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Flexicurity and atypical employment in Denmark

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Summary

Danish flexicurity has become a political celebrity in Europe. The Danish case of flexicurity is often described as a certain state of affairs or a labour market model for the regular workforce. So far the relationship between "atypical employment" and Danish flexicurity has not been well researched. In this article, we take the effort to investigate the relationship in some detail. We describe the incidence, development and regulation of part-time employment, fixed-term contracts, temp agency work, self-employed and – as a special Danish ingredient – the so-called flex-jobs. We do not find much empirical support to the assumption that atypical employment is becoming more typical or that atypical employment is unregulated and poorly protected. In contrast, it seems that Danish flexicurity has been extended to include "atypical" workers. This strategy of "normalising atypical work" rather than easing dismissal protection for regular workers may serve as a policy lesson in other European countries.

1. Introduction

Flexicurity – the contraction of flexibility and security – has in a remarkably short time become a political celebrity in its own right (Jørgensen/Madsen 2007). At the moment, flexicurity is the single most popular concept for reforms of labour markets, labour laws and employment policies in the European Union (EU). The EU Commission is defining flexicurity rather vaguely as an integrated strategy to enhance at the same time flexibility and security in the labour market (European Commission 2007a, p. 4).

Denmark is currently the foremost real-life life example of flexicurity. In Denmark, a flexible labour market is combined with generous social security and active labour market policies – or what has become known as the "golden triangle" (OECD 2004; Ministry of Labour 1999).

In the literature, Danish flexicurity is often described as a certain state of affairs or as a labour market model for the "ordinary" (or typical) labour market (Madsen 2003, 2004; Bredgaard et. al 2005). One of the main features of the Danish employment system is a relatively low level employment protection for employees with a standard contract (OECD 2004, chapter 2). The main trade-off between flexibility and security is found for regular (standard) workers who experience a short spell of unemployment in between two jobs. In this context, the unemployment benefit systems functions as a flexibility device enhancing the mobility and risk willingness of the ordinary workforce. For those, who have problems finding a new job, the active labour market policy ideally serves to upgrade the qualifications and motivation of the individual, and enhance the possibilities for labour market reintegration (Madsen 2003, 2004, 2005, 2006).

Since the majority of the workforce is easy to dismiss, Danish companies have traditionally not resorted to employ "atypical workers". The short story is that the ordinary workforce can be considered "temporary workers" due to the high job mobility and high job turnover rates (Bredgaard et. al 2005, 2006).

But this short story is precisely too short and imprecise. In this article we review the relationship between Danish flexicurity and atypical employment. First, we examine the relationship between employment protection legislation and "atypical" employment. We define "atypical employment" as the major types of non-standard work deviating from the full-time open-ended employment relationship. This includes part-time employment, fixed-term employment, temp agency work and self-employment. Second, we describe the incidence, development and regulation of these "atypical" employment relationships in Denmark, and, finally, conclude by assessing the detailed relationship between flexicurity and atypical employment in Denmark.

2. Employment protection and "atypical" employment

We begin by briefly examining the relationship between employment protection legislation (EPL) and "atypical employment". In the context of "atypical" employment it is worth noting that the literature on Danish flexicurity tends to assume that workers are in regular open-ended contracts, or, if not, that part-time or temporary contracts can be considered equivalent to regular employment. This underlying assumption will be taken to the test in this article.

In contrast to the taken-for-granted assumption in Denmark that "atypical" employment are either of minor importance, or already well-protected, the European agenda on flexicurity pays quite substantial attention to the problems of segmented labour markets (European Commission 2007a). In its Communication on Common Principles of Flexicurity, the Commission states that one of the main objectives of flexicurity is precisely to reduce the segmentation of labour markets. The following quote is characteristic of the EU-approach:

> "*Today's labour market shows a clear division between well-protected and less-protected workers. Many countries have tried to make their labour markets more flexible by creating various sorts of contracts with less protection. Workers on such contracts risk getting trapped in a situation with less security, without being able to move into better employment. Flexicurity addresses this problem, for example by limiting the use of consecutive fixed-term contracts and by ensuring transitions into open-ended contracts"* (European Commission 2007a, p. 9).

The argument is that European countries with stringent EPL have tried to increase numerical flexibility by introducing "flexibility at the margins" through fixed-term and part-time contracts, which, in effect, has created an unbalanced relationship between inflexible but secure insiders and flexible but unsecure outsiders. The policy response is a "pathway" labelled "tackling contractual segmentation" aiming a distributing flexibility and security more evenly over the workforce by providing entry ports into employment for newcomers and promoting their progress into better contractual arrangements (European Commission 2007a, p. 28-29). The objective is to integrate non-standard contracts fully into labour law, collective agreements, social security and lifelong learning (Expert Group on Flexicurity 2007, p. 23).

The EU Commission (implicitly) argues that the problem of segmented labour market is mainly confined to countries with strict employment protection (like Spain, Italy, Germany and France), while countries with more liberal employment protection (like Denmark and the United Kingdom) do not confront this challenge to the same extent. The assumption is based on the empirical observation that the proliferation of "atypical" forms of labour contracts occur in countries with restrictive EPL for regular contracts (European Commission 2006, p. 75). Thus, employers in countries with stringent rules for hiring and dismissing standard workers are enforced to employ "atypical" workers to gain numerical flexibility.

These assumptions are based on the standard indicator of EPL presented in the summary index of the OECD (OECD 2004).[1] EPL considers legal and administrative constraints on worker dismissals, as well as severance payments paid to dismissed employees. Combining EPL data with data on external numerical flexibility shows that the latter tends to be higher in countries with relatively weak EPL and/or labour laws that facilitate recourse to fixed-term contracts.

