

Globalisation and flexicurity

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Globalization

- Is it Incompatible with
 - High employment
 - Decent wages (no working poor)
 - Low inequality
 - Extended welfare state

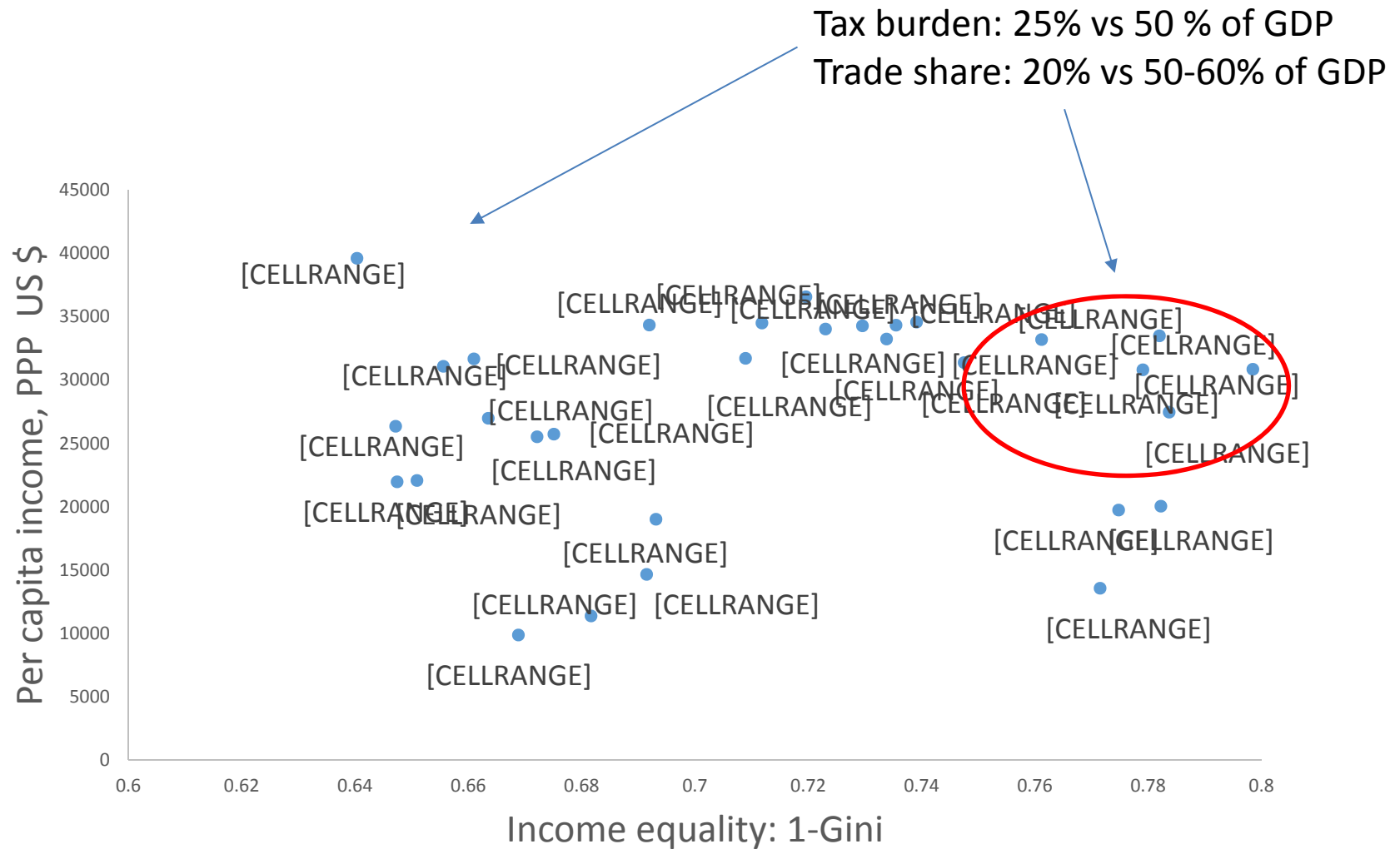
Nordic experience

- Routinely classified as "small, open economies" = highly globalised
- Welfare model developed in a globalised environment;
 - Common understanding – need to be "competitive"
- Not politics against markets
- The model depends on maintaining a high employment level
 - Ambitious distributional goals

Globalisation and competitiveness

	Globalisation KOF-index	Ease of doing business World Bank	Competitiveness World Economic Forum
Denmark	7	3	12
Finland	11	13	8
Norway	13	6	11
Sweden	8	9	9
# countries	204	189	140

