

Ewa ROLLNIK-SADOWSKA<sup>1</sup>

## TRANSFORMATION OF EUROPEAN LABOUR MARKET POLICY MODELS – EXEMPLIFIED BY DENMARK, GERMANY AND THE UNITED KINGDOM

### Summary

Nowadays changes in the field of conditionings of European labour market policy as ageing society and crisis of welfare state, impose new objectives for the process of cohesion creation. The European Union countries, representing different labour market policy models (Scandinavian, corporate, liberal), have implemented labour market reforms allowing for effective usage of labour resources.

The author in the article presents the assumptions of labour market policy models and indicates the main directions of its transformation in the current social and economic conditionings. That transformation mainly regards to concentration on active labour market policies and increasing its efficiency. The analysis was based on the example of three countries - Denmark, Germany and the United Kingdom. They represent three different labour market models and are characterized by the activity in the field of carried out reforms of labour market (mainly active labour market policy). Those countries, thanks to the implemented changes, improved the employability of labour force and (in spite of the economic crisis from 2008) maintained stable situation on the labour market.

**Key words:** models of labour market policy, welfare state, Denmark, Germany, United Kingdom.

### 1. Introduction

Nowadays the main challenge of the European labour market policy is to assure appropriate level of labour force<sup>2</sup>, which allows maintaining stable output and demand. As Europe has been facing demographic problems it is crucial to run reasonable management of labour resources to use fully their potential by decreasing structural and long-term unemployment as well as professional inactivity.

At the same time, as one of results of economic crisis, there is shortage of funds for activation policy. The European welfare states have had growing difficulties balancing their budgets. The increasing level of deficits point to problems of system integration which cannot, however, be attributed to the growth of the welfare state. In today's world of budget crises and austerity, the welfare state is often discussed in practical terms:

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<sup>1</sup> Ewa Rollnik-Sadowska, PhD – Faculty of Management, Białystok University of Technology, e-mail: e.rollnik@pb.edu.pl

<sup>2</sup> According to International Labour Organisation methodology, there can be included, in the labour force, those who are employed or unemployed but actively looking for work and are available to take up work.

affordability, tax and benefit adjustment, efficiency, etc.. That is why, many European countries, have conducted reforms, which concentrate on rationalization of public spending.

Due to the low effectiveness of macroeconomic policies in the reduction of unemployment and essential difficulties in implementation of structural reforms in the labour market, researchers and practitioners of labour market policy focus on aspects of the implementation of effective policy on the micro level, directed toward labour supply [compare: Kwiatkowski, 2002, pp. 300-301]. Specialists of labour market policy attach increasing importance to the analysis of programs aimed at active labour market policy (ALMP). Such policy does not create new long-term jobs with competitive nature. Active labour market policy<sup>3</sup> is mainly aimed to prepare the unemployed to re-integration into the labour market as well as to maintain the employment of groups of people remaining in the special situation on the labour market.

Its main functions may include [Kwiatkowski, 2002, pp. 301-302]:

- professional activation of the unemployed;
- reduction of the structural mismatch on the labour market;
- improving the productivity of labour;
- the impact on employment and unemployment;
- verification the readiness of the unemployed to work.

Efficient<sup>4</sup> labour market policy, leading to a better utilization of the existing labour force, in the face of the current economic and demographic conditionings, is one of the priorities of the European Union's cohesion policy.

There are determined, in the literature, four different models of labour market policy – Scandinavian, corporate, liberal and Mediterranean<sup>5</sup>. The rules gathered in those regimes assume different attitude toward the scope of the welfare state, the degree of commercialization of labour market services, rules for the granting of benefits, as well as the role of trade unions. Countries, representing different models, which have

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<sup>3</sup> The concept of active labour market policy is imprecise, since two approaches operate in the literature. The narrow approach to this issue reduces the role of ALMP to support of the unemployed. The wide recognition determines the role of ALMP in the activation measures directed towards the labour force (the unemployed, the employed, people threatened with redundancy), but also the inactive population [Nagel, Smandek, 2010, p. 44].

<sup>4</sup> The author of the article distinguishes between the concept of efficiency and effectiveness of active labour market policy. The efficient active labour market policy can be the one that brings the desired results. These results may relate both to reduce unemployment, improve the structural adjustments in the labour market, increase effective labour supply and labour productivity as well as improve competition on the labour market.