The different effects of EPL on unemployment, employment and labour market performance are summarised in Employment in Europe 2006 as follows (European Commission 2006, p. 81ff.):

- EPL does not seem to significantly affect total unemployment. On the one hand, EPL tend to reduce the separation rate from employment into unemployment, and, on the other, it

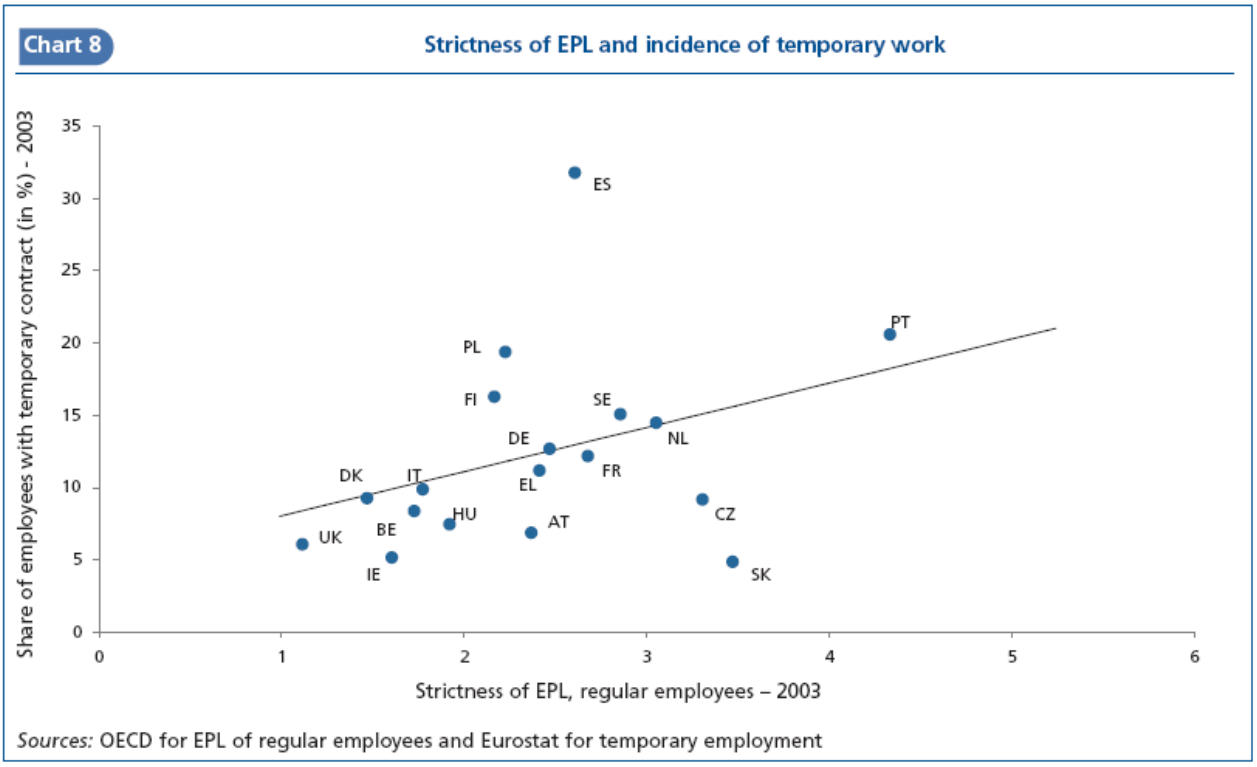
[1] It is worth noting, as the OECD also does, that the EPL indicator is mainly based on legislative provisions, and tend to understate the role of contractual provisions and judicial practices (OECD 2004, p. 64).

decreases the exit rate from unemployment into work, since firms become more cautious about hiring. These effects may offset each other.

- While the impact on total employment is modest, EPL seems to harm the employment prospects of weak groups (e.g. young people, women, and long-term unemployed) due to lower inflows and outflows from unemployment. EPL leads to higher average job tenure, and higher unemployment durations.

In relation to "atypical" employment, the assumption is that countries with stringent EPL on regular workers need to resort to other types of flexibility to remain productive and competitive. This can be internal flexibility (like functional, working time or wage flexibility) or external flexibility (performed by non-regular workers). There seems to be some empirical support for this assumption. By combining the OECD indicator on strictness of EPL on regular employees with the Eurostat indicator on share of employees with temporary contracts, the European Commission suggests that stringent rules on regular contracts tend to increase the incidence of temporary work.

Figure 1. Strictness of EPL and incidence of temporary contracts, 2003



Source: European Commission (2006): *Employment in Europe 2006*, p. 89, Brussels.

As expected, countries with low strictness of EPL (like Denmark and the UK) are placed in the lower left-hand side of the chart, while countries with high strictness of EPL (like Portugal and Spain) are placed in the upper right-hand side. It is, however, worth noting that the statistical relationship between EPL-strictness and share of employees with temporary contracts appears as quite weak.

The time-series data on the EPL indicator shows an overall declining trend for the stringency of dismissal regulations, with most of the changes occurring in the 1990s (OECD 2004, p. 71). In most cases this is mainly due to easing of regulations on temporary employment, particularly in Italy, Belgium, Greece, Germany and Denmark. The European commission suggests that partial loosening of EPL (i.e. only involving temp contracts) can create a dual labour market with insecure temporary jobs and secure but inflexible regular jobs (European Commission 2006, p. 90).

