

Explaining Flexicurity - Employment Relations in Denmark

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1. Introduction

During the last years Denmark has experienced major international attention relating to developments in the Danish labour market. This has especially been the case in light of the so-called flexicurity model that dominates the Danish labour market. Flexicurity has been characterized – at least in theory – by the special relation between flexibility, social security and active labour market policy, where a high level of social security is seen as a precondition for a labour market characterized by flexibility. The questions raised in this paper are, firstly, how can we generally describe the Danish system of industrial relations with special focus on the Danish model of flexicurity and, secondly, how can we explain the existence of such a flexicurity model.

In industrial relations literature and in literature on labour markets in general, liberal labour market models and social democratic/corporative oriented labour market models are often seen as very different, and as opposite ways of organizing a labour market (Hyman 2001, Commission of the European Community 2004, Jensen 2006, 2007). Liberal industrial relations systems – such as the American or British model – are often characterized by a low level of labour market regulation and by decentralized and deregulated forms of interaction (and negotiations) between employees and employers. Corporative – or social democratic – oriented systems of industrial relations are conversely often characterized by the extensive regulation of relations between parties in the labour market as well as by high levels of employee-protection and high standards of welfare support (Esping-Andersen 1990, Ebbinghaus & Kittel 2005, Jørgensen & Kongshøj Madsen 2006). However the discussions about flexicurity in relation to the Danish labour market have questioned the traditional view about the differences between corporatist/social democratic and liberal systems of industrial relations (Kongshøj Madsen 2007).. An analysis of the patterns of flexibility in the labour market shows that we can identify a number of similarities between liberal and corporative/social democratic labour markets. For instance, levels of employee protection in relation to dismissal are very similar (OECD 2004). Both in the US, the UK and Denmark employers have relatively easy access to ways in which to dismiss employees. Yet this may be a surprising announcement for a country such as Denmark which has a social democratic oriented systems of industrial relations, however it is at least partly explainable with reference to the concept of flexicurity. Parallel analyses of labour market mobility has shown that the level of mobility is also quite similar in Denmark, the UK and the US (European Foundation 2007). Thus these three countries are all characterized by high levels of mobility among employees.

This paper draws theoretically on a number of different traditions which are used to explain the Danish model of flexicurity. Firstly we refer to a classical individual oriented rational choice position, where we will try to explain the establishment of institutional systems using the preferences of individuals as a starting point. The second theoretical tradition that we will try to apply takes collective action and corporate actors as a starting point. This tradition tries to explain social systems that are not explicable using individual oriented theories of rational choice.

The data used in this paper is predominantly already published data about labour markets (OECD data etc). The line of argument in this paper is mostly indicative when attention is called to correlations and connections in relation to the models of flexicurity.

The organization of the paper is as follows: first we shall review the concept of flexicurity (Wilthagen & Tros 2004, Leschke et al. 2006, and Commission of the European Community 2007). Secondly we shall analyse and discuss the major characteristics relating to the traditional industrial relations system in Denmark and the existing system of flexicurity. Thirdly we will focus on explaining and applying different theoretical approaches in relation to flexicurity and finally a conclusion will be presented.

2. Flexicurity – Between Flexibility and Security

The concept of flexicurity is – as we know – constructed using a fusion of flexibility and security, thus leading to flexicurity. Increasing flexibility in a company is traditionally viewed as resulting in a reduction in the level of security among employees. Parallel to this, flexibility is often seen and analysed in connection with tendencies toward deregulation and decentralization in the labour market. This has been observed in the UK, where the importance of collective agreements has diminished during the last twenty years (Ebbinghaus & Visser 2000).

Through the concept of flexicurity we can observe a major change in the traditional conceptualisation of flexibility and security, in which they are seen as in opposition to each other (Kongshøj Madsen 2007, Ebbinghaus & Kittel 2005). The focus of this literature, however, is on those contexts, where a positive correlation and a positive trade off between flexibility and security can be observed and where the consequence of more flexibility is not less security, but more. Flexicurity can be seen as a state in the labour market where certain connections between flexibility and security can be observed. Wilthagen and Tros have defined the state of flexicurity as follows: "Flexicurity is (1) a degree of job, employment, income and 'combination' security that facilitates the labour market careers and biographies of workers with a relatively weak position and allows for enduring and high quality labour market participation and social inclusion, while at the same time providing (2) a degree of numerical (both external and internal), functional and wage flexibility that allows for labour markets' (and 'individual companies') timely and adequate adjustment to changing conditions in order to maintain and enhance competitiveness and productivity." (Wilthagen & Tros 2004: 170).