On the other hand, the effectiveness of ALMP provides financial surplus generated in the outcome (comparing the expenditure). If, however, it is possible to specify the expenses incurred for the implementation of ALMP, it is difficult to assess the level of financial outcomes as a direct result of employment. It is also difficult to measure indirect effects. In addition, there is a question whether the profit and loss account, in the assessment of the effectiveness of ALMPs should be made on the level of the group covered by the program of ALMP, or at the level of the whole stock of labour supply (in this case, determination of the benefits will be affected by the occurrence of displacement, substitution, idle gear and tax distortion effects)?

<sup>5</sup> The Mediterranean model is represented by Italy, Spain, Portugal, Greece, which are countries characterized by unstable situation on the labour market. Due to the fact that the article's objective is to present some tendencies and good practices in area of labour market policy, the Mediterranean model is not included in the deepen analysis.

been successfully actively implementing labour market reforms and creating the patterns for the European employment policy, are Denmark, Germany and the United Kingdom.

The publication objective is introduction and analysis of labour market policy models as well as the main trends and structural changes implemented in the countries representing the Scandinavian, corporate and liberal models.

The article was based on the desk-research of secondary data as well as the results of primary research conducted in 2011 in London, 2012 in Aarhus and 2013 in Flensburg. The qualitative research in the form of individual in-depth interviews – IDI was realised among representatives of public and private labour market institutions in the United Kingdom, Denmark and Germany.

## **2. The selected social and economic conditionings influencing European labour market policy**

The main phenomenon influencing European labour market situation is aging of the population, which contributes to the reduction of labour force and changes in their structure. The forecasts of Eurostat show that the share of the age group 0-14 years in all population of the EU-27 is dropping from 15.6% in 2011 to 14.2% in 2060. Moreover, there is a prognosis of a significant decrease of people at working age from 66.9% to 56.2%. At the same time, the share of the elderly (65 years and more) is going to reach 29.5% in 2060 (as it was 17.5% in 2011) [Electronic document: [http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Population\\_structure\\_and\\_ageing](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Population_structure_and_ageing), date of access: 29.11.2013].

Simultaneously, individual countries have continued to suffer from the consequences of the economic crisis that affects labour markets' situation. As a result of lower output, there has been noticed remarkable deterioration of labour market indicators. In 2012 the lowest employment rates out of EU-27 was in Spain (59.3%) and Greece (55.3%) [Electronic document: <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&language=en&pcode=tsdec420&tableSelection=3&footnotes=yes&labeling=labels&plugin=1>, date of access: 27.12.13]. Those two countries also reached the highest unemployment rates.

On the other hand, the highest employment rates in the European Union in 2012 were in Sweden (76.8%), Denmark (72.2%), Finland (72.5%), the Netherlands (71.9%), Germany (71.5%), Austria (70.3%) and the United Kingdom (68.4%). That indicator for Poland reached 57.5% [Electronic document: <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&language=en&pcode=tsdec420&tableSelection=3&footnotes=yes&labeling=labels&plugin=1>, date of access: 27.12.13].

Decreasing labour demand creates lower access to workplaces, mainly for the ones with lack of working-experience and lower qualifications or people less flexible on the labour market because of their health conditions or family situation, which makes even worse the situation of fragile groups (like the youths, people at immobile age, long-term unemployed, handicapped, lonely parents).

The deterioration of labour market indicators affects mainly the economic situation of young people<sup>6</sup> and as a result further increasing the old-age dependency ratio<sup>7</sup>. Data of Eurostat show that the indicator increased from 23% in 1999 to 26.7% in 2012. In the EU-27 countries, the highest rise was noticed in Germany (7.9 percentage points), Lithuania (6.4 percentage points), Portugal (6.2 percentage points) and Malta (6.1 percentage points) [Electronic document: <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsdde510> (27.12.13)].

Moreover, the systems of social security in the European countries often exacerbate professional inactivity. The solutions, which assure access to social financing while staying without job, frequently make people unmotivated to activation in area of job-search.

Abundance of labour market institutions, implementing active employment programs, do not get satisfactory results understood as professional activation of people included in the support. One of the reasons of inefficiency of labour market institutions is the system of social security financing mentioned above. Moreover, offered programs, are often not adjusted to the target groups of beneficiaries.

