Inside the "Golden Triangle" - A disaggregate analysis of the dynamics of the Danish flexicurity model

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Abstract

The Danish version of flexicurity is mostly described at the aggregate level by presenting a few key figures on average tenure, EPL, replacement rates, etc. This provides data for a rough comparison with other national employment system, but also hides a number of the more distinct features of the Danish labour market and takes the attention away from the heterogeneity that exists between different groups and sectors of the labour market.

The main aim of the paper is thus to provide an overview of the mobility patterns of the Danish labour market, which lay behind the broad outline provided by the "Golden Triangle". The paper summarizes some of the main results from a recent large-scale empirical study of the Danish labour market from a flexicurity perspective (Bredgaard et al, 2009).

In conclusion the paper points to the strong element of "path dependency" found on the Danish labour market both on the structural level and on the individual level. Assessing the role of the security arrangements in the form of income security, active labour market policy and adult vocational training, one may first note in many cases they do fulfill their intended functions. But in the other hand there are also many who are stuck and found in the passive programs or activation from year to year. The main features of these groups are that they often are elderly, school leavers and non-Danes. To some extent gender also makes a difference. Status as a single mother also generally has a negative effect in two related moving back into employment. These basic patterns found in the vast majority of marginalization analysis, are not abolished in the Danish model.

INTRODUCTION

Flexicurity - the contraction of the English words flexibility and security – has become one of the favorite slogans, when it comes to reform of European labour markets. This is not least due to the EU Commission, which in recent years has given achieving a better balance between flexibility and security a top priority in European employment policy. Since 2007, each Member State is required to report on what flexicurity policies and strategies they have adopted (European Commission 2007).

Flexicurity has also made Denmark into a European role model. A growing number of European politicians, officials and researchers have been inspired by the Danish example of how flexibility and security in employment can be combined in new and mutually supportive ways. The Danish labour market model is thus highlighted as a good example of flexicurity through the combination of a flexible labour market with high job mobility, an extensive social safety net of unemployment benefits and social assistance, and an active social and educational policy.

This article is about Danish flexicurity. The aim is to present the major results from an in-depth analysis of the interaction between different forms of flexibility and security in the Danish labour market. It is characteristic of the present analysis of the Danish flexicurity that it is predominantly based on a few key indicators and a more general analysis of the functioning of the Danish labour market. There is therefore a need for empirical research that goes into more depth both with respect to the interaction between different forms of flexibility and security and with regard to the way different groups are included in or excluded from flexicurity. In particular, there is a need to extend the analysis of the way not only social policy, but also lifelong education and training help to promote employment security in the Danish version of flexicurity.

We find that there are at least three good reasons for taking interest in Danish flexicurity.

Firstly, flexicurity describes some basic features of the Danish labour market and welfare model, which distinguishes it from comparable countries. In an international comparison the Danish model stands out as a hybrid. This is evident in OECD's description of the Danish flexicurity approach:

> *"Denmark provides an interesting combination of high labour market dynamism and relatively high social protection - the so-called flexicurity approach. Underlying the success of the Danish model is the combination of flexibility (a high degree of job mobility thanks to low EPL), social security (a generous system of unemployment benefits) and active labour market programs. The Danish model of flexicurity thus points to a third way between the flexibility often attributed to deregulated Anglo-Saxon countries and strict job protection characterizing southern European countries "(OECD* 2004:97).

Danish flexicurity seems to unite the dynamics of liberal market economies with the social security from the Scandinavian welfare states (Madsen 1999, 2003, 2004, 2005, 2006). Some writers would characterize this hybrid between a Scandinavian welfare state and a liberal labour market as unstable (Hall & Soskice 2001). The Danish combination of flexibility and security, however, seems stable and has traits that date far back in Danish history. Thus, the flexibility can be traced back to the so-called September-settlement of 1899 between the trade unions and the employer's federation. This settlement gave only limited job protection to ordinary employees and has since then with few changes have acted as the "constitution" of the Danish labour market. The shaping of social security took place in the late 1960s with the expansion of the unemployment benefit system with respect to generosity, duration and replacement rates. Equivalent social assistance was cemented as the lower safety net in 1976. There are strong social and historical compromises behind the main axis between flexibility and security, which has been balanced over time. The

flexicurity concept is well suited to capture and systematize these historical and institutional features of the Danish labour market.

