

# Social Risks in Denmark

## Imbalances on the danish labour market

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# Plan

## **The transition in employment:**

Employment is moving from lowskilled jobs towards skilled/high skilled jobs.

## **Problem:**

The growth in the educational level in the Danish labour force has stopped.

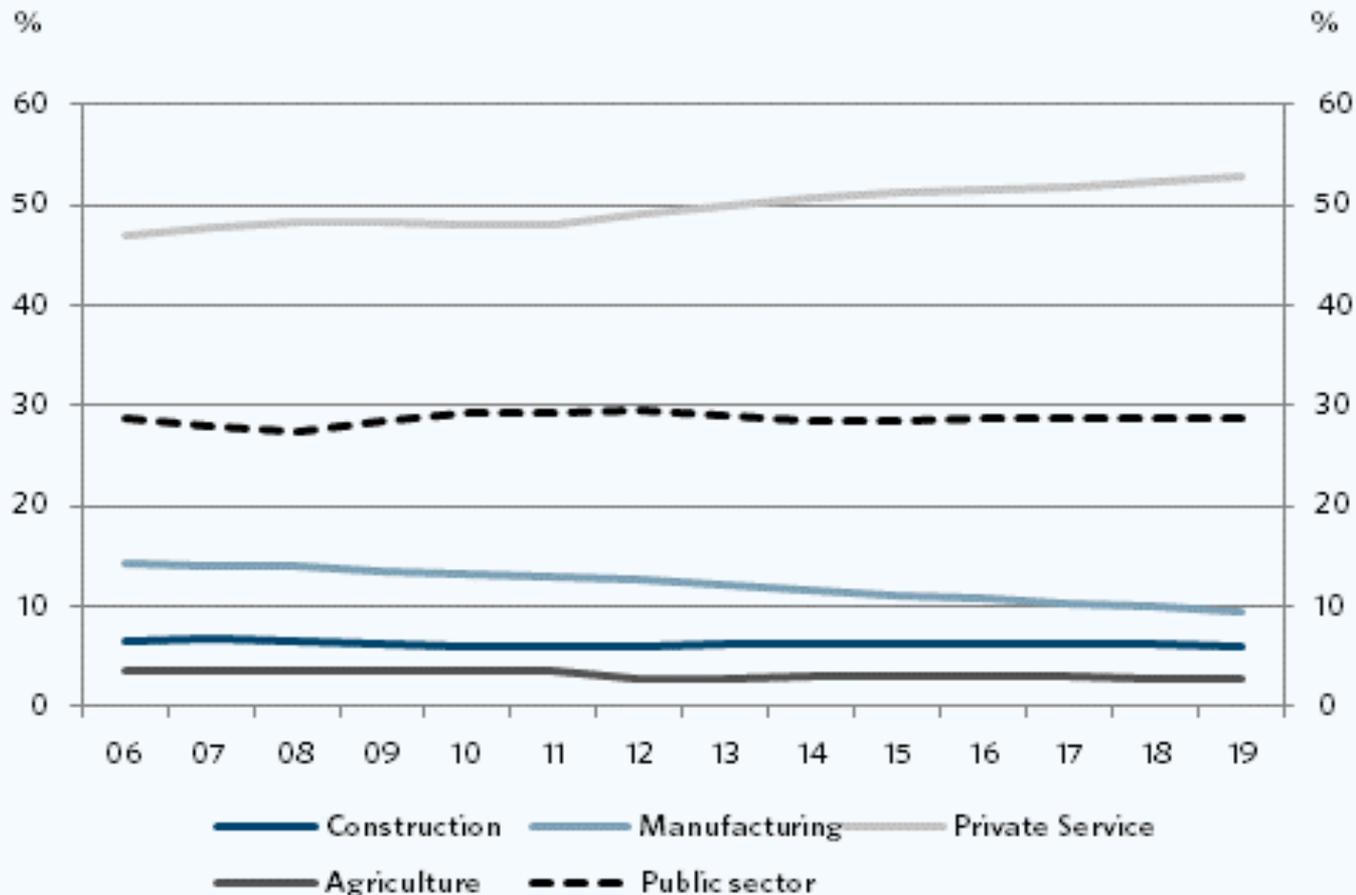
This causes imbalances on the labour market (Shortage of skilled and high skilled workers and to many unskilled workers).