Those forms of flexibility that are usually discussed in flexicurity literature relate to subjects such as numerical flexibility (hiring and firing), functional flexibility (the possibility of using employees in relation to different work tasks), wage flexibility (the possibility to adjust wages to developments in market conditions) and work time flexibility (Wilthagen & Tros 2004, Leschke et al. 2006). These forms of flexibility are very much in line with the forms of flexibility that are traditionally analysed and discussed in industrial relations literature (Atkinson 1984). The forms of security analysed and described relate to subjects like job security (risk of being fired), employment security (possibility of getting a new job), income security (unemployment benefit), welfare security (access to health services, education etc. when unemployed).

Traditional neoclassical theory conceptualizes the connection between welfare security and the support of employees as contrasted. Welfare goods – like unemployment benefit – tend to increase, all other things being equal, the reservation wage. The reservation wage in economic theory is the amount of payment that the single individual would demand in order to prefer employment over non-employment. As such the better conditions individuals have as non-employed the higher the reservation wage. If we can observe a high level of unemployment benefit then consequently it is expected that the reservation wage will also be high. If we can observe a low level of unemployment benefit; the reservation wage is correspondingly expected to be low. Therefore according to neoclassical theory welfare goods tend to reduce employment because the reservation wage increases. The literature on flexicurity tries in some area to cross the divide between welfare and employability. The argument is that welfare (or security) makes employees more flexible in relation to their existing employment. Employees are – all other things being equal

– not so afraid of being dismissed, which expands the companies' possibility of using numerical flexibility as a business strategy. Wilthagen and Tros write: "As from the first half of the 1990s a change of view has been evolving. Institutional and regulatory settings in the labour market are no longer seen as mere economic barriers. Rather, certain settings and forms of (re)regulation are considered conducive to economic performance Social policy is increasingly being typified as a 'production factor', e.g. by the European Commission, and social institutions now seem to matter in a positive sense...." (Wilthagen & Tros 2004:172).

At the same time sections of flexicurity literature have discussed changes in the policies of the welfare state. Different analyses have shown that there have been some major changes in the welfare state policies in different countries, leading to a more active labour market policy. This has meant that from the late 1980s onwards different groups of unemployed people have been subjected to activation due to the new labour market policies. This 'activating welfare state' development has been especially visible in countries like the Netherlands and Denmark, and in the labour market literature this has been seen as supporting the development of flexicurity in the labour market (van Oorschor 2004, Bredgård et al. 2005, Andersen & Mailand 2005).

3. The Danish Industrial Relations System and Flexicurity

The Danish labour market and the Danish system of industrial relations have generally been recognised as an existing and functioning model of flexicurity (Beskæftigelsesministeriet 2005). Taking into consideration that since the mid 1990s Denmark has experienced a major decrease in its unemployment figures – especially compared to other EU-countries – labour market literature has discussed, in a broad sense, whether this reduction in unemployment is related to the fact that it is quite easy to dismiss employees in Denmark, and that the level of overall compensation in connection with unemployment is high.

In relation to job security, the state is involved only to a limited extent in securing employees general rights. Only a few laws – and then only concerning white collar workers – stipulate that employees have rights in relation to terms of notice. Correspondingly employers' terms of notice are generally at quite a low level even in the collective agreements (Andersen & Mailand 2006). Trade unions have concentrated their effort on the subject of dismissal only to a limited extent. Other areas like wages or working time have been looked upon as more important in the processes of collective bargaining. This has meant that Denmark – according to the OECD epl-index – has a comparatively low level of employment protection.

If we look specifically at Denmark then one of the characteristic emphasized by the literature on flexicurity is the possibility to dismiss employees without considerable expense. A second aspect stressed in the literature is, as mentioned, related to the security dimension in the Danish labour market. Especially among wage-earners with low qualifications the level of compensation is high in case of unemployment. Among workers employed on typical minimum wage conditions the level of compensation is around 94% (netto compensation after taxes), while it is around 68% among skilled workers. Salary-earners (with high qualifications) are compensated at a level around 50%. ((DA, 2009: 190, table 5:30, figures are from 2007).