The second reason not just to deal with the Danish flexicurity, but with flexicurity more generally, is that the concept goes beyond traditional disciplinary boundaries, and argues that there is a new dynamic interaction between what were previously perceived as opposites. The basic idea is that flexibility and security are not opposites, but mutually supportive. Economists have mostly focused the positive impact of flexibility on labour markets in general and on companies in particular. They have also had a tendency to see social security and job protection as an impediment to competitiveness and economic growth (see, for example. OECD,1994). In contrast, some labour market and social policy researchers (e.g. political scientists and sociologists) chose to focus on the positive welfare implications of social security, but have rarely dealt with the consequences for the functioning of the labour market. An important claim of the flexicurity literature is that the desire for flexibility is not only the employers' interest, just as the desire for security is only in the interests of workers. In today's labour markets, many employers acknowledge that they have an interest in stable labour relations and in retaining employees who are loyal and well trained. In order to adapt working life to more individual preferences, many employees also realize that they have an interest in a more flexible work organization, for example. to combine work and family (Wilthagen & Tros 2004). There is thus a basis for the emergence of new types of interplay between flexibility and security.

As a relatively new area of research, flexicurity itself is in need for a more solid empirical and theoretical foundation. *The third and final reason* to deal with flexicurity is therefore trying to create more solid empirical and theoretical underpinnings of flexicurity research. The goal is to penetrate deeper into the empirical relationships between flexibility and security in the Danish labour market. We want to examine the links between the different elements of Danish flexicurity and gain evidence of some of the causal relations that supports the model. Only then will it be possible to deliver solid recommendations on transferability to other countries and on the future design of the Danish flexicurity.

FROM THE "GOLDEN TRIANGLE" TO THE "FLEXICURITY SQUARE"

Inspired by the Ministry of Labour (Arbejdsministeriet, 1999) the Danish labour market model is often described as a flexicurity triangle or a "golden triangle" (Bredgaard et al, 2005; Madsen, 2007). The model combines a high degree of mobility between jobs with a social safety net for the unemployed and an active labour market policy. The high worker mobility between different employers is again related to a relatively low level of job protection (EPL) on the Danish labour market, while cultural factors such as attitudes to job change, may also play a role.

Up to one quarter of the employed are annually affected by unemployment and therefore receive unemployment benefits or social assistance at one time or another. But most of the unemployed find a new job by themselves. The rest enters the target group of active labour market policy, which - ideally - will contribute to their return to employment. First, participation in various programs (e.g. job training and education) will upgrade their skills and therefore increase their job opportunities. Second, the programs may have a motivational effect in the sense that the unemployed, who are approaching the time of activation, increase their search for ordinary jobs to the extent to which they perceive activation as something negative.

Since the debate on the Danish version of flexicurity gathered pace during 2004, there emerged a number of suggestions on how the perspective of the model can be expanded from a narrow focus on the trinity of low employment protection, high unemployment benefits and active labour market policy. Some of these contributions have highlighted that the Danish labour market is also

characterized by other forms of flexibility than numerical flexibility. Wage flexibility, working time flexibility and functional flexibility are also important in order to get a comprehensive understanding of the Danish labour market (Ibsen 2007; Ilsøe 2006, 2007; Klint & Møberg 2007).

