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A Flexicurity Labour Market in the Great Recession: The Case of Denmark
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Abstract:
Flexicurity labour markets are characterised by flexible hiring/firing rules, generous social safety net, and active labour mar
policies. How can such labour markets cope with the consequences of the Great Recession? Larger labour shedding is to
expected and this strains the social safety net and increases the demands on active labour market policies. This paper tak
closer look at the labour market consequences of the crisis for Denmark. It is found that employment adjustment is not
particularly large in international comparison, although it has more weight on the extensive (number of employees) than the
intensive (hours) margin. The level of job creation remains high, although job creation is pro-cyclical and job-separation cou
cyclical. As a consequence most unemployment spells remain short. This is critical since a persistent increase in
unemployment will affect the financial balance of the model severely. Comparative evidence does not, however, indicate tha
flexicurity markets are more prone to persistence. Crucial for this is the design of the social safety net and in particular the
active labour market policy. However, the larger inflow into activation raises questions concerning the possibility of maintair
the efficiency of the system.

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