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

Introduction:
Making the labour market (LM) more flexible has become the strategy to improve the labour situation in Spain. Concerning the matter of labour market flexibility, the Danish LM is one of the most flexible and dynamic in the world. Analysing this market and comparing preferences for flexibility in Denmark and Spain will allow us to determine if focusing only in labour market flexibility is a good strategy to solve the problem of unemployment.

Labour Market Flexibility:
The labour market flexibility (LMF) depends basically on the regulations existing in the country, two kind of LM can be differentiated:
• External Flexibility: Costs of hiring and firing process
• Internal Flexibility: Also depends on the characteristics of each firm
  • Functional flexibility
  • Wage flexibility
  • Working time flexibility

Danish Flexicurity model:
The Danish Labour Market is based on three key elements that can be represented in the called golden triangle:

Flexible Labour Market: The degree of flexibility existing in Denmark is quite high and can be represented by the employment protection

Generous Welfare Schemes

Active LMP

Index of employment protection in EU 15 and USA, 2013

Active Labour Market Policies: Danish government wages for Active LMP which consist basically on giving new skills to unemployed people and incentives people to be back to the market.

Unemployment benefits: The unemployment insurance covers the 90% of the previous wage and is constant on time. This fact contributes to generate an atmosphere of security if the job is lost.

Analysis of the preferences for flexibility:
In order to measure the preferences for flexibility in both countries, the perception and preferences for job security are analysed. The project is based on the International Social Survey Programme (ISSP) 2005 where respondents show their preferences for job security (question V11) and to what extent they feel their job is secure (question V29). Values from 1 to 5.

OLS, Robust st. errors against heteroscedasticity

V11 = β0 + β1AGE + β2AGE2 + β3MALE + γV11SINGLE + γV11DIVORCED + δ1DEGREE LOW + δ2DEGREE HIGH + θ1FULL TIME + θ2PART TIME + β10INACTIVE + τ11Union Member + τ12Union never + u1

OLS, Robust st. errors against heteroscedasticity

V29 = β0 + β1AGE + β2AGE2 + β3MALE + γV29SINGLE + γV29DIVORCED + δ1DEGREE LOW + δ2DEGREE HIGH + θ1FULL TIME + τ3Union Member + τ14Union never + ui

For Denmark and Spain, joint estimation of previous models adding a dummy variable for Denmark.

To see if it exist a significant difference between the preferences and the feeling for job security between Denmark and Spain, joint estimation of previous models adding a dummy variable for Denmark.

Conclusions:
The structure of the LM has a great influence on the preferences and feelings for job security. In Denmark, the income security offered by the unemployment benefits and the efficiency of the Active LMP allow making the LM more flexible without affecting the feelings of job security. The high rate of temporal work in Spain decreases the feeling of job security and increases the preferences.

Higher rates of employment protection do not necessarily higher perception of job security.

Percentage of people who consider job security as very important and feeling of job security

Unemployed people and incentives people to be back to the market.

Expenditure on ALMP and LPMP as a percentage of the GDP, 2010