



# **Universitat Autònoma de Barcelona**

**LABOUR MARKET FLEXIBILITY IN SPAIN AND DENMARK:  
A COMPARISON OF PREFERENCES FOR FLEXIBILITY**

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**Abstract:**

*The Spanish labour market has one of the highest unemployment rates in Europe and the idea of making the labour market more flexible has become a key point in the political and economic debate. In the first part of this project I explain the different types of labour market flexibility and identify the main elements of the Danish labour market model (flexicurity model) comparing with the Spanish labour market. In the second part, I analyse the preferences and the perception of job security among Spanish and Danish people to identify the main individual characteristics that are related to those preferences. Finally, I conclude that despite the low employment protection regulation existing in Denmark, Danes feel more secure on their jobs due to the other elements that form the flexicurity model. These are the same elements that reduce the sensation of job security in Spain.*

## TABLE OF CONTENT

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TABLE OF CONTENT	3
1 INTRODUCTION	4
2 THEORETICAL ASPECTS OF THE LABOUR MARKET FLEXIBILITY	6
2.1 What does Labour Market Flexibility mean?	6
2.2 Labour Market Flexibility Classification	6
2.3 Labour Flexibilities are Substitutes or Complements?	11
3 THE DANISH LABOUR MARKET	13
3.1 The Danish Labour Market and Economic Performance	13
3.2 Flexicurity: the Danish Model	14
4 PREFERENCES FOR JOB SECURITY IN DENMARK AND SPAIN	20
4.1 Descriptive Analysis	21
4.2 Econometric Analysis	24
4.3 Results	26
4.4 Including country dummy variable	28
5 CONCLUDING REMARKS	30
6 BIBLIOGRAPHY	31
APPENDIX A: FIGURES	33
APPENDIX B: TABLES	47

## 1 INTRODUCTION

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During the last years of economic crisis in Spain, it has been said that in order to stop the unemployment haemorrhage and to be able to create jobs again, it was strictly necessary to make the labour market flexible. Managers, CEOs (CEOs: chief executive officers) of large companies, entrepreneurs and some political parties have promoted flexibility. During the crisis, two labour reforms have been applied with this aim; the first one in 2010 when the socialist party (PSOE) was in the government and the second reform in 2012, with the popular party (PP) in the government. Nowadays, surrounded by an uncertain political situation, firms claim for a third labour market reform to introduce more flexibility to alleviate the unemployment problem of the Spanish economy. Recommendations from the European Union also advocate for a more flexible labour market. At the same time, the Unions demand the abolition of both 2010 and 2012 labour market reforms<sup>1</sup>.

In front of this situation where the interest of firms and unions are completely opposite, a relevant question is to analyse the preferences for flexibility and the perception of job security in Spain. Since a reference point is needed, I compare those preferences and perceptions between Spain and Denmark. The reason is that the Danish labour market is one of the most efficient labour markets in Europe and it combines high levels of flexibility and security. The positive results of the flexicurity model have made the Danish labour market one of the most envied labour markets in Europe and over the world. This is why the European Union is promoting that the rest of European countries adopt the flexicurity model.

The objective of this project is to analyse what means flexibility, how the Danish labour market works, what are its main characteristics, how people in Spain and Denmark feel in their labour markets and how different are the preferences and the feeling of job security in the citizens of these two countries.

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<sup>1</sup> Jansa, M. (2016). “Las empresas piden otra reforma laboral que permita más flexibilidad” *El Periódico* [Barcelona, Esp] SUNDAY, 8TH MAY 2016:  
<http://www.elperiodico.com/es/noticias/economia/las-empresas-piden-otra-reforma-laboral-que-permita-mas-flexibilidad-5112035>.

My analysis of the preferences and feeling of job security is based on Dolado, et al (2010). These authors compare the preferences of Spaniards and EU-15 citizens for flexibility in a descriptive way. They use the level of agreement on the statement “labour contracts should be more flexible to increase employment”, asked by the Eurobarometer May-June 2009. Dolado et al (2010) show how the proportion of people who agrees with that statement varies with individual characteristics and labour status. Unlike Dolado et al (2010), I analyse the preferences for flexibility and the feeling of job security using an econometric analysis. In this way I can estimate if an individual characteristic is related to those preferences after controlling for other variables. In addition, while Dolado, et al (2010) compare the Spanish preferences with the EU-15 average, I make the comparison of the determinants of the preferences for flexibility in Spain with those in Denmark, which is the country that has applied the most successful combination of flexibility and security in the labour market.

In order to answer the previous questions, in Section 1, I explain the concept of flexibility as well as the different kinds of labour flexibility existing, and whether they are substitutes or complements. In section 2 I deeply analyse the Danish flexicurity labour market in order to determinate which are the key variables that allow having high levels of flexibility and job security at the same time. The results found reveal that efficient active labour market policies (ALMP), generous unemployment benefits and low employment protection regulations are the key elements of the Danish flexicurity model. Finally in section 3 I analyse the preferences for job security in Denmark and Spain as well as the feeling of job security. The results reveal that despite the low employment protection regulations, in Denmark, people feel more secure in their jobs than in Spain, a country with a more restrictive regulation. At the same time, Spaniards have higher preferences for job security than Danes. Preferences for job security are really extended among every kind of people, no matters the age, gender, marital status, education level, labour situation and union membership in Spain. In Denmark, however, preferences for job security are higher in certain groups.

## 2 THEORETICAL ASPECTS OF THE LABOUR MARKET FLEXIBILITY

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### 2.1 What does Labour Market Flexibility mean?

“Flexibility” in the labour market is generally used to describe the mechanism of adjustment used by firms to adapt their labour force to the hit of an outside shock. This mechanism allows firms to shape their organisation, wages and workforce in terms of number of employees and working hours. A flexible labour market is one where there are fewer regulations affecting the hiring or firing process and firms can easily shift wages and change the number of hours worked by their employees. A labour market with low flexibility is swamped by laws and costs concerning the hiring or firing process, also it exist a huge difficulty for firms to adapt wages and working hours to the external shocks.

The concept of Labour Market Flexibility (LMF) emerged in the early 80’s in both industrialized and some developing countries as a consequence of poor economic performance characterised by an standstill in production, high rates of unemployment and inflation. Since then, the idea that gained popularity at the level of policy makers, employers in general and in part of the academic establishment was that the way in which labour markets operated was a significant obstacle to economic growth (Lagos; 1994).

The main problem was the rigidity reflected in the price of the labour workforce, the conditions of employment and the quantity and quality of manpower. This rigidity is the result of institutional constraints, social policies, legislation, collective agreements, centralized negotiations, union performance and governmental guidelines. The Labour Market was seen not only as a problem but also as the solution. The solution was thought to make the Labour Market more flexible, adapt de requirements imposed by the technological change and the external competition.

### 2.2 Labour Market Flexibility Classification

When analysing the degree of flexibility in a labour market, two aspects need to be in mind. It exist different kinds of flexibility and there are plenty mechanisms to identify the level of flexibility. In the next pages, a classification of the different kinds of flexibility is made and the diverse methods to identify the level of flexibility are

exposed. This analysis is based on the classification made by the European Commission at (European Commission Social Affairs and Equal Opportunities, 2006)

### *2.2.1 External flexibility*

The external flexibility, also called numerical flexibility, refers to the ability of the firms to increase or decrease the number of employees depending on the variations on the demand and/or technical changes. It is hold that the expensive and complicated redundancies make firms to refrain themselves to bring in new employers because they will not be able to fire employees if economic conditions change. Lagos (1994) mentioned that the low unemployment rates saw in the United States are largely a consequence of American's employers' freedom to engage or dismiss workers as an answer to economic performance changes.

This kind of adjustment is considered basic because firms need to stablish a stable correlation between the quantity of output supplied and the workforce needed to produce that output. If companies are not able to adjust the number of employees to their demand, profitability will decrease. So firms need to get adapted quickly to market fluctuations and changes in their environment to maintain their competitiveness and survive. Those economies with higher levels of external flexibility may suffer higher levels of unemployment during the recession periods, (Recio. A; 2007)

In order to measure the level of external flexibility that a market has there are several ways. The average duration of the period of employment indicates how fast people change from one workplace to another, so, as the lower the average, the highest the level of flexibility. Firing costs are also a measure to determinate how flexible a labour market is; if those costs are low, firms will not hesitate to fire employees if needed. On the other hand, if firing has low cost, companies requiring more workers will hire new employees because it is known that they will not have to make a big effort to fire them if employees are not needed on the future.

The kind of contract that predominates in a labour market also gives us some clues about the degree of flexibility of that market. Those markets that allow firms to hire people for a determinate period of time using a temporary contract are more flexible than those that do not. Temporary contracts enable firms to face punctual peaks of activity, stationary activities...; the possibility to engage employees to cover specific

tasks that need to be faced in certain hours or days also allow to determinate the level of external flexibility.

The standard indicator in figure 1 represents the average tenure in years with the same employer; the result can guide us to see how flexible a labour market is in the external side; the lower the average, the highest the job rotation, which indicates a higher degree of numerical flexibility.

As appears in the figure, Denmark is the country with the lowest average tenure with the same employer in 2014. The high degree of external flexibility in Denmark is comparable to the British labour market. In contrast, the average tenure in Spain was 33% higher than in Denmark in 2014.

The difference between countries may be the result of a huge number of reasons as the industry structure or the temporality of the contracts. But it seems that the most likely explanation of the varying external flexibility is the ease with which employers can hire and fire employees. (Bredgaard, et al 2005).

### *2.2.2 Internal flexibility*

The internal flexibility refers to the different adjustments that a firm can make in order to get adapted to changes in demand, changes in technology or external shocks. There is not only one way to modulate the firm adjusted to the economic performance. All kinds of internal flexibility depend on the regulation of the collective bargaining.

#### *Working time flexibility*

Also known as temporary flexibility refers to adjusting the number of hours worked and their placing. Increasing the flexible degree of working hours is a key point in the European employment strategy (Employment guideline N. 21). In order to respond quickly to sudden changes in demand, get adapted to new technologies and be in a position to innovate constantly with the aim to remain competitive, firms should become more flexible. This kind of flexibility not only keeps the firms alive and competitive but also aids employees to suit their private lives and reconcile work and family life.



The flexibility of working time is considered as a possible alternative to wage or employment adjustment when firms are facing changing economic conditions. *“Reduction of working hours has been the form of flexibility which has had the greater acceptance”* (Lagos 1994, p. 88). This flexibility is a win-win trade and unions accept the working hour’s adjustment to fight against unemployment. On the other hand, employers are interested in expanding the working time to use as much as possible the working capacity of their machines thus they could create shifts.

The percentage of part-time contracts gives us an idea of how flexible in terms of working hours a labour market is. If part-time contracts have an important weight means that the labour market is rather flexible. As figure 2 shows, The Netherlands is the country with the highest percentage of part-time contracts, almost 50%. Countries where the partial time has a bigger importance is around 25%, Denmark and the UK are among them as well as Germany and Austria. These countries have a more flexible labour market than those that are around 10%. Spain is among the countries with lower levels of part-time contracts. It is remarkable that in almost all countries the importance of partial-time jobs has increased over the years, which means that the European labour market is becoming more working time flexible as time goes by. Concerning the working hours, if all employees work the same hours per week means that there is no flexibility; however, if every employee works a different number of hours means that there is a high level of flexibility on that market.

Working hours in Western countries as they are today have been shaped to 40-hour weeks that gained prominence over the 20<sup>th</sup> century. The 40-hour week has remained in many countries within Europe. At the same time, countries show wide differences in the actual distribution of working hours. Figure 3 illustrates the actual variety of working hours in Europe, comparing the working time in 2004 for males and females in 4 European countries; Hungary, United Kingdom, Denmark and France. While in Hungary the prevalence of the 40-hour week is demonstrated, 80% of all employees usually work 40 hours per week. In the UK seems that the concept of standard working time has disappeared in this country. The rest of the European countries are somewhere between these two countries. It is easy to identify a peak or two of worked hours and generally coincide with the standard working hours of their countries. In France, the standard working time is 35 hours per week and many employees work among 31 and 35 hours. Denmark also deviates from the 40hour-week and most employees work 37

hours per week. In terms of flexibility, the smoothest the shape is, the higher degree of flexibility existing in the labour market. Countries where the working hours are more flexible allow firms to adapt their employees' working time to afford changes on external factors.

### Functional flexibility

An alternative measure of adjustment is the internal mobility of employees inside the firm, getting adapted to its necessities. A flexible workforce can help to keep a stable employment if they change their workplace (Recio, 2007) This calls workers to be multitasking and be able to adapt to different tasks which involves different levels of complexity. However, this kind of mobility or flexibility does not depend exclusively on the capacity or availability of the workforce to change their workplace; it is also related with the versatility, mobility of the means of production, organizational capacity of the firm.

The functional flexibility brings up the ability of companies to use efficiently all their workforce when there is a variation on the demand, the work performance and the new opportunities offered by new technologies.

If any of both, flexibility of workforce and firm's capacity, is too rigid, there is no place for functional flexibility. However, a firm which has the capacity to transfer employees from one part to another is likely to be adapted to changes that can affect their demand.

Functional flexibility is preferred by workers rather than the wage or employment flexibility since it is not based on decreasing the wages, unemployment. This kind of flexibility allows them to use their know-how, they get more involved in all the production process and they feel involved in the management of the enterprise by playing an active role. So it involves employees having a better opinion of their work conditions and allows the company to restructure the production process and get adapted to the new market conditions. The functional flexibility forces firms to invest and form their employees in different tasks. This is the reason why training programmes are becoming highly popular in the relationship between employers and employees.

### Wage flexibility

It is the degree of responsiveness of nominal wages to changes in the economic conditions such as inflation and productivity. A higher level of wage flexibility means that firms can adapt their wage costs to the economic performance in order to maintain their effectiveness and keeping their workforce. At the same time, if salaries are flexible enough, they can be used as a motivational tool in order to raise productivity. Wage flexibility has a dark side; wage moderation can have an effect on the internal demand. If real wages decrease, the national consumption will decrease and can affect negatively to employment. Also, a decrease on salaries can promote social tensions.

When external shocks occur and adjustment must be done, it can be done either by reducing prices or by quantity (employment). Garicano (2010) shows that while during the economic crisis, in UK, the adjustment was made in wages rather than in employment, in Spain was completely the opposite.

Garicano (2010), a high degree of flexibility in terms of wages allows firms to keep their level of profitability avoiding firing part of their workforce and be capable to stay alive when the demand is low. The flexibility of wages depends on the regulation of the collective bargaining. If unions are strong and powerful, wages are less likely to be flexible and wages could be maintained. So firms cannot use the internal flexibility and they use the external one (especially temporary contracts if firing permanent workers is too expensive because of high firing costs) to adjust their workforce.

In order to see how flexible wages are in Spain and in other European countries, figure 4 represents the annual variation of wages. There is not a clear evolution for all the countries, each country seems to follow its own path due to the fact that wage evolution depends on the collective bargaining. However, both the United Kingdom and Spain seems to have a more marked evolution, with a higher level of volatility. Is in the UK where the salaries started to decrease first. Meanwhile, in France, Germany and Denmark salaries increased around 2% but in Spain salaries raised the most despite the crisis, they did it more than 6%. The results show up that is the British labour market the one with the highest wage flexibility, since it was capable to adapt wages to the economic situation.

### 2.3 Labour Flexibilities are Substitutes or Complements?

It has been exposed the different kinds of flexibility. According to Eichhrost et al (2009) Spain had one of the worst flexibility degrees in the labour market in Europe before the crisis. Figure 5<sup>2</sup> shows countries ranked by numerical, functional and wage flexibility. As longer the bar is the higher degree of flexibility. Countries with higher level of these kinds of flexibility are Anglo-Saxon countries with the USA leasing the ranking. USA, Canada, New Zealand, Ireland and the UK are among the top 10. This result is mainly due to their high level of numerical and wage flexibility while functional flexibility is on the average. Denmark, however, is also among the top 10 but its flexibility degree is characterized by a higher weight of functional flexibility. The Danish performance is better than any other Continental European and Scandinavian countries. Most European countries are on the bottom of the ranking which means that these countries have a more protective or rigid institutions in the numerical, functional and wage flexibility.