**Why is this a social risk and what can we do?**

# **The transition in employment**

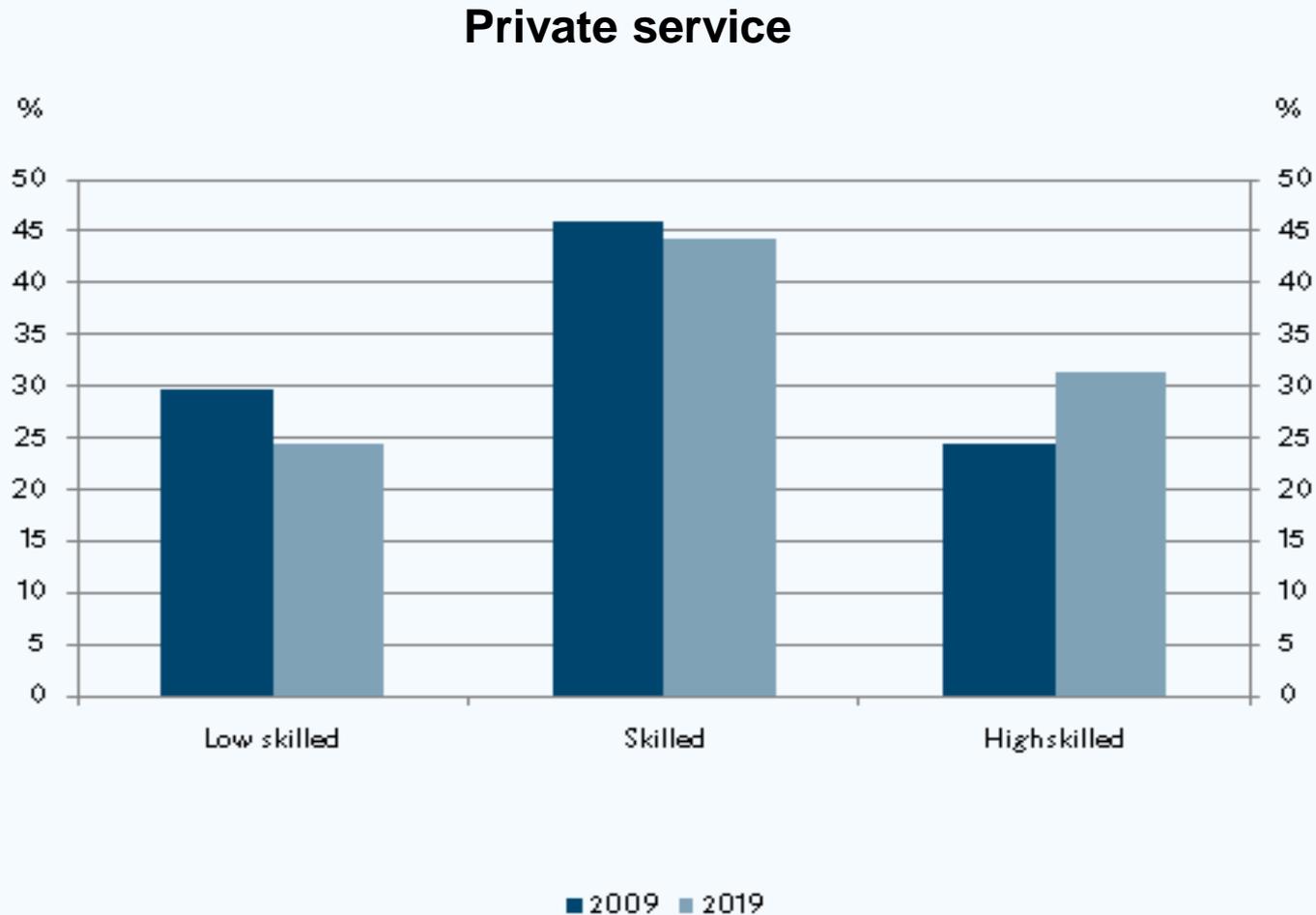
# The development in employment towards 2019