The challenge for European social policy is also adapting education and training systems to labour market needs. The mismatch between employer's needs and the knowledge and qualifications of graduates is one of the main reasons of structural unemployment.

As a result of the above mentioned phenomena, a significant part of the labour force is not fully used, there is a substantial rate of long-term and structural unemployment.

However, not all European countries, even in the times of economic crisis, are characterized by unstable situation on the labour market. At the level of the European Union, the countries with sustainable indicators that meet demands of the European Employment Strategy, where the dynamic of employment rates is stable and the indicator reaches about 70%, are Austria, Denmark, Finland, the Netherlands, Germany, Sweden, the United Kingdom<sup>8</sup>.

Those countries represent different models of social policy, including labour market policy, and so far they have implemented different principles of the welfare state systems.

### 3. Models of labour market policy - previous approach

There can be found, in the theory of social policy, the division on four different models of labour market policy [Nagel, Smandek, 2010, pp. 38-40]:

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<sup>6</sup> An increasing problem in Europe is the phenomenon of the lack of professional and educational activities among young people, who are the so-called NEET (Not in Education, Employment or Training).

<sup>7</sup> This indicator is the ratio between the total number of elderly persons of an age when they are generally economically inactive (aged 65 and over) and the number of persons of working age (from 15 to 64) (Eurostat definition).

<sup>8</sup> In this case there were taken into account only the EU-15 countries, due to the fact that the further course of discussion will be based on the theory of labour market policy models, where the countries that joined the EU after 2004 have not been analyzed.

- the Scandinavian model (Nordic),
- the corporate model (continental),
- the liberal model (Anglo-Saxon),
- the Mediterranean model (Latin).

Some social policy researchers, such as Esping-Andersen [Esping-Andersen, 1990, pp. 18-32], would also argue that different welfare state regimes and models of industrial relations are interconnected and clustered together with numerous institutional path dependencies, concerning labour market regulations, systems of social insurance and management of unemployment, among others.

The first, from the above mentioned models, is the Scandinavian or Nordic model, which provides a high degree of self-regulation for bargaining parties. The role of the state is more limited. Traditionally, bargaining parties have been given the right to make their own rules for governing the labour market. Hence, legislation provides only a framework for regulations and rules arbitrated by collective agreements. However, since the 1970s, there have been exceptions to this pattern. Collective agreements are now legally binding for organizations and their members. Employers are also legally obligated to apply the provisions of collective bargaining agreements to non-member employees [Karlson, Lindberg, 2012, p. 14].

In this model, unions and employers' associations play an important role by signing and upholding collective agreements. Moreover, unions protect their employees' rights to co-determination and employment protection. Therefore, this model relies on a high level of participatory membership in both unions and employers' associations.

The second model of the labour market policy is the continental model, which is the dominant scheme for explaining labour market relationships in continental Europe. In this model, the state plays a large role, and legislation is the most prominent regulatory instrument. However, bargaining between the parties and collective agreements are still important features. Thus, a distinctive feature of the continental model is that social partners and the state govern industrial relations together.

The continental model's emphasis on regulation is based on a view that labour differs fundamentally from other commodities. This view has descended from Romano-Germanic legal systems and also puts forth a moral basis on which the relationship between employer and employee should rest. Legislation is thus predominantly aimed at protecting employees from market forces.

In that labour market model, according to law, collective agreements are binding for the bargaining parties (unions and employers organizations) and can be enforced as such. The system often includes extension mechanisms, whereby collective agreements can be extended to non-members of both bargaining party sides by government decree. Through this mechanism, the level of coverage of collective agreements is very high.

Countries with this model also have high levels of employment protection legislation (EPL) and co-determination. These rights are predominantly based on the rights of the individual employee, which are enforced legally by public authorities or work councils, but not by unions.

The group of countries included in the continental model has a high level of industrial regulation, including strict rules for job protection and the provision of generous unemployment benefits [Karlson, Lindberg, 2012, p. 13].

