Globalisation and flexicurity

Torben M Andersen
Department of Economics
Aarhus University

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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

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<th>Country</th>
<th>Globalisation KOF-index</th>
<th>Ease of doing business World Bank</th>
<th>Competitiveness World Economic Forum</th>
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Cross country performance

- Tax burden: 25% vs 50% of GDP
- Trade share: 20% vs 50-60% of GDP
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

Employment rate

- Minimum
- Maximum
- Denmark
- Norway
- Finland
- Sweden
Low inequality – labour market outcomes are crucial

Inequality above average

Inequality below average

% deviation from average

NOR DNK FIN SWE NLD GER FRA CAN ITA NZL AUS JPN UK ISR USA

Market income : Redistribution Total
The Danish flexicurity model

Combining flexibility and security

Maintaining job search incentives

Maintaining human capital

Lax hiring and firing rules (EPL)

Generous unemployment insurance (UIB)

Active labour market policy (ALMP)
Unemployment

Low youth unemployment
Low long-term unemployment

Denmark  OECD  EU
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

- Unemployment- employment
- Unemployment - unemployment
- Unemployment - inactivity
Large adjustments across sectors
Perceptions – jobs and globalisation

**Your personal job situation**

- Very good
- Rather good
- Rather bad
- Very bad
- Don't know

**Globalisation**

- Globalisation represents a good opportunity for (NATIONALITY) companies thanks to the opening-up of markets,
- Globalisation represents a threat to employment and companies in (OUR COUNTRY),
- Don't know

DK | EU
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