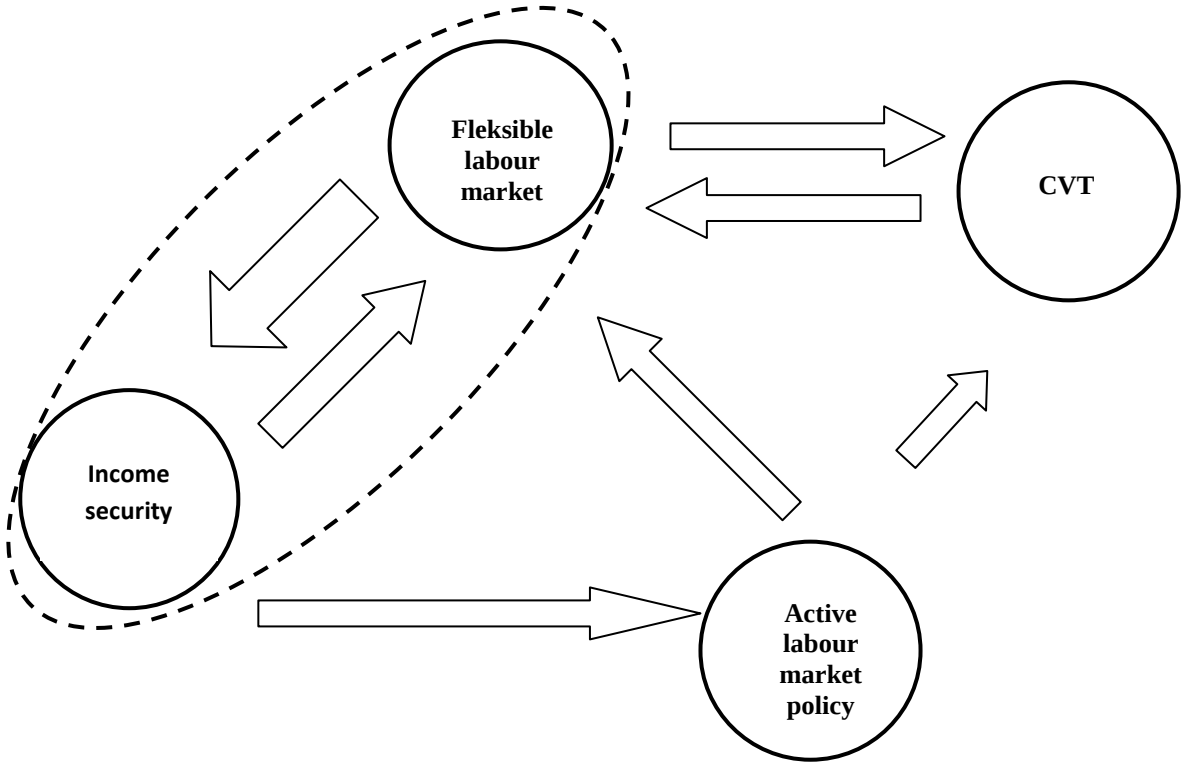
Other researchers focus on the fact that there are many other security types in the Danish model than those traditionally emphasized in the "golden triangle". For example a number of welfare state institutions support the combination of work and family life, implying a higher employment rate for women. "Flexicarity" has been launched as the name for this particular perspective on the Danish model (Hansen 2007).

In different contexts it has been pointed out that employment security in the Danish model is not only supported by an extensive active labour market policy, but also the institutions that contribute to a high level of training and lifelong learning (see e.g. Andersen 2006). This trail goes back to the first analysis of the Danish flexicurity model (Madsen 1999; Bredgaard et al 2005), but has not hitherto been subject to more intensive research efforts. It is one of the main objectives of the present paper to include training and lifelong learning as an integral part of the analysis of the Danish flexicurity model.

This expanded perspective on the Danish model is also consistent with European policy developments, where the EU Commission has defined flexicurity as consisting of the four components: 1) Flexible and reliable contractual arrangements, 2) Comprehensive lifelong learning (LLL) strategies 3) Effective Active Labour Market Policies (ALMPs) AND 4) Modern social security systems (European Commission 2007:6). Behind this definition is thus an implicit adherence to the standard perception of the Danish version of flexicurity in the form of the "golden triangle", but supplemented with lifelong learning as a fourth element.

Graphically, one can illustrate this extension of the perspective as shown in Figure 1. Participation in CVT (Continued Vocational Training) is perceived as a fourth position added to the" golden triangle ". In the figure the arrows indicate the individual streams of persons, which run between the different positions. In round numbers it is about 30 percent of the employed that are employed at a new workplace every year. Approximately 20 percent of the employees affected by unemployment and about 10 percent participate in some form of active labour market policy. Finally, it is about 13 percent of employees that participating in public continued vocational training and education (CVT). Below these streams are studied in more detail.

Figure 1: The extended version of the Danish flexicurity



RESEARCH QUESTIONS, DESIGN AND METHODOLOGY

The research presented in the present article differs from existing research by its effort to make a more detailed (disaggregated) data analysis of the interplay between flexibility and security in the Danish labour market.[1]

There were three main research questions for the project:

- What mobility patterns characterizes job-to-job mobility on the Danish labour market, what characterizes those who have different mobility patterns, and which parts of the labour market is characterized by high or low mobility?
- To what extent does income security and employment security (active labour market policy and CVT) function against marginalization and exclusion from the flexible labour market?
- For which groups does the interaction between different parts of the Danish model offer a secure and stable working life - and what groups are generally referred to less safe conditions on the Danish labour market?

