thanks to “welfare capitalism” as a result of an efficient economy and an equity outcome (Esping-Andersen 1989). However, the welfare state is not only the result of the labor market, but it emerges in parallel with the rise of a modern state bureaucracy.

Another reform was the move of the Labor Exchange away from the municipalities and trade union-controlled unemployment funds to the hands of a central governmental body in the middle of the 1970s. The unions lost their control of the local labor market, but the reform was combined with increased financing of the unemployment funds by the state. In the 2000s, the Labor Exchange was returned to the municipalities.

The policy around 1970 touted full employment as an official goal, and macro-economic policies inspired by Keynes to regulate the market economy were believed to be responsible for unemployment. Training and retraining became an instrument during the 1980s. This scheme became a duty in the 1990s, and since 2000, this has become a means to encourage the unemployed to find jobs.

As with all models, the reality is more complex. This is the case with the Danish Model. Some researchers have discussed whether there is more than one Danish

Model. The mostly researched model is a blue-collar flexicurity model for primary skilled and unskilled workers. Another model could be considered a white-collar flexicurity model covering the primarily employees with midrange or high-range education and qualifications (Jensen 2011).

## The Flexible Labor Market

The employment flexibility index for EU and OECD countries ranks Denmark first in flexibility with an overall score of 96.9% (Table 1; Lithuanian Free Market Institute (pub) 2018). The United States and Japan are the closest competitors in the overall ranking with a score on 92.4% and 91%, respectively. The index constitutes four subindexes: hiring received a score of 100 because of the lack of restrictions or limits on the duration of fixed-term contracts, in addition to the existence of no governmental rules regarding a mandatory minimum wage. The subindex for redundancy rules likewise provided a score of 100 because redundancy dismissals are allowed by law and there are no restrictions on redundancies. The redundancy costs also gave a score of 100 because of the lack of a statutory notice period or statutory severance pay in cases of redundancies for normal workers. Only the subindex for working hours scored 87.5. Despite a mandatory 25 working days paid annual leave, the score reduction was the result of no restrictions and no premiums for night work, overtime, or work on a weekly holiday (at least not regulated by the state).

**Table 1** Employment Flexibility Index 2019. Selected countries from the index. (Lithuanian Free Market Institute 2018, 6).

Denmark	96.9
United States	92.4
Japan	91.0
United Kingdom	83.2
Canada	82.6
Switzerland	79.0
Italy	74.3
Australia	71.6
Belgium	68.2
Germany	63.5
Spain	60.8
Sweden	57.7
Poland	57.5
Netherlands	56.5
Greece	50.6
Korea. Rep.	46.2
Mexico	45.1
France	38.4

Such indices need to be considered with healthy skepticism, although the data have been collected by the World Bank with a case assumption to ensure comparability across economies over time. Flexibility is assessed in light of an assumption regarding the situation for a typical worker who is 19 years old, has 1 year of work experience, is employed full time, and the business is a supermarket with 60 employees.

In general, job security in the Danish labor market is low (Knudsen and Lind 2018). The research literature refers to this as “numerical flexibility.” Legislation pertaining to job security only exists for salaried employees (“white collar workers”). Since 1937, these workers have benefited for a period of up to 6 months in cases of dismissal after the first month of employment. Otherwise, other workers’ job security is entirely regulated through collective bargaining.

At the end of 2010, an agreement on notice periods was established that sets a protection after 6 months of employment for 14 days. The notice period goes up to 90 days after 9 years of employment. Only workers older than 50 years get a longer notification period of up to 120 days after 12 years of employment.

In spite of the general trend for employers to hire and fire, most workers have a local agreement for relatively long termination notice. Around 64% of employees are covered for a rather long notice of 3–6 months (Andersen et al. 2011; Scheuer 2009).

Work time flexibility is significant, too. This has been the case since the 1990s, and work time flexibility is often negotiated at the local workplace. The typical 37-hour work week can be adjusted over a year.