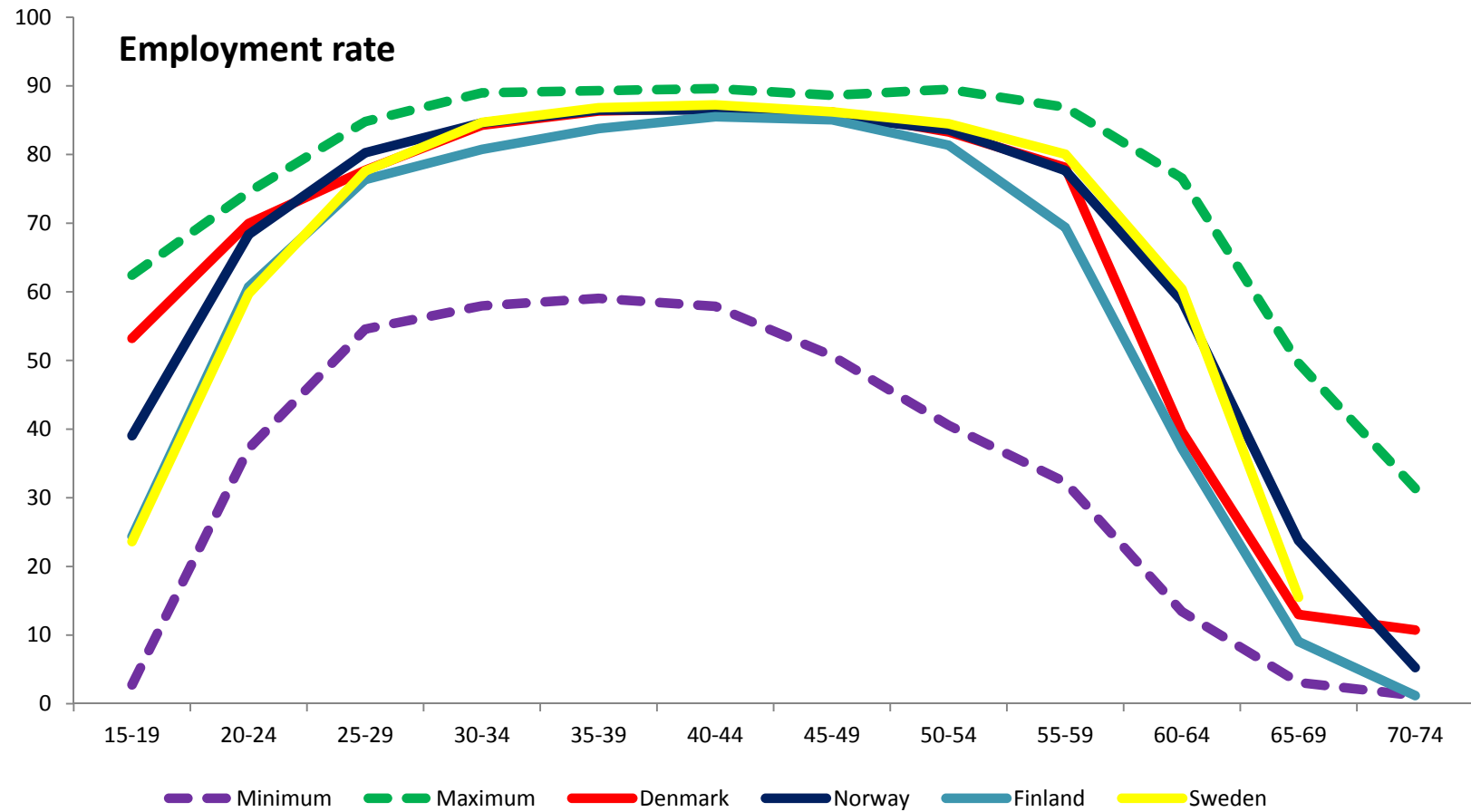
Cross country performance



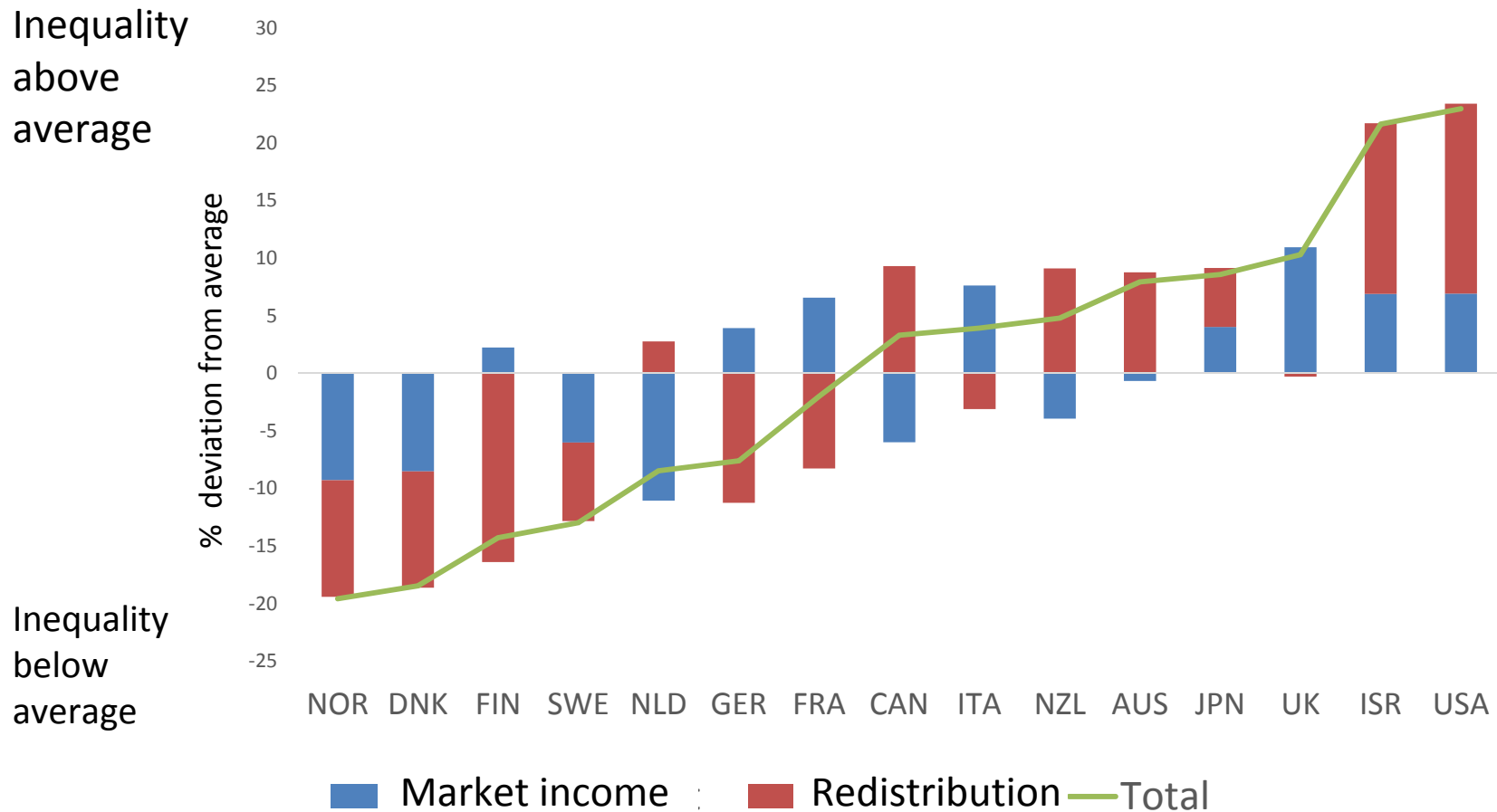
Nordic Model: Employment dependent model

- High tax burden + generous transfers
- Budget very sensitive to the employment level
- Financial viability presumes a high employment level
- Also crucial for living standards, per capita income etc.

