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# Denmark Starts to Trim Its Admired Safety Net

**By LIZ ALDERMAN**

COPENHAGEN — How long is too long to be paid to go without a job?

As extended unemployment swells almost everywhere across the advanced industrial world, that question is turning into a lightning rod for governments.

For years, Denmark was held out as a model to countries with high unemployment and as a progressive touchstone to liberals in the United States. The Danes, despite their lavish social welfare state, managed to keep joblessness remarkably low.

But now Denmark, which allows employers to hire and fire at will while relying on an elaborate system of training, subsidies for those between jobs and aggressive measures to press the unemployed into available openings, is facing its own strains. As a result, it is beginning to tighten up.

Struggling to keep its budget under control after the financial crisis, the government in June cut into its benefits system, the world's most generous, by limiting unemployment payments to two years instead of four. Having found that recipients either get work right away or take any job as their checks run out, officials are also redoubling longstanding efforts to move Danes more quickly out of the safety net.

"The cold fact is that the longer you are out of a job, the more difficult it is to get a job," Claus Hjort Frederiksen, the Danish finance minister, said during an interview. "Four years of unemployment is a luxury we can no longer allow ourselves."

In the United States, where the Senate passed an unemployment insurance extension last month only after a long battle, the debate over how to treat persistent joblessness has mounted as well.

It pits those who argue that decent benefits are necessary to support workers and their families when companies are doing little hiring against those who contend that longer benefits periods discourage job-seeking. Another fight is brewing over putting more federal dollars toward retraining.

Similar concerns loom in debt-ridden countries like Spain and Portugal, where the costs of high long-term unemployment have governments straining for a solution.

Such European countries could profit, many economists say, from adopting the more dynamic parts of Denmark's "flexicurity" system. But now that the global recession has exposed chinks in its armor, Denmark's efforts to find a new balance between job market flexibility and security for workers are setting off alarm bells in the country.

"We have a famous flexicurity model, but now it's all flex and no security," complained Kim Simonsen, chairman of HK, one of Denmark's largest trade unions.

To be sure, Denmark is not abandoning the welfare state. Government spending accounts for about half of gross domestic product, and few Danes complain about a top income tax rate of 50 percent that generously finances unemployment, pensions, health care and other accoutrements that, studies claim, make Danes the happiest people on earth.

Hardly anyone in Denmark, a small, tranquil country of 5.5 million people, falls through the cracks. The constitution even guarantees Danes the right to work and to receive public assistance if they stumble. But sustaining a benevolent nanny state is proving to be challenging even for the notably generous Danes.

"It's no surprise the government is saying that programs that are highly expensive and give a Rolls-Royce treatment to citizens have to be trimmed," said Iain Begg, a professor at the London School of Economics. "So the search will now be on for labor market policies that deliver more people in work with less money, which has an inevitable air of the holy grail about it."

In Denmark, employers have carte blanche to hire and fire, and in most cases laid-off people are guaranteed about 80 percent of their wages in benefits, a figure capped for high earners. In turn, they must participate in retraining and job placement programs tailored to get them back to work, which the government has intensified.

Each year, a remarkable 30 percent of Danes change jobs, knowing the system will allow them to pay rent and buy food so they can focus on landing a new position. About 80 percent belong to unions, which manage the workplace, help run the unemployment insurance program and press the laid-off into retraining.

But as the financial crisis erased jobs, the government, Denmark's largest employer, has had to provide more temporary work and intensify coaching. Unemployment is at 4.2 percent today, lower than most European countries, though more than twice the 1.7 percent rate two years ago.

As in Germany and some other European countries, hundreds of Danish employers have also embraced government-subsidized short-work programs, a tactic adopted to keep a lid on unemployment. The plans allow companies to cut working hours to hold onto highly skilled workers, rather than laying them off when times are tough.

Danish politicians say their program is still working well.

But unions argue that the cutbacks in the safety net go too far, and they are planning to press companies to lengthen the typical one- to three-month notice period before dismissals.

Business leaders fear that would push Denmark toward the type of rigid systems found in Spain, Italy and France, where it can take a year or more to lay off most employees, which drains finances and raises the danger of more job cuts.

“If unions start requiring longer job-cut notices in exchange for reduced benefits, you’ll lose the flexibility to adapt to changes in the economy,” said Stine Pilegaard Jespersen, head of labor market policy at the Danish Chamber of Commerce.

Inger Skouby, at 58 a longtime nurse, has seen the system shift from the inside. She was in and out of unemployment for nearly four years after she fell ill. She took a year off for treatment, paid for by the state. She then tapped jobless pay, receiving about 80 percent of her former wage.

To get with the times, she received information technology training, leading to a telemarketing position until the financial crisis hit.

When she returned to unemployment, she said, the government had tightened up, requiring weekly job applications, meetings with job counselors, and repetitive training that produced scant results. She was put into a work program as a school secretary, until something better came along.

Many others spoke in interviews about being required to take make-work or menial jobs that have eroded their morale.

“Before, it wasn’t like this,” Mrs. Skouby said. “Now, it’s about controlling people.”

Lisbeth Halvorsen, 30, had her first brush with unemployment last month, after her part-time teaching job expired. She will get 70 percent of her salary, but is frantically sending résumés to get out of the system as soon as possible.

The government has created a lot of incentive to do so, she said. To improve its job activation program, Denmark has outsourced some of it to private companies, which receive bonus payments for every person placed into job training or a new job.

That has led to cases where laid-off workers spend an entire month in courses to improve their résumés, or tied up in “sit-around-and-drink-coffee meetings” to obtain unemployment checks.

Occasionally, they offend Danish sensibilities. Torben Frederiksen, 32, a plumber out of work for three months, said his employment center forbade him from attending his mother’s funeral because it conflicted with a meeting with his counselor.

“They told me that a funeral was no excuse for missing my appointment,” he said. Mr. Frederiksen went anyway, and was granted another meeting.

From the perspective of Claus Hjort Frederiksen, the finance minister, Denmark is carefully laying the groundwork for the future by changing its policies to make more people eligible for work when the economy picks up.

“In two years, we expect to be out of the crisis,” he said, “and we’ll need to be ready.”