The empirical analysis is based on analysis of administrative records from Statistics Denmark covering mobility into and out of employment during the period 1980-2004 (the so-called IDA-register). Most of the data is yearly data, which account for the status of individuals or businesses

[1] The research was supported by a grant from the Danish Ministry of Employment.

in late November each year. This has obviously the methodological weakness that we do not know what happened in the intervening period. In most of our analysis 2004 IS used as the last year of reference, since this was at the time the last available year. When analyzing mobility between the two years, we therefore compare the status at the end of November 2003 and end November 2004. The unique feature of the IDA register is that you can connect individuals and businesses, achieving an understanding of both labour supply and demand. To analyze each of the corners of the Danish flexicurity in more detail, we have coupled the IDA-register with a number of other records from Statistics Denmark, including the unemployment register (Central Register of Labour Statistics - CRAM), register of labour market policy measures (AMFORA), register of students in adult education and training, data on immigrants and their descendants and about the education and occupation of the whole population.

MOBILITY PATTERNS ON THE DANISH LABOUR MARKET

Measured by job-to-job mobility there is a high level of flexibility on the Danish labour market. About 30 percent of the employed are mobile, while approx. 70 percent remain at the same workplace, when two consecutive years are compared. Among the mobile, 3-4 percent (measured as a share of all employed workers) are internally mobile in the sense that they remain in the same company, but switch to another workplace. Approximately 15 percent move to employment in another company, while the remaining approx. 10 percent goes to either unemployment or leave the workforce (see table 1).

Table 1: Mobility patterns 1983/4-2003/4

	1983-1984	*1993-1994*	*2003-2004*
Unchanged workplace	73.3	69.8	72.2
Moved to another workplace with the same employer	3.7	4.0	3.8
Move to another employer	13.8	15.4	15.9
Moved to unemployment	4.9	4.7	2.5
Left the workforce or on leave	4.2	6.7	5.6
Total	100 (2.008.909)	100 (2.077.247)	100 (2.268.436)

Note: The table only includes wage-earners
Souce: Own calculations based on IDA

As shown by the data in table 1, there is generally a high degree of stability in the mobility patterns, so that the values in each year only marginally deviate from the average for the entire period.

The same applies to mobility into employment. Approximately 72 percent of those employed in a given year are found in the same workplace in the following year. A smaller share of 4 percent

comes from employment at another workplace in the same company, while 15 percent have switched from being employed by another company years before. Finally, 4 percent come from unemployment and 5 percent are entering the workforce, for example after completing their education.

The results thus modify the often-used saying that “30 percent of Danes changes jobs every year." Behind this formulation is hidden that only about half of those move between different employers. The other half are either internally mobile between workplaces within the same firm or moving between employment, unemployment or positions outside the workforce.

In comparison with other OECD countries, Denmark has a relatively low formal employment protection. Comparative analysis indicates that at the national level there is a positive correlation between employment protection and job-to-job mobility. A possible explanation for the generally high numerical flexibility of the Danish labour market is therefore the low employment protection. But other factors may also play a role. The industrial structure with relatively many small and medium enterprises can be important. Also cultural differences may be important in the sense that the Danes more than many other Europeans consider frequent job changes as being part of a desirable career (Eurobarometer, 2006).

One main impression is furthermore that the Danish labour market is characterized by very strong path dependency, when it comes to mobility over time. This is particularly marked for those employed. For those individuals who were unemployed or in activation in 2003, one observes a significantly reduction of the chance of being in employment in 2004 compared with those who were employed a year earlier. Most significant is the reduction for the groups, who in 2003 were the furthest from normal employment (e.g. in sheltered jobs or in rehabilitation).

A closer look at the mobility of each group in the labour market also indicates significant differences.[2] Women are generally a little more mobile than men, both in terms of mobility between jobs and mobility to the edge of the labour market. Immigrants and descendants also have an increased risk of marginalization. The tendency to change jobs falls significantly with age, while the risk marginalization increases. An increased risk of marginalization may be seen also in the younger age groups. The core group on the Danish labour market is clearly the age group 40-49 years.