Further, we can identify a correlation between a low level of employment protection and a high level of unemployment compensation. This high level of compensation is a precondition for the trade unions in their acceptance of a low level of employment protection. According to Andersen & Svarer: "The constellation of flexible rules on job security and generous systems of benefits is probably helping securing an efficient labour market, where the labour market parties respectively are secured their interests. Enterprises have a relatively easy access to adjust the number of employees in relation to changes in the market conditions, while trade unions are able to secure their members some compensation if they are unemployed." (Andersen & Svarer 2005: 3).

The third aspect that is emphasized as an important part of the Danish model of flexicurity is the so-called active labour market policy. This has been carried out by varying Danish governments since the beginning of the 1990s. Firstly, the labour market policy has focused on reviewing the criteria related to who should be able to get unemployment benefit. The objective has been to increase the incentive among the unemployed to actively seek employment. One of the ways in which this has been carried out is by reducing the maximum period for unemployment benefit. In the beginning of the 1990s unemployed persons were able to have access to benefit for a maximum period of nine years. In 2005 that period was reduced to four years (Andersen & Svarer 2005). Correspondingly we can observe that the level of compensation is reduced in relation to wage levels. Some analysts argue that the level of compensation during unemployment has fallen 25% from 1982 to 2004 (LO 2006). Thus we can observe quite a reduction in the level of compensation. In addition the active labour market policy has been characterized by the intention of providing an increase in the qualifications among the unemployed. Education and supplementary training of the unemployed – through different kinds of models – has aimed at securing the demands of the enterprises and companies. The change from a so-called passive labour market policy to an active labour market policy can be observed in how the expenses of unemployment policies have been used. The idea has been that investment in human capital among the unemployed would stimulate their employability.

Using terms from economics theories one could say that the aim of the active labour market policy in Denmark has been to reduce the reservation wage among the unemployed by making it less attractive to be on unemployment benefit. Parallel to this the active labour market policy has aimed at increasing the qualifications and competence among the unemployed in such a way that it corresponds with the demands among employers (Albæk 2005).

According to the literature on flexicurity it is the combination of a low level of employment protection (and a high level of mobility), a high level of unemployment compensation and the active labour market policy that has been decisive in explaining the falling numbers of unemployed in Denmark during the 1990s. The combination of a relatively high level of unemployment benefit and a high level of flexibility among enterprises in relation to their access to hiring and dismissal creates, according to OECD, good growth conditions for companies and stimulates job creation (OECD 2004).

Another consequence related to the flexicurity model is that the mobility among Danish employees is rather high compared to other countries. Also in that respect Denmark is similar to more liberal labour markets. According to a report made by The European Foundation In Dublin, we can observe that Denmark is the country with most newly employed persons in the workplace. The European Foundation, in a report about mobility in Europe, writes: "The results on recent job mobility levels are in line with the previous findings on job mobility over the entire labour market career... (it) shows that Denmark is the EU15 country with the highest recent job mobility rates (almost 16% of the Danish workforce joined their current employer as recently as within the last year). The UK and Ireland display the next highest rates on recent job mobility among EU15" (European Foundation (2006: 44).

4. Explaining Flexicurity

Following preceding sections where the focus was on describing the model of flexicurity in general and the Danish version of flexicurity in particular, we will now focus on how flexicurity can be explained, using Denmark as a point of departure. This section will relate to a number of different theoretical positions that can contribute to the analysis of the functioning and dynamics of the flexicurity models. A central theme in this part will be the relation between individual and collective actors.

As a starting point we will use the literature about flexicurity (Wilthagen & Tros 2004, Leschke et al. 2006), and its analysis of the 'trade off' between security and flexibility. Wilthagen & Tros write: "flexicurity policies can be analysed as types of trade-offs. ... These trade-offs can involve individual workers, groups of workers or entire workforces, sectors of business or national governance systems as a whole, depending on the level where the trade-offs are made." (Wilthagen & Tros 2004: 171). This trade off and its consequences in relation to models of flexicurity varies from one country to another, from one sector to another and from one company to another. Overall some industrial relations systems are characterized by flexicurity arrangements, while other industrial relations systems are characterized by other types of arrangements.