The next model is the liberal (Anglo-Saxon) model, which presents a more marketbased view of the labour market. This model is based on a classical liberal philosophy of small government and applies less comprehensive welfare policies than those in northern and continental Europe. There are low levels of labour force coverage under collective agreements, just as there are low levels of membership in unions and employers' organizations. Moreover, this model is founded on common law rather than legislation, and the notion of a flexible labour market ruled by price mechanisms, along with a small amount of regulation. Greater freedom is provided to individual employers to hire and fire personnel, to set pay and define terms of employment and to determine working conditions, which allows for higher business efficiency and higher productivity.

The Mediterranean (or Latin) model is also based on Romano-Germanic legal systems and emphasizes that labour is different from a normal commodity. In that model, as in the continental model, the state plays an important role, perhaps even more so due to the fact that the bargaining parties have less coverage and are more divided. In these countries, commonplace features of relations between bargaining include high levels of industrial conflict and highly politicized, internally divided labour unions. Bargaining agreement coverage is upheld by employers' associations as well as legal extensions of collective agreements to non-union workers and firms. Labour market policies in these countries are distinguished by rigid EPLs and frequent efforts to reduce unemployment through early retirement policies [Karlson, Lindberg, 2012, p. 14].

The labour markets, representing that model, generally have low levels of flexibility, and social protection mechanisms are not as strong as employment protection provisions. These welfare systems are not aimed at labour force participation for all workers, but instead emphasize as it was written early retirement as well as non-participation for women.

As the effect, the countries representing Mediterranean model are characterised by low level of employment and a high risk of poverty. It is the reason that the example of the country representing Latin model was not taken into account in the further analysis.

#### **4. Creating new labour market models – examples of Denmark, Germany and United Kingdom**

Among the above-mentioned EU countries, characterized by stable measures of the labour market, Finland, Denmark, the Netherlands and Sweden represent the Nordic model, Germany and Austria - the corporate model, and the United Kingdom – liberal model.

The analysis of labour market policy reforms conducted by these countries, the search for the causes of their success in this area should be the subjects of scientific research.

In the article, the analysis covers the representatives of the different models of labour market policy (Denmark, Germany, and the United Kingdom). They are countries characterized by the activity in the field of carried out reforms of labour market (mainly active labour market policy). Those countries, thanks to the implemented changes, improved the employability<sup>9</sup> of labour force and (in spite of the economic crisis) maintained stable situation on the labour market.

Denmark belongs to the Nordic labour market model with a high level of both union membership and collective bargaining coverage. Employment conditions and wages have largely been settled by the use of collective agreements. There are comparatively few formal legislative rules regulating the labour market.

Denmark's labour market has been characterized by cooperation between employers and employees organizations. The basis for this cooperation is, according to Andresen and Mailand [2005, pp. 8-9] best described that as an agreement between the parties: "the trade unions recognize the employers' management prerogative, i.e. the right to manage and allocate work, while respecting currently valid collective agreements and the spirit of co-operation, and that the employers accept the right of employees to organize and to establish collective representation".

Denmark was the initiator of flexicurity policy in the 90s of the 20th century, which consists of three components – a flexible labour market (external numerical flexibility), active labour market policy and generous social security system. This model has been adopted by the Nordic countries and the Netherlands. Nowadays it is recommended to be implemented by other countries of the European Union under "the Agenda for New Skills and Jobs", which is part of the Europe 2020 strategy for smart, sustainable and inclusive growth of the society.

The main features of the modern welfare state system in Denmark include [Rollnik-Sadowska, 2013, pp. 20-21]:

- dominance of the principle of compromise and cooperation in setting social policy objectives,
- significant state interference in the sphere of social policy, while conducting active programs in this area,
- social programs cover all major types of social risks, which are addressed to the general public,
- solidarity financing of the welfare state, high taxes burden of society, which are important financial backing for the Danish welfare state,
- membership of the vast majority of workers and employers to organizations representing their interests,
- regulation of the labour market by its participants,
- minimum interference of the state in regulating the wages,
- determination of the collective regulation of wages and employment,
- concluding collective agreements between the employer and the employee representatives.

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<sup>9</sup> Employability refers to a person's capability for gaining and maintaining employment [Hillage, Pollard, 1998].

It is worth mentioning that there is developed, in the Danish system, the code of rights and duties. The set of the citizens' rights is financed not only from the public sources but also from private insurance (which is much more popular than for instance in Germany). A good example of rights and duties system is private unemployment insurance, where the beneficiaries, after the job loss, to maintain the benefits, have to actively look for a job (according to the rules created by insurance company).