The Figure 6<sup>2</sup> includes all kinds of flexibility. The labour markets which are more flexible are the Scandinavian ones and the Anglo-Saxon. Denmark, Finland and Sweden are the countries where the internal flexibility has a bigger weight. The figure reveals a weakness degree of flexibility in the Mediterranean countries. “They combine weak internal flexibility with rather rigid institutions in the external labour market and in wage setting” (Eichhrst, et al 2009 p-18).

As it is shown in figure 6 those countries with high levels of external and wage flexibility also have a high degree of internal flexibility, which means that the different kinds of flexibility are complements rather than substitutes (Felgueroso 2010).

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<sup>2</sup> Figures 5 and 6 use a different classification of labour flexibility. The external numerical, internal numerical and internal functional are the same as in the classification above, however, Eichhrst, et al 2009 consider wage flexibility neither internal nor external and the external functional flexibility represents the Active Labour Market policies expenditure, education attainment and expenditure per student. External functional flexibility was not considered as flexibility in the previous classification.

### 3 THE DANISH LABOUR MARKET

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#### 3.1 The Danish Labour Market and Economic Performance

The Danish economy is characterised, in recent years, by a high growth: between 2003 and 2007, the Danish economy annual growth rate was 2.02%. When the crisis arrived, the growth turned upside-down, the Gross Domestic Product growth rate was around -0.796% between 2008 and 2011. The Danish economy has a moderate behaviour since 2011 growing a 0.06% each year as an average. The figure 7 shows the annual GDP growth rate between 2003 and 2014 in Denmark and Spain. It is remarkable that since 2010 the Danish GDP growth rate is higher than the Spanish one.

Table 1 shows some key facts about Danish labour market. The data is from 2015Q4 and it is included a comparison with the Spanish labour market.

	Denmark	Spain
Total population	5.7 million	47 million
Active people rate	78.5%	74.2%
Employment rate	73.8%	58.6%
Unemployment rate	5.9%	21%
Youth employment rate	55.5%	17.9%
Youth unemployment rate	10.2%	46.2%

Source: Eurostat

The Danish unemployment rate is one of the lowest in the European Union. From a peak of 12.4% in 1993, the rate has declined to 2.4% of the workforce in 2007. When the crisis started, the unemployment rate reached the 7.6% in 2011 but it has dropped till 6.3%.

From 1997 down to 2007 the Danish labour market is characterized not only by a reduction in unemployment but also by an increase in employment. From 1995 to 2006 the employment rate rose from 73.8% to 77.4% and the unemployment rate has dropped off from 7% in 1995 to 3.5% 22 years later. However, since the economic crisis began, the employment rate fell till 72.5% in 2013 and the unemployment rate rose to 7.6% in 2011. Despite the crisis, these labour market indicators have always been in a better

position than the average of the EU. The Danish employment rate has been always 7.9 points above the EU rate. One reason for this high employment rate is the fact that 70.4% of women and 76.6% of men were working in 2015 (Eurostat). This result is a direct consequence of a change that started in 1960's, when more women started to enter in the labour market and an extensive child care system started to be established. (Sørensen 2006). Figures 8 and 9 represent the annual employment and unemployment rates for Denmark, Spain, EU 15 Countries and EU 27 Countries. It is remarkable that despite the fact that in Denmark the GDP had a sharper decrease than Spain, the unemployment rate was higher in Spain than in Denmark, this reveals that there was only external flexibility for temporal contracts.

### 3.2 Flexicurity: the Danish Model

Even if the concept of flexicurity is quite young, it has become a key objective of the European Employment Strategy (Wilthagen and Tros, 2004). The concept of flexicurity is based on the idea that flexibility and security are supportive elements (EC, 2006). This concept is still developing and it exist two main definitions for flexicurity: The Wilthagen<sup>3</sup>'s definition of flexibility-security and the Danish labour market.

It exist an international consensus that the success of the labour market in Denmark is the direct result of a high labour market dynamism combined with a high degree of social protection.(Hendeliowitz, 2008) This successful model has been called in the recent years the “flexicurity model” referring to the combination of flexibility and security.

The flexicurity model is based on a climate of understanding and cooperation between the employer and the employee. These values are not always easy to achieve, that is the reason to believe that the public intervention is indispensable to ensure the adaptability and understanding among both, which is essential to ensure the well-functioning process of the labour market (Hendeliowitz, 2008). Both, employers and employees, have their own interests or aims; generally employers and firms look for high levels of flexibility which could enable them to afford better the possible demand shocks However, employees prefer lofty levels of security in terms of employment. Generally,

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<sup>3</sup> Flexicurity is seeing as a policy strategy with the aim to evaluate and value the labour market strategies and policies as an empirical matter (Wilthagen and Tros, 2004) using flexicurity as a tool to compare national labour markets systems. (EC, 2006)

both aims are viewed as opposed, but not in the Danish model since flexibility of firms and security of employees are being mutually reinforcing rather than conflicting with each other. The rapport among employer and employee beneficiates the creation of an environment that incentives the creation of new job places when, mine while, more opportunities to grow up, get adapted and take advantage of new opportunities are offered (Hendeliowitz, 2008).

As figure 10 shows, the Danish flexicurity system can be represented as a triangle. Three sides and three vertexes where each side represents one flow of people and where each vertex means one possible situation.

Two arrows link the numerical external flexibility and the generous unemployment benefits, these arrows reflect those workers who are dismissed and those who are hired. Those who are unemployed are assisted by active labour market policies and find another one quite easily and quickly. Training programs are given in order to facilitate the re-entrance on the labour market. Also, the active labour market policies have the aim to create incentives and motivate people to get back to the labour market despite the attraction of being unemployed caused by the high level of generosity of the unemployment compensations.

### *3.3.1 Labour Market Policies*

The first vertex is a high spending on the Active Labour Market Policies (ALMPs). Authors as Eichhrost et al (2009) consider it as external functional flexibility. Training, good public employment services to help the unemployed to find a job... Unemployed people are offered the chance to participate in courses that would encourage them to get new skills to be able to find new jobs. At the same time, incentives to be back to the labour market are being created. The fact of receiving training updates the skills of unemployed people, their employment chances are increased and the salary that they could earn in the labour market is higher than the unemployment benefit that they perceive (Kvist & Pedersen, 2007)

In Denmark, the active labour market policies enjoy a political and popular support. In the different political parties, there is a broad political compromise over the reform of social and labour market policies. Social partners which are trade unions, employer's organisations and the State have a wide role in the planning, implementation and start-

up of the activation policies. Three quarters of the participants are satisfied with their offer of activation, and the population at large support these labour market policies. (Kvist & Pedersen, 2007) ALMPs policies have a dual role, the aims of this policies are not only ensure that everyone who work does it but also upgrading the skills of the unemployed to face the labour market demand and take advantage of this situation to get better jobs in the future (Hendeliowitz, 2008). The activation policies are an incentive to encourage people to be back to the labour market. However, the idea of lowering the unemployment benefits is seen as undesirable (Kvist & Pedersen, 2007).

Figure 11 represents the total expenditure on ALMP and Passive Labour Market Policies (PLMP) as a percentage of the GDP in some Europeans countries as well as the EU-28 and EU-15 average in 2010. Denmark expends 1.82% of its GDP on ALMP, being the European country with higher levels of expenditure on this kind of policy. In the ranking, Denmark is followed by Netherlands, France, Sweden and Finland. On the other part of the ranking Greece, Italy and the UK are at the bottom. Spain expends 0.83% of its GDP on ALMP. Concerning PLMP, Spain is the country which expends the biggest amount on PLMP, 3.05% of the GDP, followed by Ireland and the Netherlands. Norway and the UK are the countries which expend less of their GDP on this kind of labour policies. This data could be affected by the unemployment rate, it could be expected that if a country has high rates of unemployment, the expenditure on Passive labour market policies would be increased. To eliminate this effect, figure 12 represents the expenditure on € for each unemployed citizen. The results show big differences between the countries analysed. Counting both ALPM and PLMP, Luxemburg is the country that expends the most per unemployed, 43.746€, followed by the Netherlands with 41.649€. Those countries that expend the less in both Active and Passive labour market policies on trying to reactivate their jobless citizens are the UK that expenses 5.092€ and Greece with 3.346€. In general a higher expenditure on labour market policies is due to PLMP except in countries as Denmark, Norway, Sweden and the UK. A higher budget for PLMP faces the flexicurity model where the ALMP have an important role on the activation polices.

### *3.3.2 The unemployment benefit system*

The second vertex refers to the generous unemployment benefits; that is, the amount of money payed to the dismissed employee. High unemployment benefits give security in



case of unemployment. This security provides time enough to search for a new and proper job.

The country that expends the most as a percentage of the GDP on labour market policies is Spain followed by Ireland and Denmark by 0.198 and 0.316 percentage points. As it has been already mentioned, the vast majority of the European countries expend more of their budget on passive labour market policies; all EU-15 countries except Denmark, Sweden, and the United Kingdom do so. Despite the fact that Spain is the one who spends the most as a percentage of the GDP in PLMP, it does not mean that the Spanish system is highly generous with unemployed people. Concerning the spending by unemployed person, Spain is under the EU-15 average. The Spanish government expended for each unemployed, 7.025€ while in Denmark the amount was 15.318€ in 2010. The fact that Denmark is the fourth EU-15 country the highest budget per unemployed concerning passive labour market policies is highly related with the generosity of the unemployment benefits.

The unemployment benefit system is the security key of the Danish flexicurity model. The perception of security that Danish employees have is a consequence of the huge and wide welfare schemes. The unemployment benefit system consists of two parts, the unemployment insurance (UI) which is complemented by a basic state-financed social security benefit system. This security provided by the State is a key factor for trade union to accept the flexibility and the ease with which Danish employees can be dismissed (Hendeliowitz, 2008).

In Denmark, the unemployment insurance is voluntary. There are 26 unemployment insurance funds (arbejdsløshedskasserne) divided into occupational sectors, but originally were allied to the trade unions. In order to receive the UI Danish employees must join an UI fund.

An employee can only be in the right to receive unemployment benefits, normally, after one year of membership of a recognised unemployment fund. Moreover, the worker must work 1,924 hours to apply for the unemployment benefit for the first time. This is equivalent to the standard full-time working hours for the occupation for at least one year in the last three years.

The amount of money that unemployed people receive is the 90% of previous income from employment, up to a maximum of DKK 801 (€ 101) per day five days a week from the first day of unemployment, up to a maximum of four year, including activation periods (OECD, 2013).

The benefits of the Danish UI are barely high to those in other countries. As table 2 shows, no other country is as generous as Denmark in the payment rate as a percentage of the earning base. Contrary to other countries as Spain, Sweden or Belgium, the amount of money paid as UI is not degraded which means that a Danish unemployed citizen earns the same the first day of unemployment and the last. As Kvist and Pedersen (2007, p 102) said “the social protection system offers benefits that, by international standards, are generous with regard to the length of benefit periods and the levels of benefits for low-income groups”.

The no degradation of the UI and the generous benefits create two problems. First, high levels of benefits mean that companies might pay higher salaries to attract workers, so the reservation wage is higher. Secondly, the benefits may twist incentives to work. However this problem is faced in Denmark by firstly, education, job training and active labour market policies which aim to improve the skills of unemployed and make easier their reincorporation to the labour market. Secondly, the different measures which aim to avoid misuse of those benefits and ensure that the unemployed who receives benefits is available to work (Kvist & Pedersen, 2007). In order to control the job searching process of unemployed people, the activations programs are a workfare. The participation on activation programs is a precondition for being eligible for unemployment benefits or social assistance. At the same time, the participation in those programs makes the job searching more active, motivates the unemployed to job creation and lowers the reserve demands for the type of jobs (job tasks, location, employer etc.) they are willing to accept (Andersen & Svarer, 2007)

### *3.3.3 Flexible Labour Market*

The third vertex of the triangle refers to the flexible rules concerning the hiring and dismissal employees' process so to the external flexibility.

It exists a high degree of mobility in Danish the labour market (Hendeliowitz, 2008). This characteristic is not seen as weak point of the model, quite the opposite. In 2014

the average job duration in Denmark was 8.1 years, the lowest duration in the EU-15, as the figure 13 shows. The average was 7.4 years in 2008 (Source: OECD). Denmark is also located among the lowest job duration's average in the OECD. An important fact is that mobility exist in all levels of employment, both high and low status job. No matter which is the type of employee, industry sector or firm size, overall the level of mobility is high in the Danish labour market. Even if the numerical flexibility is high, the highest rate is among employees in small companies and in the younger ages.

Another key element of the flexibility of the labour market is the employment protection. In 2004 the OECD said that restrictive employment protection reduces flow into and out employment, even if employment protection protects the existing jobs and prevent job loss, they also restrict job creation. The limited of employment protection in Denmark is one of the indicators that show a high level of job mobility. As figure 14 demonstrates, in Denmark, employment protection policies are not very extended, which makes easier to firms to adapt their workforce to market shocks.

This means that job security in Denmark is quite low. But, do Danes feel secure on their job place? Do the lax employment protection policies have an impact on the perception of job security? Do Danes have preferences for job security?

One of the possible explanations for high or low levels of security feeling is the most common type of contract. If the labour contract is temporal the insecurity is expected to be higher. At the end of the period the uncertainty of what will happen decreases the security of feeling. The rate of temporary/fixed-term workers took in 2015 the highest value in Spain among EU-15 countries, 25,2% while in Denmark is the second lowest ratio (8.7%). The average ratio for EU-15 is 14,1 % and 14,2% for EU-27 (Eurostat).

#### 4 PREFERENCES FOR JOB SECURITY IN DENMARK AND SPAIN

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What do Spanish and Danish people think about job security? Are preferences for job security related to individual characteristics such as age, education level, union membership, labour status? The *International Social Survey Programme* (ISSP), is a huge survey carried out every year in 45 countries with a social-economic aim. From 1989, the ISSP publishes every 8 years a specific module called “Work Orientation”. This module gathers information of citizens from 33 countries about a wide range of matters concerning their individual labour status. Respondents are older than 18 except in Finland where they are above the age of 15 and in Japan and South Africa where they are older than 16.

In this project the database used will be the last one available, which is from 2005, that means that it was made before the crisis. The countries selected for this project are Denmark and Spain, so the analysis will be based on these two countries. The main reason to choose Denmark as a comparative country is that, as shown in previous sections, the Danish labour market is one of the most dynamics labour markets and the referent to flexicurity.

Among all the questions asked in the ISSP survey, a certain number of questions have been chosen for this project. The survey offered a range of possible answers for each question, but in order to make the data analysis simplest, some different answers have been grouped together following a certain criteria. Table 3 shows the questions that were asked, the options given to the respondent and the aggrupation made for this project. The answer “not applicable” is treated as missing.

The chosen questions can be separated in two groups. The first one has the proposal to determinate the profile of the survey respondent: Age, sex, marital situation, labour status, educational degree and membership to union trade. The second group defines the preferences for job security and the perception of job security for those who have a job. The variable V11 refers to the preferences for job security, people had to qualify the level of importance that having job security means for them. In the V29 question, survey respondents were asked about how secure they feel on their job place by agreeing with the sentence “my job is secure”.

In the first block, the criterion to group the categories of a question is based in two aspects: the closeness to other possible answers and the sample's significance. In many occasions one possible answer was chosen by few people. In order to avoid this situation, some answers have been grouped. Also, in the original survey it exist two different answers for the same question where there was a tinny difference between two options and this small variation was not relevant for this project so the two answers have been grouped.

The dependent variables are assembled using the criteria of answers' closeness. The answers for these questions evaluated the degree of preference for a certain aspect. The answers took a value from 1 to 5 from less to more preferences. In these cases, those people whose answer was very important or important were assembled and those who answered not important or not important at all form another group.

The table 4 summarizes the sample used. Even if Spain has bigger population, the proportion of Danes asked is higher.

With this sample, the differences between the Danish and the Spanish labour situation are visible. The percentage of unemployed and inactive people in Spain is quite higher than in Denmark. While in Denmark, the unemployed respondents are 2.25%, in Spain they are 8.56% and the inactive respondents' rate in Spain is almost twice the Danish rate. What is remarkable is the difference on the education level of the survey respondents depending on the country. While in Spain 77.64% of the respondents have a low level, in Denmark is only the 12.64% and the majority has a medium level of education. In Denmark, the percentage of people who have a high level of education is almost twice the percentage in Spain.

The main goal of using this data is trying to stablish a relation between the variables previously mentioned and the preferences for job security. Since we are analysing the Spanish and the Danish survey, also, we will be able to determinate if the preferences are similar or not between the citizens of these two European countries. But, before going deeper into the data analysis, I present a descriptive analysis of the sample.