For instance in Germany we can observe a high level of employment protection in relation to the core parts of the labour force. This corresponds with a high level of functional flexibility at enterprise level. In Denmark (and the Netherlands) however we can observe a different kind of flexicurity, where numerical flexibility is seen as a precondition for the processes of job creation. This kind of numerical flexibility is supported by the high level of unemployment compensation (Wilthagen & Tros 2004).

In table 1 we have summarized some of the aspects relating to employment protection and the level of welfare, and the possible consequences of different forms of flexibility in the labour market. Wilthagen and Tros write "In Denmark, there is a clear trade-off between a high level of external-numerical flexibility and a high level of income and (increasingly) work security. Since the end of the 19th century, Danish workers have had little protection from dismissal, but with income protection, they have the security of being able to find a new job quickly, thanks to training, mediation and reintegration." (Wilthagen & Tros 2004: 177).

Table 1. Forms of flexibility and security, selected countries (level of employment protection/ level of welfare)

	Level of employment protection	Level of welfare when unemployed	Consequences in relation to forms of flexibility and job-creation
Germany	High level of employment protection	High level of compensation	Low level of numerical flexibility and low level of job-creation
Italy/France	High level of employment protection	Low level of compensation	Low level of numerical flexibility and low level of job-creation
Denmark	Low level of employment protection	High level of compensation	High level of numerical flexibility and high level of job-creation
USA, UK	Low level of employment protection	Low level of compensation	High level of numerical flexibility and high level of job-creation

The question we would like to raise in this section is how we can explain the outlined trade off between flexibility and security in the Danish industrial relations system. One possible answer is that the trade off between the low level of employment protection and the high level of welfare payment is accidental; in the sense that it is an unintentional consequence of other types of trade offs or other types of institutional developments in the Danish society (see e.g. Jørgensen & Kongshøj Madsen 2006). The reason why this question is raised is because the literature on flexibility attempts only to a limited extent to explain how and why flexicurity develops. In flexicurity literature the advantages related to different types are often presented (Bredgaard et al. 2005, Wilthagen & Tros 2004, Leschke 2006). However there seems to be a deficiency in explaining the creation of flexicurity in a given society or in a given industrial relations system and why it is implemented. The fact that we are able to observe an attractive trade off is not in its own a sufficient explanation for the existence of flexicurity. The literature about flexicurity here seems to be close to a more traditional functionalistic form of explanation, where the observation of a certain social function in itself is used as an explanation (Coleman 1990). These kinds of explanations have been subject to much criticism.

The starting point for the following will be a further analysis and evaluation of different types of theoretically based explanations regarding the observed trade off between flexibility and security in the Danish labour market. We will apply two different types of theoretical traditions in an attempt to explain the trade off and flexicurity in the Danish labour market. Firstly we will try to use a traditional rational choice model. In this position the theoretical starting point will be the idea that social institutions are explainable through the observation of rational behaviour among individuals. Secondly we will focus on theories about collective action and collective goods and how collective action is developed in an industrial relations system. In this context we will discuss how collective actors are able to influence the formation of social institutions like the Danish flexicurity model.

4.1 Flexicurity at a micro level – Individual trade off possibilities in the Danish model of flexicurity

Initially an analysis of a trade off between low employment protection and a high level of welfare compensation at individual level must be looked upon through the eyes of a single employee and a single employer. The question raised is whether it is possible to argue for the establishment of a trade off between lack of employment protection and welfare compensation, if it is assumed that the two individual actors behave in a rational matter. If we look upon the possible individual preferences among employees and the possibility of getting them to accept a short term of notice (such as in the Danish system), we can argue that if the employees are part of a welfare system, then they are able to make some types of trade off with an employer that are different from the trade offs they would have made if they were not part of a welfare system.

In table 2 we have outlined some of the risks and possibilities that any employee must consider in relation to the possibility of being unemployed. In the table we compare the consequences of being unemployed in the US with the consequences of being unemployed in Denmark. It is shown that the costs in relation to both direct compensation through unemployment benefit and the costs in relation to broader welfare generated goods are much higher in the US than in Denmark. It is much more expensive for the single employee to be unemployed in US than in Denmark.