Moreover, Danish labour market institution put attention on education system as a part of active labour market policy adjusted to the needs of labour demand as well as the requirements of different groups of the youths.

Germany, as an example of corporate model, has been effectively reducing structural unemployment by a dual system of education adapted to the needs of the labour market. One of the main objectives of German social policy is improving the employability of the youths and overcoming the NEET problems by creation of educational system adjusted to labour market demands<sup>10</sup>. It is mainly organised by dual education system with strong orientation on combining theoretical knowledge and practical one (obtained in companies during apprenticeships). Similarly, like in Denmark, there is in Germany developed network of cooperation among private business (with CSR consciousness), labour market institutions and educational institutions.

Furthermore, through the implementation of the Hartz reforms package in 2003-2005, German public employment services were modernized, the system of activation of the unemployed was changed by applying the principle of rights and responsibilities, the demand for labour was developed by the partial deregulation of the labour market.

The main objective of the Hartz reforms was to improve the performance of placement services and policy programmes mostly by introducing market mechanisms to the realm of placement services and by streamlining public employment services. Furthermore, cost-effectiveness in the specific context of each regional labour market is targeted to be the key criteria when choosing programme contents and participants [Jacobi, Kluge, 2006, p. 8].

As an effect of the reform, the former employment offices were converted into customer-orientated one-stop-centres. The results of research indicate positive impact of one-stop-centres on the integration into regular employment [Jacobi, Kluge, 2006, p. 15].

The second aspect of Hartz reforms in area of organisational structure was introduction of market forces to labour market services. The authors of the reform created, for instance, voucher systems for placement services and training measures. Each individual, whom the public employment service was unable to place after six weeks of unemployment, can choose an alternative private placement service. The private service receives a lump sum payment after having placed the jobseeker successfully. Providers of training measures also can be chosen freely by the client and paid for with a voucher.

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<sup>10</sup> In 2011 compared 2008, Luxembourg, Germany, Austria and Sweden were the only EU countries, where there was noticed the drop of NEET population (in Luxembourg by 28.3%, in Germany by 11.8%, 4.7% in Austria and 2.5% in Sweden) [*Not in Education, Employment or Training: Europe's lost NEET generation detailed*, electronic document: <http://www.theguardian.com/news/datablog/2012/oct/22/not-in-education-employment-training-europe-neet#>, date of access: 27.12.13].



Moreover, the public employment institutions can choose to outsource services fully or partly, most importantly placement services. For example local employment office either may contract a private temporary work agency or, if no provider is available, may run a PSA by itself [Jacobi, Kluge, 2006, pp. 8-9].

The Hartz reforms also shifts priority towards active measures that require proactive behaviour of the unemployed and promote their direct integration into regular employment. To this end, the reform re-designed integration subsidies, introduced new forms of wage subsidies, start-up subsidies and jobs with reduced social security contributions. Many active policy measures were re-designed in terms of their target population. Thanks to the unemployed profiling (also popular in Denmark and the United Kingdom), specific active labour market programs have been offered for those with the highest probability of finding a job after the measure.

Active measures, which are the best representation of the new German activation strategy, are start-up subsidies<sup>11</sup>. The unemployed can get the grant for own company creation, after acceptance of business plan by the representative of the chamber of commerce. The reform introduced also an alternative subsidy, the so-called *Icb-AG*, which is independent of prior social security contributions.

Moreover, there were implemented by the Hartz reforms the so-called “Minijobs” and “Midijobs”. A person holding a Minijob (income below 450 EUR per month or the employee only working a maximum of 50 days per year) is exempted from social security contributions, which effectively increases net wages. People who practice Midijobs (with incomes between 450.01 and 850 EUR) are allowed to get social security subsidies, which are paid at a decreasing rate, depending on the income.

Furthermore, the core element of the Hartz reforms is the principle of rights and duties. It means that the access to benefits and active labour market participation is strictly conditional on a person’s ability to work (which is at least 15 hours per week [Jacobi, Kluge, 2006, p. 10]).

The reform also introduced sanction elements, which are connected with monitoring of search activities of the unemployed and their personal efforts to re-integrate into the labour market<sup>12</sup>.