This brings us to examine the detailed relationship between "atypical" employment and flexicurity in Denmark.

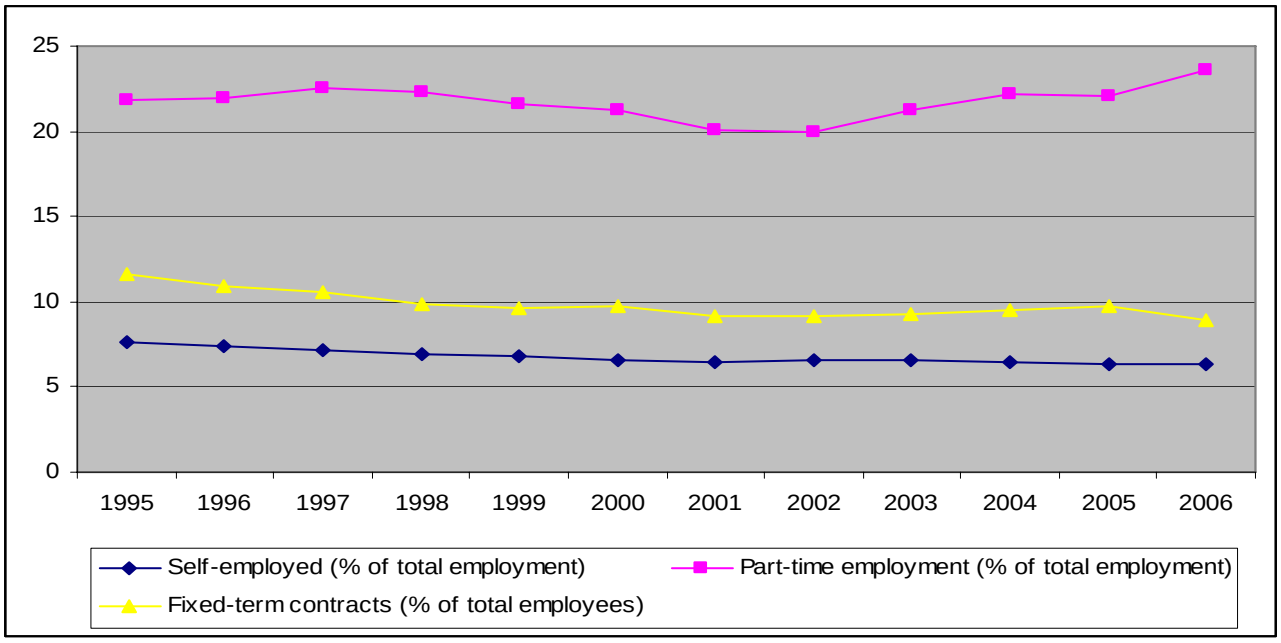
3. Atypical employment in Denmark

It is often suggested that permanent and long-time employment relationships has become a thing of the past due to rapid technological restructuring, globalisation of labour markets and new life course preferences of the workforce. The shift from job security to employment security implied by the flexicurity concept is also a reflection of this change.

However, there is not much empirical evidence to back this assumption of the "end of stable jobs". Auer and Cazes (2003), for instance, find a surprisingly high degree of stability in employment relations over time, e.g. average job tenure has hardly changed in the period from 1992 to 2005 (Auer 2007).

In Denmark this stability in the employment relationship is also confirmed by time-series data on the evolution of various "atypical" forms of employment relations (like part-time employment, fixed-term contracts and self-employment), cf. figure 2.

Figure 2. Incidence of "atypical" employment in Denmark, 1995-2006 (part-time and self-employed as percentage of total employment, and fixed-term contracts as percentage of total employees)



Source: European Commission (2007b): *Employment in Europe 2007*, Statistical Annex, p. 290.

There is a remarkable stability over time in the share of "atypical" employment. All three indicators (part-time employment, fixed-term contracts and self-employment) have remained on almost the same level since the mid-1990s. Actually, both the share of fixed-term contracts and self-employed have declined slightly over the period. In contrast, the the part-time employment rate has risen by 5 percentage point from 1995 to 2006 in EU-15 (16 % to 21 %). In the same period, the share of fixed-term contracts has also risen in from 12 % to 15 %, while the self-employment rate has fallen slightly (European Commission 2007b, p. 286).

Due to the relatively moderate EPL for regular workers and relatively high job mobility rates, we would expect to find a lower incidence of "atypical employment" in Denmark. This is only partly confirmed. Compared to EU-15 there is a much lower incidence of self-employment in Denmark (compare 6 % in DK to 15 % in EU-15), and a lower incidence of fixed-term contracts (compare 9 % in DK to 15 % in EU-15). The share of part-time employees is, however, higher in Denmark (24 %) than in EU-15 (21 %). Like in other EU-countries there are, furthermore, important gender differences in the distribution of "atypical" employment. In 2006, 35 % of all female employed were in part-time employment (compared to 13 % of men), and only 4 % of women were self-employed (compared to 8 % of men) (European Commission 2007b, p. 290).

In the following we will examine in some detail the regulation of various forms of "atypical" employment in Denmark. It should be noted that the concept "atypical employment" is a very broad label for the different forms of employment that are not consistent with the typical concept of 'normal', 'regular' or 'standard work', which is understood as a full-time contract on a permanent basis with a single employer (Kalleberg 2000). In that sense, atypical employment is everything that normal or regular employment is not. However, what is considered atypical varies from country to country, but in general forms of employment like part-time work, fixed-term

contracts, agency work and different forms of self-employment are defined as atypical. When atypical employment is understood as the opposite of standard employment it may also include independent contracting, home-working, telecommuting, various flexible working time arrangements, job-sharing, secondary jobs, seasonal jobs, undeclared work, family work etc. (Kalleberg 2000, p. 343-344). We will, however, stick to the more conventional European definition of "atypical" employment as including the major kinds of non-standard work: Part-time work, fixed-term contracts, temp agency work and self-employment. As a special Danish supplement, we also include the growing number of so-called flex-jobs, i.e. jobs with a permanent wage-subsidy that are reserved for persons with reduced working ability.