The costs for employers when they reduce their workforce are rather low. When workers are dismissed and unemployed after 3 years of service (and have right to unemployment benefits), they receive severance pay. The amount is doubled after 6 years of employment and tripled after 8 years of employment. However, severance pay will never exceed 3 months of wages. In the case of an unfair dismissal, the employer must pay compensation during the notice period equal to the wage that should have been paid.

The most flexible agreements on notices are in sectors often hit by cyclical declines, such as in the construction business. In contrast, the industry often does not want to dismiss employees, but instead keep them through reduced working time or other solutions. Thus, the employers do not risk giving new employees expensive training.

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## Income Security

The Danish Model provides security for employment, rather than job security. As mentioned, there is little employment protection at specific workplaces, but income security eases job changes.

The majorities of workers are member of an unemployment fund (around 70% in 2019) and pay around €67 per month for the insurance. In the event of unemployment, the central government administers the system as later explained in the chapter on active labor market policy (Beyer et al. 2017). After a membership period of 12 months and with employment of 1924 hours within the last 3 years, a member can



obtain up to 90% of his or her previous wage with a maximum of around €30,000 per year after 2 years of employment.

Higher paid workers have a lower rate of benefit because of the maximum benefit. An engineer may receive compensation of less than 40% of his or her previous wage, and a male skilled worker may receive only 55% (Andersen et al. 2011). This is not higher than that in the rest of Europe. Nevertheless, when Danish wage earners generally have not been nervous about losing their jobs, it is less about the amount of unemployment benefits, but rather that Denmark has had very low unemployment over a number of years. The ability to get into new employment quickly has encouraged employees' acceptance of the Danish Model.

For noninsured persons, municipalities are administering active programs and can provide cash benefits in some circumstances. A receiver must have been living in Denmark for 7 of the last 8 years and must be willing to accept a job. The duration of the cash benefit is not limited, but the receiver has to accept offers from the municipality to participate in active programs. The amount is calculated based on the individual's family situation with no help in case of equity in a house or if the spouse has a high income. For a single person over 30 years of age, the benefit is around €67 per day.

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## The Third Leg: Active Labor Market Policy

According to the OECD (2018), Denmark has the largest spending in the world on active labor market policy (Table 2). Although the publisher mentions uncertainty of this statistic, Denmark is certainly ranked among the countries that have the largest expenditure, if not the largest.

The structure of the labor market in the new millennium is at a high level of transition, and there are four key challenges (Andersen et al. 2015). There are changes related to the international division of labor, the introduction of new technologies with their new organizations of work, demographic changes, and the climate agenda. Thus, there is a risk of the future labor market lacking skilled labor while at the same time over-exploiting labor with limited competencies. Structural changes have created new challenges with regard to education and employment policies. High labor mobility and a flexible educational system directly supported by government policies may be crucial for both competitiveness and future prosperity.

The Employment Service is central to this policy. From the first day of unemployment, a worker must be registered at the local job center to obtain the benefit (Nordic Council of Ministers 2010). To receive benefits, the person needs to be actively job seeking. A curriculum vitae must be entered into a nationwide job bank on the Internet operated by the National Labour Market Authority, and active support in job seeking is offered.

The main programs include job training with a wage subsidy, implying that the unemployed person is paid a normal wage from a public or private employer for a limited time period up to 1 year. Less technically specialized groups of unemployed

**Table 2** Public expenditure and participant stocks in labor market programmes 2016. Selected OECD countries. Percentage of GDP. (Source: OECD 2018, 293).

	Total	Active programmes
Denmark	3.22	2.07
Sweden	1.73	1.17
Finland	2.84	0.99
Hungary	1.18	0.94
Austria	2.29	0.77
Belgium	2.31	0.73
Netherlands	2.40	0.72
Germany	1.45	0.63
Switzerland	1.33	0.62
OECD	1.31	0.54
Norway	1.06	0.53
Portugal	1.68	0.48
Poland	0.69	0.45
Canada	0.90	0.25
Australia	0.89	0.24
Japan	0.30	0.14
United States	0.27	0.11
Mexico	0.01	0.01

people receive special job training, which typically include special projects in the public sector. A wide range of educational and labor market training for up to 1 year is offered. Special groups, such as immigrants or older workers, are targeted through special programs. All unemployed individuals are offered mandatory counselling, including assistance with job search activities.

