



CPB Netherlands Bureau for Economic
Policy Analysis

The Danish model in Europe

Coen Teulings

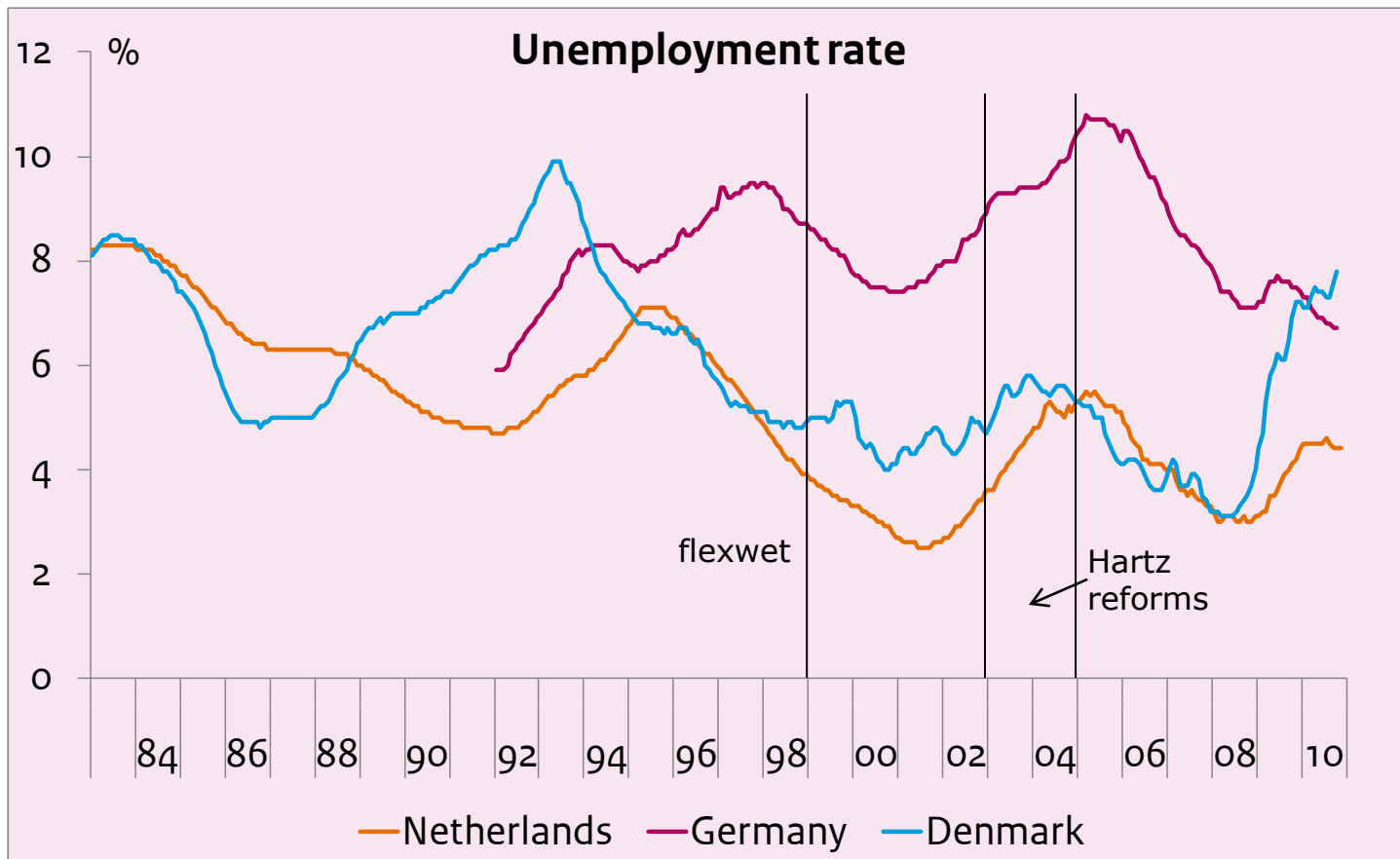


Introduction

- Danish model
 - Low level of employment protection
 - High replacement rate and short duration unemployment benefits
 - Active labour market policy
- Expectation for current crisis
 - low EPL: strong increase UR, short period of recovery
 - high EPL: slow increase UR, long period of recovery
- Puzzle:
 - Dutch (and German) labour market: best of both worlds
 - developments in UR seem at odds with trade off