Atypical employment is often associated with worker insecurity. Compared to standard workers, we define "insecurity" as a lesser extent of job protection (measured by EPL), social security, employment security (employability) and combination security (work-life balance). We thereby follow the various types of security identified in the well-known flexicurity-matrix (Wilthagen 1998; Wilthagen & Tros 2004). The question we turn to now is therefore, whether persons in "atypical employment" (part-time employment, fixed-term contracts, temp agency workers, self-employed and persons in flex-jobs) enjoys the same level of social protection as ordinary workers. We mainly examine the formal level of protection in laws and collective agreements, and only the implementation of the regulation if there is available empirical evidence, which is often not the case.

In this context, it is worth noting that there are different levels of regulation for the employment relationship. For instance, the European Commission regulates part-time work, fixed term contracts and temporary agency work through directives that are implemented by either law or collective agreements in the member states. In Denmark there is a special mechanism for implementing such EU directives. A major issue has been whether collective agreements can be applied to implement EU directives on labour law. After the implementation of the European working time directive through collective agreements in Denmark, the European Commission submitted a so-called opening letter to the Danish government, which is the first step towards a case in the European Court of Justice. The EU Commission was not convinced that the implementation included employers and employees not covered by collective agreements. Subsequently, a practice evolved in which the main labour market organisations transplant directives into binding collective agreements, and national labour laws are considered "subsidiary" to cover those employers and employees that are not covered by collective agreements (*erga omnes*). The long-term viability of this implementation model is, however, still uncertain (Nedergaard 2004).

We now go on to review the development, incidence and regulation of various forms of "atypical" employment in the Danish case.

3.1. Part-time employment

In general, the Dublin Institute reports that the empirical evidence shows that part-time work in Europe is associated with worse working conditions than full-time work. Part-time workers have fewer opportunities for training and career progression, lower job tenure and salary levels, less access to supplementary payments and social protection benefits. On the other hand, part-time

workers are less likely to report job-related health problems and more likely to achieve a positive work-life balance. There are, however, major country differences (Eurofound 2003, p. 2).

As mentioned above, Denmark has a rather high percentage of part time workers (24 % in 2006), which, moreover, has remained almost constant in the period where data are available.[2] In Denmark, part-time work is not considered "atypical" or "precarious" work, but rather a "normal" standard type of work, albeit with a shorter working time (Madsen/Petersen 2000, p. 61).

This does not imply, however, that all part-timers are voluntary part-time workers. In 2002, 16 % of all part-time employed in Denmark replied in the Labour force Survey that the main reason for working part-time was because they found it impossible to find a full-time job. This share of "involuntary" part-timers was slightly above the EU-average of 14 %, but far below the shares reported in Greece (44 %), Finland (31 %), Italy (31 %), France (24 %) and Sweden (22 %) (Eurofound 2003, p. 9). It should also be noted that about 50 % of all part-timers in Denmark respond that the main reason for working part-time is that they do not want to work full-time. In addition, about 30 % work part-time because they are involved in education and training activities (e.g. students). Thus, about 8 out of 10 part-time workers can be considered "voluntary" part-timers. There is moreover a clear gender differences in the reasons behind taking op part-time jobs; 60 % of men work part-time to combine work and education (e.g. students), while 58 % of women work part-time because they do not want full-time work (e.g. to improve the work-life balance) (Wehner et. al 2002, p. 4). Like in other European countries, part-time workers are concentrated in specific sectors (particularly retail, hotels and restaurant, and the public sector). This also implies that there is a higher share of part-time workers in the lower socio-economic segments (Wehner et. al 2002, p. 10).

The regulation of part-time work is a mixture of collective agreements and law. For instance, the 1997 EU directive on part-time employment was in 2001 implemented by the social partners in the private sector. Supplementary agreements have also been struck between the social partners representing various public sector employees. The main objective has been to avoid differential treatment of full-time and part-time workers, unless objectively justified.

In 2002, a new Part-time Law was passed by the liberal-conservative government. The law was met by some criticism from the trade unions for interfering with the traditional Danish model of voluntary collective bargaining, and out of fear that workers could be forced from full-time to part-time employment. The main intention of the part-time law was to remove the barriers laid down in collective agreements for part-time work. If there is agreement between the employer and the employee, an individual worker can change from full-time to part-time. If a worker is dismissed, due to a rejection of a request to go on part-time or due to his or her own request to change to part-time, then the employer has to pay compensation. Thus, the law does not grant employees a right to part-time work, but an option – if the employer agrees. The law only applies to persons already employed, not newly recruited workers. In relation to recruitment, there are still a number of limitations to part-time employment that applies, e.g. regulation on the maximum number of part-time workers, the rule that part-time workers should not substitute full-time workers, and that part-time employment must be negotiated with the shop stewards (Danish

[2] The figures on part-time workers from Eurostat are made on the basis of spontaneous answers given by the respondents in representative surveys. Eurostat argues that it is impossible to establish a more exact distinction between part-time and full-time work due to variations in working hours between Member States and branches of industry.

