



## INCLUSIVE SOCIETY INSTITUTE

### Op-ed

#### **Embracing Flexicurity: Lessons from Denmark**

*By Nicola Bergsteedt*

In an era of economic uncertainty, South Africa stands at a crossroads. The nation's historic struggle with high unemployment and stark income inequality calls for an innovative approach to labour market reform. The Inclusive Society Institute's delegation's recent study trip to Denmark offers a glimpse into an alternative path characterised by a concept known as "flexicurity" – a synergy of labour flexibility and security that has positioned Denmark at the forefront of labour market innovation.

The purpose of the study trip to Copenhagen, Denmark, was primarily to understand the Danish labour-business compact comprehensively. This venture was important, as it aimed to gather insights and practical knowledge from one of the world's most successful labour models. The delegation comprised a diverse and expert cohort from South Africa, including key representatives from the Inclusive Society Institute, Business Unity South Africa (BUSA), and the Congress of South African Trade Unions (COSATU).

Denmark's labour market thrives on a unique balance between the protection of workers and the agility of businesses, a stark contrast to South Africa's current framework, a legacy of apartheid that often hampers economic dynamism. Through comprehensive engagement with Danish policymakers, business leaders, and unions, we have gleaned insights that could transform our labour landscape for the better.

The heart of the Danish model lies in its dual pillars: labour market flexibility and robust social security. Businesses can adapt swiftly to changes, driving economic growth, while employees benefit from substantial safety nets and active labour market policies, including retraining and upskilling programs. This delicate balance fosters not only economic efficiency but also social fairness.

However, the Danish model's success is not merely a product of its systemic policies but also of its societal values, including a high level of social trust and collective responsibility. In Denmark, these values facilitate a strong partnership between employers and employees, ensuring that the welfare of the workforce is not sidelined for profit. This cultural ethos mitigates the social fallout often associated with business decisions, such as layoffs or restructuring and ensures that transitions within the labour market are managed with care and consideration for all parties involved.

In contrast, South Africa's economic landscape is marred by distrust and division, which frequently manifests in contentious labour relations. To integrate aspects of the Danish model successfully, South Africa must cultivate a culture of social trust. Initiatives like establishing social dialogue platforms at both industry and national levels can act as catalysts for this cultural shift. These forums would not only address labour market reforms but also broader social issues, engendering a spirit of collaboration and shared destiny.

Moreover, Denmark's approach to unemployment—viewing it not as a personal failure but as a collective challenge to be managed with active labour market policies—provides a sharp contrast to South Africa's often punitive stance towards the unemployed. By reimagining unemployment as a structural issue requiring proactive policy intervention and societal support, South Africa can foster a more compassionate and efficient labour market. The Danish model shows us that with the right support, periods of unemployment can become opportunities for personal and professional development, ultimately benefiting the entire economy.

However, looking towards adopting parts of the Danish model is not without challenges. It is underpinned by a culture of mutual trust, extensive welfare financed through high taxation, and a homogenous population. South Africa's diverse and complex society requires a customised approach, considering our unique socio-economic realities.

Adopting flexicurity in South Africa calls for a shift from adversarial labour relations to a collaborative mindset. Establishing platforms for continuous dialogue, education on rights and responsibilities, and economic visioning are steps towards this transformation. For instance, workplace forums could serve as avenues for joint decision-making, bridging the understanding between labour and business.

Moreover, the development of a labour-business compact could streamline communication, reduce governmental red tape, and align stakeholders on a shared economic trajectory. Such a compact could limit protest actions to reasonable demands and collaboratively work towards a living wage, transcending the current minimum wage debate.

Transition support, including discussions around a basic income grant and smoother job transitions, should be prioritised. These measures would provide a safety net, encouraging active participation in the labour force while mitigating the inherent risks of economic adaptation.

Our observations from Denmark underline the importance of a robust social dialogue, where unions and employer associations play a significant role in governance and policy development. South Africa could benefit from a more cooperative approach, potentially borrowing from the Danish practice of minimal government intervention in labour relations.

As we consider the future, it is clear that South Africa must embrace a multipronged strategy to renovate its labour market. The Danish model of flexicurity, with its integrated approach to employment flexibility and comprehensive social security, offers a beacon of hope and possibility. It illustrates that economic vitality and social protection can coexist, and indeed thrive, within a well-orchestrated labour framework.

In conclusion, the Danish labour market model, with its innovative flexicurity approach, provides South Africa with an opportunity to develop a template for overhauling our own labour-business relations. By fostering a collaborative, dynamic, and equitable labour market, we can stimulate sustainable economic growth and social equity. The road ahead is undoubtedly complex and requires commitment, but the Danish experience reaffirms that with adaptability, open dialogue, and mutual trust, progressive change is within reach.

***Nicola Bergsteed*** is an associate researcher at the Inclusive Society Institute (ISI). This article draws on the ISI's report 'The Danish labour market model' which flows from the Institute's recent study visit to Denmark.