Employment over the life cycle



Low inequality – labour market outcomes are crucial

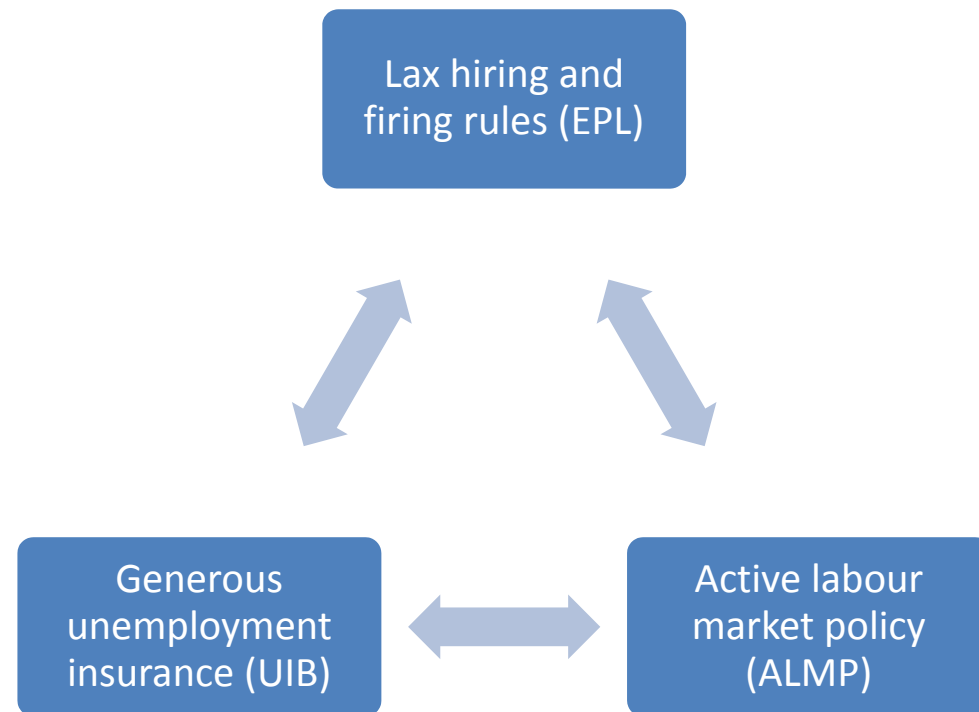


The Danish flexicurity model

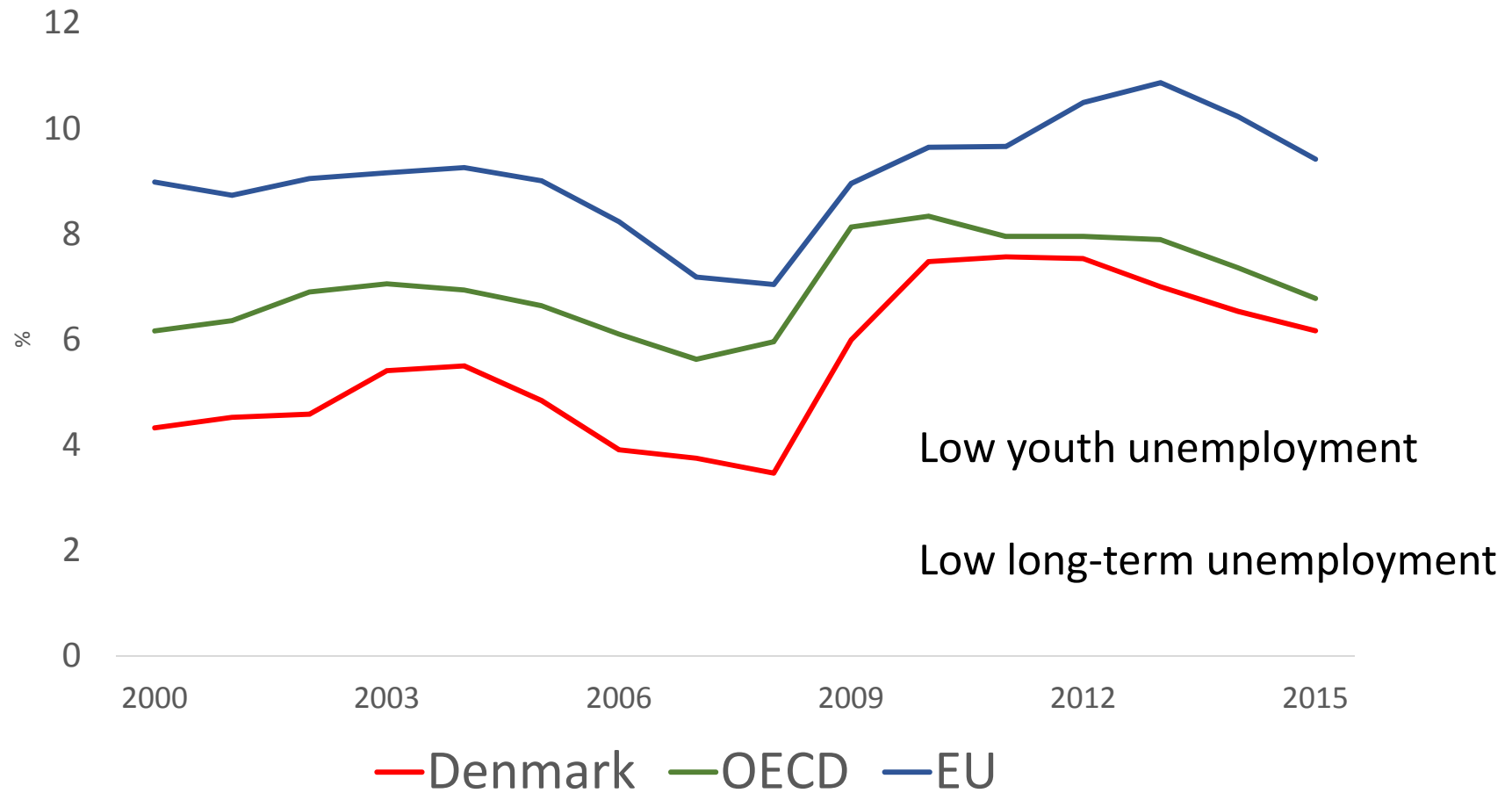