The literature on flexicurity about Denmark very often focuses on the level of unemployment benefits and on the level of compensation when security is discussed (Andersen & Svarer 2005, Andersen & Mailand 2005, Ilsøe 2007). However equally important in relation to unemployment are the welfare goods that are provided by the Danish welfare state, and which is independent of whether the citizen participates in the labour market or not. A number of welfare goods are provided generally by the Danish welfare state, and are not dependent on employment. Education is free for children (including grown up children at high schools and at universities) whether you are employed or unemployed. Access to the health care system is also independent of whether you are employed or not. These kinds of welfare benefits are important to consider when discussing the risks related to unemployment and during comparisons between Denmark and the US. This can also be observed in table 2.

Table 2 Individual considerations about risks related to the possibility of being unemployed

	Denmark – change in individual position if unemployed	US – change in individual position if unemployed
Level of direct income replacement when unemployed	Around 60% for average employee wages (for a period of four years)	Around 25-50 percent average employee wage (for a period of 26 weeks) (source Ilsøe 2007).
Access to health care	No change (free access)	Often loss of health care insurance
Access to education (incl. high school, university etc.)	No change (free access)	Reduction of income reduces the possibility of financing education of children
Access to pension	Reduced labour market pension / no change in general state financed pension	Reduced labour market pension
Access to supplementary training	Increased access to supplementary training through labour market policy. Reduced access to training on the job.	Reduced access to supplementary training
Access to childcare, kindergarten	No change (possible compensation in payment to kindergarten due to reduced income in	Lower income reduces the possibility to finance childcare

All things being equal we can argue that Danish employees engaging in individual negotiation with their potential employer would be less disposed to prioritise employment protection than their American counterpart¹. However this does not individually explain the existence of flexicurity. Using the individual employee as a reference point there will be no individual trade off with the employer between employment protection and high levels of welfare compensation.

Looking from the perspective of the individual employee, the combination of a high level of employment protection and a high level of welfare compensation is – all other things being equal – more attractive, than a combination of a low level of employment protection and a high level of welfare compensation. Additionally for the Danish there is no individual mechanism which makes a trade off between the individual employee and the individual employer probable, thus leading to an exchange between employment protection and welfare. Employees could in principle be interested in a trade off between employment protection and welfare compensation. However the employer would not be able to offer the welfare compensation as welfare compensation is provided by the state, not the employer.

One could say that in the Danish labour market the trade off between employment protection and welfare compensation is out of reach in relation to a possible trade off between an individual employer and an individual employee. What can be observed here is the classical conflict between individual and collective formation of interests and the issue of collective goods (Olson 1965, Elster 1989, Coleman 1988). Flexicurity seems to be attractive model for the overall social order, however the attraction and the trade off is not visible from the individual's point of view. The existence of a welfare system may induce the individual employee to downgrade the importance of employment protection, but in principle this will just lead to a demand for higher wages, reduced working hours or similar. Reservation wages will increase due to the welfare system and it will not – at the level on individuals – lead to a trade off between employment protection and welfare compensation.

From this we can observe that it is not possible to explain the development of a system of flexicurity on the Danish labour market if we focus on the individual's interest in forming a trade off between employment protection and welfare compensation.

4.2. Flexicurity on a macro level: corporate actors and collective action

However labour markets consist of more than individual employees and individual employers. Labour markets consist – as is especially relevant in the context of Denmark – also of collective or corporate actors that represent the collective interests of employees and employers. Trade unions, employers' associations and governmental agencies are the classical actors in the national systems of industrial relations. Analysing the relation between these actors has a long tradition in industrial relation literature (Dunlop 1958, Clegg 1976, Due et al. 1994, Hyman 2001, Jensen 2007). Scharf, (1991) using Coleman as a starting point, defines corporate actors as: "characterized by the legal attribution of collective rights resources and duties combined with internal capacity for making collective binding decisions and for committing collective resources" (Scharf 1991: 284).