Confederation of Trade Unions 2004). Since the law was passed in 2002, the incidence of part-time work has increased by some 4 percentage points (cf. figure 2 above).

If part-time workers become unemployed they have the same level of income protection as full-time workers. Both full-time and part-time employees can become members of an unemployment insurance fund. Part-time insurance is an option for persons working less than 30 hours per week. Membership contribution and the level of unemployment benefits are lower for part-time unemployed. Thus, benefits cannot be higher than two-thirds of the benefits for a full-time insured person. In addition, part-time insured unemployed who gain a new job with less than 30 hours a week are eligible to supplementary unemployment insurance benefits (for a period of 52 weeks within the last 70 weeks).[3]

In order to increase effective labour supply among part-time workers, the government has recently set the maximum period for supplementary benefits at 30 weeks. Besides from topping up the wages of some part-time workers, supplementary benefits are also used to retain workers in branches with seasonal fluctuations.

Thus, except from the reduced working time, part-time workers are generally covered by the same collective agreements and the same legislation as full-time employees. Also, when it comes to collective pension schemes, part-time workers are covered by the same system as full-time employees, only with proportional reductions in contributions and pensions. In summary, part-time work has become an institutionalised and regulated form of employment on the Danish labour market, which in almost all respects is treated similar to regular full-time employment.

3.2. Fixed-term contracts

Another type of "atypical" employment, which is on the rise in Europe, but has remained stagnant in Denmark, is fixed-term employment. In a fixed-term contract the employer and the employee have agreed to terminate the employment relationship at a certain point in time without further notice. This time may be a certain date, by the completion of a certain task or at the return of another employee who has been temporarily replaced (Danish Employers Association 1999, p. 204; Hasselbalch 2003).

As mentioned above (cf. figure 2) the share of employees in fixed-term contracts in Denmark has remained rather stable over time with a slight decline over the years (from about 11 % in 1996 to 9 % in 2007), while the share has actually risen in the EU-15 over the same period (from 12 % to 15 %). Hence, the incidence of fixed-term contracts in Denmark is rather low compared to a number of other EU countries.

The few studies that have been made on fixed-term contracts in Denmark show, that women and low educated people are more likely to be in fixed-term contracts (Eriksson/Jensen 2003). A calculation from Statistic Denmark show that around one third of those working in a fixed-term contract chose this form of work, because they couldn't find a permanent job (two-thirds being women) (Statistics Denmark 2004). Studies have also shown that fixed-term workers have lower

[3] Calculated as full-time equivalents, some 12.000 persons received supplementary unemployment benefits in 2006 (Danish Employers Association 2007, p. 19).

wages than permanent workers. The study by Erikson and Jensen showed that permanent workers have a 6-7 percent higher wage than fixed-term employees (Eriksen/Jensen 2003, p. 13), and Vanessa Gash has shown that temporary workers are at risk of being low paid (Gash 2005).[4] Erikson and Jensen's study also showed that previous work in a fixed-term contract gives higher odds of being in a fixed-term contract later on (Eriksen/Jensen 2003), which may indicate that some people are at risk of being in temporary jobs over a long period of time.

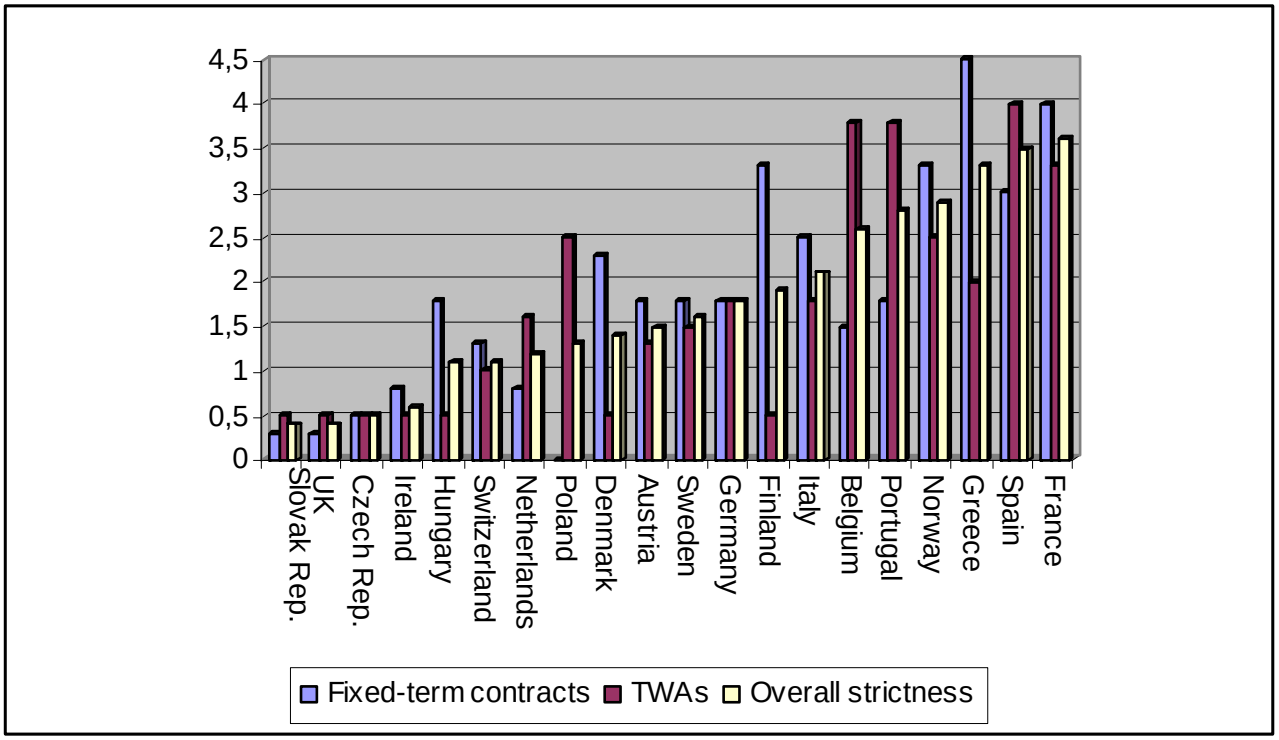
Fixed-term contracts are regulated by laws and collective agreements. Except from standard terms of notice, fixed-term workers are generally covered by the same collective agreements and by the same legislation as permanent employees (e.g. holidays, seniority, salary during sickness etc.).