Puzzle



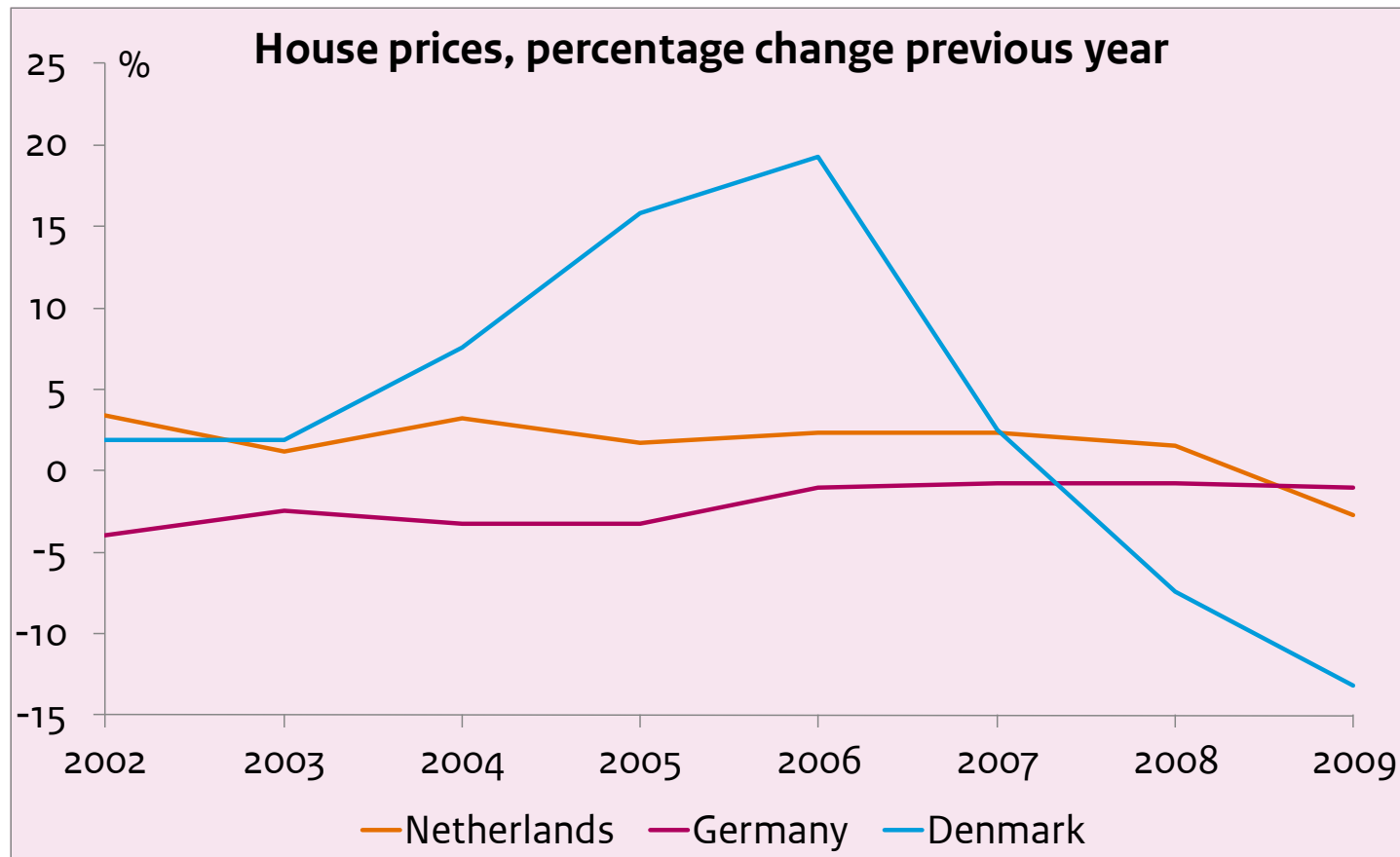


Part of explanation? (1)

- Institutional reforms
- Netherlands: Flexwet 1999 (Law on flexibility)
 - Reform of flexible employment regulation
 - Including temporary, on-call and temporary agency employment
 - Anticipated by employers?
- Germany: Hartz reforms 2003-2005
 - Comprehensive labour market reform
 - Including unemployment benefit system, active labour market policy and flexible employment regulation
 - But no change in protection of permanent jobs



Part of explanation? (2)





Part of explanation? (2)

Jan 1, 2008-2010	Δ Unempl Rate	Δ House prices
US	5,1	-10,3
UK	2,9	-12,9
IR	8,0	-21,7
SP	10,5	-10,9
NL	1,4	-1,2
GER	-0,2	-1,8
DK	4,4	-20,6