## Share of total employment



Source: ECLM

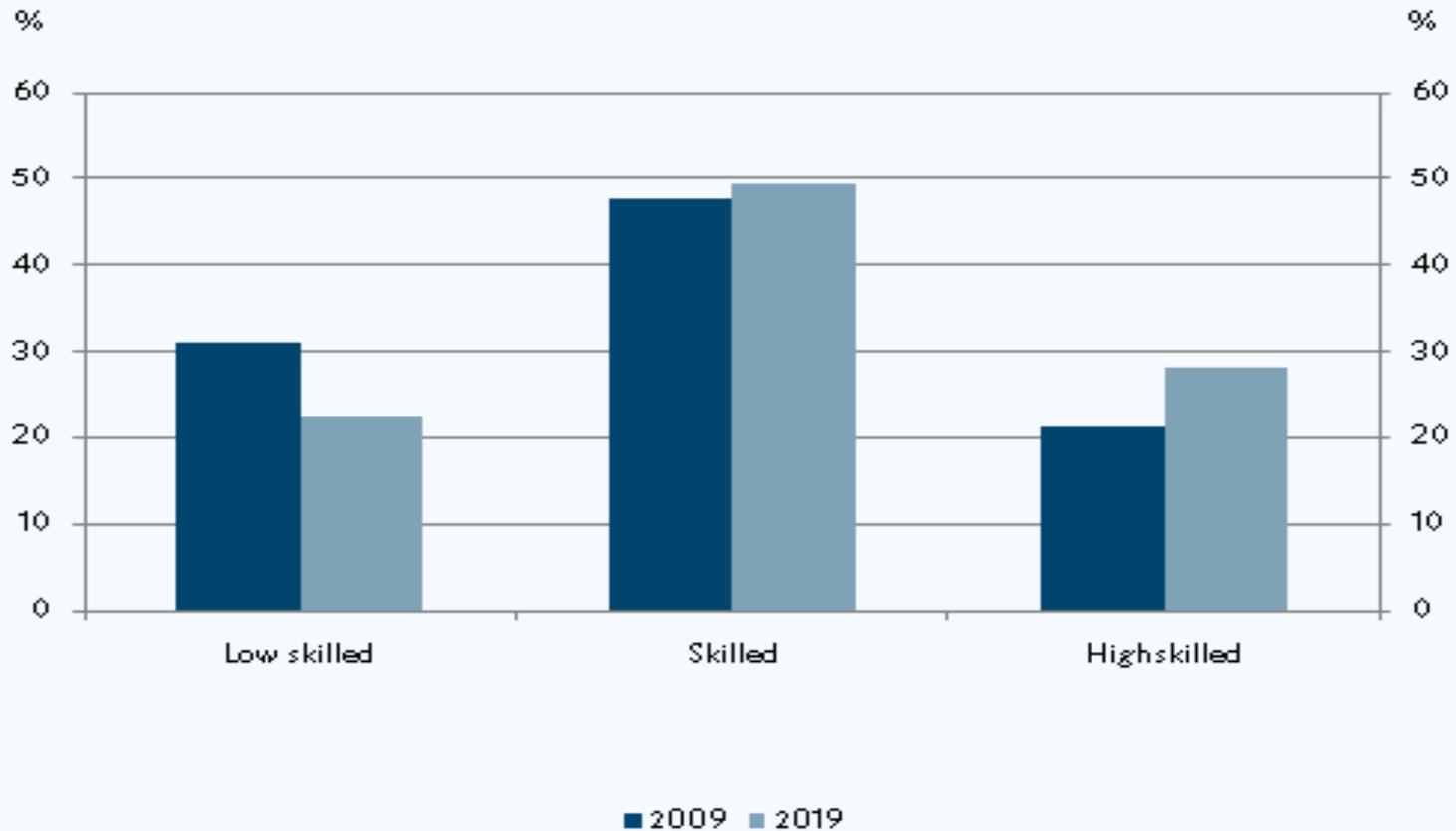
# The demand for low skilled workers decreases while the demand for high skilled workers increases