#### 4.1 Descriptive Analysis

In the following section an analysis concerning the data obtained will be performed. The main purpose is to identify the core features of a person who prefers her job to be secure (variable V11). The characterization made will be contrasted, later on, using econometric tools.

Figure 1 reveals that Spaniards prefer job security to a higher extent than Danish. The 96.7% of all Spanish interviewed declared that for them job security is either very important or important in a job. In contrast to the Danish where these options only reach 78.91%. This difference is higher only if the answer *very important* is considered; 69.5% in Spain and 31.94% in Denmark.

Regarding the age, preferences for job security have a different path depending on the country. As figure 15 illustrates in Denmark, 39.05% of interviewed people between 55 and 64 years consider job security as very important in a job, in contrast to the 24.81% of people between 25 and 34 years old who are into job security. In Spain, however, younger people are the ones preferring job security rather than older people. 73.51% of those between 18 and 24 years old say that job security is very important in a job; on the other side, 69.13% between 55 and 64 years old show strong preferences for job security.

Concerning the gender of the survey respondent, women are the ones who prefer a higher level of job security. In Denmark the differences between men and women are wider than in Spain. 34.88% of Danish women consider job security as *very important* in a job in front of the 28.63% of men. In both, women and men case, the preferences line is U-shaped. The minimum rate of preferences for job security is found in the 25-34 age group; 19.82% for men and 28.57% for women. The percentage of women who choose *very important* in Spain is lower than the percentage of men; 68.78% against 69.95%. Nevertheless, if the answers *very important* and *important* are considered, women (97.72%) prefer job security rather than men (97.24%). Concerning the women's answers, the distribution has a clear decreasing tendency. As younger a woman is, higher her preferences for job security are. In the men case, it seems that there is no clear trend.

The effects of the level of education have a different effect depending on the country. In Denmark, both men and women prefer job security when the education degree is low. It clearly exist a decreasing relation between the education level and the inclination for job

security. The results obtained, illustrated in figure 16, indicates that people with higher levels of education have less preferences for job security rather than people with lower levels. The reason to this fact could be that people with higher levels of education, in a regular basis, have jobs that are required of a higher amount of human capital feel themselves more secured in their jobs, as other elements are more relevant than security. On the other hand, those who have less education levels, feel themselves threatened so they tend to care more about security. 86.56% of the Danish respondent who have a low degree of education claim that job security is *very important* or *important* in a job. However, only 68.49% of those with a higher level of education chose the same answer. In Spain, the outlook is partially distinct. A clear correlation cannot be established. People with low or medium education level show a similar tendency for job security, around 97.5% of them selected *very important* or *important*. But when analysing the high-education group, differences between men and women appear. While highly qualified men are more into job security (98.33%), women are around 94%.

Regarding marital status, divorced citizen have less preferences for job security than married people. This fact could be explained by the fact that married would need more job security to balance job and personal life, so a higher level of job security is required. 33.44% of married Danish people said that job security is *very important*, while 28.28% of single people considered it. The same picture is found in Spain, 69.51% of married people chose *very important*, while that option was selected by 66.07% of divorced people.

Concerning the labour status, the analysis obtained in Denmark and in Spain is completely different. Figure 17 and 18 show the preferences for job security depending on the labour situation and if the answers have been aggregated or not. The majority of inactive citizens in Denmark believe that job security is very important or important in a job place. Nevertheless, full-time workers present less inclination for job security. These results show up that people who are either inactive or unemployed think that security is important because with higher levels of security they might not be unemployed or they might be back to the labour market. In Spain, however, employed people display more preference for job security. At the same time, if the answers *very important* and *important* are grouped, inactive people lead the classification. These results guide us to believe that for inactive or unemployed people a higher level of job security on the labour market do not mean lower possibilities to lose their job.

The union membership is a feature that seems to have a relation with the preferences for job security, at least in Denmark. In that country, union and ex-union members have a stronger tendency for job security rather than people who never was part of a union. Figure 19 represents the percentage of respondents divided by their preferences for job security and their relationship with unions. Union member lead the ranking for job security. Since in Denmark unions have an active role in their flexicurity model, union member clearly stand up for job security. On the other side, in Spain, it seems that no relation exists. As in Denmark, union member have a higher conviction that job security is rather important or very important in a job place. But, ex-union members do not stand job security as people that have never been in a union. This also may be explained by the low rate of trade union density in Spain, 16.9% in 2013, while in Denmark, that rate was 66.8%.

The last variable analysed is the perception that working people have of security on their job. In Denmark, when people feel more secure on their job place, they have higher preferences for job security rather than when job security is not perceived. Table 5 and figure 20 show the positive relation between job security preferences and perceptions. In Spain, the same patterns are followed but not as sharp as in Denmark. When only the answer *very important* is taken into account, a U-Shaped tendency appears, however, when both *very important* and *important* are analysed, looks an increasing preference as it happens in Denmark.

To sum up, preferences for job security are quite different between the two analysed countries. In Spain exist a general tendency for job security; while in Denmark, features of those who stand job security are more noticeable. As it has been mentioned, labour security is preferred in Spain rather than in Denmark. During all the previous analysis, the percentage of people how are into job security was higher in Spain. The higher level of support from all kind of people makes the task of creating a profile of a Spaniard who stands job security practically impossible.

In Denmark, however, even if popularity of job security is lower than in Spain, the features of those who stand job security are more marked. Labour job security is preferred by women between 55 and 64 years old, with a low education level, married rather than single people, inactive or unemployed and union members.

## 4.2 Econometric Analysis



In this section, I conduct an econometric analysis in order to determine which of the previous features are really significant and which is the direction of the relation. I make the analysis separately for Spain and Denmark.

I consider two different explained variables, V11 (preferences for job security) and V29 (perception of security in their job place). Both variables are related to the same set of explanatory variables. Almost all of the explanatory variables selected are dummy variables. To simplify the analysis the dependent variable, V11 or V29, are considered as a continuous variable. Also, to be more precise, the variables which show preferences and perception for job security will not be aggregated, which means that the variable used will be the direct answers given by the respondents. For this econometric analysis, 5 categories are considered for the estimation for both dependent variables. For variable V11, 1 corresponds to considering job security not important at all, 2 means not important, 3 is indifferent, 4 corresponds to important and 5 represents very important. For variable V29, respondents were asked to indicate the agreement degree with the sentence: “My job is secure”. The possible answers are as follows: 1 corresponds to strongly disagree, 2 is disagree, 3 means neither agree nor disagree, 4 corresponds to agree and 5 represents strongly agree

The econometric analysis is based on the estimation of the following econometric specification:

Model 1 and 2, estimation of V11 variable

$$\begin{aligned}\widehat{V11} = & \beta_0 + \beta_1 AGE + \beta_2 AGE^2 + \beta_3 MALE + \gamma_4 SINGLE + \gamma_5 DIVORCED \\ & + \delta_6 DEGREE\ LOW + \delta_7 DEGREE\ HIGH + \theta_8 FULL\ TIME \\ & + \theta_9 PART\ TIME + \theta_{10} INACTIVE + \tau_{11} Union\ Member \\ & + \tau_{12} Union\ never + u_i\end{aligned}$$

Model 3 and 4, estimation of V29 variable

$$\begin{aligned}\widehat{V29} = & \beta_0 + \beta_1 AGE + \beta_2 AGE^2 + \beta_3 MALE + \gamma_4 SINGLE + \gamma_5 DIVORCED \\ & + \delta_6 DEGREE\ LOW + \delta_7 DEGREE\ HIGH + \theta_8 FULL\ TIME \\ & + \tau_9 Union\ Member + \tau_{10} Union\ never + u_i\end{aligned}$$

The method to estimate the regression is the Ordinary Least Squares (OLS). Since V29 was only answered by people who were employed, the variables that capture the sensation of job security in function of the employment status are reduced to part time

and full time jobs. In this case, the dummy variable for part-time job is considered the reference variable. The reference variables for the dummy variables are the followings: FEMALE, MARRIED, DEGREE MEDIUM, UNEMPLOYED and Once union member.

#### 4.3 Results

The main objective of this econometric model is to verify if the patterns previously observed in the descriptive analysis are supported by the econometric analysis. Despite the fact that the significance level, in some variables, is not too high, the sign of the coefficient is helpful to determinate the main features of those who prefer job security in Spain and Denmark. At the same time, I'll try to make a relation between the preferences for job security and the characteristics of the labour market in each country.

Table 6 and table 7 represent the results from the estimation of model 1 and 2. The first characteristic to be analysed is the age. In both countries, Denmark and Spain, the coefficient of age has a negative sign. However, in Denmark, the AGE<sup>2</sup> has a positive effect on the job security preferences which means that as it can be seen on figure 21, as people get older, their preferences for job security are higher. On the other side, in Spain, the figure 22 reveals that no relation can be established between the age of the respondent and the preferences for job security.

The variable sex takes a value 1 when the survey respondent is a man and 0 when it is a woman. The results obtained for Denmark verify the hypothesis that women prefer job security rather than men and the relationship is significant at 1% level. In Spain, it can be said that both genders prefer job security equally. Concerning the education level, in both countries, people with university studies have lower preferences for job security. It is remarkable that in Denmark, the coefficient for high education is significant at 1% level. It can be said that a highest level of education is related with lower levels of preferences for job security. Even if the effect of the labour situation is not significant for any country, thanks to the econometric regression, it is visible that unemployed people are those who prefer job security since the other labour situation groups have a negative coefficient; following the unemployed, the next who prefer job security are inactive, followed by full-time employees and finally those with part-time jobs.

A feature that is significant at least at 10% level in both countries is the union membership. In Denmark, but also in Spain, people who are part of a union show higher preferences for job security. Nevertheless, the difference comes when analysing those who never were members of a union. In Denmark, these people have lower preferences for job security, but in Spain, they have higher preferences rather than those who once were members of a union. These results could be explained by the fact that in Spain unions have lower rates of membership. Anyway, when analysing how secure respondents feel on their job place, more light will shed on the relation between job security preferences and union membership.

Table 8 and table 9 represent the results from the estimation of model 3 and 4. In contrast to the preferences for job security, the age is a significant variable to determinate the sensation of job security in both countries. However, the path of the job security sensation is not same in Denmark than in Spain. The econometric output reveals a different sign for the coefficients, while in Denmark the age's coefficient is negative and the squared age coefficient has a positive sign, in Spain, is on the other way. Figures 23 and 24 show the relation between the age and the sensation of security in a job in Denmark and in Spain. The results reveal a U-shaped relation in Denmark and an inversed-U-shaped in Spain. The path of the sensation of security in a job place can be related with the labour market structure. In Spain the high levels of employment protection lead to an increasing perception of job security when you get older, but in contrast, in the earlier moments of the labour life, the perception of security is lower. Also the high cost of dismissal, compared with those in Denmark, (OECD, 2013) favours that Spanish young people have lower sensation of job security. What is remarkable is that despite the fact that Denmark has a more lax employment protection regulation, it does not affect to the perception of job security. The V29 variable average for Denmark is 3.95 against 3.72, which means that generally, Danish people feel more secure than Spanish people. This result can be related with the high importance of the temporary contracts in Spain, especially among young people. Figure 25 represents the temporary employees as percentage of the total number of employees, by sex and age in 2005. The rate for every combination of age and sex, the rate in Spain is at least twice bigger than in Denmark, the highest difference is within males between 24 and 49 years, in Denmark the 5.5% have a temporary contract, while in Spain the ratio is 5,58 time

higher and represents the 30,7%. As it was been mentioned above, temporary contracts incentives the no-sensation of security in a job.

Concerning the education level, in Denmark, people with college studies feel more insecure in a job place. This group of people already showed less preference for job security than the rest, but now, the difference with the sensation from medium level education group is not as significant as it was in the previous model. The feeling of those with low levels of education is lower to the feeling of people with medium level education even if desired it the most. In Spain, people with low levels of education were the ones who felt more secure on their job place. As in Denmark, people with higher levels of education had the lowest feeling of job security. It is remarkable that only the coefficient of the high education level from Denmark is significant. Regarding the perception of job security related to the employment situation, in both countries full time employees have a higher perception of job security, but is in Spain where the difference between full-time and part-time employees' perception is bigger, actually, the difference is 4 times bigger. These results conduct me to say that the Spanish labour market regulation provides a polarised sensation of job security, while in Denmark, the job protection feeling is shared almost equally.

The last variable analysed is the union membership. In Spain, where the union membership is low, the difference between the job security perception between those who are union members and those who are not is not significant; in fact, those who are not union member feel more secure. This means that being member of a union in Spain has no advantage in terms of job security perception. However, in Denmark, the difference on job security between those who are union members are those who are not is 0.09. The positive effect of being member of a union in Denmark could explain the high rates of pertinence to a union.

#### 4.4 Including country dummy variable

In the next section, a dummy variable will be included on the previous econometric model. This new variable is called *DENMARK* and takes value 1 when the respondent is Danes. The purpose to include this variable is to see if it exist a significant difference between the preferences and the feeling for job security between Denmark and Spain. The econometric model used is as follows:

Model 5, estimation of V11 variable

$$\begin{aligned}\widehat{V11} = & \beta_0 + \beta_1 AGE + \beta_2 AGE^2 + \beta_3 MALE + \gamma_4 SINGLE + \gamma_5 DIVORCED \\ & + \delta_6 DEGREE\ LOW + \delta_7 DEGREE\ HIGH + \theta_8 FULL\ TIME \\ & + \theta_9 PART\ TIME + \theta_{10} INACTIVE + \tau_{11} Union\ Member \\ & + \tau_{12} Union\ never + \varphi_{13} DENMARK + u_i\end{aligned}$$

Model 6, estimation of V29 variable

$$\begin{aligned}\widehat{V29} = & \beta_0 + \beta_1 AGE + \beta_2 AGE^2 + \beta_3 MALE + \gamma_4 SINGLE + \gamma_5 DIVORCED \\ & + \delta_6 DEGREE\ LOW + \delta_7 DEGREE\ HIGH + \theta_8 FULL\ TIME \\ & + \tau_9 Union\ Member + \tau_{10} Union\ never + \varphi_{11} DENMARK + u_i\end{aligned}$$

Table 10 and table 11 represent the results from the estimation of model 5 and 6. The key factor of these two models is the coefficient of the dummy variable *DENMARK*. This coefficient reveals who prefers job security and who feel more secure on its job place respectively for the regression of V11 and V29. The results are significant enough to affirm that despite the fact that Spaniard prefer job security more than Danes, are Danish people who do feel more secure in their jobs. The main difference between Spanish and Danish opinion is concerning the preferences for job security. That difference is 0.712. This result can be linked with the previous analysis, in Spain the job security is valued by every kind of person, and job security is highly valued for Spanish employed and unemployed people. In Denmark, even if job security is valued, it is not as sought as in Spain, people may prefer other aspects in a job rather than job security.

The output of the model where the variable V29 is explained reveals that the labour market which employees find the highest level of job security is the Danish one. In this case, the difference between the feeling of job security of Spanish and Danish people is not as big and significant as the difference previously analysed. The coefficient for the dummy variable *DENMAK* is 0.23 and it is significant at 5% level.

The results indicate that when someone feels secure on a job place, their preferences for job security are lower, and other characteristics are valued. Being on a labour market that gives high levels of job security allows seeking for employments with other characteristics that will contribute to have a more satisfying job. As figure 26 reveals, Danish wage earners workers are experiencing the greatest degree of job satisfaction in the EU.

## 5 CONCLUDING REMARKS

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The results obtained in the analysis of the job security preferences and feeling guide us to believe that both of them depend on the labour market organization. The structure of the labour market is essential to determine the employment and unemployment rate, satisfaction of a job place and also influences on the preferences for flexibility.

It has been shown in the project that the flexicurity Danish labour market is based on three essential elements, which are high levels of flexibility, generous unemployment benefits, and efficient, wide active labour market policies (ALMP). On the other hand, the Spanish labour market is characterized by high levels of employment protection regulations; the unemployment benefits have a medium degree of generosity compared with other European models and it is based, mainly, on passive labour market policies (PLMP).