Since 2003, all fixed-term workers are covered by the law on fixed-term contracts (*Lov om Tidsbegrænsede Ansættelser*). This law stem from an EU-directive from 1999. The main objective is to improve the quality of fixed-term contracts in all the EU-countries by ensuring that fixed-term workers have the same possibilities and rights as employees in standard contracts. This means, for instance, that fixed-term workers must be given access to continuing vocational training on the same terms and conditions as permanent employees, and that employers are obliged to inform fixed-term workers on vacant positions in the company in order for the fixed-term worker to achieve a permanent position. Another important objective of the law is to protect the fixed-term workers against employers' improper use of successive renewals. Therefore a fixed-term contract can only be renewed due to objective conditions such as maternity leave or sickness or because a longer contract is needed in order to complete the task. In some areas of the labour market (like teaching and scientific work) only two renewals can be given before the fixed-term contract terminates.

A standard indicator of the level of regulation of "atypical" employment is the OECD measure on regulation of temporary employment (OECD 2004). The index measures the restrictions on the use of temporary employment by firms including temp work agency (TWA), with respect to the type of work for which these contracts are allowed and their duration.

[4] Low pay is defined as gross hourly earnings below 60 % of the median wage (Gash 2005, p. 11).

Figure 3. Regulation of temporary employment, EU-countries, 2003



Source: OECD (2004): *OECD Employment Outlook*, table 2.A2.2. p. 115, Paris: OECD.

The overall strictness of regulation of temporary employment (average of fixed-term contracts and TWAs) in Denmark is slightly below the EU-average. It should be noted that the strictness of regulation on fixed-term contracts is above the average in Denmark, while the strictness of regulation of TWAs is well below the average. The OECD reports that both the maximum number of successive fixed-term contracts and the maximum cumulated duration (30 months) makes regulation of fixed-term contracts rather restrictive in Denmark. A number of these restrictions are laid down in the collective agreements regulating the specific type of occupation and work.[5] On the other hand, there are no limitations on the type of work for which TWA is legal, and no restrictions on the number of renewals of TWAs or their maximum cumulated duration (OECD 2004, p. 113-114).

It is evident from the very nature of the contract, that fixed-term workers have less job security than permanent employees. Because of this inherent job insecurity, it becomes important for the fixed-term worker to have access to the social security system if becoming unemployed. In this respect, the Danish income security system is universal, thereby not distinguishing between the rights and responsibilities of standard and non-standard workers. Uninsured unemployed receive social security benefits, while insured unemployed receive unemployment insurance benefits (UIB) from the unemployment insurance funds. The conditions for eligibility of UIB may, however, impact on fixed-term workers. To become eligible for UIB, one must be a member of an unemployment insurance fund, and have paid contributions for at least 52 weeks over a period of 3 years.

[5] In a survey from 2000, Madsen & Petersen found that 88 % of all employees with fixed-term contracts were covered by collective agreements, 74 % were members of unemployment insurance funds, and 70 % were members of trade unions (Madsen/Petersen 2000, p. 74, 76).

3.3. Temporary agency workers

A specific type of fixed-term contract work is temporary agency work (TAW). It differs from fixed-term contracts since the temp agency functions as liaison between the user company and the temp worker, and functions as the direct employer of the temp worker. According to Eurofound (2006) the share of TAW of total employment in Denmark was actually the lowest in EU-15. However, in the last decade or so the share of TAWs has tripled from 0.3% (1999) to 0.9% (2006). The increase has especially occurred with the economic boom since 2004, and the influx of immigrant workers due to the enlarged European Union (AErådet 2006).

Temp agency work is not covered by the law on fixed-term contracts, or any other law, but regulated through collective agreements. This situation is probably not sustainable in the longer run. In June 2008, the Council of the European Union struck a political agreement on a common position for a directive on temporary agency work. The aim of the proposal of the Council is to ensure the principle of equal treatment. Although the Danish labour market organisations may implement the directive within their jurisdiction, supplementary laws will also be necessary to cover the remaining workforce.

Traditionally, the trade unions have opposed TAW, as well as other types of "atypical" employment, as they believed that temp workers would undermine the wage and working conditions of regular workers. Gradually, however, TAW and other types of "atypical" employment have become accepted as a lasting phenomenon in the economy, and the trade unions have instead tried to include them in the system of collective agreements and bargaining. This means that today TAW are by and large covered by collective agreement, and temp agencies are also to a large extent members of the employers associations (Andersen 2007, p. 71).