What’s more, the reform also assumes the support of the unemployed, who come back to professional activity, and presumably represent lower productivity, by several forms of wage subsidies which are paid to employers when hiring a certain type of hard-to-place worker.

The last area of the Hartz reforms was deregulation of labour market institutions, which took place regarding temporary work agencies (the restrictions were abolished), dismissal protection and the regulation of fixed-term contracts.

A new important rule was introduced in the activity of temporary work agencies requiring that such an agency must either guarantee equal pay and equal treatment of

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<sup>11</sup> The evaluation results proved that start-up subsidies had a significant positive effect at an aggregate level. [Räsänen, Alatalo, Krüger Henriksen, Israelsson, Klinger, 2012, p. 28].

<sup>12</sup> For example the jobseeker is obliged to accept any offer of suitable work, which also means to move to different city under certain circumstances.

temporary workers and regular workers or join a collective bargaining agreement between trade unions and employers [Jacobi, Kluve, 2006, p. 13].

At the same time, in Germany, the wage setting process, has remained highly centralised (the minimum wages are often set by collective bargaining agreement in the separate sectors of the economy and separate lands).

The fundamental reforms made in Germany to the labour market in recent years have created flexible working models which correspond with the requirements of the modern marketplace.

Thanks to implemented reforms of labour market (as well as high level of production, export's possibilities and stable labour demand) Germany reaches high level of employment and the lowest youth unemployment rate in Europe (the indicator of youth unemployment rate reached 7.9% in the fourth quarter of 2012, when the average for EU-27 was 23.2% [electronic document: [http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Unemployment\\_statistics](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Unemployment_statistics), date of access: 27.12.13]).

The last chosen to the analysis country - the United Kingdom is an example of the liberal labour market model, which used to differ in important aspects from both the Nordic and the corporate models. The industrial relations system was deregulated and liberalized by the conservative Thatcher government in the 1980s and early 1990s through a combination of labour law reforms and a major restructuring and privatization of public services.

Important turning point for British labour market policy was a programme of active labour market policies introduced in the United Kingdom by the Labour government in 1998 called the New Deal. The aim of that initiative was to help those who found it difficult to compete actively in the labour market, and to address various labour market inefficiencies. The New Deal has been designed by the government to target specific groups of the unemployed who are considered to be especially prone to inefficiencies in the labour market. The main part of the New Deal was assistance to young unemployed people (NDYP), but the programme also covered long-term unemployed people aged over 25 (ND 25+) and unemployed aged over 50 (ND 50+).

Nowadays, the United Kingdom has been still developing a welfare state system based on the work (under the motto Welfare for Work) and is currently undertaking the reform of social security - Universal Credit, which objective is higher efficiency and effectiveness of social policy.

There can be determined three rules of conducted policy [Rollnik-Sadowska, 2014, p. 159]:

1. Flexibility and diversity:
  - meeting employer demands and employee lifestyle needs,
  - move towards localism and more engaged partnerships,
  - more personalised approach to support (impact on individual professional counselling).
2. Making work pay:
  - minimum wage,
  - tax credits,

- introduction of the Universal Credit dynamic benefit system,
  - modernising the Public Employment Service,
  - creation of Jobcentre Plus – delivering employment and welfare services under one roof,
  - innovative approach towards customer self-service and digitalisation.
3. Active Labour Market Policies:
- conditionality – rights & responsibilities,
  - work first – focus on active job search, with ‘in-work’ skills improvement,
  - extending work opportunities to ‘inactive’ customers.

British government, realising changes in social policy, includes five key reform principles:

- a stronger framework of rights and responsibilities to move benefit claimants from being passive recipients to being active jobseekers,
- a personalised, responsive and effective approach to local and individual needs,
- local partnerships between public, private and voluntary sectors,
- targeting areas of high worklessness by devolving and empowering communities, and
- not just jobs, but jobs that pay well, offer opportunities for progression and continue to develop our customers’ skills.

A Universal Credit, which has been implementing since April 2013, represents a new approach to supporting working-age households. It is a move towards a system that brings together existing income-related out-of-work benefits and tax credits into a simpler, integrated system that supports people in and out of work. This builds on recommendations for a number of organizations from across the social policy field.

