

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.

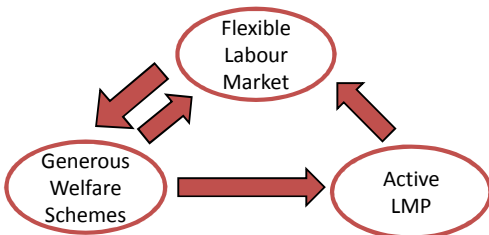
Labour Market Flexibility:

The labour market flexibility (LMF) depends basically on the regulations existing in the country, two kind of LMF can be differentiated:

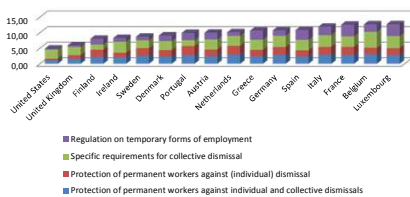
- External Flexibility: Costs of hiring and firing process
- Internal Flexibility: Also depends on the characteristics of each firm
 - Functional flexibility
 - Wage flexibility
 - Working time flexibility

Danish Flexicurity model:

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



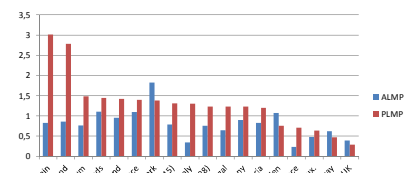
Flexible Labour Market: The degree of flexibility existing in Denmark is quite high and can be represented by the employment protection



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.



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

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

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

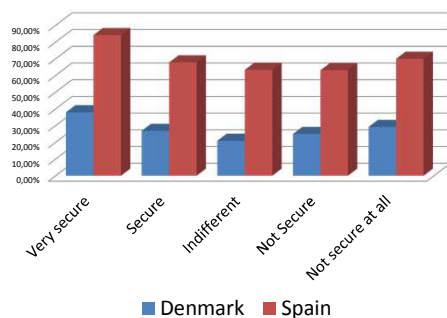
OLS, Robust st. errors against heteroscedasticity

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

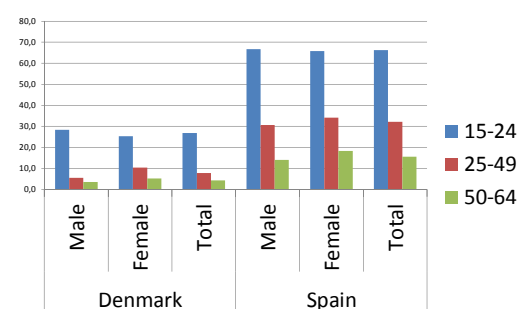
	DENMARK		SPAIN		DENMARK		SPAIN	
	Coeff.	S.E.	Coeff.	S.E.	Coeff.	S.E.	Coeff.	S.E.
Sample: DK 1444 SP 1149					Sample: DK 1129 SP 540			
const	4.09a	0.31	4.51a	0.19	5.23a	0.49	1.29c	0.70
AGE	-0.01	0.01	-0.01	0.01	-0.07a	0.02	0.08b	0.03
sq_AGE	0.00	0.00	0.00	0.00	0.00a	0.00	-0.00b	0.01
MALE	-0.20a	0.04	-0.01	0.03	0.04	0.07	-0.00	0.10
SINGLE	0.01	0.06	-0.04	0.04	-0.16c	0.10	-0.11	0.12
DIVORCED	0.11	0.07	-0.08	0.10	-0.20	0.13	-0.44b	0.22
Degree_low	0.11	0.07	0.02	0.05	-0.06	0.13	0.11	0.14
Degree_high	-0.28a	0.06	-0.07	0.07	-0.16c	0.09	-0.04	0.20
FULL-TIME	-0.14	0.12	0.08	0.07	0.11	0.11	0.43b	0.17
PART-TIME	-0.17	0.15	-0.04	0.11	Union member	0.11	0.12	0.25
INACTIVE	0.01	0.13	0.09	0.07	Union_Never	0.02	0.16	0.26
Union member	0.15b	0.07	0.23b	0.09				
UnionNever	-0.19c	0.10	0.19b	0.07				

Significance level: a 1%, b 5% and c 10%

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



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



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.

	Preferences		Feeling	
DENMARK	Coeff.	S. E.	Coeff.	S. E.
	-0.71a	0.06	0.23a	0.10
	Sample: 2593		Sample: 1669	

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 mean necessarily higher perception of job security.