The link between education and mobility is relatively complex. An education above primary level, however, generally gives a lower probability of changing jobs, but also an increased risk of marginalization. Occupational group plays a clear role for job-to-job mobility. Persons over the basic level have in general a lower probability of changing jobs. At the same time, the higher the person is placed in the position of the hierarchy, the lower the risk of marginalization.

Also industrial sector and company size affect mobility. Compared with public and private services employment in other sectors imply an increased probability of moving to a new job the following year. Firm size plays a clear role for job mobility, which decreases with increasing firm size; the same applies to the risk of marginalization.

In summary, the analysis of mobility patterns paints a clear picture of who are "upstairs" and "downstairs", when it comes to stable employment on the flexible Danish labour market. On the upper floors you will find most likely the well-educated married fathers in their forties with a Danish-sounding surname. Further down we find the unskilled among both the younger and the older age groups - and also the ethnic minorities.

[2] The limited format of the present paper does not allow for detailed documentation of the empirical results from our research. Here reference must be made to Bredgaard et al, 2009.

The analysis also suggests that individual labour history in the form of low or high involuntary mobility (measured by unemployment spells in between jobs) in itself affect the probability of the current mobility, both between jobs and to the edge of the labour market.

The question is then how these patterns of mobility, interact with the other elements in the Danish version of flexicurity. This is the subject of the following sections.

INCOME AND EMPLOYMENT SECURITY ON THE DANISH LABOUR MARKET

This section examines the extent to which income security and employment security in the Danish model serve as protection against marginalization and exclusion from the flexible labour market?

Income Security
Income security has been examined by analyzing the flows into and out of the unemployment benefit and social assistance systems. Focus is thus on identifying the groups, who get stuck in the security systems, and the groups who use the income security as a quick stepping stone back into employment.

In 2004, official unemployment was low by international comparison (5.8% equivalent to 160.000 persons). Nonetheless, about half a million Danes were in contact with either the unemployment benefit or social assistance system in 2004 (equivalent to 17 % of the workforce). Around 40 per cent of those were unemployed only for a short period, i.e. up to 20 percent of the year, while approximately 10 percent were unemployed for more than 80 percent of the year. The groups that enter into the security system are mainly women, lower socio-economic groups, people of other ethnic origin than Danish, single persons, people with a low education or a bachelor's degree and persons, who have previously worked in industries such as construction, agriculture and trade, hotel and catering industry. Also individuals, who have previously been in the security system, have a higher chance of returning. Long-term unemployment affects more men, persons aged 55-59 years and persons who are insured in an unemployment insurance fund for academics.

In relation to the assessment of income security, it is essential to what extent the unemployed again find their way back into employment. The analysis shows that just over one third of those, who were unemployed at the end of November 2003, had come into ordinary employment one year later, while a quarter were still unemployed. Nearly 20 per cent had moved to an active labour market policy measure and the remainder had moved out of the workforce, for example to start training, transition, to retirement or to being on leave.

With respect to the general question of whether income security in the Danish model in itself acts as a springboard back into employment, a nuanced response must be given. On the one hand it is more than one third of those affected by unemployment, who are short-term unemployed with an unemployment duration of less than 20 percent of the year, while only around 10 percent are unemployed for more than 80 percent of the year. This suggests a well-functioning safety net, where most unemployed rapidly return to employment. The analysis also suggests, nevertheless, that it is within some specific professions and industries that the income security system is functions as a stepping-stone to new jobs, for example within the building and construction industry and agriculture, fisheries and mining. Persons who have previously worked within these industries had both higher odds of moving into the short-term unemployment and for to be found in employment a year later.

At the same time, an analysis of the transitions of the unemployed from year to year also document that many of the unemployed do not easily return to employment. It is only about one

third of the unemployed in November 2003 that are in regular employment in November 2004, while a quarter are still unemployed a year later. This does not exclude that they have been in employment in the meantime, but at least they have not achieved a stable job.

When looking at who has the best opportunities to be found in employment one year later, the odds are higher for younger people with a Danish background, people with an education above primary level (except for Bachelor's degree), people living in relationships and persons who last worked in the construction industry. Also, the lower the previous degree of unemployment that you have had, the better the job opportunities.