Combining flexibility and security

Maintaining job search incentives

Maintaining human capital

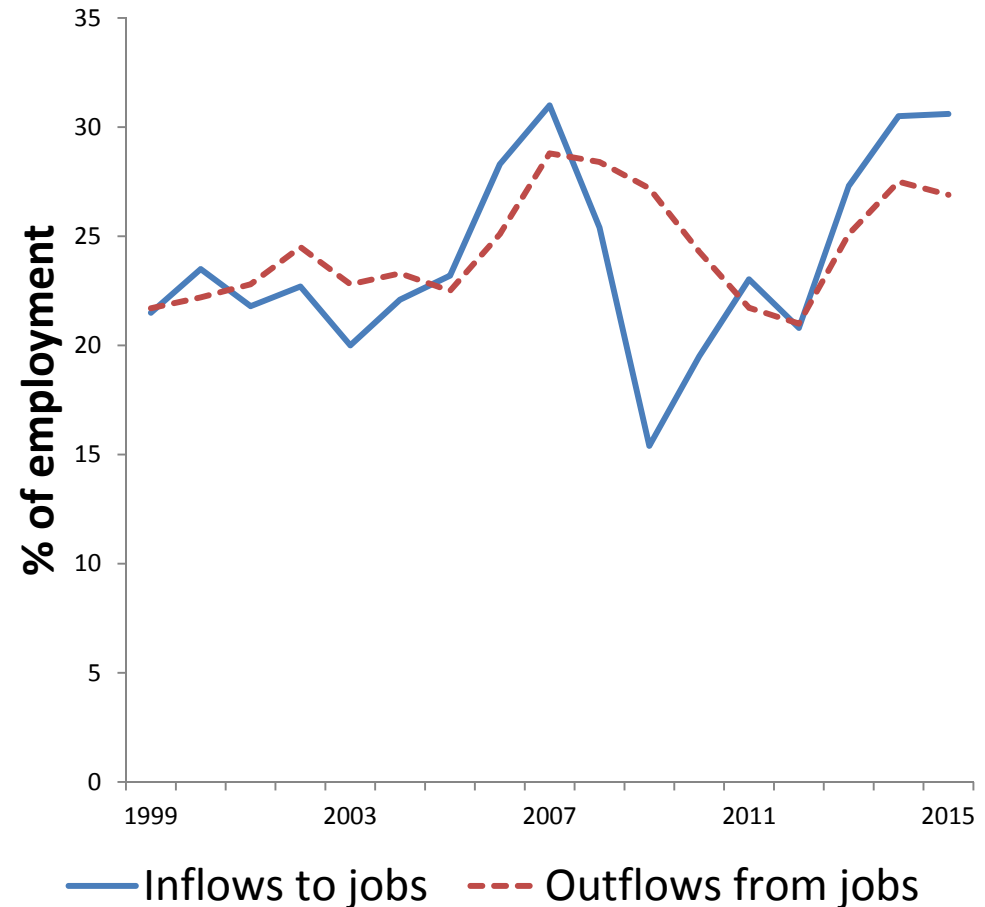


Unemployment

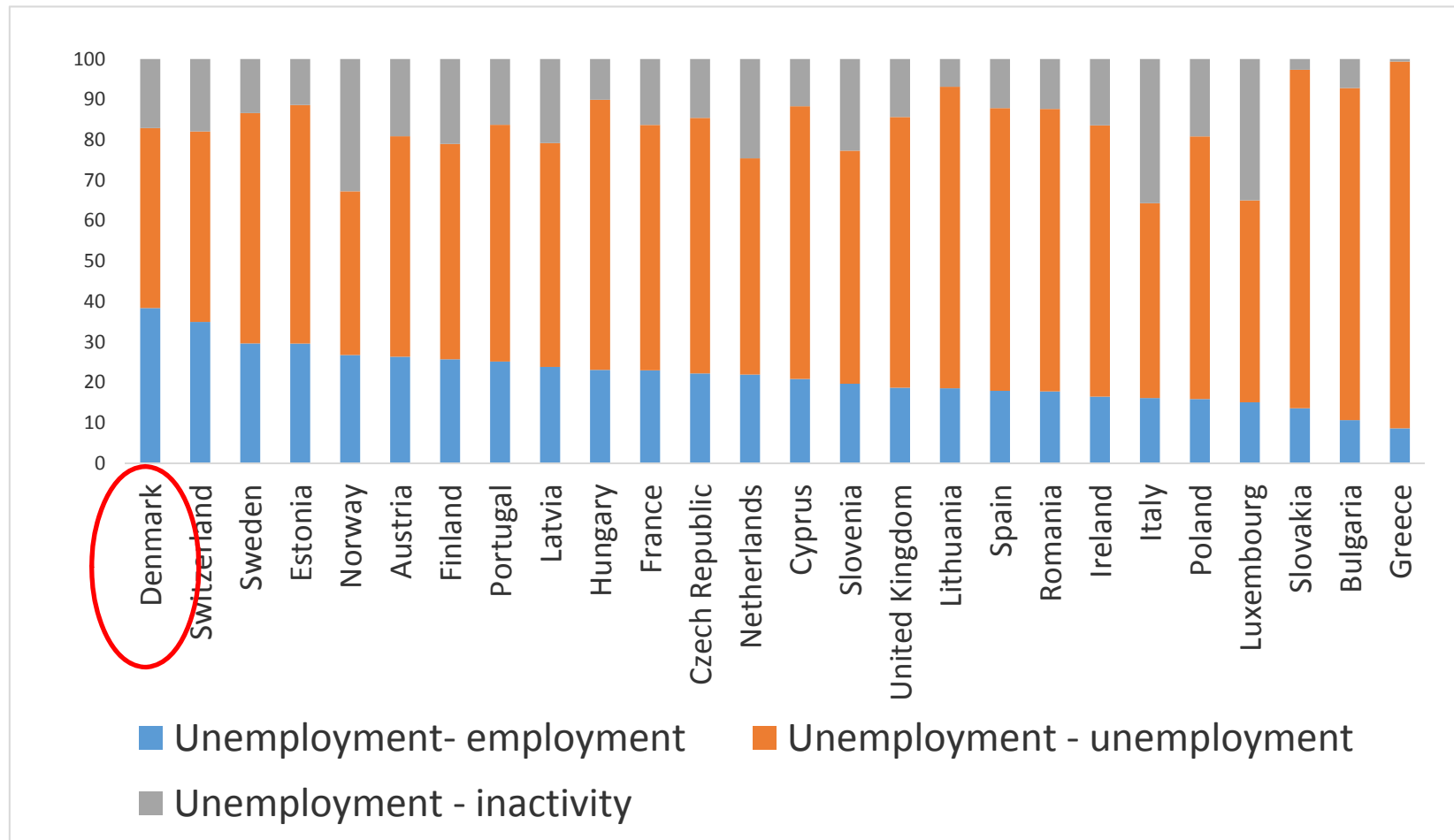


Main characteristics

- High level of job-turnover
- Many affected by unemployment, but most unemployment spells are short
- Low long-term unemployment
- Easy entry for young