The active programs benefit about 70,000 people per year in a workforce of about 3 million. In addition, around 63,000 participants have the so-called flexi-jobs (2015), which are jobs with a permanent wage subsidy for persons with persistently reduced work capacity.

In a business cycle downturn, the unemployment insurance system will stabilize domestic demand (Madsen 2005; Jørgensen and Klindt 2018). In business cycle upturns, employers hire new employees. In a normal liberal economy, companies can hire and fire at low cost and have no incentives to improve wage earners' skills. This behavior risks inefficiencies, skills shortages, and inflation. The job of improving skills has been taken over by the state through various active labor market initiatives. As a result, a bottleneck in the labor market is prevented.

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### Three Meanings of the Word *Flexicurity*

The word *flexicurity* is a rather new and commonly used concept. The word has at least three different meanings.

The word was coined in the Netherlands where a system had developed based on corporatist principles (Visser and Hemerijck 1997). Flexicurity was first used by the Dutch sociologist Hans Adriaansen in the mid-1990s in speeches and interviews to address a phenomenon in which political parties discuss policy issues relating to reforms of the labor market (Oorschot 2004; Wilthagen 1998). The word was simultaneously used at the political level by the Danish social democratic Prime Minister Poul Nyrup Rasmussen in the 1990s (Flaschel and Greiner 2012).

One common definition of flexicurity is as follows:

a policy strategy that attempts, synchronically and in a deliberate way, to enhance the flexibility of labor markets, the work organization, and labor relations on the one hand, and to enhance security – employment security and social security – notably for weaker groups in and outside the labor market on the other hand. (Wilthagen and Tros 2004, 4)

Thus, flexicurity is defined here as a coordinated policy strategy.

The OECD deemed the Danish Model to be a flexicurity system. After many years with the critique of high Danish unemployment compensation, the OECD changed its opinion. The low unemployment rate in Denmark compared to most other European countries was remarkable. “Overall, the Danish model of ‘flexicurity’ has proved to be rather effective in guaranteeing sufficient dynamism in the labor market,” and the report praised the Danish flexicurity system as a “result of a long series of reforms started in 1994” (OECD 2004, 98).

The definition does not fit with the Danish Model because the Danish labor market developed over the years without any overarching strategy. It only describes the situation relating to the labor market. For this, the following definition is more appropriate:

Flexibility is understood here in economic terms as the degree to which the labor market is capable of creating opportunities for employers and employees to meet their demands for qualified workers and jobs. (Muffels and Luijkx 2008, 223)

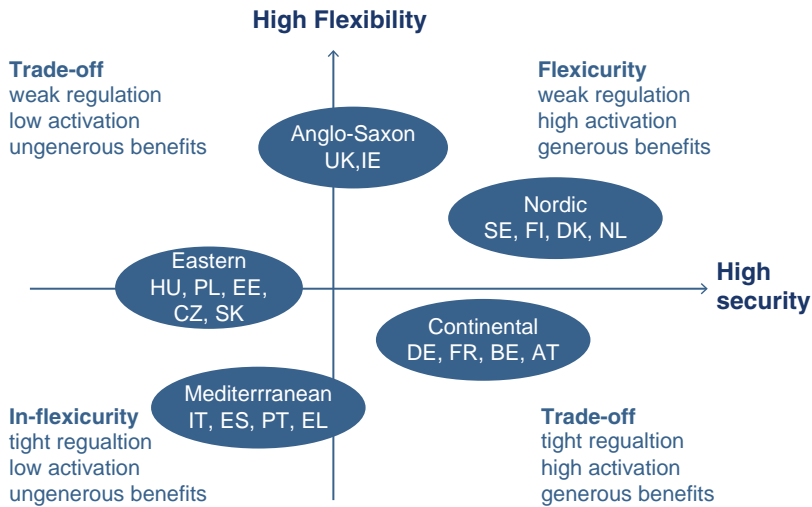
For many researchers, flexicurity has become a useful analytical tool in the discussion of labor market issues. As such, flexicurity can also be defined as follows:

An analytical frame that can be used to analyze developments in flexibility and security and compare national labor market systems. (Madsen 2007, 60)

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## Flexicurity in Different Countries

The labor market models the world differently in numerous aspects. As shown in Fig. 2, European nations can be placed on a graph showing the location of welfare regimes in the theoretical relationship between flexibility and income/employment security. Muffels and Luijkx (2008) conclude: “Europe demonstrates ‘unity in diversity,’ showing that there is not one world of welfare, but many.” To illustrate



**Fig. 2** Theoretical classification of countries and policy regimes in the flexicurity context. European countries. (From Nardo and Rossetti 2013, 21; modified version from Muffels and Luijckx 2008, 225)

some of the dimensions, they have mapped four different archetypes. Later, Nardo and Rossetti (2013, 239) expanded the figure to include the extra regime type from Eastern Europe. According to this graph, the Nordic countries, Denmark, Sweden, and Finland, together with the Netherlands, are characterized by high flexibility and security, but with some differences. Norway and Sweden differ in terms of their strict employment protection legislation, while Finland and Norway have less generous unemployment benefits. In fact, Finland spends the least on active labor market programs.

Is the placement of the Netherlands among the Nordic flexicurity countries correct? Compared to the Danish Model, the Dutch flexicurity model has a narrower focus on normalizing atypical work (Bekker and Mailand 2018). It is a different situation for Denmark versus the Netherlands. While the temporary employees as a percentage of the total employees has experienced a slight decline between 2007 and 2014 in Denmark to 8.6%, the percentage of the total employees in the Netherlands has increased to 21.1%.

The Dutch labor law did not consider temporary agency workers or people with a contract for a definite period. This was the background for reforms where persons with a permanent contract should be more flexible, and those already flexible should have more security (Pennings 2018).

A supplemental model to describe the combination of flexibility and security in different flexicurity regimes suggests “distinguishing between internal and external dimensions of flexibility and security, and arriv[ing] at two ideal models of either internal or external flexicurity” (Bredgaard et al. 2008). According to this model, the Danish Model is close to the external archetype, while the Japanese system with an internal flexibility and security is close to the other type. In the Japanese system,

dismissals are the last solution after relocation, wage reduction, and reduction in working hours have been implemented. The German system is similar to the internal model, and Sweden is similar to the external model.

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## Flexicurity Became EU Policy

The concept of flexicurity slowly took hold in the EU. In 1997, the Commission's Green Paper, "Partnership for a new Organization of Work" stated that "the key issue for employees, management, . . . social partners, and policy-makers alike is to strike the right balance between flexibility and security. . . It is the achievement of this balance between flexibility and security [that] is at the heart of the partnership for a new organization of work" (European Commission 1997, 12).

Eight years later, the concept became official policy. The Council of Ministers approved a suggestion in the "Integrated guidelines for growth and jobs (2005–2008)" in which point 20 under "Employment guidelines" was "Promote flexibility combined with employment security and reduce labour market segmentation" (Press release 12 April 2005, MEMO/05/123). This principle came into the revised version of the Lisbon Agenda, and the principles were reaffirmed within the EU 2020 strategy (Nardo and Rossetti 2013; Tangian 2011). The plan was described as being modern, likely because of its emphasis on a broad array of social protections and helps to combine work with private life and family responsibilities.

In the same way, it is a political target for EU to create more and better jobs, modernize labor markets, and promote good work. Even flexicurity is a principle of employment policy, and the EU looks at flexicurity as having a scope far beyond the strict confines of employment policy and the labor market, arguing in a commission report that "[i]f we wish to encourage flexicure transitions in the broadest sense of the word, we will need to investigate other economic and social effects" (Rodriguez et al. 2010, 21).