Source: ECLM

# The demand for low skilled workers decreases while the demand for high skilled workers increases

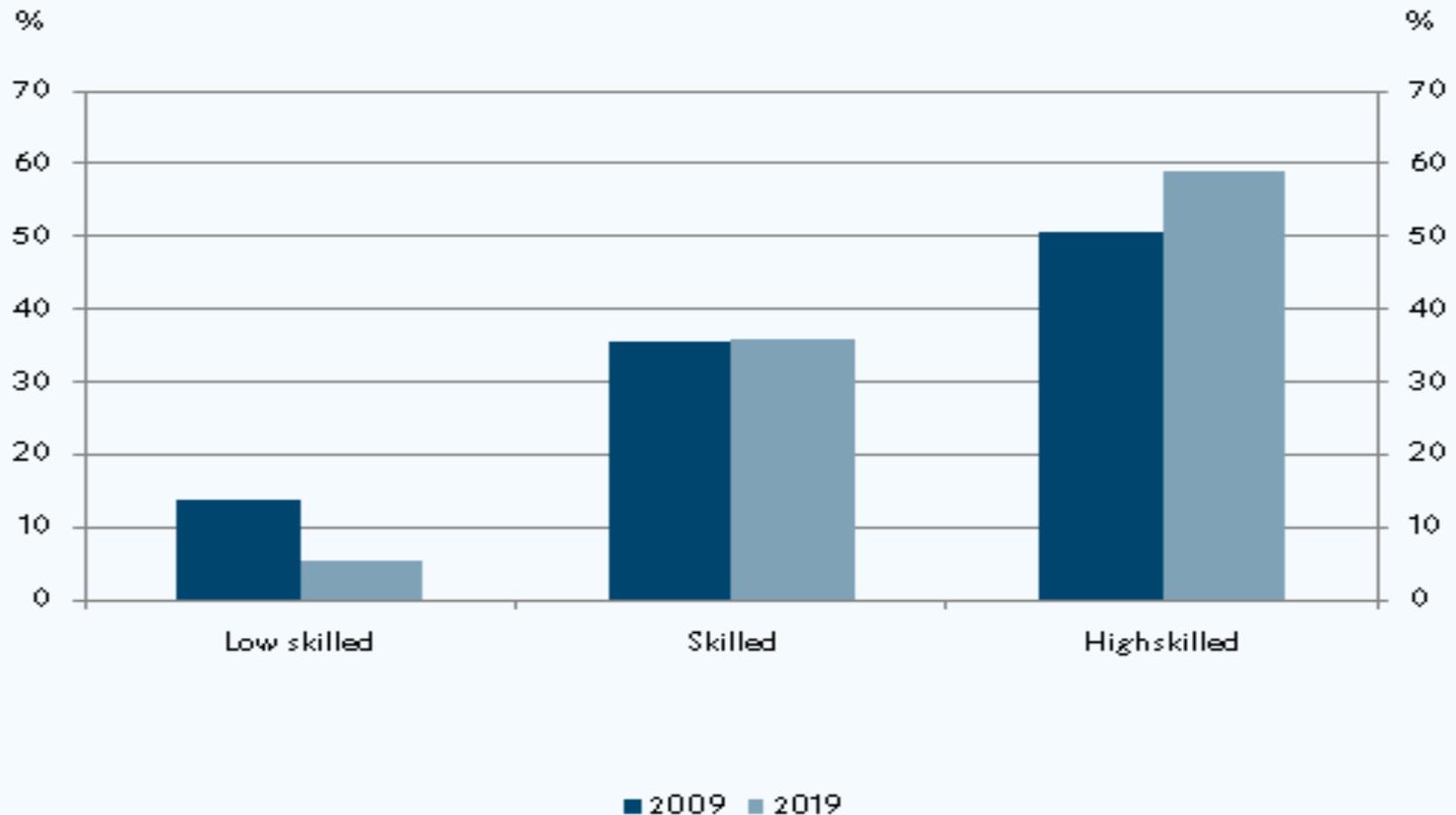