In Denmark, despite the employment protection regulations are low; the feeling of security on a job place is more elevated than in Spain where the employment protection regulations are higher. The regulatory framework existing in the Spanish labour market does not give the impression of protection to employees. Moreover, the external inflexibility existing in the labour market complicates the creation of new jobs. In Denmark the whole labour market system contributes to generate a high level of job security feeling. The generous unemployment benefits and the efficient ALMP contribute to generate a quick return to employment, which raises the security sensation.

The fact of job security perception permits to seek for job opportunities where job security is not provided by the employer. There are other characteristics that will make the job satisfaction higher and, consequently, the results will be better.

The perception of job security is not a matter of employment protection regulation; it involves the whole labour market framework. The bad outcome of the Spanish labour market needs a reform. But if we want to preserve the welfare state, it is a non-sense to promote a third labour reform, aiming to make the Spanish labour market more flexible, without modifying the labour market policies and without enhancing the unemployment benefits.

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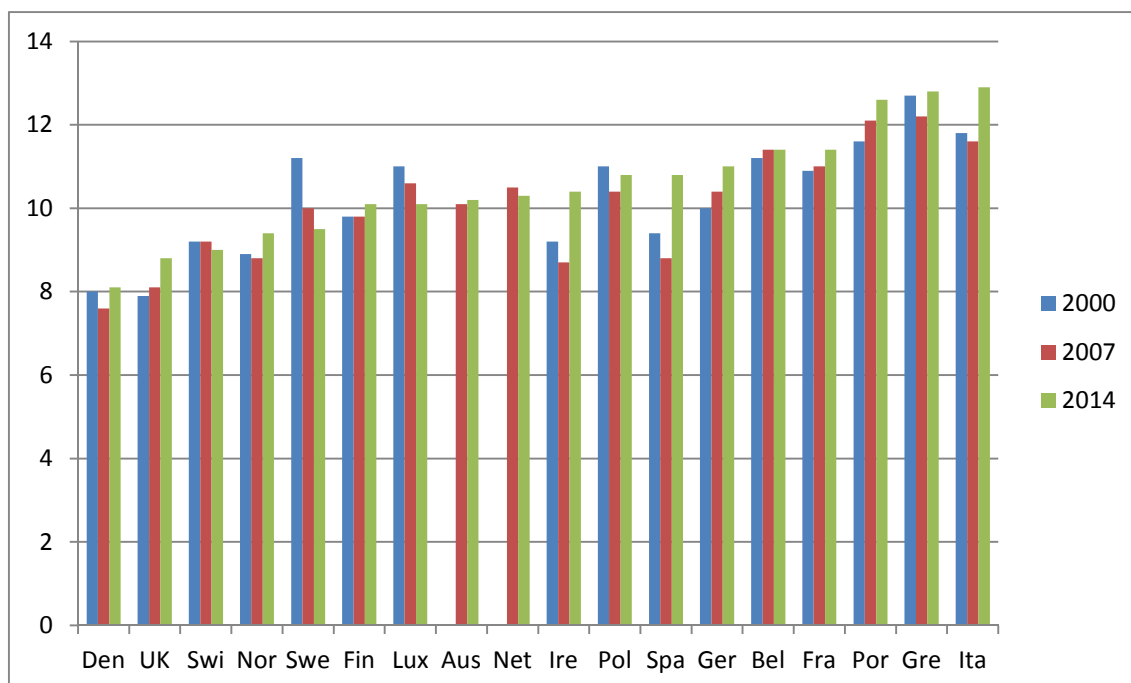
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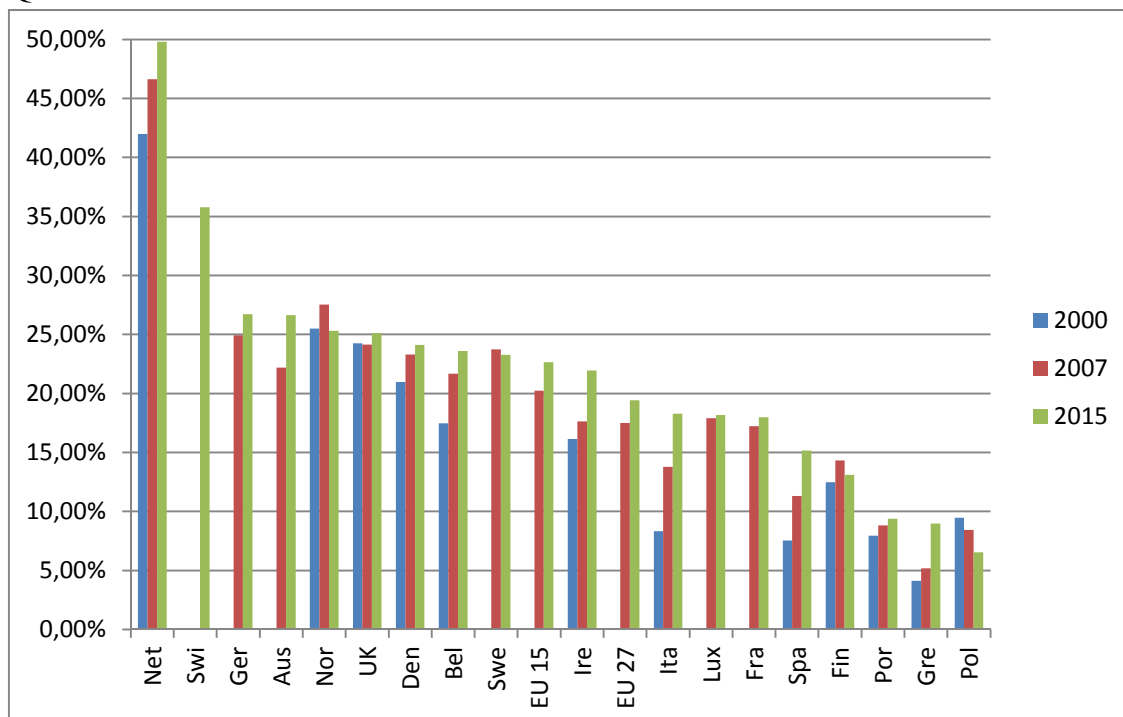
## APPENDIX A: FIGURES

Figure 1: Average tenure with the same employer in a number of OECD countries, 2000, 2007 and 2014.



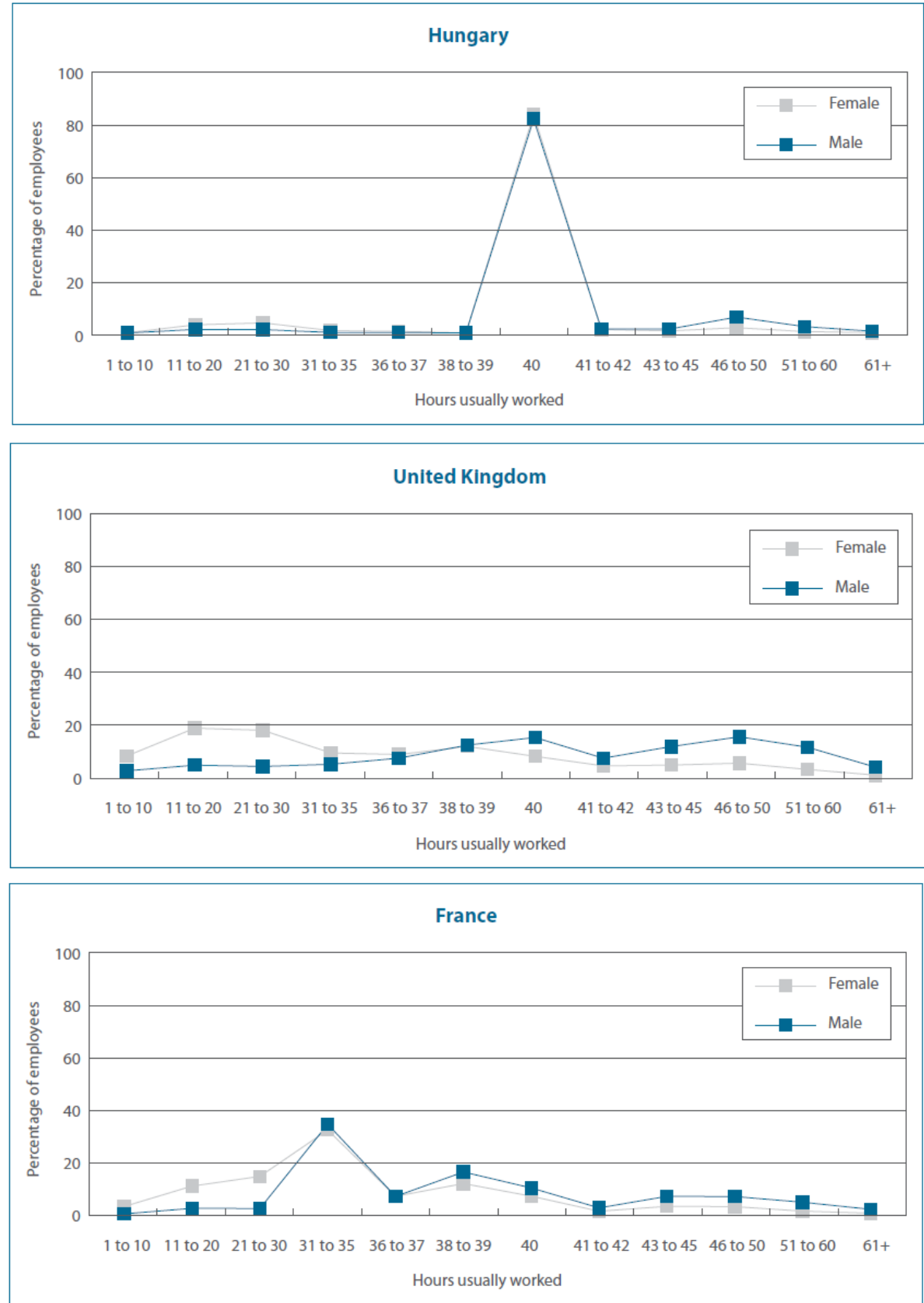
Source: OECD

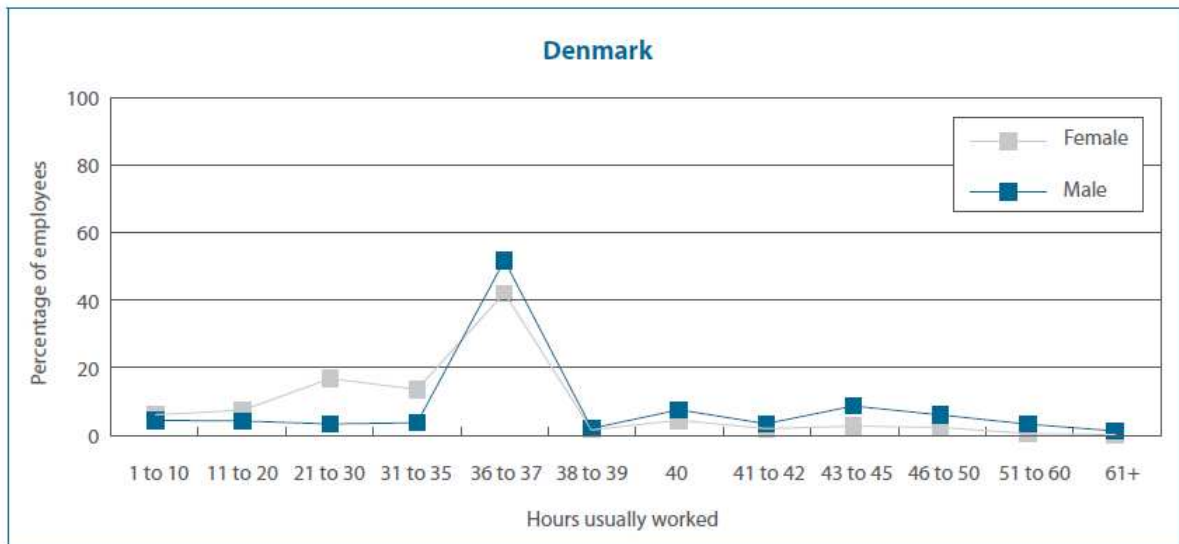
Figure 2: Percentage of partial-time jobs over the total in 2000 Q4, 2007 Q4 and 2015 Q3



Source: Eurostat

Figure 3: Working time distribution of employees by gender in Hungary, United Kingdom, France and Denmark 2004

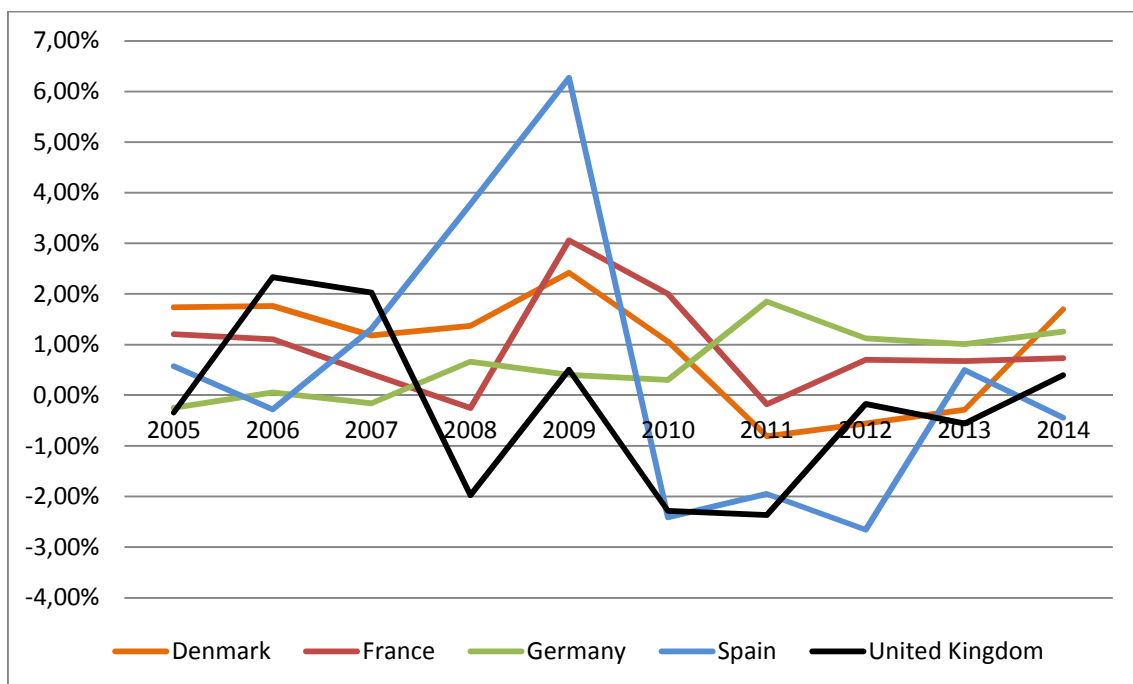




NB: Figures are based on hours usually worked in the main job, overtime not included.