Summing up, it is especially the group aged 55-59 years, single people, immigrants and their descendants, persons with low or no education or Bachelor's degree and those who are insured in academic unemployment funds, which more frequently enter the security system, and also less so than others move out of the security arrangements again - at least when you look at their transitions between 2003 and 2004. The analysis therefore shows that some groups more than others use the security system as a stepping-stone to new jobs and make use of the particular combination of flexibility and security in the Danish labour market, while others who are moving into the security system find it much more difficult to return to work.

Some of those, who find it difficult to move back to work, were a year later taking part in labour market policy measures. The analysis shows that women, young and people with immigrant background had higher odds of ending up in this group. Whether this improved their labour market prospects is the subject of the following sections.

Active labour market policy

Active labour market policy is a vital corner of the Danish flexicurity. Each year up to 300,000 people take part in an active labour policy measure, which corresponds to around 10 percent of the workforce. Despite the decline in registered unemployment since the mid-1990s, the number of participants in labour market policy measures declined less markedly. This reflects partly that the activation requirement has been gradually extended to virtually all groups of recipients of unemployment benefit and social assistance. Also a number of new measures have been introduced such as flexi-jobs and integration programs for immigrants. However, there is a substantial difference in how long participants are participating in the different programs. Some measures are working as temporary stepping stones (such as guidance and job training in job search), whereas other programs have a more permanent nature (e.g. the flexi-jobs).

Some groups are over-represented in the labour market policy measures. In proportion to their share of the workforce one finds almost three times as many immigrants and twice as many second generation immigrants as ethnic Danes, who participate in labour market policy measures. Moreover the family situation and the educational level plays a role. Furthermore, women are slightly over-represented compared to men and the uninsured are overrepresented compared to those with a membership of an unemployment insurance fund. Persons with low socioeconomic status are overrepresented compared with high socioeconomic status. Some groups have more of these characteristics simultaneously, which of course dramatically increases their likelihood of participation. Although the active labour market policy in principle is targeted at all groups, there is a preponderance of individuals with characteristics, which implies that they have a weak labour market attachment.

Looking then at the entries and exits for labour market policy, it is striking that there is a considerable continuity over time. There is a strong individual path-dependency with respect to participation in labour market policy measures from one year to another. More than half of the participants in November 2003 thus participated in a measure the year before (52%), while nearly one fifth of participants (19%) were in employment in the previous year. This general picture

however masks significant differences between the various measures. Continuity is highest for flexijobs. For other schemes, there is a significantly larger dynamic.

We have also studied what characterizes the individuals, who leave the labour market policy measures. The analysis shows that some groups have higher probability to move to employment in the year after participation in a labour market policy measure than others. We find the highest probabilities to go into employment for men, younger age groups, ethnic Danes, people with higher education than elementary and couples with dependent children. The type of labour market policy measures is also crucial for the departure pattern. People in supported employment have a higher probability to move into employment.

The employment security provided through active labour market policy therefore comes out as heterogeneous. On the one hand, the proportion of participants who leave an active labour market programme for employment is higher than the proportion that comes from employment. Also the share in unemployment is lower after participating in active labour market policy. But on the other hand, a large proportion of participants are stuck in a labour market policy measure for years. In some cases this is understandable, because the measure itself is of long term nature, as for instance flexijobs. But even if corrected for this, the share, who remain in the programs, is quite high.

Continued Vocational Training CVT

The public CVT effort in Denmark is characterized by mainly being wholly or partly funded by public sources (supplemented by user fees**).** The share of participants as a percentage of the labour force has over many years been among the highest in the world. Furthermore training is organized in close cooperation with the social partners. There is traditionally an emphasis on basic education transferable skills, which must be seen in relation to the strong element of public funding. Actually, the cost of CVT-activities is among the highest in the world (see also Finansministeriet, 2006). Besides the public CVT-activities there is also a high level of private CVT, including training conducted internally at the company.

In terms of numbers, there were in 2004 nearly 963,000 participants equivalent to 58,000 full-time persons. Over time, CVT-participation generally increased from 1990 to a peak in 1999. From here there is a more differentiated development. The number of full-time participants thus showed a marked decrease from approx. 78,000 persons in 1999 to 58,000 in 2004 and 45,000 in 2005. The figures thus indicate a general decline in CVT-activities. The decrease, however, has not to the same extent been reflected in the number of actual persons participating in the CVT, which indicates that more people join in shorter CVT-activities.