Universal Credit will improve financial work incentives by ensuring that support is reduced at a consistent and managed rate as people return to work and increase their working hours and earnings. People will generally keep more of their earnings for themselves and their families than in the previous system. Universal Credit will also ensure that all amounts of work will be more financially rewarding than inactivity and remove the current barriers to small amounts of work<sup>13</sup> [Smith, 2010, p. 3].

The other elements of structural reform of British welfare system are aimed on:

- the scope to strengthen the conditionality regime and ensure that it is aligned with any reforms to the system,
- the scope for having a more tailored, personalized system in which the conditionality regime for people within certain groups could be extended,
- the role of localism in delivering the welfare system, and
- having a system which supports the government’s aim of moving everyone who can work into work and to maximize the percentage of a person’s income that comes from their earnings.

The assumptions of social policy in the presented above three countries - Denmark, Germany and the United Kingdom, which represent different labour market models

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<sup>13</sup> Before implementation of the Universal Credit, Working Tax Credits were awarded to those working at least 16 hours a week. [Electronic document: *The tax credit system changes from April 2012*, access mode: <http://www.bbc.co.uk/news/business-17126987>, date of access: 28.12.13].

seem to prove that those countries adjust the changes of conducted labour market policy to the new economic and social conditionings. They have been trying to solve the employment problems in the time of crisis in Europe and follow the concept of transitional labour markets. The transitional labour markets are defined as institutionalised arrangements which allow or support the change of the employment status or the combination of labour market work with other socially (and to some extent even economically) useful activities. Important elements of such a strategy are the combination of working time reduction with life-long learning, the use of explicit wage subsidies for lower income groups or hard-to-place people, and legally or contractually bargained entitlements to transitional employment. Such transitional labour markets would also serve as a flexible buffer which expands in periods of recession and contract during booms [Schmid, 1998, p. 3].

## 5. Conclusions

Denmark, Germany and the United Kingdom, not only represent different labour market models but they are the countries with dissimilar social and economics conditionings, which are also connected with their culture, history and respected values in the societies. Although those differences, the reforms carried out in the analysed countries indicate at seizure of the division of rules previously existing in the labour market policy in the distinguished above models and at development of common objectives for each of the welfare state systems in the current socio-economic conditionings. These similar rules are designed to improve the effectiveness of labour market policy (mainly ALMP). Such principles, amongst others, include:

- multi-sectoral labour market policy (engaging both private and public labour market institutions, NGOs, educational units, business sector),
- the growing importance of active labour market policies with clear objectives for higher employability of people participating in the active labour market programs,
- implementation of the workfare state based on the system of rights and duties,
- deregulation of the labour market,
- promoting flexible forms of employment,
- creation of networking among labour market institution and business as a base for active labour market programs.

Moreover, trade unions have been weakened both by declining membership and by their decreasing role in facilitating collective bargaining. Collective bargaining coverage has eroded, while more regulatory rights and legal powers have been transferred to firms. Where collective bargaining exists, it takes place at a more decentralized level, closer to the firm or workplace [Karlson, Lindberg, 2011, pp. 11-26].

The analysis of the introduced changes in the countries implementing labour market reforms allows for benchmarking of the good practices, which could be suitable for Polish social and economic conditionings.

Although, the Danish flexicurity model is promoted for implementation among the European Union members (including Poland), it could not be the best solution for the countries with substantial budget deficit as well as high public debt (which in Poland has reached the constitutional limit). That is why the flexicurity model (consisting with three elements) cannot be fulfilled in countries with serious instability of public finances as the generous welfare state is the condition of financing of active labour market policy. ALMP allows for, so crucial in the model, security during popularisation of elasticity. The reason of failure of the Danish model in Polish conditionings could also be different social mentality determined by historical process [compare: Rollnik-Sadowska, 2013, p. 19].

More rational for Poland would be the British model, as its main objective is promoting of professional activity by encouraging benefits system. Polish social security system as well as inefficiency of public labour market institutions, boost inactivity of labour force. That is why the development of motivating system of rights and duties together with effective jobcentres and cooperation with private providers could solve the problem of abusing of social aid and unused social capital.

The German labour market policy element worth for implementation in Poland is the system of dual learning, which could decrease the structural unemployment, improve the youth's situation on the labour market and reduce external migration as the labour force structure would be better adjusted toward labour demand needs.

The above assumptions need further research process, but they can be treated as the general guidelines for labour market policy improvement in Poland.

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