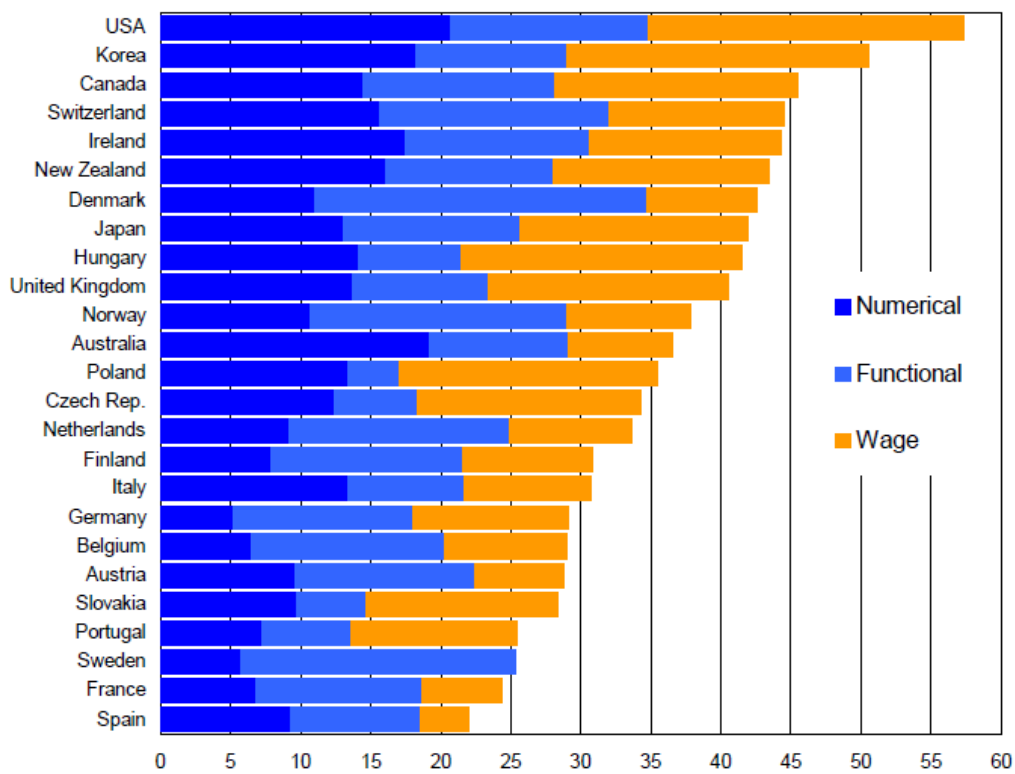
Source: Flexible working time arrangements and gender equality

Figure 4 Variation of the average annual wages for Denmark, France, Germany, United Kingdom and Spain



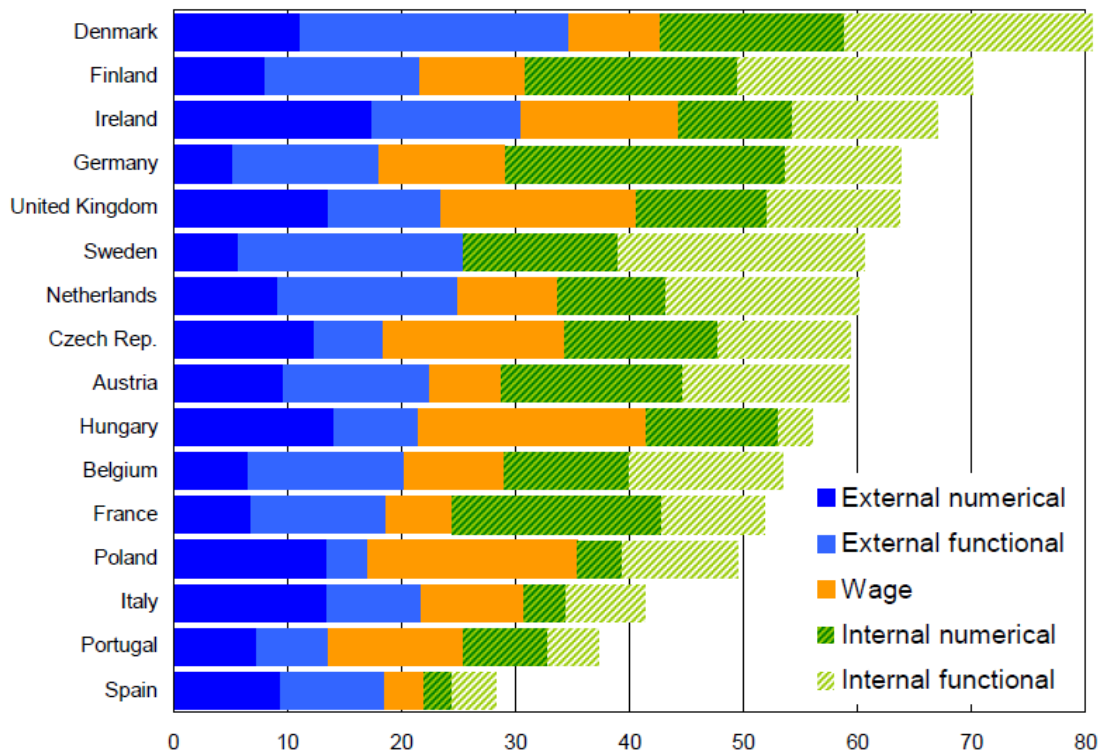
Source: OCDE

Figure 5 Numerical, functional and wage flexibility 2003



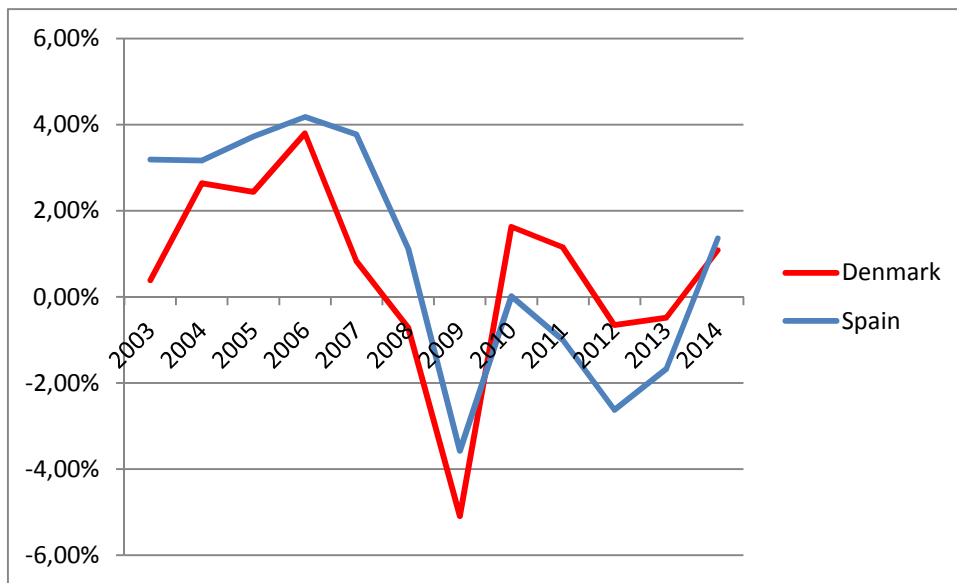
Source: Eichhrst, Marx and Trobsch (2009).

Figure 6 Internal, external and wage flexibility, 2003



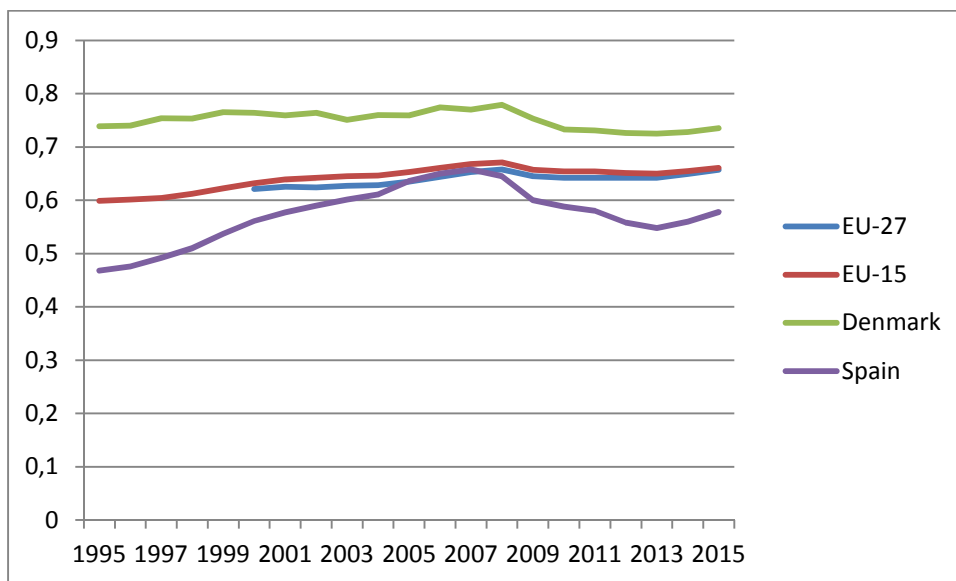
Source: Eichhrst, Marx and Trobsch (2009).

Figure 7: GDP annual growth rate for Spain and Denmark, 2003-2014



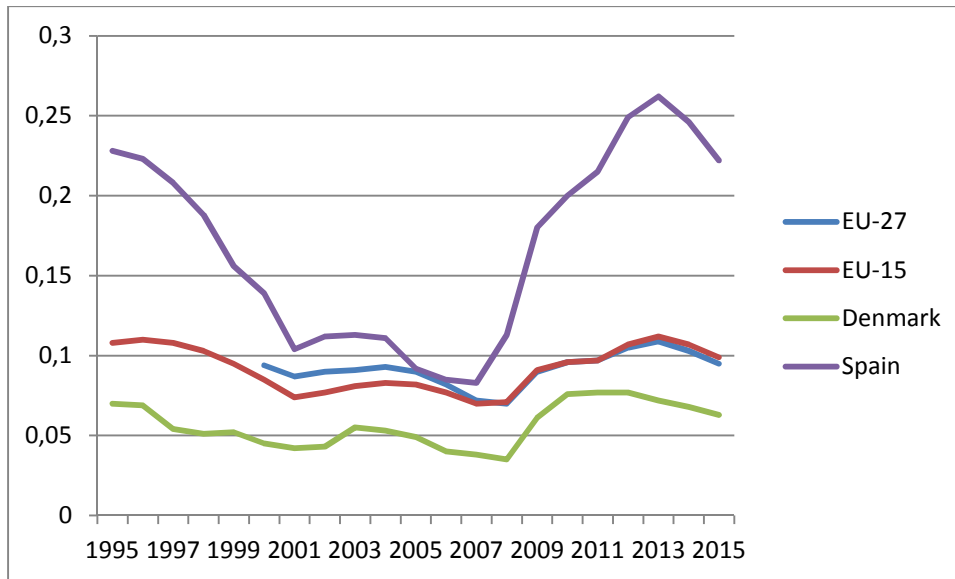
Source: World Bank

Figure 8: Annual employment rate for Denmark, Spain, EU 15 Countries and EU 27 Countries



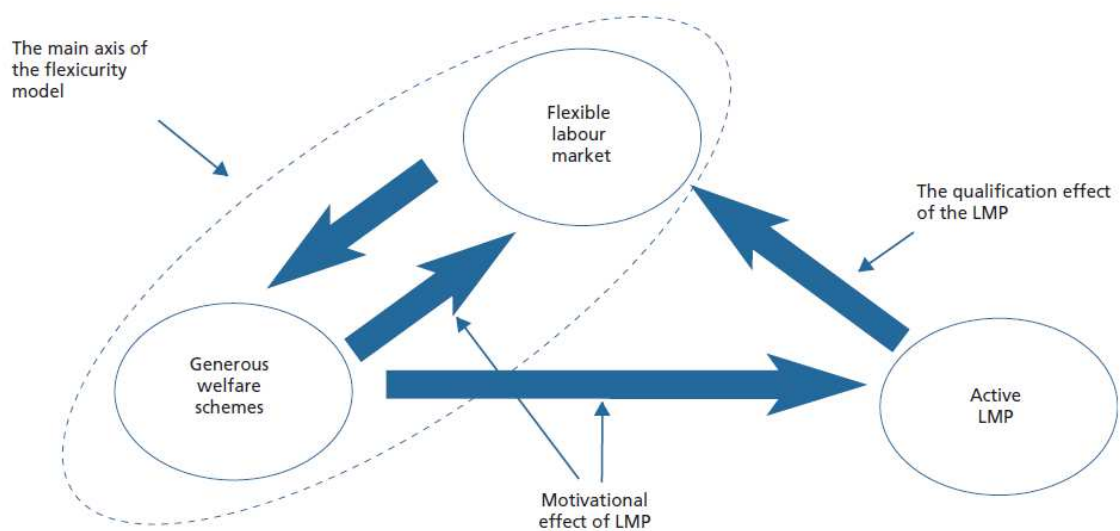
Source: Eurostat

Figure 9: Annual unemployment rate for Denmark, Spain, EU 15 Countries and EU 27 Countries



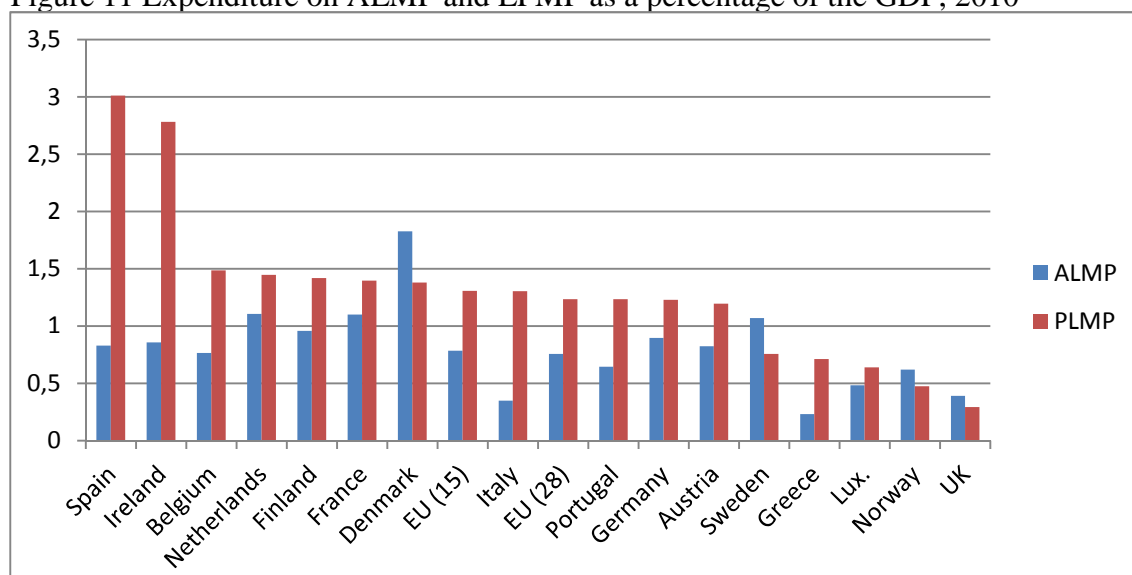
Source: Eurostat

Figure 10: The Danish flexicurity model



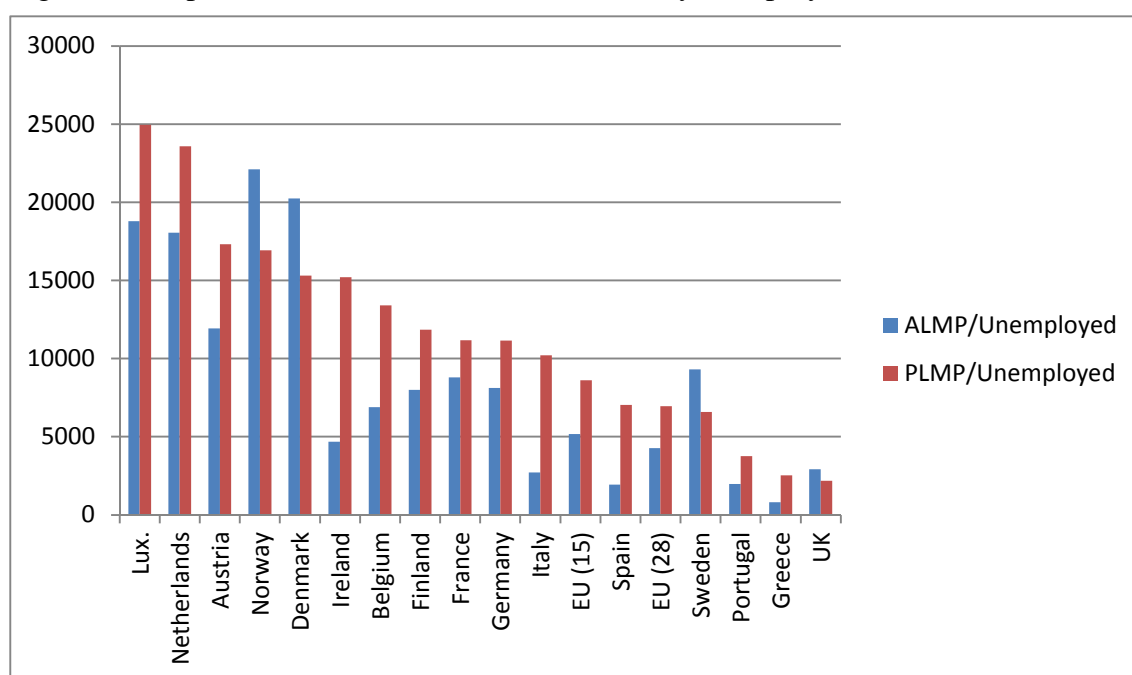
Source: EC (2006), figure 1, page 79.