In this section of the paper we will try to verify whether we can explain the Danish model of flexicurity if we focus on the corporate actors in the Danish industrial relations system. In table 3

¹ That the level of employment protection in reality is lower in the US than in Denmark, does not change the principle of the argument

we have identified a number of institutional characteristics related to the Danish model of industrial relations and compared it to a number of selected countries.

Table 3 Institutional characteristics, Denmark compared to selected countries.

	Denmark	Germany	UK	France	US
Trade union density (1)	74%	23%	29%	10%	12,4**
Employers' associations, density (private sector) (2)	52%	63%	40%	74%	Nn
Coverage, collective agreements (3)	80- 90 %*	60-70 %	30-40 %	90- 100 %	14%**
Legislation regarding minimum wages (4)	No	No	Yes	Yes	Yes
Dominating level of negotiations in collective bargaining. (5)	Sectoral level (most important), company level, national level	Sectoral level (most important), Company level	Company level	Company level (most important), sector level	Company level
Unemployment benefit system. Relation to trade unions (Ghent system)	Ghent system. Unemployment security system related to trade unions	No Ghent system.	No Ghent system	No Ghent system	No Ghent system
Fundamental orientation in labour market regulation – forms of governance	Based on collective agreements	Based on collective agreements and legislation	Liberal model of regulation	Based on legislation	Liberal model of regulation

Source: (1) and (2) Commission of the European Community (2004), the level of organization among employers is measured in relation to the overall labour force (Labour force in companies that are member of an employers' association in relation to overall labour force) (3) Commission of the European Community (2004: 31) (4) Euro-Online (2005) (5) Commission of the European Community (2004: 39) * a bit lower in the private sector, probably about 70%. ** source is IIsøe (2007:15)

A central characteristic relating to the Danish system of industrial relations is the importance of labour market parties and the importance of the system of collective bargaining. Both trade union and employers' associations are central players when rights and forms of governance are developed in the Danish labour market. The labour market parties are the main actors in the Danish industrial relations system. The state – and different governmental bodies – traditionally play a supportive role in relation to their social partners (Due et al. 1994, Jensen 2007). This is the case even though governmental policies play a bigger role today compared to twenty years ago, for example in relation to the European Union (Jensen et al. 1999).

In the following we will discuss which types of corporate actors should exist and which types of institutional conditions should be present if we can observe the existence of a flexicurity model like the one in Denmark.

It is, however, not an argument in itself that we can observe strong corporate actors in the labour market as this would lead to the kind of trade off known on the Danish labour market. German trade unions and German employers associations have, for instance, other types of views on the flexicurity theme than the view that dominates in Denmark. German trade unions typically do not find a reduction in the level of employment security acceptable. Instead they argue for the development of more functional flexibility at the workplace level. Leschke et al. write: "Concerning flexicurity, the trade unions still emphasise the importance of job security during economic downturns. In order to meet employers' demands for flexibility, trade unions clearly favour internal functional flexibility." (Leschke et al. 2006: 5). Correspondingly German employers are also against the development of a German model of flexicurity. They argue that the flexibility is needed, but not the security. "Among employers' representatives, the flexicurity concept and corresponding policy proposals are not explicitly on the agenda. Instead, the need for further flexibility, for instance through retrenching employment protection without considering complementary security as in the Danish case, is strongly emphasised. In exchange for giving up employment protection, employees might get the option of severance payments. On the firm-level, strong emphasis is also given to flexible wages. In this respect, the flexibility-security nexus is mainly discussed as an

exchange of wage restraints and job security through so called 'Bündnisse für Arbeit' (pacts for work)." (Leschke et al. 2006: 5).

In a Danish context however both trade unions and employers associations argue that the model of flexicurity is an advantage for the Danish labour market (Beskæftigelsesministeriet 2005). So the labour market parties generally accept the trade off between a low level of employment protection, and a high level of welfare. In table 4 some of the interests of the corporate actors in the existing system of flexicurity are presented.

Table 4. Corporate interests among trade unions, employers associations and governmental bodies in the Danish model of flexicurity

	Advantage (interest) in the flexicurity model	Disadvantages in the flexicurity model
Trade Unions	High level of compensation if employees are unemployed; reduced risk in connection with unemployment	High level of risk in relation to possible dismissal.
Employers Associations	High level of numerical flexibility	Possible high level of reservation wage
State/governmental bodies	Flexible labour market. Low level of unemployment	Financial burden. More than 60% of the unemployment benefits are paid by the state.