A breakdown by gender shows that more women than men take part in CVT measured on a full-time basis, but that there are more men participating in the CVT measured in actual persons. This means that women tend to receive longer CVT-courses than men. The vast majority of the employed CVT-participants are between 20 and 49 years.

When it comes to ethnic background, there are relatively large differences in VEU participation between individuals with immigrant backgrounds and Danish origin. About every fourth participant in CVT in 2004 had an immigrant background. This is not surprising bearing in mind that many with immigrant backgrounds receive language training.

The public CVT-activities are dominated by participants with few or no qualifications beyond primary level. People with education up to and including vocational education constituted 77 % of all participants in CVT in 2004.

From a flexicurity perspective, participation in CVT may facilitate labour market mobility. Our analysis shows that an employed individual is indeed more mobile, if having participated in CVT compared to those who were employed without receiving CVT. But we also find that the employed CVT participants are in a more vulnerable position, since they also have higher odds than those employees, who did not participate in CVT to be on the margin or even outside the workforce.

When a breakdown is made into different groups on the labour market and into different types of training, some interesting correlations are found, which clarifies the general picture of CVT as promoting both mobility and marginalization. For the best educated, CVT increases the probabilities of mobility without the high risk of marginalization. For skilled workers there is also an increased mobility into employment, but here one finds also a relatively high risk of marginalization. The lowest mobility into employment is seen for the unskilled participants, and here there is also a high risk of marginalization.

Summing up the results concerning the role of CVT in the Danish "Golden Triangle", we once more observe a mixed picture when the aggregate flows in the Danish model are dissolved into their components. On one hand the public CVT activities seem conducive to labour mobility. Participants move more frequently than others from job to job. But on the other hand, they also have a greater risk of marginalization. Whether these differences are themselves caused by CVT-participation, or whether CVT-participation reflects an attempt to avoid marginalization of individuals, who for other reasons are in a threatened position, cannot be readily determined from the analysis made, but will require further studies.

At the same time we see large differences in the interaction between training, mobility and marginalization of different groups and forms of CVT. In the balance between mobility and marginalization persons with higher education, who participate in more advanced CV , appears as winners due to increased mobility and /or a lower risk of marginalization. Conversely, the outcomes for low-skilled are more uncertain and involves a complex interplay between educational background and type of CVT.

UPSTAIRS OR DOWNSTAIRS IN THE DANISH MODEL

Above, the focus has been on the individual elements of the Danish flexicurity model. In this section, we draw some crosscutting conclusions about, which groups are "upstairs" and "downstairs" in the Danish model.

A first general conclusion is that the Danish labour market is characterized by significant path dependencies.

This applies to the macro level in the sense that the structures in terms of the overall mobility patterns and patterns for each group displays a considerable stability as evidenced by the analysis, which has drawn on data from the period 1980-2004 (Bredgaard, Madsen & Rasmussen, 2007). This is a result that is also found in international comparative studies (Auer & Casez 2002; Auer 2007) and which runs counter to the notions that technological change, globalization and new forms of organization have fundamentally altered the functioning of labour when it comes to the ties between the employees and the workplace.

Path dependence can also be seen at the individual level through a strong influence from the individual's employment history. The individuals who have had a fragile labour market career with staying on the edge of the labour market will also have a lesser chance of entering into stable employment. Conversely, there is a high probability that an employed person maintains a permanent connection to the core of the labour market.

There are also some clear measurable differences between the groups who achieve stable employment and the groups that end up on the border of the labour market. Men have a generally slightly stronger social position than women in the sense of for example having a higher probability of being in employment. The age group 40-49 years appears in most cases as the age group having the strongest positions on the labour market. Educational background and occupational status show a clear hierarchy with the highest educational and occupational categories found in the best positions. Single persons with and without children have a lower chance to be in jobs. The same goes for persons with an immigrant background.

In relation to the overarching theme of the present article, it is of course essential to assess, whether the various security arrangements make a positive difference for those who do not move directly between jobs from one year to the next. This assessment does not result in a uniform picture.

On the one hand, it is obvious that the various security arrangements do not act as blind alleys. A large proportion of those, who move into the various security measures - including those from positions on the border of the labour market - return to employment. But some of the security arrangements have ambiguous effects. For example, participation in CVT may have a positive effect on mobility to other jobs, but also increase the risk of moving to the border of the labour market.