Andersen (2007) analyses different dimensions of security for TAW in Denmark and Holland, and finds that their wage and working conditions have been "normalised", i.e. gradually becoming equivalent to regular workers in terms of wages, pensions, holidays, sickness benefits, maternity leave etc. Due to the complex employment relationship between the user company and temp agency there are, however, still disputes about which collective agreement apply (and derived from this which pay and working conditions that apply) and challenges in extending the coverage of collective agreements to the increasing number of immigrant workers from Eastern and Central Europe(Andersen 2007).

3.4. Self-employment

Self-employment is often defined as a category of workers in between regular employees and regular employers characterised by doing the work alone without hiring subordinate employees (Madsen/Petersen 2000, p. 66-67). In the literature, self-employment is often referred to as a type of "atypical" employment, which unemployed persons resort to due to lack of job opportunities on the regular labour market. In general, this does not seem to be the case in Denmark, where self-employment is to a large extent a voluntary choice.

The incidence of self-employment in Denmark is comparatively low, and has remained almost

constant with a slight downfall in recent years (cf. figure 2). A characteristic feature of those starting their own business is that their educational background is above average, with fewer having only a basic education and more being skilled workers or having a long-term education – the majority being men (about 75 %) (Erhvervs- og Byggestyrelsen 2006, p. 24). Self-employment is most widespread in the traditional sectors of agriculture and fishing, but also in construction and services, which has a tradition for skilled workers moving into self-employment as part of their career.

In general, self-employment is not conceived as a strategy for persons to avoid unemployment, and there are not any longer special programmes to support unemployed, who want to start their own business.[6] One exception is found among immigrants, where self-employment can be identified as a way of entering employment in situations, where lack of skills or discrimination hamper entering into paid work (Rezaei 2007).

In line with the universalistic character of the Danish welfare state, social security is in general not related to the kind of labour market attachment that an individual has. Self-employed are, therefore, eligible to the same types of social security (unemployment benefits, sickness benefits and leave benefits) as regular workers. In some cases, however, special rules may apply due to the particular character of the status as self-employed compared to that of a wage earner. This also goes for unemployment benefits, where self-employed and their assisting spouses voluntarily can join an unemployment insurance fund (two special funds exist for self-employed) and receive unemployment benefits in the case, when they have to close down their business.[7] Similarly, while being eligible for public sickness benefits (including maternity and paternity benefits) after two weeks of sickness, a self-employed or an assisting spouse may voluntarily take an insurance, which allows them to draw sickness benefits from the first or the third day of illness/leave. Self-employed and their spouses in principle have the same rights to receive economic compensation in relation to childbirth as wage earners. Therefore they also have to fulfil requirements for employment (as self-employed) over the last 12 months: Over the last 12 months before applying for maternity or paternity benefits, the self-employed or assisting spouse must have been self-employed during at least 6 months with a weekly working time of at least half of normal full-time employment (at present 37 hours per week). One of the six months must be just before the leave period. There are no special provisions for temporary replacement during maternity or paternity leave.

In the Danish discourse on entrepreneurship it is often argued that the entering into self-employment is held back by a widespread “wage-earner”-culture. For this reason a number of policy-initiatives have been launched to promote the idea of self-employment among schoolchildren and students and to counsel and assist individuals, who have the ambition to start their own business. However, the situation of self-employed with respect to social security provisions is not a political issue. Again this is probably a reflection of the present status of their social protection, where self-employed are covered as part of the general “safety net” of Danish social protection and not as a special target group.

[6] Early attempts to promote self-employment as an job opportunity for long-term unemployed were terminated due to lack of adequate results, the main reason being that the large majority of unemployed persons participating in the scheme did not have the qualifications needed for running a business of their own (Ploughmann/Buhl 1998).

[7] About 70 % of the self-employed are members of an unemployment insurance fund, which is only slightly below the average for ordinary wage earners (Madsen/Petersen 2000, p. 68).

3.5. Flex-jobs

While the types of "atypical" employment examined above (part-time, fixed-term, temp agency and self-employment) in general are regulated on almost the same wage and working conditions as "typical" employment, there is a genuine example of "atypical" employment in Denmark, namely the flex-job scheme.

Flex-jobs were introduced in 1998 as part of an attempt to reduce the inflow to the disability pension scheme. Flex-jobs are targeted at individuals with a permanently reduced working ability and intended as an alternative to disability pension. The flex-jobs are subsidised by a permanent wage subvention and may be in both the private and the public sector. Due to the reduced working ability of the target group, the number of hours and/or task assignments are reduced according to a specific agreement between the employer, the flex-jobber and the local municipality (the latter being responsible for administering the scheme). The municipal authorities reimburse the employer in the form of a wage subsidy corresponding to the reduction of the working ability of the individual (2/3 or 1/2 of the wages), while the person in the flex-jobs receive the full normal wage irrespective of weekly working hours. The municipalities also have a strong economic incentive to find flex-jobs for potential disability pensioners, since the reimbursement of from the central government is 50 % of the benefits for flex-jobs, and only 35 % for disability pension.

Following their introduction in 1998, the number of flex-jobs has increased quite dramatically, and in 2006 reached 48.000 persons (corresponding to more than 1.7 % of the workforce, and 20 % of the number of disability claimants). The scheme has become so popular that the municipalities, which are responsible for identifying employers willing to establish flex-jobs, are experiencing queuing problems. An increasing number of potential flex-jobbers are waiting in line on so-called flex-unemployment benefits (11.000 persons in 2007), which are 9-18 percent lower than the normal unemployment benefits. When the scheme was established, the trade unions were reluctant to give flex-jobbers access to the unemployment benefit system, and succeeded in persuading the government to establish a parallel but less secure and less attractive municipal system of unemployment and early retirement benefits (Bredgaard 2004).