Figure 11 Expenditure on ALMP and PLMP as a percentage of the GDP, 2010



Source: Eurostat Note: Active measures include training, labour market services, employment incentives, supported employment and rehabilitation, direct job creation and start-up incentives. Passive measures include Out-of-work income maintenance and support.

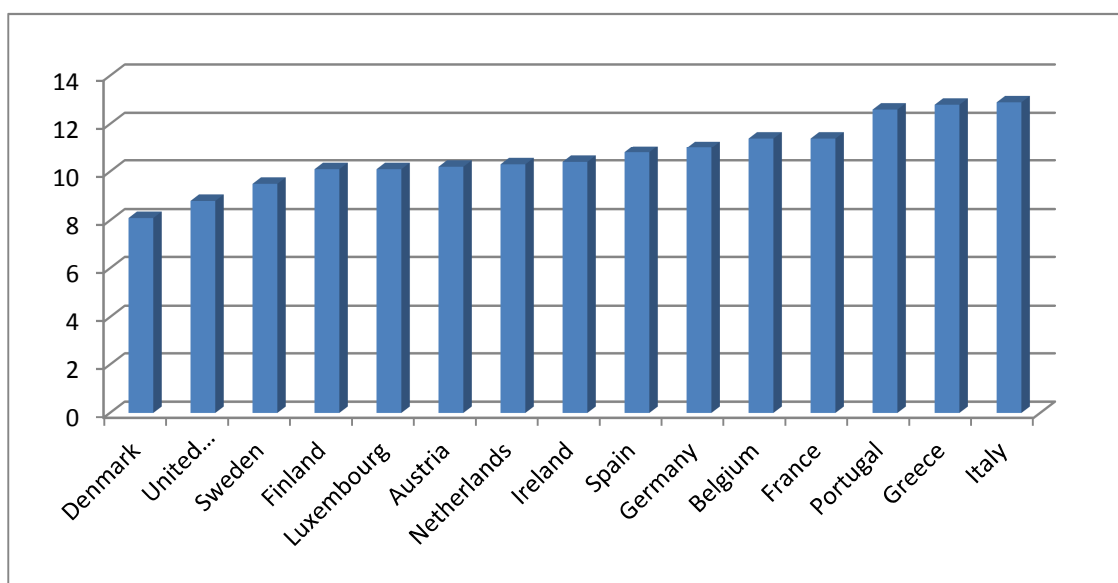
Figure 12: Expenditure in € on ALMP and PLMP by unemployed, 2010



Source: Eurostat and own elaboration

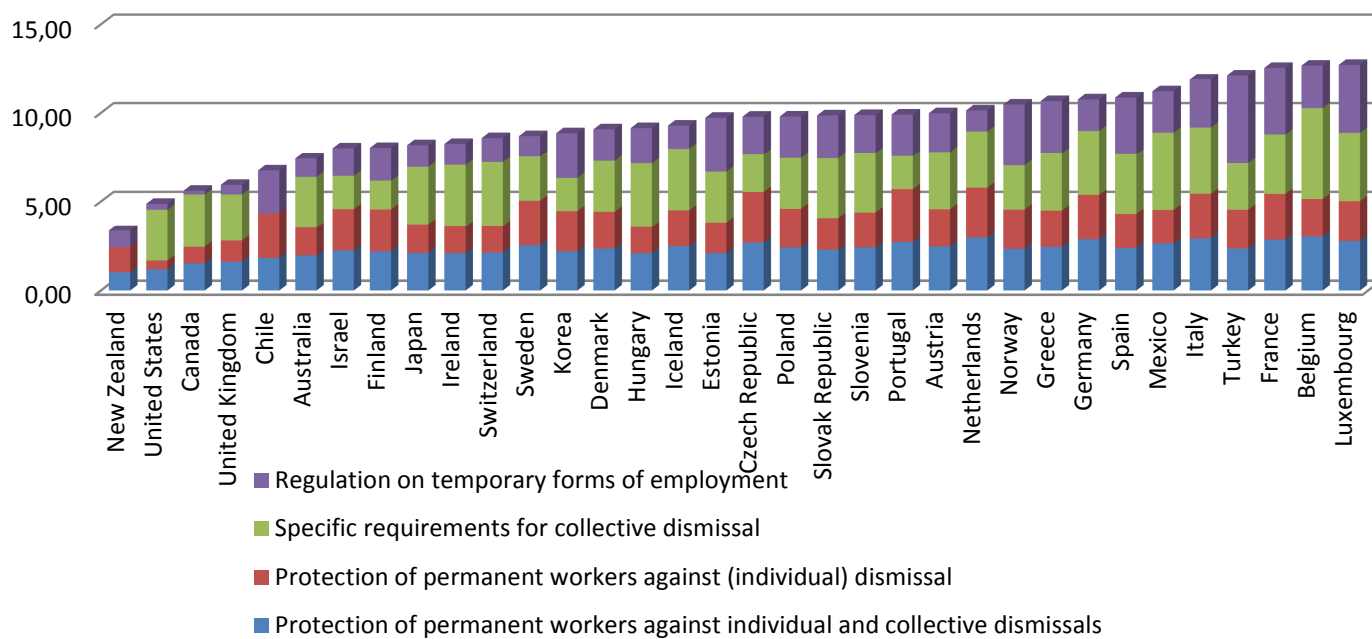
Note: Active measures include training, labour market services, employment incentives, supported employment and rehabilitation, direct job creation and start-up incentives. Passive measures include Out-of-work income maintenance and support.

Figure 13: Average job tenure in EU-15 in 2008



Source: OECD

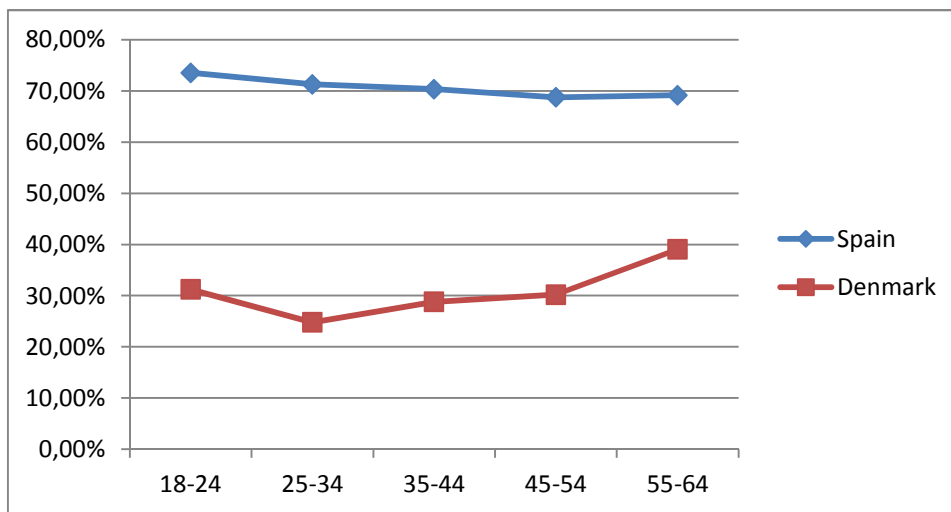
Figure 14: Index of employment protection in a number of OECD countries, 2013



Source: OECD



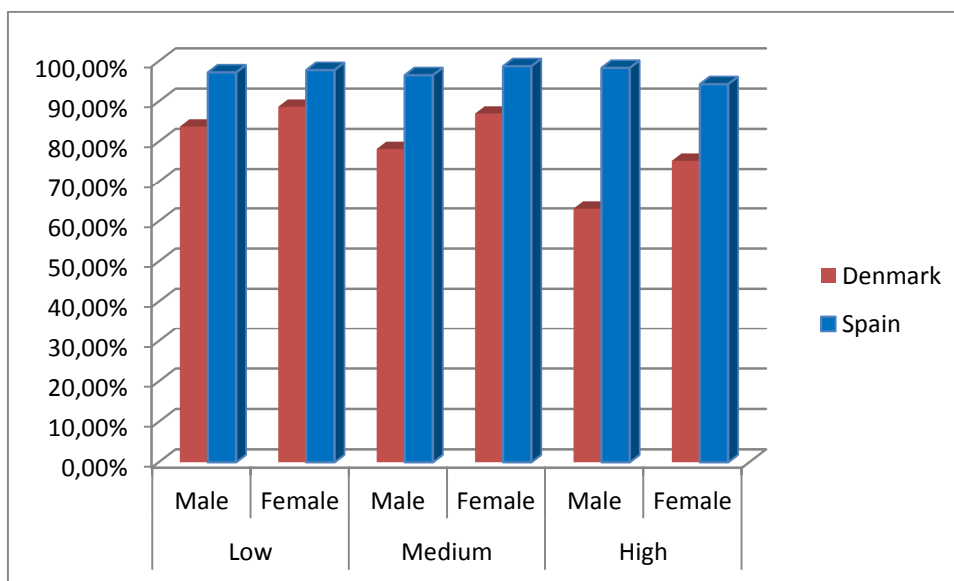
Figure 15: Preferences for job security per group age



Proportion of people who consider job security as *very important*

Source: International Social Survey Programme (ISSP) 2005

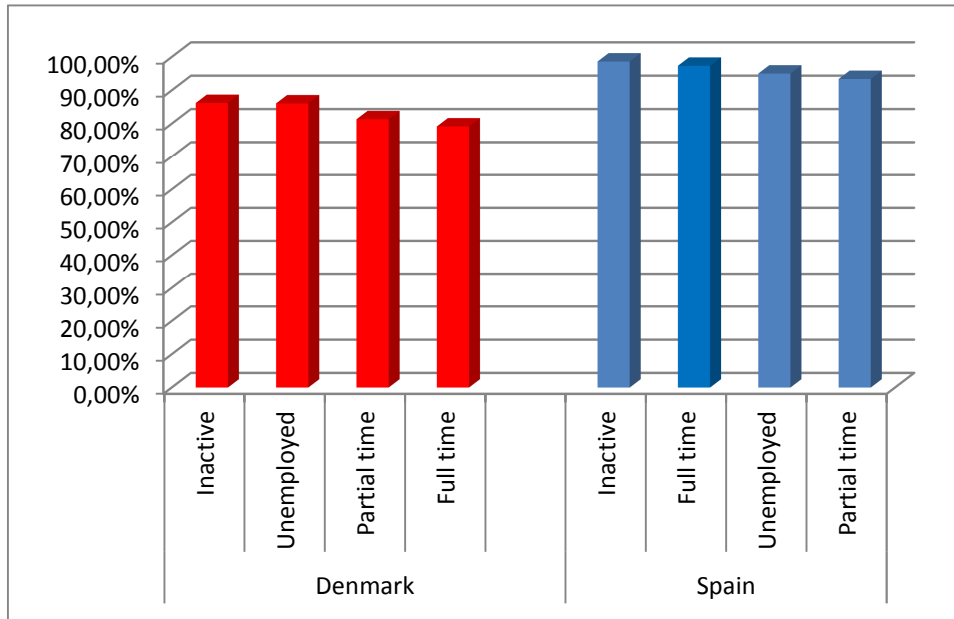
Figure 16: Preferences for job security per level of education and sex



Proportion of people who consider job security as *very important* or *important*

Source: International Social Survey Programme (ISSP) 2005

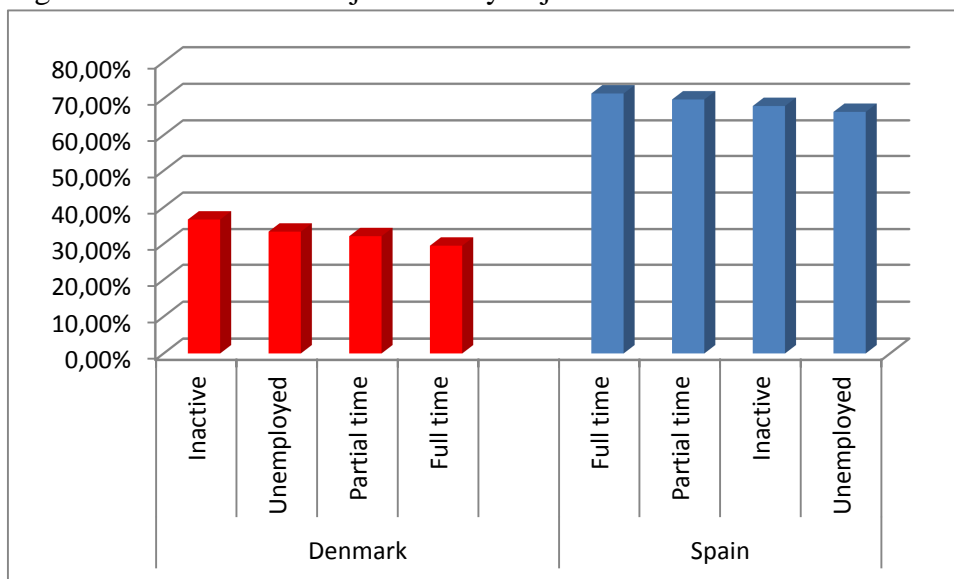
Figure 17: Preferences for job security & job situation



Proportion of people who consider job security as *very important* or *important*

Source: International Social Survey Programme (ISSP) 2005

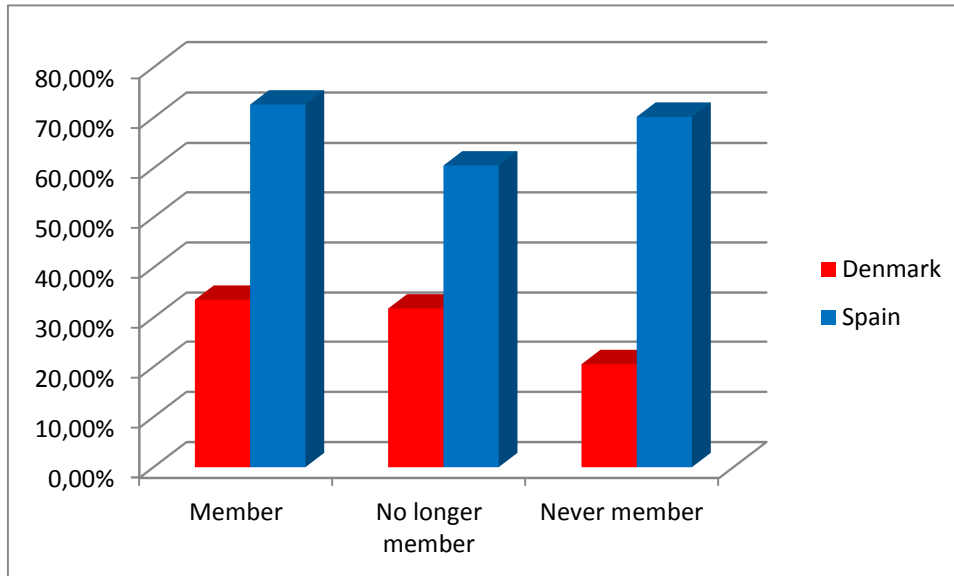
Figure 18: Preferences for job security & job situation



Proportion of people who consider job security as *very important*

Source: International Social Survey Programme (ISSP) 2005

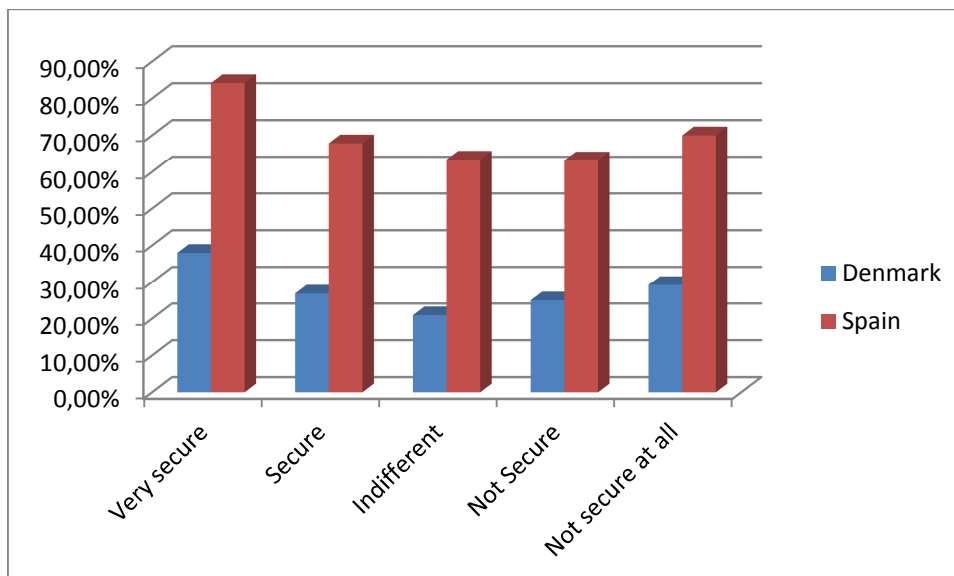
Figure 19: Preferences for job security and union membership