At the same time, there are also many who are stuck and are found in a passive situation or in labour market measures from year to year. Main features of these groups are that they often are elderly, school leavers and non-Danes. To some extent gender also makes a difference. Status as a single is generally a drawback in relation to getting back into employment. These basic patterns, which are found in most studies of labour market marginalization, are not broken in the Danish model.

An assessment of whether the position of weaker groups is better or worse in the Danish version of flexicurity than on other labour markets falls outside the scope of the present article, but the present knowledge on youth and long-term unemployment and employment rates for both young and old age groups do not indicate that the Danish model in itself would be highly exclusionary (Madsen forthcoming). On the contrary, it appears that Denmark in terms of both employment shares and unemployment rates for young and old age groups is in the better end of the EU member states.

NEED FOR REFORMS OF THE DANISH FLEXICURITY MODEL?

When it comes to policy considerations, the results reported in the present article lead to a number of observations.

First, they indicate that the Danish model in several respects is well functioning in its interplay between flexibility (here measured by job-to-job mobility) and various forms of security. Mobility is generally high, and flows are significant between the different positions as employed, unemployed, involved in active labour market policies and participant in CVT. Based on these observations, one is tempted to recommend a significant caution with reforms that could disrupt the stable balances, which for many years has characterized the Danish model.

But on the other hand, it is also evident that there are a number of points where the interplay between flexibility and security in the Danish model is less optimal.

Firstly, it is obvious that the risk of leaving of stable employment is not evenly distributed. A number of groups have higher risks than others of losing their foothold or not obtaining sustainable employment. In itself, the present research has not revealed many new groups of this type. But the analysis points to the need for continued and enhanced efforts for the well-known weaker groups: early school leavers, immigrants and single parents. It is these groups who are the least able to exploit the security elements of the Danish model as a springboard for a stable labour market attachment. On the contrary, there are many in these groups, who find it difficult to leave the income security systems and active labour market policy. The safety nets are operating, but they do not work optimally in relation to vulnerable groups.

The results from the present research cannot lead to precise instructions concerning what actions to be prioritized in this regard. Within active labour market policy supported employment with a wage subsidy appears as a tool that assists participants in their return to employment, but the analysis does not allow us to assess to what extent this is an independent effect of this specific tool or of the interaction with other interventions.

Furthermore, the analysis points to CVT as a measure, which can assist the participants through increased opportunities for mobility into a new job, but there are also many CVT-participants, who face an increased risk of being marginalized. The outcome of CVT therefore depends on a number of conditions, including presumably the extent to which the effort is part of an overall strategy for the upgrading of employee skills at the firm level. In situations where CVT is used more spontaneously, in an attempt to assist employees threatened by unemployment in case of for instance collective dismissals, it may be too late.

Apart from broader reflections on the challenges facing the Danish model is facing in the coming years, we will in particular point to three issues related to the three forms of security, which are in focus in this article.

A first challenge lies in the erosion of the gross replacement rates of unemployment benefits that has occurred since the early 1980s, in connection with the expansion of collective pension schemes in the private sector, also among blue-collar workers. Much of the significant erosion of the coverage of unemployment benefits in recent years can thus be attributed to the fact that unemployment benefits do not include pension contributions. The consequence of that will be significant differences in the economic conditions for future pensioners depending upon differences in their unemployment risk, while they were in the labour market. This is unfortunate from a distributional point of view, but can also cause a continuation in the declining membership of the unemployment insurance funds, which has already been seen.

In relation to the development of employment security through active labour market policy, the question is, whether the current balance between welfare (social integration) and workfare (social discipline) has shifted and is tilted in favor of workfare, and whether this could ultimately pose a threat to the flexicurity model. The threat could occur if the skills component of the measures is reduced. Then the mismatch between the actual skills of the unemployed and the qualification requirements of the job vacancies cannot be overcome through the active efforts.

Finally, we will stress that employment security in the Danish model is not only supported by an extensive active labour market policy, but also by the institutions that contribute to a high level of training and lifelong learning. In the public CVT-system, the focus in recent years has increasingly been on employees, while the skill's needs of the unemployed skills requirements likely to slip into the background. Again there is a need to consider the security mechanisms in the Danish model needs an overhaul also in the future to ensure proper functioning interplay between flexibility and security in the Danish labour market.

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