There is an increasing political awareness that the flex-jobs scheme has become too financially lucrative for all concerned parties; the flex-jobbers, the municipalities and the employers. The government has, therefore, announced its intention to make the scheme more specifically targeted to those who can not work in regular jobs nor are eligible to disability pension (Ministry of Finance 2007).

4. Conclusions

In Denmark, there is not much empirical evidence to support the assumption that atypical employment is becoming typical. In fact, the proportion of self-employed and fixed-term contract workers has decreased slightly during the last decade, while the proportion of part-time workers has risen somewhat in recent years. Unlike in a number of other European countries, the Danish labour market is still characterised by a dominant core of regular full-time workers in open-ended contracts, and a much smaller and relatively stable periphery of "irregular" employment

relationships. In this article, we have defined these "atypical" employment relationships as part-time employed, fixed-term contracts, temp agency workers, self-employed and (as a special Danish supplement) persons in flex-jobs.

The comparatively low proportion of "atypical" employment relationships are usually explained with reference to the liberal employment protection legislation (EPL) in Denmark. Liberal EPL tends to increase the dynamics of the labour market, and seems to decrease the risk aversion of employers in hiring regular workers. This imply that the flexibility needs of employers in hiring and firing can be met by the regular workforce, and that employers do not need to resort to "atypical" employment to create external-numerical flexibility.

Nonetheless, some 15 % of the workforce can be characterised as "atypical" workers (self-employed, fixed-term contracts, temp agency workers and persons in flex-jobs). In addition, about 25 % of the employed are in part-time jobs. Even though part-time employment has evolved into a regular and protected type of employment, a minority of the part-time employed report that they are stuck in this type of employment because they can not find a full-time job. The same goes for fixed-term contract workers, since about one-third report that they entered into a fixed-term contract because they could not find a permanent job. There is, moreover, an overrepresentation of women and persons with low educational attainment in part-time and temporary jobs. Self-employment, on the other hand, does not seem to be an "escape route" from unemployment but rather denotes a voluntary individual choice – except maybe for some groups of immigrants.

A sub-category of fixed-term workers that are on the rise is temp agency workers. The proportion of temp agency workers has tripled in the last decade, albeit from a rather low level. This is undoubtedly related to the economic boom and emerging labour shortages occurring in Denmark in recent years, and related to this, the influx of immigrant workers form Central and Eastern Europe.

"Atypical" employment is often associated with less security, like inferior job security, poor working and wage conditions, less social security entitlements, restricted access to lifelong learning, and active labour market policies. In general, this does not seem to be the case in Denmark. The various types of "atypical" employment relationships (part-time, fixed-term contracts, temp agency, and self-employed) are generally covered by the same collective agreements and legislation as permanent employees. It could therefore - in principle - be argued that Danish flexicurity for the regular workforce has also been extended to include "atypical" workers.

The Danish case may be taken as an example that the decision of employers to hire "atypical" workers is not only affected by the stringency of employment protection legislation for "regular" workers, but also by the level and character of social protection of "irregular" workers. If "atypical" workers are protected by the same legislation and collective agreements as ordinary workers, the incentives of employers to avoid regulations and restrictions by hiring "atypical" workers will – all things be equal – diminish. Hence, rather than easing employment protection legislation for regular workers, another viable European policy strategy is to "normalise atypical work" in order to reduce the increasing segmentation of labour markets that is occurring in a number of European countries. As a side-effect, this option would undoubtedly meet less political and social resistance, and better reflect the more individualised life course preferences of the European workforce.

There are in our opinion at least three possible explanations for the comparatively low incidence of "atypical employment" in Denmark. First, the universalism of the income protection system implies that standard as well as non-standard workers are covered by unemployment insurance or social assistance on almost equivalent conditions. The relative generosity of social security provides individual workers with the choice to reject "atypical" and especially "precarious" work. Second, the trade union movement is in a comparative perspective strong (high unionisation rate, wide coverage of collective agreements, and capable of striking binding agreements with representatives of employers), and have traditionally fought to protect their members by minimising the incidence of "atypical" employment and, more recently, by enhancing the social protection of "atypical" workers. Finally, the relatively high minimum wages combined with low job security and high job mobility have created a highly competitive and productive labour market in which the incentives for employers to resort to employ "atypical workers" are not as urgent as in other European countries.

There are, however, some challenges to this relationship between Danish flexicurity and "atypical employment", which need to be mentioned. First, the universalism of the income security system is showing some cracks. In recent years, social security benefits for some groups (like immigrants) have been reduced, and since the 1980s the level of unemployment insurance benefits has not been fully adjusted to the rise in the general price and wage level. This may question the generosity of income protection for specific groups, like refugees and immigrants as well as high-income wage earners. Combined with this, the active labour market policy is increasingly focussed around a work first rather than human capital approach, which is embodied in the recent philosophy of "any job is a good job" and "making work pay". The choice to reject "atypical" and "precarious" work may not be as voluntary, as it used to be. Second, like in other European countries the trade union movement is also losing ground in Denmark, and may not have sufficient strength to extend the coverage of the "Danish model" to new types of "atypical" employment, especially in emerging sectors of industry and towards the rapidly rising number of migrant workers, especially from the New Member States. Finally, more individualised life trajectories and preferences over the life course cannot easily be accommodating within the traditional standard employment relationship.

Therefore, if the political objective is to maintain a secure and flexible labour market, the main challenge is to create "regulated" mobility and smooth transitions between various positions in and out of the labour market rather than "unregulated" mobility and dead-end jobs.

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