Proportion of people who consider job security as *very important*

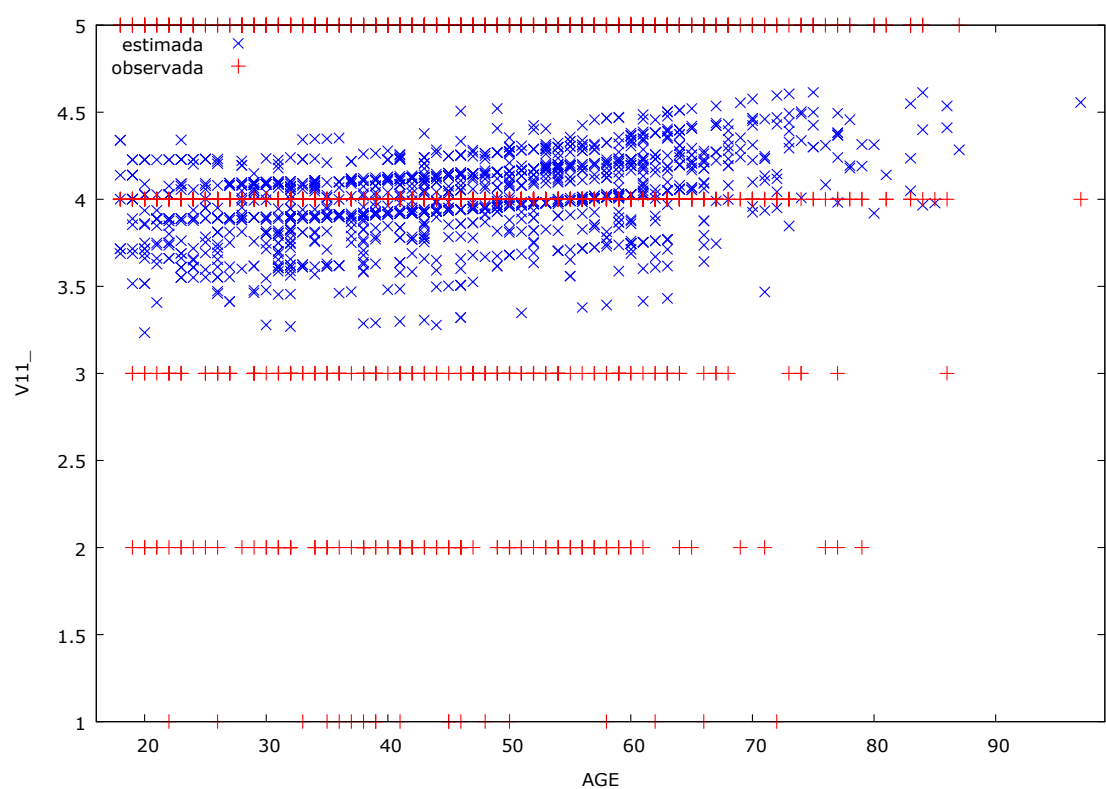
Source: International Social Survey Programme (ISSP) 2005

Figure 20: Percentage of people who consider job security as *very important* and feeling of job security



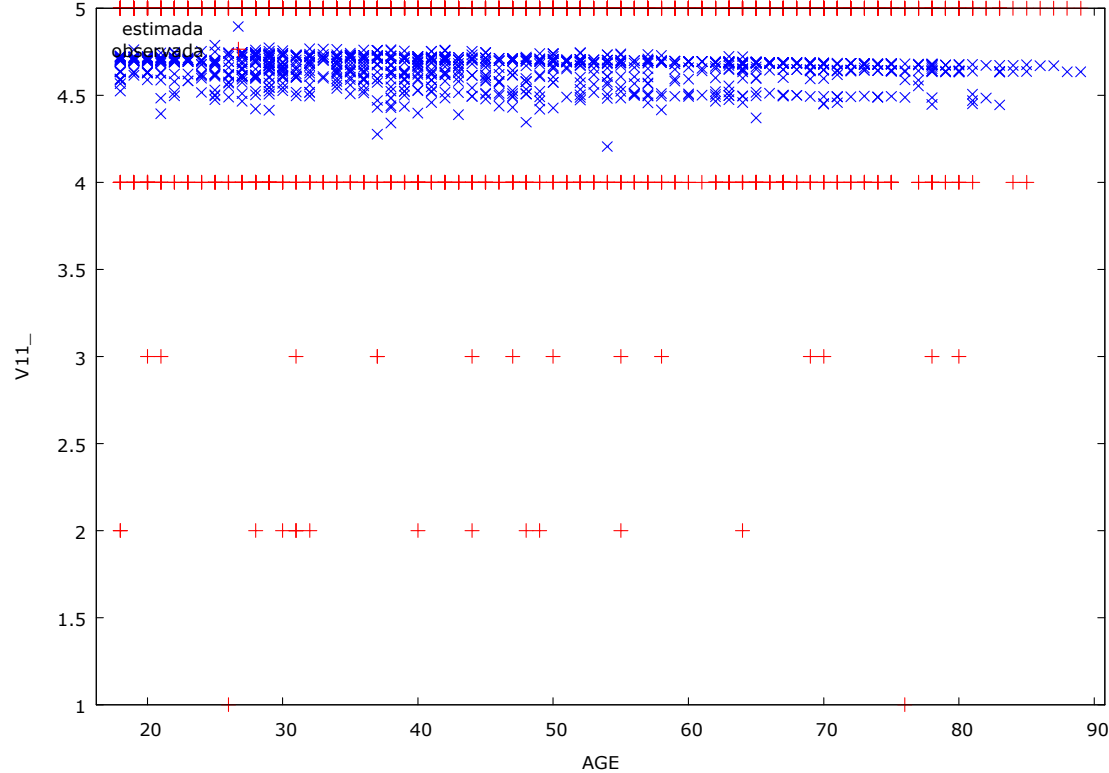
Source: International Social Survey Programme (ISSP) 2005

Figure 21: V11 in relation to AGE, observed and estimated, Denmark



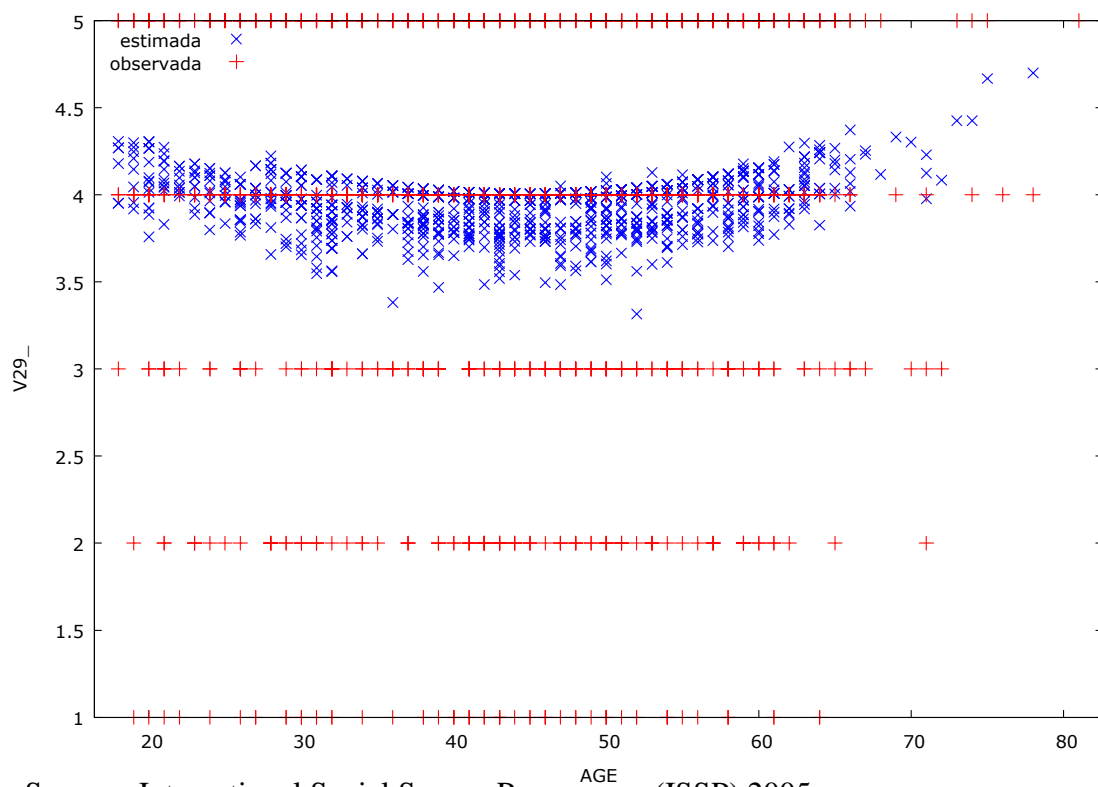
Source: International Social Survey Programme (ISSP) 2005

Figure 22: V11 in relation to AGE, Observed and estimated, Spain



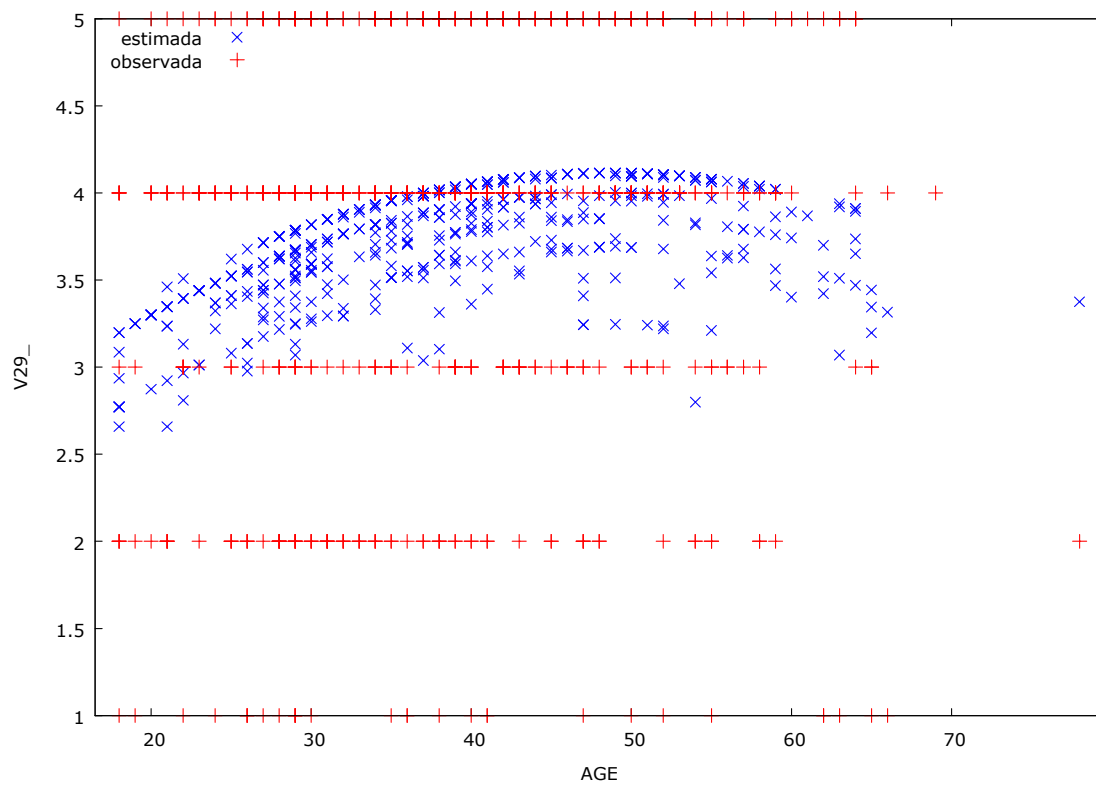
Source: International Social Survey Programme (ISSP) 2005

Figure 23: V29 in relation to AGE, observed and estimated, Denmark



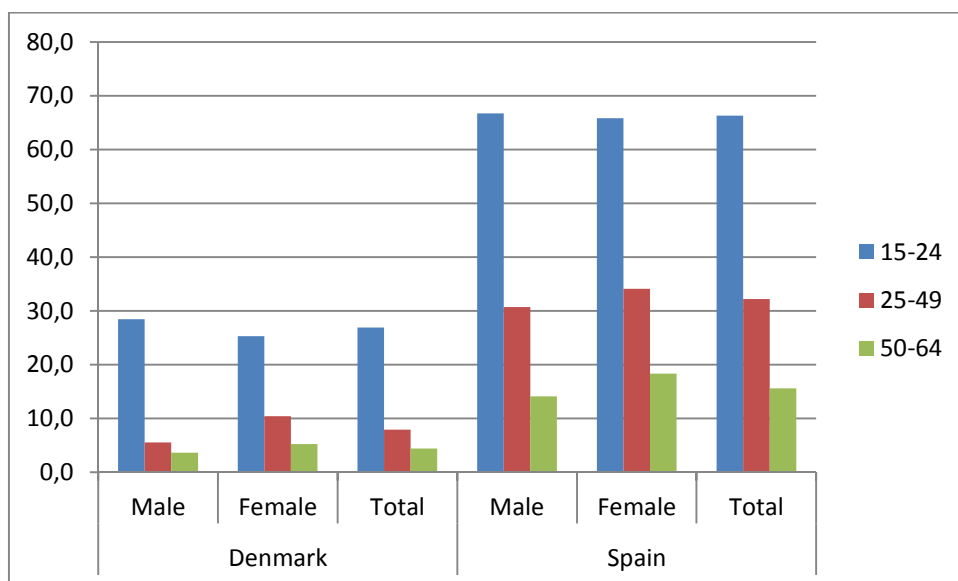
Source: International Social Survey Programme (ISSP) 2005

Figure 24: V29 in relation to AGE, observed and estimated, Spain



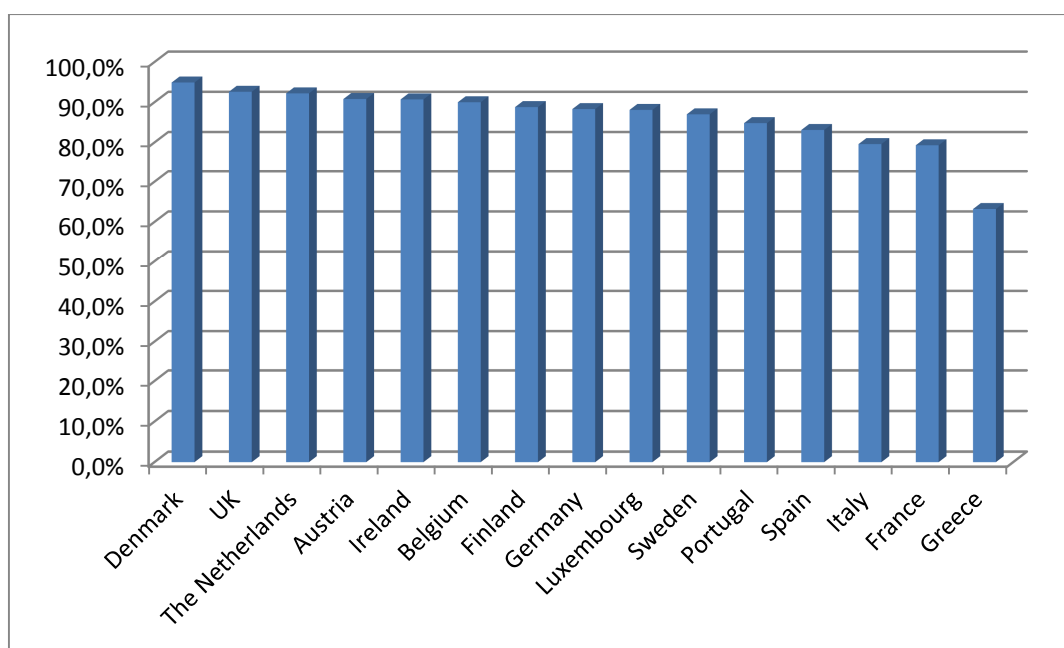
Source: International Social Survey Programme (ISSP) 2005