This kind of policy is generally only implemented as a recommendation by the EU. The institution has no power to force a policy at a national level, but the EU follows up with the member states and suggests some ways to implement the concept. A one-size-fits-all approach is not possible for all countries. One recommendation from the EU has been a minimum wage system. In 2019, six of the 28 member states did not have a minimum wage regulated through national legislation, which included Denmark.

The EU policy with regard to the Danish Model has been criticized as well. It is called "a Political Celebrity" (Jørgensen and Madsen 2007, 8) and described as follows:

There is something in it for everybody. We will have a world inhabited of wage earners, who feel economically secure, and of satisfied employers with a high degree of flexibility in hiring, firing, and allocating their workforce. For society as a whole, growth and prosperity will be the expected outcome of a more dynamic and flexible labour market. The politician

who is able to put forward and implement such a win-win strategy should be up for a guaranteed re-election.

The European rules address conflicting considerations. For instance, in a conflict, do the three European courts necessarily take the same approach? In 2015, a report from the Nordic Council of Ministers provided an analysis of the complex interaction between Nordic and European labor laws. The EU had, through the consequence of a steadily more complicated legislation system, regulated wages in the financial sector and influenced wage conditions (e.g., for migrating workers, posted workers, part-time workers, and fixed-term workers) (Kristensen 2015).

In a comprehensive book published the same year, Kristensen deepens the discussion of the European challenge to the Danish Model. He finds it paradoxical that the Danish state plays a very active role in adopting, implementing, and applying labor law directives in contradiction to its historically less prominent role (Kristensen 2015a).

For the multidimensional flexicurity concept, the Flexicurity Matrix developed by Wilthagen and Tros (2004) (Fig. 3) has been widely used in EU publications and research. Policy is monitored through indicators collected mainly by the OECD and Eurostat in order to understand the ongoing transition of the area.

According to this monitoring, there are considered to be four types of flexibility. The *external numerical flexibility* refers to the management’s possibility to vary the amount of labor even in response to short-term changes in demand (Pacelli et al. 2008). The *internal numerical flexibility* relates to the possibility of changing the number of workers by varying the patterns of working hours. *Functional flexibility* concerns the possibility of quickly redeploying employees to other tasks and

Flexibility/Security	Job security	Employment security	Income security	Combination security
External numerical flexibility	<ul style="list-style-type: none"> <li>- Types of employment contracts</li> <li>- Employment protection legislation (EPL)</li> <li>- Early retirement</li> </ul>	<ul style="list-style-type: none"> <li>- Employment services / active labour market policies (ALMP)</li> <li>- Training / lifelong learning</li> </ul>	<ul style="list-style-type: none"> <li>- Unemployment compensation</li> <li>- Other social benefits</li> <li>- Minimum wages</li> </ul>	<ul style="list-style-type: none"> <li>- Protection against dismissal during various leave schemes</li> </ul>
Internal numerical flexibility	<ul style="list-style-type: none"> <li>- Shortened work weeks / part-time working arrangements</li> </ul>	<ul style="list-style-type: none"> <li>- EPL</li> <li>- Training / lifelong learning</li> </ul>	<ul style="list-style-type: none"> <li>- Part-time supplementary benefit</li> <li>- Study grants</li> <li>- Sickness benefit</li> </ul>	<ul style="list-style-type: none"> <li>- Different types of leave schemes</li> <li>- Part-time pension</li> </ul>
Functional flexibility	<ul style="list-style-type: none"> <li>- Job enrichment</li> <li>- Training</li> <li>- Labour leasing</li> <li>- Subcontracting</li> <li>- Outsourcing</li> </ul>	<ul style="list-style-type: none"> <li>- Training / lifelong learning</li> <li>- Job rotation</li> <li>- Teamwork</li> <li>- Multiskilling</li> </ul>	<ul style="list-style-type: none"> <li>- Performance-related pay systems</li> </ul>	<ul style="list-style-type: none"> <li>- Voluntary working time arrangements</li> </ul>
Labour cost/wage flexibility	<ul style="list-style-type: none"> <li>- Local adjustments in labour costs</li> <li>- Scaling or reductions in social security payments</li> </ul>	<ul style="list-style-type: none"> <li>- Changes in social security payments</li> <li>- Employment subsidies</li> <li>- In-work benefits</li> </ul>	<ul style="list-style-type: none"> <li>- Collective wage agreements</li> <li>- Adjusted benefit for shortened working week</li> </ul>	<ul style="list-style-type: none"> <li>- Voluntary working time arrangements</li> </ul>