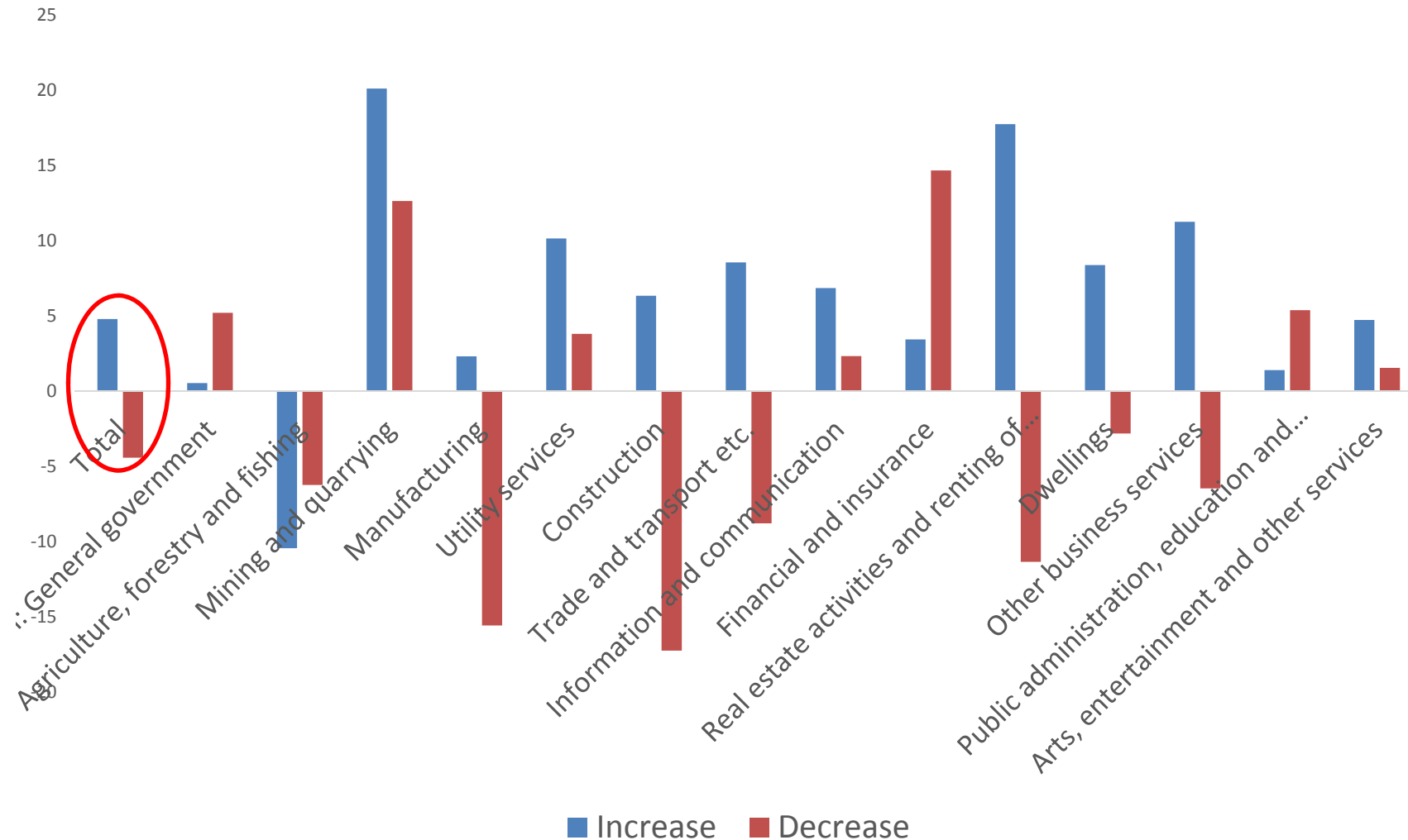


Labour market transitions – one quarter



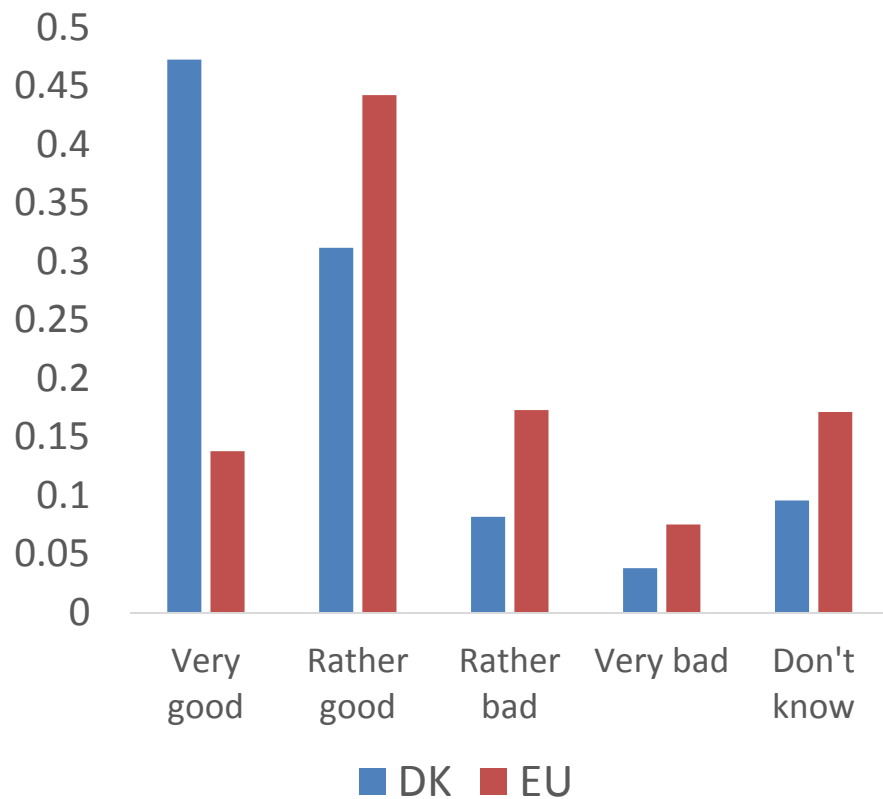
Large adjustments across sectors

Denmark during boom (2005.1-2008.3) and recession (2008.1-2009.3)