Figure 25: Temporary employees as percentage of the total number of employees, by sex and age in 2005



Source: Eurostat

Figure 26: Job satisfaction, percentage of people who are satisfied or very satisfied with their jobs in EU-15 countries



Source: European Foundation for the Improvement of Living and Working Conditions (2010)

## APPENDIX B: TABLES

Table 2: Unemployment insurance benefits 2010 EU 15 Countries;

<b>Unemployment insurance benefits, 2010</b>					
For a 40-year old (where benefits are conditional on work history, the table assumes a long and uninterrupted employment record)					
	Employment (E) and contribution (C) conditions	Maximum duration (months)	Payment rate (% of earnings base)		Earnings base(2)
			initial	at end of legal entitlement period	
<b>EU-15 Countries</b>					
Austria	E+C: 1 year in 2.	9	55		Net
Belgium	E+C: 468 days in 27 months.	Unlimited	60	53.8 (after 1 year)	Gross
Denmark	E: 52 weeks in 3 years. C: membership fee.	24	90		Gross less 8% SSC.
Finland	E: 34 weeks in 28 months, C: 10 months.	23	Basic benefit (16.8% of AW) plus 45% of earnings exceeding basic benefit to 82% of AW then 20%.		Gross (excluding additional holiday pay) less SSC.
France	C: 4 months in 28 months.	24	57-75		Gross
Germany	E: 12 months, C: 12 months in 2 years.	12	60		Net
Greece	E+C: 125 days in 14 months or 200 days in 2 years.	12	Flat rate benefit (27.1% of AW).		--
Ireland(5)	C: 39 weeks in 1 year (or 26 "reckonable" contributions in 2 years). 104 weeks contributions paid since starting work	12	Fixed amount (31.5% of AW).		--
Italy(6)	C: 52 weeks in 2 years.	8	60	50 after 6 months	Average gross earnings of last 3 months.
Luxembourg	E+C: 26 weeks in 1 year.	12	80		Average gross earnings of last 3 months.
Netherlands	E+C: 26 weeks in 36, plus 52 days in 4 of 5 years.	22	75	70 (after 2 months)	Gross
Portugal	E+C: 450 days in 24 months.	24	65		Gross
Spain	C: 360 days in 6 years.	24	70	60 (after 6 months)	Gross
Sweden	E: 6 months in last year, C: been a member of an insurance fund for 12 months.	35	80	70 (after 9 months). 65 for Job and Development Guarantee (after 14 months).	Gross
United Kingdom	C: 12 months in 2 years.	6	Fixed amount (9.9% of AW).		--

Source: <http://www.oecd.org/social/benefits-and-wages.htm>

Table 3: Summary of the questions, answers given and the aggrupation made

	Question	Original Answers	Matched answers
Group 1	Sex of respondent	Male	Male
		Female	Female
	Marital status of respondent	Married, living as married	Married
		Widowed	Single
		Single, never married	
		Separated, but married	Divorced
		Divorced	
	Education level	No formal qualification, none, still at school	Low education level
		Lowest formal qualification attainable	
		Intermediary secondary completed	
		Higher secondary completed	Medium Education level
		Qualifications which are above the higher secondary level, but below a full university degree; other education	
		University degree completed	High education level
	Current employment status	Employed-full time	Full-time job
		Employed-part time	Part-time job
		Employed less than part-time	
		Helping family member	
		Unemployed	Unemployed
		Student, at school, vocational training	Inactive
		Retired	
		Housewife, -man, home duties	
		Permanently disabled	
		Other, not in labour force	
	Is respondent member of a trade union?	Currently member	Union member
		Once member, not now	Not Union member
		Never member	Never member
		Not in labour force	Missing
Group 2	V11 Personally important: job security	Very important	Important
		Important	
		Neither important nor unimportant	Neither important nor unimportant
		Not important	Not important
		Not important at all	
	V29 Personally agree: My job is secure	Not applicable	Missing
		Strongly agree	Agree
		Agree	
		Neither agree nor disagree	Neither agree nor disagree
		Disagree	Disagree
		Strongly disagree	

Source: International Social Survey Programme (ISSP) 2005 and own elaboration



Table 4: Sample description

		Spain		Denamrk		Total	
		Observations	%	Observations	%	Observations	%
<b>Respondents</b>		1203	42,95%	1598	57,05%	2801	100%
<b>SEX</b>	Male	581	48,30%	757	47,37%	1338	47,77%
	Female	622	51,70%	841	52,63%	1463	52,23%
	<b>Total</b>	<b>1203</b>	<b>100%</b>	<b>1598</b>	<b>100%</b>	<b>2801</b>	<b>100%</b>
<b>Average age</b>	Average	45		47		46	
	Standard deviation	17,9722		14,6389		16,167	
<b>Labour status</b>	Full time	496	41,23%	1004	62,83%	1500	53,55%
	Part-time	76	6,32%	137	8,57%	213	7,60%
	Unemployed	103	8,56%	36	2,25%	139	4,96%
	Inactive	528	43,89%	389	24,34%	917	32,74%
	Missing	0	0,00%	32	2,00%	32	1,14%
	<b>Total</b>	<b>1203</b>	<b>100,00%</b>	<b>1598</b>	<b>100,00%</b>	<b>2801</b>	<b>100,00%</b>
<b>Education level</b>	Low	934	77,64%	202	12,64%	1136	40,56%
	Medium	166	13,80%	1092	68,34%	1258	44,91%
	High	96	7,98%	222	13,89%	318	11,35%
	Missing	7	0,58%	82	5,13%	89	3,18%
	<b>Total</b>	<b>1203</b>	<b>100,00%</b>	<b>1598</b>	<b>100,00%</b>	<b>2801</b>	<b>100,00%</b>
<b>Marital Status</b>	Married	721	59,93%	984	61,58%	1705	60,87%
	Single	424	35,25%	448	28,04%	872	31,13%
	Divorced	56	4,66%	152	9,51%	208	7,43%
	Missing	2	0,17%	14	0,88%	16	0,57%
	<b>Total</b>	<b>1203</b>	<b>100,00%</b>	<b>1598</b>	<b>100,00%</b>	<b>2801</b>	<b>100,00%</b>
<b>Union membership</b>	Member	84	6,98%	1156	72,34%	1240	44,27%
	No longer member	115	9,56%	256	16,02%	371	13,25%
	Never member	961	79,88%	167	10,45%	1128	40,27%
	Missing	43	3,57%	19	1,19%	62	2,21%
	<b>Total</b>	<b>1203</b>	<b>100,00%</b>	<b>1598</b>	<b>100,00%</b>	<b>2801</b>	<b>100,00%</b>

<b>V11</b>	Agree	1164	96,76%	1261	78,91%	2425	86,58%
	Indiferent	14	1,16%	155	9,70%	169	6,03%
	Disagree	16	1,33%	134	8,39%	150	5,36%
	Missing	9	0,75%	48	3,00%	57	2,03%
	<b>Total</b>	<b>1203</b>	<b>100,00%</b>	<b>1598</b>	<b>100,00%</b>	<b>2801</b>	<b>100,00%</b>
<b>V29</b>	Agree	388	32,25%	892	55,82%	1280	45,70%
	Indiferent	71	5,90%	151	9,45%	222	7,93%
	Disagree	106	8,81%	165	10,33%	271	9,68%
	Missing	638	53,03%	390	24,41%	1028	36,70%
	<b>Total</b>	<b>1203</b>	<b>100,00%</b>	<b>1598</b>	<b>100,00%</b>	<b>2801</b>	<b>100,00%</b>

Source: International Social Survey Programme (ISSP) 2005

Table 5: Preferences and perception of job security

		Very important	Important	Indifferent	Not important	Not important at all
Denmark	Very secure	38,00%	45,30%	8,77%	6,68%	1,25%
	Secure	26,87%	56,97%	7,96%	7,21%	1,00%
	Indifferent	20,95%	51,35%	18,24%	8,11%	1,35%
	Not Secure	25,00%	45,83%	13,54%	14,58%	1,04%
	Not secure at all	29,23%	33,85%	18,46%	15,38%	3,08%
Spain	Very secure	84,18%	14,56%	0,63%	0,63%	0,00%
	Secure	67,83%	30,87%	0,43%	0,87%	0,00%
	Indifferent	63,38%	30,99%	0,00%	5,63%	0,00%
	Not Secure	63,16%	31,58%	3,95%	1,32%	0,00%
	Not secure at all	70,00%	16,67%	0,00%	10,00%	3,33%

Source: International Social Survey Programme (ISSP) 2005

Table 6: Model 1, OLS, using observations 1-1598 (n = 1444)

The incomplete and missing variables have been omitted: 154

Dependent variable: V11 Preferences for job security

Country: Denmark

Robust standard errors against heteroscedasticity, variant HC1

	<i>Coefficient</i>	<i>Stand. Desv.</i>	<i>t-statistic</i>	<i>P-Value</i>	
const	4.09	0.31	13.31	<0.00001	***
AGE	-0.01	0.01	-0.31	0.75552	
sq AGE	0.00	0.00	0.79	0.42947	
MALE	-0.20	0.04	-4.11	0.00004	***
SINGLE	0.01	0.06	0.21	0.83013	
DIVORCED	0.11	0.07	1.58	0.11390	
DEGREE_LOW	0.11	0.07	1.44	0.14950	
DEGREE_HIGH	-0.28	0.06	-4.13	0.00004	***
FULL-TIME	-0.14	0.12	-1.05	0.29262	
PART-TIME	-0.17	0.15	-1.12	0.26179	
INACTIVE	0.01	0.13	0.02	0.98299	
Union_Member	0.15	0.07	2.18	0.02946	**
Union_Never	-0.19	0.10	-1.78	0.07519	*
R-squared	0.06	Corrected R-squared		0.06	
F(12, 1431)	8.45	P-Value (F)		1.17e-15	

Significance level: \*\*\* 1%, \*\* 5% and \* 10%

Table 7: Model 2, OLS, using observations 1-1203 (n = 1149)

The incomplete and missing variables have been omitted: 54

Dependent variable: V11

Country: Spain

Robust standard errors against heteroscedasticity, variant HC1

	<i>Coefficient</i>	<i>Stand. Desv.</i>	<i>t-statistic</i>	<i>P-Value</i>	
const	4.51	0.19	23.47	<0.00001	***
AGE	-0.01	0.01	-0.39	0.69472	
sq AGE	0.00	0.00	0.19	0.84562	
MALE	-0.01	0.03	-0.14	0.88638	
SINGLE	-0.04	0.04	-0.90	0.36345	
DIVORCED	-0.08	0.10	-0.78	0.42978	
DEGREE_LOW	0.02	0.05	0.38	0.69944	
DEGREE_HIGH	-0.07	0.07	-0.83	0.40471	
FULL-TIME	0.08	0.07	1.02	0.30551	
PART-TIME	-0.04	0.11	-0.37	0.70718	
INACTIVE	0.09	0.07	1.13	0.25514	
Union_Member	0.23	0.09	2.50	0.01231	**
Union_Never	0.19	0.07	2.41	0.01575	**
R-squared	0.02		Corrected R-squared	0.01	
F(12, 1136)	1.27		P-Value (F)	0.23	

Significance level: \*\*\* 1%, \*\* 5% and \* 10%

Table 8: Model 3, OLS, using observations 1-1598 (n = 1129)

The incomplete and missing variables have been omitted: 469

Dependent variable: V29 *Perception of job security*

Country: Denmark

Robust standard errors against heteroscedasticity, variant HC1

	<i>Coefficient</i>	<i>Stand. Desv.</i>	<i>t-statistic</i>	<i>P-Value</i>	
const	5.23	0.49	10.64	<0.00001	***
AGE	-0.07	0.02	-2.90	0.00375	***
sq AGE	0.00	0.00	2.96	0.00311	***
MALE	0.04	0.07	0.59	0.54905	
SINGLE	-0.16	0.10	-1.65	0.09907	*
DIVORCED	-0.20	0.13	-1.55	0.12044	
DEGREE_LOW	-0.06	0.13	-0.48	0.63055	
DEGREE_HIGH	-0.16	0.09	-1.71	0.08746	*
FULL-TIME	0.11	0.11	0.97	0.33330	
Union_Member	0.11	0.12	0.94	0.34598	
Union_Never	0.02	0.16	0.10	0.92023	
R-squared	0.01	Corrected R-squared		0.01	
F(10, 1118)	1.61	P-Value (F)		0.10	

Significance level: \*\*\* 1%, \*\* 5% and \* 10%

Table 9: Model 4, OLS, using observations 1-1203 (n = 540)

The incomplete and missing variables have been omitted: 663

Dependent variable: V29

Country: Spain

Robust standard errors against heteroscedasticity, variant HC1

	<i>Coefficient</i>	<i>Stand. Desv.</i>	<i>t-statistic</i>	<i>P-Value</i>	
const	1.29	0.70	1.84	0.06642	*
AGE	0.08	0.03	2.56	0.01070	**
sq AGE	-0.00	0.01	-2.18	0.02906	**
MALE	-0.00	0.10	-0.01	0.99242	
SINGLE	-0.11	0.12	-0.91	0.36220	
DIVORCED	-0.44	0.22	-2.00	0.04587	**
DEGREE_LOW	0.11	0.14	0.79	0.42809	
DEGREE_HIGH	-0.04	0.20	-0.23	0.81763	
FULL-TIME	0.43	0.17	2.41	0.01601	**
Union_Member	0.25	0.21	1.16	0.24523	
Union_Never	0.26	0.18	1.47	0.14172	
R-squared	0.07	Corrected R-squared		0.05	
F(10, 529)	3.55	P-Value (F)		0.00	

Significance level: \*\*\* 1%, \*\* 5% and \* 10%

Table 10: Model 5, OLS, using observations 1-2801 (n = 2593)

The incomplete and missing variables have been omitted: 208

Dependent variable: V11

Robust standard errors against heteroscedasticity, variant HC1

	<i>Coefficient</i>	<i>Stand. Desv.</i>	<i>t-statistic</i>	<i>P-Value</i>	
const	4.75	0.16	29.34	<0.00001	***
AGE	-0.01	0.01	-0.61	0.53976	
sq AGE	0.00	0.00	0.95	0.33834	
MALE	-0.11	0.03	-3.44	0.00059	***
SINGLE	-0.02	0.04	-0.38	0.70156	
DIVORCED	0.07	0.06	1.12	0.26343	
DEGREE_LOW	0.01	0.04	0.31	0.75130	
DEGREE_HIGH	-0.24	0.05	-4.30	0.00002	***
FULL TIME	-0.04	0.04	-1.00	0.31833	
Union_Member	0.17	0.06	3.04	0.00241	***
Union_Never	-0.01	0.06	-0.10	0.91997	
Denmark	-0.71	0.06	-12.73	<0.00001	***
R-squared	0.16	Corrected R-squared		0.16	
F(11, 1657)	47.23	P-Value (F)		1.01e-94	

Significance level: \*\*\* 1%, \*\* 5% and \* 10%

Table 11: Model 6, OLS, using observations 1-2801 (n = 1669)

The incomplete and missing variables have been omitted: 1132

Dependent variable: V29

Robust standard errors against heteroscedasticity, variant HC1

	<i>Coefficient</i>	<i>Stand. Desv.</i>	<i>t-statistic</i>	<i>P-Value</i>	
const	3.72	0.42	8.85	<0.00001	***
AGE	-0.01	0.02	-0.62	0.53399	
sq_AGE	0.00	0.00	0.79	0.42726	
MALE	0.04	0.06	0.73	0.46443	
SINGLE	-0.14	0.08	-1.83	0.06606	*
DIVORCED	-0.28	0.11	-2.54	0.01112	**
DEGREE_LOW	0.00	0.09	0.03	0.97070	
DEGREE_HIGH	-0.14	0.08	-1.66	0.09675	*
FULL TIME	0.15	0.09	1.60	0.10868	
Union_Member	0.12	0.10	1.12	0.25990	
Union_Never	0.13	0.11	1.10	0.27016	
Denmark	0.23	0.10	2.20	0.02762	**
R-squared	0.02	Corrected R-squared		0.02	
F(11, 1657)	3.14	P-Value (F)		0.00	

Significance level: \*\*\* 1%, \*\* 5% and \* 10%