**Fig. 3** Flexicurity matrix. Four types of flexibility and four different forms of security are combined in a matrix in order to illustrate the broad range of policy tools available to policy-makers. (Wilthagen and Tros 2004; source: Pacelli et al. 2008, 7)

activities, while *financial flexibility* enables employers to alter standardized pay structures, including reward systems

Four forms of security can be classified. *Job security* concerns the expectation of high job tenure in relation to a specific job, while *employment security* takes the degree of certainty of a worker to remain in work into account. *Income security* relates to the protection of income in case of such occurrences as unemployment or maternity, and *combination security* is associated with the possibility of combining paid work with an employee's private life and social responsibilities.

Policy is probably not transferable from one country to another. The Danish society is a sizeable welfare state with high taxes and social benefits (Madsen 2007). The dynamic and well-functioning labor market is indirectly supported by a well-developed childcare system, a well-functioning and publicly financed health-care system, and so on. The employment of women is 73% in 2018 compared to the OECD average of 61% (OECD data). Transferring elements of labor market policy to a low-tax country has no guarantee of success. As emphasized in a central article about the Danish Model (Madsen 2005, 35), “[t]he model is thus a prime example of the specific Danish version of the negotiated economy. Therefore, it should be taken as a source of inspiration for new ideas about alternative configurations of flexible labour markets and economic security for the individual – not as a simple scheme, which is ready for immediate export.”

The economic crisis of 2008 influenced the political process associated with the implementation of the European flexicurity policy, and a “farewell to flexicurity” was announced with a reduction in the security component of flexicurity (Hastings and Heyes 2016). Some weakening happened from the initially strong focus on the transition from job security to employment security, in addition to the divisions between insiders and outsiders in the labor market (Mailand 2010). Recent research has resulted in a revitalization of the policy (Bekker 2018), and although the EU-level concept changes every year, it still encompasses a growing number of flexicurity issues (Bekker and Mailand 2018).

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## Is the Danish Model Under Liquidation?

One researcher found it paradoxical that the Danish Model was recognized in the 1990s and became conceptualized and discursively constructed as a flexicurity policy when many of the individual building blocks of the Danish Model had deteriorated over the previous years (Jensen 2017a). Jensen explains it by the “employment miracle” from 1993 to 2001 in which unemployment declined from more than 12% to about 5% in parallel with low inflation, low levels of inequality, and a well-developed social dialogue. Most people looked at the flexicurity system, and the system became famous as “an export article.” In reality he mentions other factors contributed to the decline of unemployment, for example, the substantial income from the North Sea oil fields.

The Danish system is affected by both internal and external forces. Some researchers argue that the system is under pressure (Lind and Knudsen 2018).

Internally, collective bargaining is more decentralized than ever. Therefore, a solidarity principle cannot be proposed using the same rules and standards nationwide, and the wage levels are more dependent on the market and business cycle. Decentralization started in the early 1980s and was radically changed in the early 1990s to allow more bargaining at the individual's workplace. Wages negotiated at the national level have since become minimum standards, and they are supplemented by agreements from local negotiations.