Examining the interests of the trade unions and the employers' organisations we can argue that it's possible to identify a trade off between a low level of employment security and a high level of welfare compensation. Both trade unions and employers associations gain as corporate actors in relation to the trade off, especially because the expenses that are connected with the reduction in employees risk is primarily financed by the state and the government.

It is the state that finances the majority of the welfare expenses and also the majority of those related to the unemployment insurance system. The mechanism of the trade off arrangement is based on the fact that the expenses related to the trade off are externalized; and on a situation in which the corporate actors are able to get acceptance for such a solution by the state. Such a trade off is dependent on specific relations between the labour market parties and the state. This relation is connected to the historically developed 'division of labour' between the Danish industrial relations system and the Danish welfare system. Traditionally the industrial relations system – and the social partners – have been 'responsible' for the governance and forms of regulation in the workplace relating to wages, working time, regulation of dismissals etc. Typically the state has been involved in this kind of regulation only to a minor extent. "The social partners take responsibility for wage bargaining and wage setting. They also make agreements concerning normal working hours, and set rules for labour protection with respect to overtime and work environment." (Erikson & Westergaard-Nielsen 2007, p. 6-7). Correspondingly the state has been 'responsible' for securing employees (and more generally citizens in Denmark) outside the workplace. Security (or support) in relation to sickness, education, peoples pension, care for the elderly and so on have traditionally been organized and supported by the state, thus covering all citizens in Denmark independently of their attachment to the labour market. This universalistic principle has dominated the Danish welfare state (Esping-Andersen 1991, Jensen 2007). Gazier writes regarding some of the preconditions for the flexicurity model: "The so-called "golden triangle" ... made of relatively permissive firing rules, generous social protection and active labour market policies, has been generated in a small country with a long lasting tradition of social dialogue, very strong unions and numerous small and medium sized firms." (Gazier 2006: 15). Consequently the preceding section indicates that we can, at least to a certain extent, explain flexicurity if we analyse possible trade offs among the corporate actors.

5. Conclusion

This paper has been focusing on two themes. Firstly focus has been on identifying characteristics relating to the Danish flexicurity model. Since the mid 1990s flexicurity has been conceptualised as a special form of organizing at labour markets where we can simultaneously observe flexibility and

welfare. In this paper we have tried to identify a number of characteristics relating to the Danish model of flexicurity. One of the reasons why flexicurity is an interesting analytical subject is because flexibility and security are usually presented in opposing systems of industrial relations. Traditional theories indicate that flexibility would dominate in liberal economic systems such as in the US or the UK, while welfare and security would be expected to dominate in more corporatist or social democratic economies, like in Denmark. The conclusion from this paper however points in the direction of both security and flexibility able to exist in the same system and contribute to the development of a dynamic labour market.

The second focus of this article was the question of how to explain flexicurity. Flexicurity is often explained with reference to its function, which sometimes looks a bit like a traditional functionalist fallacy (Coleman 1990), in which function is used to explain reality. In this article different theories have been discussed in relation to whether they could contribute more directly to the explanation of flexicurity. Focus was on the so-called trade off between a low level of employment protection and the relatively high level of welfare compensation related to unemployment. The theories used here were individually based rational choice theories about collective action.

The final conclusion is that it is difficult to explain flexicurity as a result of an individually based trade off between the single employee and the single employer. It is more constructive to use theories relating corporate actors and collective action in explaining the trade off. The configuration between the corporate actors in the Danish industrial relations system suggests that the labour market parties are able to agree on a trade off between flexibility (low level of employment protection) and welfare in case of unemployment, because they are capable of externalising the expenses related to the trade off to the state.

The overall conclusion to this article is that flexicurity depends a lot on societal preconditions and that flexicurity – especially in its Danish version – is very much related to the institutional and organizational characteristics in the Danish labour market. First and foremost it is obvious that the strong labour market organisations and the historically developed division of labour between the welfare state and the system of industrial relations plays a major role in the development of flexicurity. If these types of institutional and organizational conditions are not present; it looks very difficult for a given country to try to reduce unemployment by using a model of flexicurity.

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