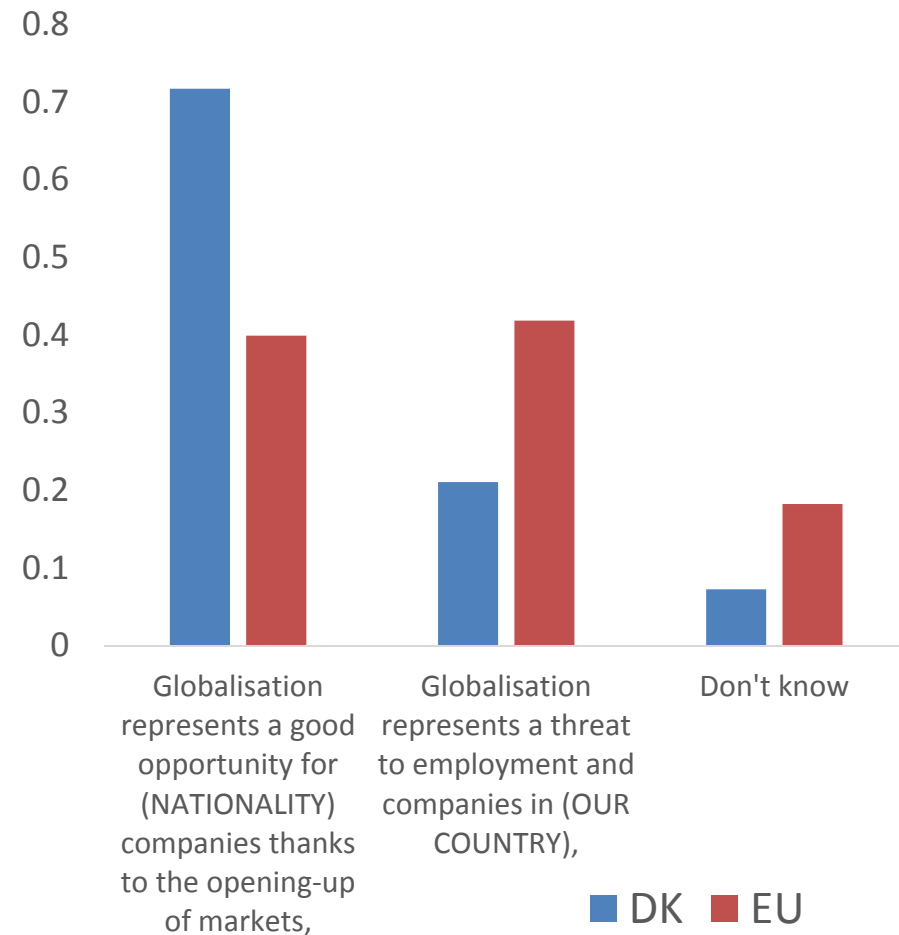


Perceptions – jobs and globalisation

Your personal job situation



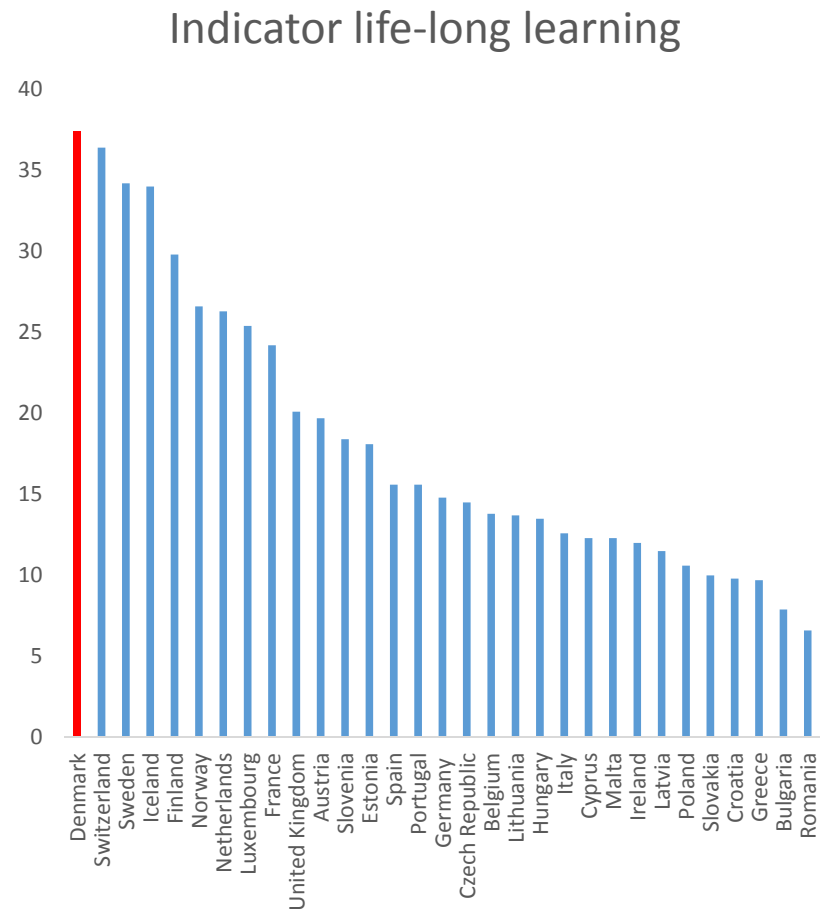
Globalisation



Education and qualifications

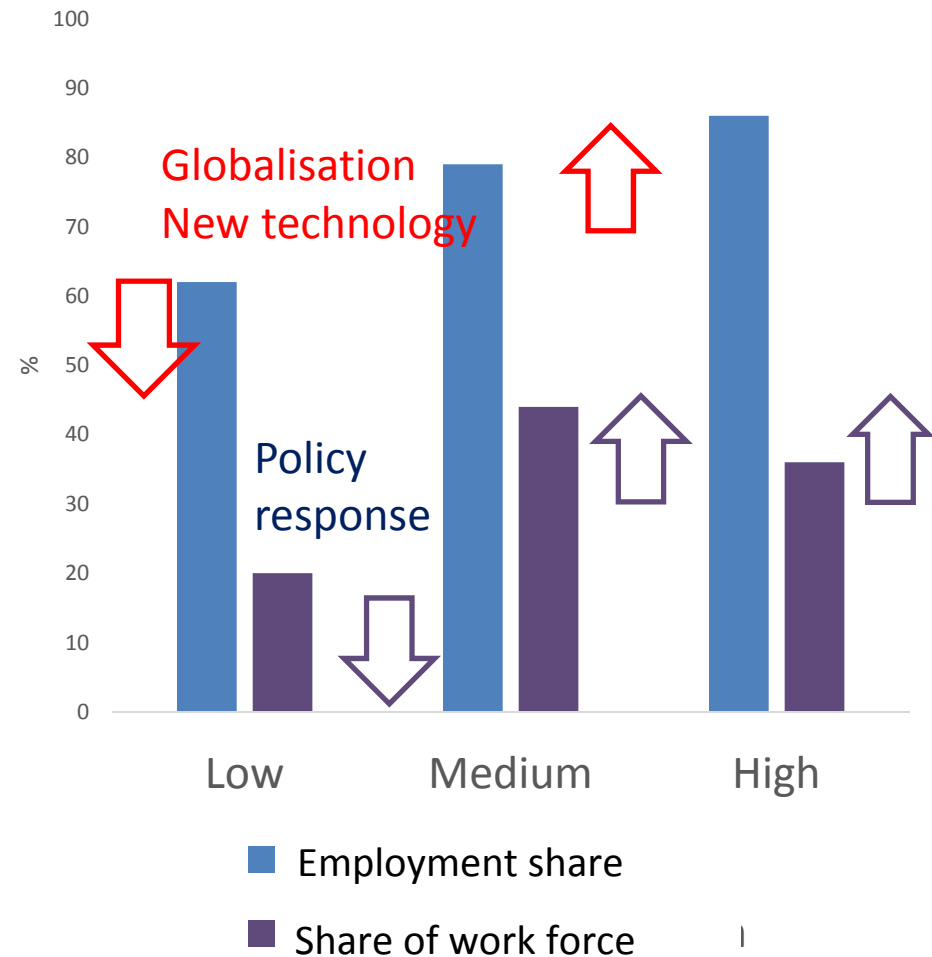
Strong focus on education:

- Public education system
- Labour market training (life-long learning)
- Flip-side: resource use
 - Education: 6.1% of GDP
 - ALMP: 1.8% of GDP



Labour market and qualifications

- Close link between education and
 - Employment rates
 - Wages
 -
 - Retirement
 - Health
- Education and labour market policies - crucial for distributional objectives!
- Important to ensure a high qualification level for the entire labour force



Conclusions

- Globalization has not implied a retrenchment of welfare arrangements
- Flexicurity:
 - Employment remains high
 - Few working-poor
 - Copes with large adjustments in the labour market
 - "Active" policy approach
 - Active labour market policies
 - Education/live-long learning
- Not a "crisis"-free model
- Need to continuously adjust labour market policies
- Challenge: to reduce fraction of youth without labour market relevant education