In the past two decades, decentralization has been introduced to deliver good employment performance, better productivity outcomes, and higher wages for the covered workers. Such local agreements could erode general agreements without coordination within and across sectors. This is not the case, at least for now. A recent study showed that in comparison to the decentralization of collective bargaining in Germany, the Netherlands, and Denmark, the Danish system leaves scope for local bargaining even when the minimum wage levels are generally observed and bargaining coverage has not suffered (Ibsen and Keune 2018; OECD 2018).

A central issue is how employer and employee interests are balanced within the system. As Knudsen and Lind (2018) emphasize, how are rights, privileges, and financial gains distributed between the parties, and how does the balance change over time? Many variables have influenced the distribution of power between employers and workers under changing business cycles.

Trade unions have lost power because the membership rate decreases, which is caused by several factors. One is governmental initiatives through a weakening of the unemployment insurance system. Trade unions have lost their monopoly on insurance funds, and private actors subsequently entered the market. This erodes membership share in trade unions (Lind 2009).

There have always been job sectors without a high level of union organization, such as hotels, restaurants, and shops. Central areas still have a high percentage of organization in both unions and organizations for employers (Larsen and Ilsøe 2016). In 2012, around 53% of employers were members of an employers' association (almost all the large companies). However, 84% of the labor market should be covered by a contract with 74% for the private market alone.

Another variable is the decline of benefits related to unemployment compensation. Since the 1980s, the system has been weakened several times. Coverage is not as high as it once was. Moreover, the time permitted for financial support has been shortened. When union-administered funds are reduced, the unions themselves are weakened. The compensation rate has, as mentioned, dropped from 80% in the 1970s to around 50% in the 2010s.

Active labor market policy has changed in another way in relation to the unemployed. Since a reform in 1993, the focus has shifted from the demand side to supply side such that unemployment benefits have been reduced to increase the interest for the unemployed to seek jobs.

The increasing internationalization placed pressure on the system for the internationalization of firms, resulting in foreign firms coming to Denmark with another culture and background for handling agreements. At the same time, many foreign workers have gone to Denmark from other EU countries and from abroad. For



instance, IBM has never made agreements with unions. Many of these firms do not have the same attitude toward the traditions related to the labor market of native Danish workers (Larsen and Ilsøe 2016).

The Danish system is under pressure as a result of interference by foreign policy-makers. Since the EU system declared the “Community Charter of the Fundamental Social Rights of Workers,” a platform for political initiatives was established. An EU policy for helping countries with a low organization share of the labor is necessary because of the weak labor unions in many countries. The strong unions in Denmark are indirectly affected by this interference (Kristiansen 2015a; Sørensen 2006).

Concurrently, there is pressure from ILO, which has established conventions for freedom related to organization and agreements, and the European Convention on Human Rights to demand judicial decisions by public courts.

The development could make the flexicurity system dramatically less relevant due to changes in class (Jensen 2017a). Because the unemployment benefit is a flat-rate system primarily for blue-collar workers, and with a decline in the number of workers in this group, flexicurity is far from an all-encompassing model. In addition, the system does not secure low-educated people suffering from longstanding illness (Heggebø 2016).

Since 1980s, there has been a change in the dominant political ideology relating to welfare and market ideology in Denmark (Jørgensen and Klindt 2018; Knudsen and Lind 2018; Larsen and Ilsøe 2016; Lind and Knudsen 2018). The interests of employers have been favored, while the interests of labor have been neglected. The last issue is “social dumping,” which is thanks to a strengthening of market forces and EU regulations that favor the free movement of labor. Although Lind and Knudsen (2018, 598) conclude:

[i]n spite of the changes in the favor of capital, the Danish development has also been one of the continuities. The national institutions regulating [the] labor market and working life are still strong and encompassing. The class compromise founded in 1899, although reformed and changed in many respects over the years, is still in force. Strong corporatist features are still present, although increasingly encroached by market forces. Danish industrial relations are still distinctly different from liberalist as well as legalistic models.