## Manufacturing



Source: ECLM

# The demand for low skilled workers decreases while the demand for high skilled workers increases

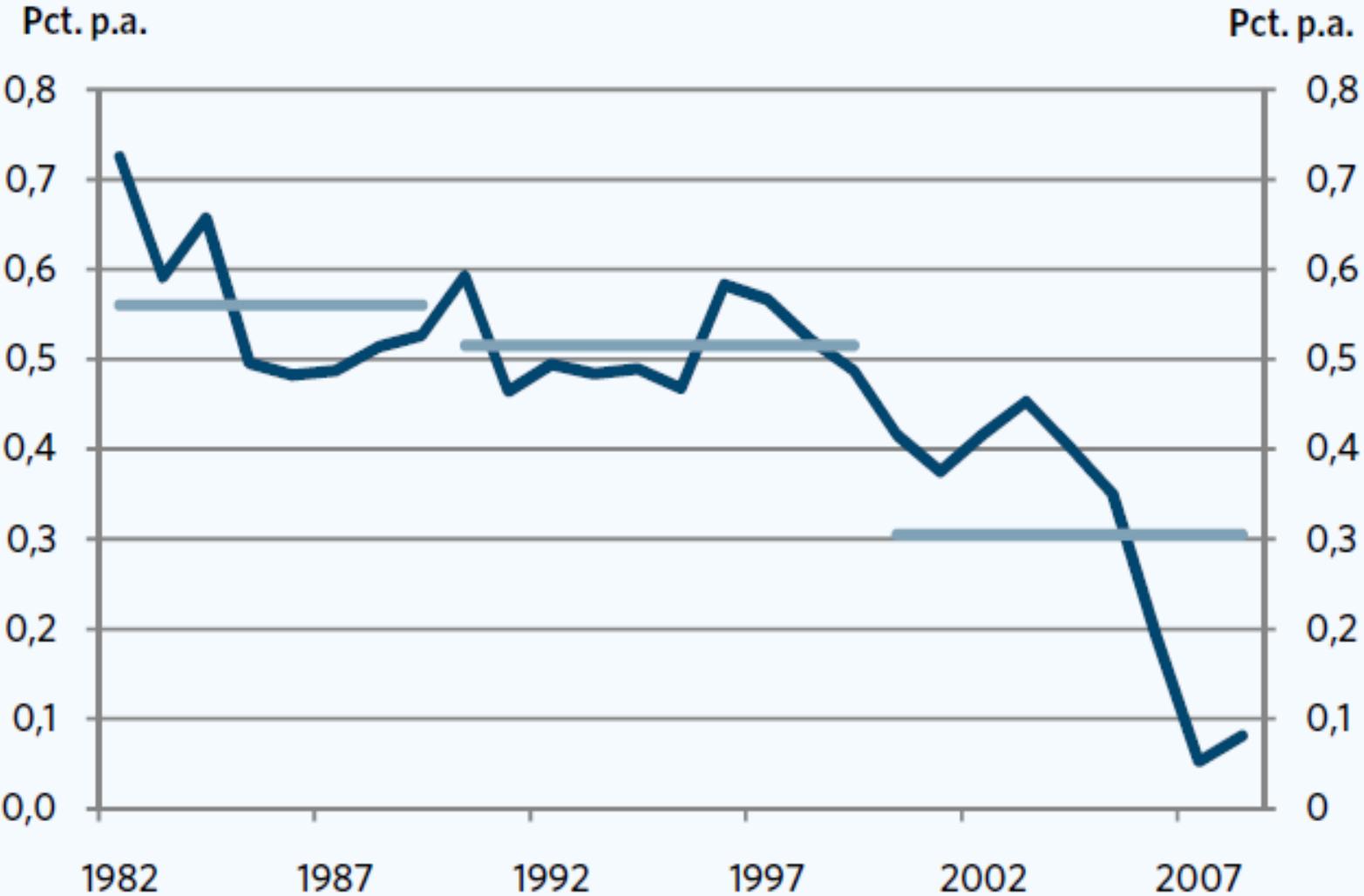
## Public sector



Source: ECLM

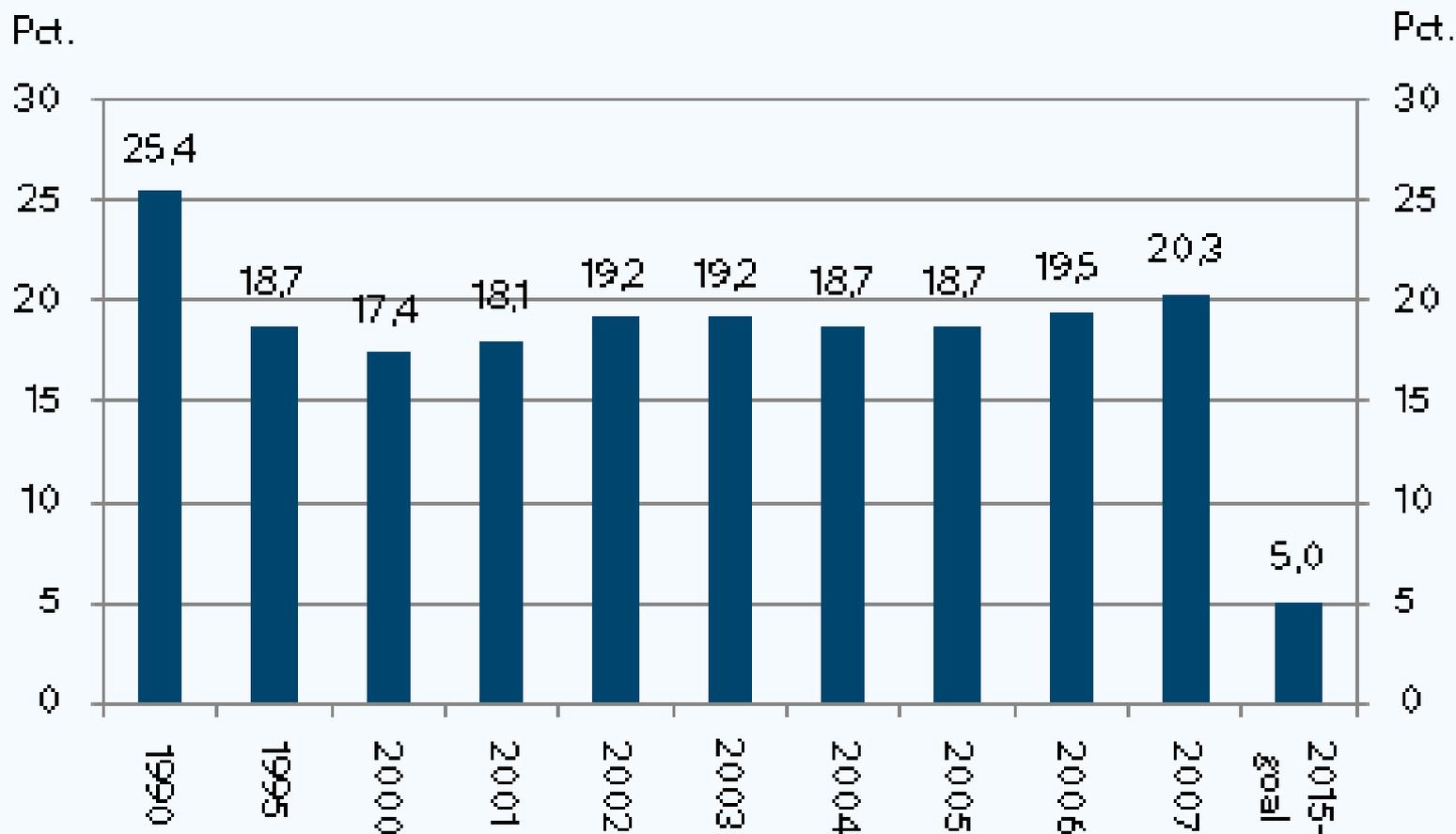
**Insufficient skills in the labour force**