While impairment in the active labor market polity related to reducing the corporatist elements occurred in the 2000s, the parts on the labor market themselves have taken over. For instance, many social chapters in the collective agreements were made and, in a way, compensated for the loss of security in the flexicurity system and re-established the balance between flexibility and security (Jørgensen and Klindt 2018). These kinds of solutions could shift the labor market toward more inequalities between labor market insiders and outsiders as is seen in other countries, most notably in Germany.

The conclusion from most researchers is “that institutional complementarities between flexibility and security are fragile and liable to disintegrate if the institutions providing flexicurity are not maintained and supported” (Bredgaard and Madsen 2018, 375).

After the political changes of the last decade of the Danish Model, researchers have asked whether the balance between flexibility and security has changed significantly toward more flexibility and less security (Knudsen and Lind 2018). Yet in comparison with other European countries, the labor market policy in Denmark probably still deserves the term flexicurity. The Danish system is still alive.

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## Summary

The Danish labor market system, which is often referred to as the Danish Model, is an exemplary model of *flexicurity* (a term that combines the words security and flexibility). The OECD highlighted the Danish Model in 2004, and the European Commission officially incorporated it into the European Employment Strategy in 2007.

The Danish labor market system has more than 100 years of history, and it is one of the preconditions for the rich Danish welfare state, which has a generally high income based on rather small but adaptable firms. The basis for this system is the collective agreements established through negotiation with a “balance of compromise” that is accepted by both sides: employers and employees. The state normally does not interfere in labor negotiations and has established some institutions to help both parties in case of disagreements and for nationwide negotiations. It is only in cases where a conflict has nationwide interest that the state can interfere.

The Danish labor market system has two important characteristics. The first is benefit to employers through limited employment protection. Employers are allowed to easily change their business in shifting economic conditions when it is easy to dismiss employees. The employees accept this behavior because of the second factor: the employees receive generous economic support when unemployed. Employees do not lose much money during the time they are seeking their next job. Each year, around 20% of the workforce is affected by unemployment, but mobility in the labor market is high and is measured by job creation, job loss, and average tenure.

A country’s capacity to maintain high employment depends on its ability to restructure and adapt production. This has become especially important in recent decades because Denmark, like other countries, has been influenced by a new international division of labor, the continuous introduction of new technology to this demographic (including a new organization of work), and climate change. Since the 1980s, a new “leg” has been added to the two dimensions of flexicurity. One leg is an active labor market policy, which aims to ensure a well-functioning labor market through initiatives like education, training, etc. Expenditures on the active labor market policy have been substantial. In 2016, the cost of the active labor market policy was more than 2% of gross domestic product in top of all countries.

The well-functioning Danish Model was deemed to be a flexicurity system due to its flexibility for the employers and security for the employees. It has many similarities to the systems in the other Nordic countries, including the Dutch model. The Nordic Model is different from the flexicurity systems of Mediterranean countries,

with limited benefits in the Anglo-Saxon countries and tight regulation in the mainland countries.

The word *flexicurity* was first used in the Netherlands to refer to political initiatives in the mid-1990s. Since then, the term not only became a useful analytical tool in the discussion of labor market issues or an economic term to describe labor market capabilities that create opportunities for employers and employees, but it also came to signify a coordinated political strategy.

Since flexicurity inspired by the Danish Model became official EU policy, it has become a political initiative promoted in different plans and closely monitored.

Policy is probably not transferable from one country to another. The Danish society is a sizeable welfare state with high taxes and social benefits, but the Danish system is itself under pressure from both internal and external forces. Internally, collective bargaining is more decentralized than ever. Therefore, a solidarity principle cannot be proposed using the same rules and standards nationwide. The increasing internationalization has placed pressure on the system to internationalize firms, resulting in foreign firms coming to Denmark and bringing with them another culture and method for handling agreements. Foreign workers are coming to Denmark with other traditions as well.

As results of this increasing pressure, initiatives from international organizations have been instituted, the foremost being the EU. Regardless, the Danish labor market and governmental policy still have the necessary balance between employers' and employees' interests. The Danish Model is still alive.

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