# The growth in the educational level in the labour force has decreased

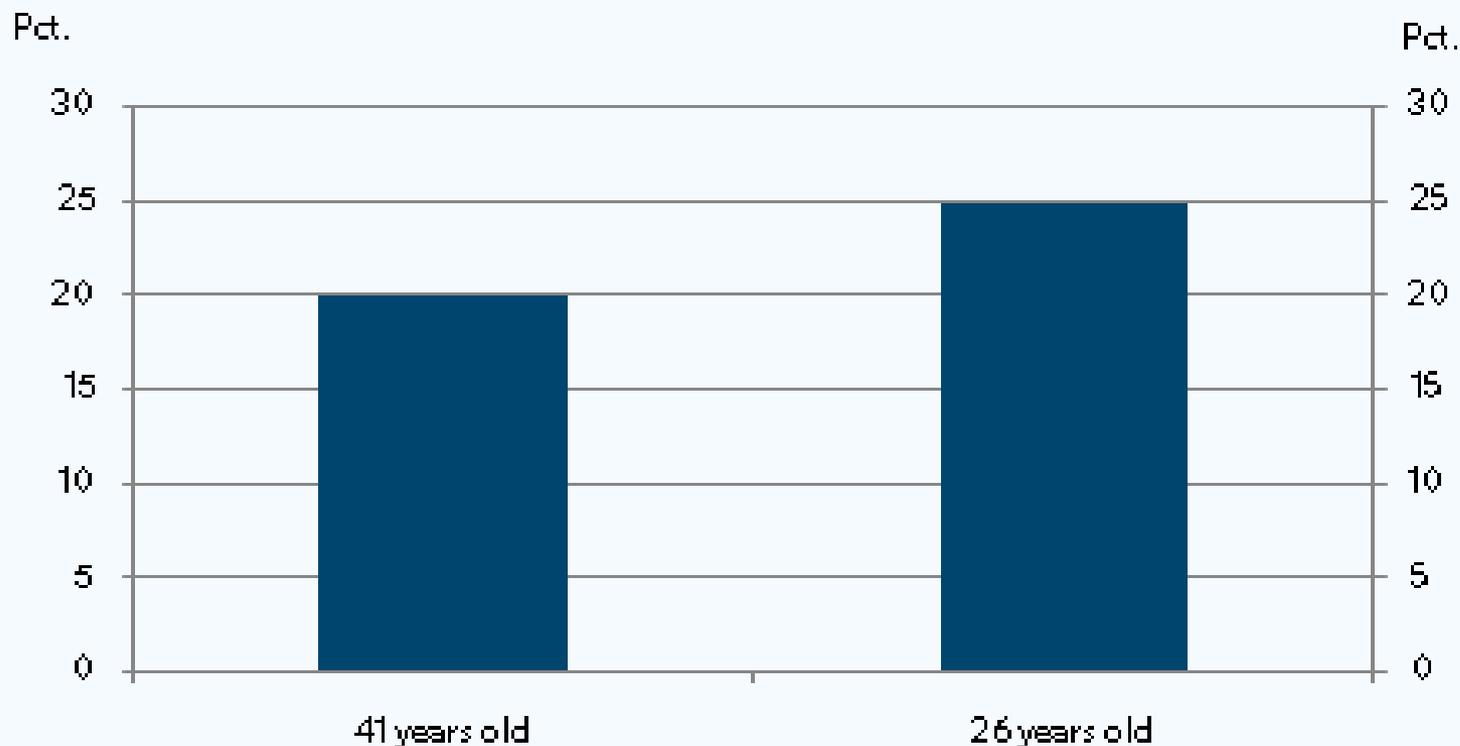


Source: ECLM

# Share of young people without education beyond primary and lower secondary education (Measured 25 years after graduation)

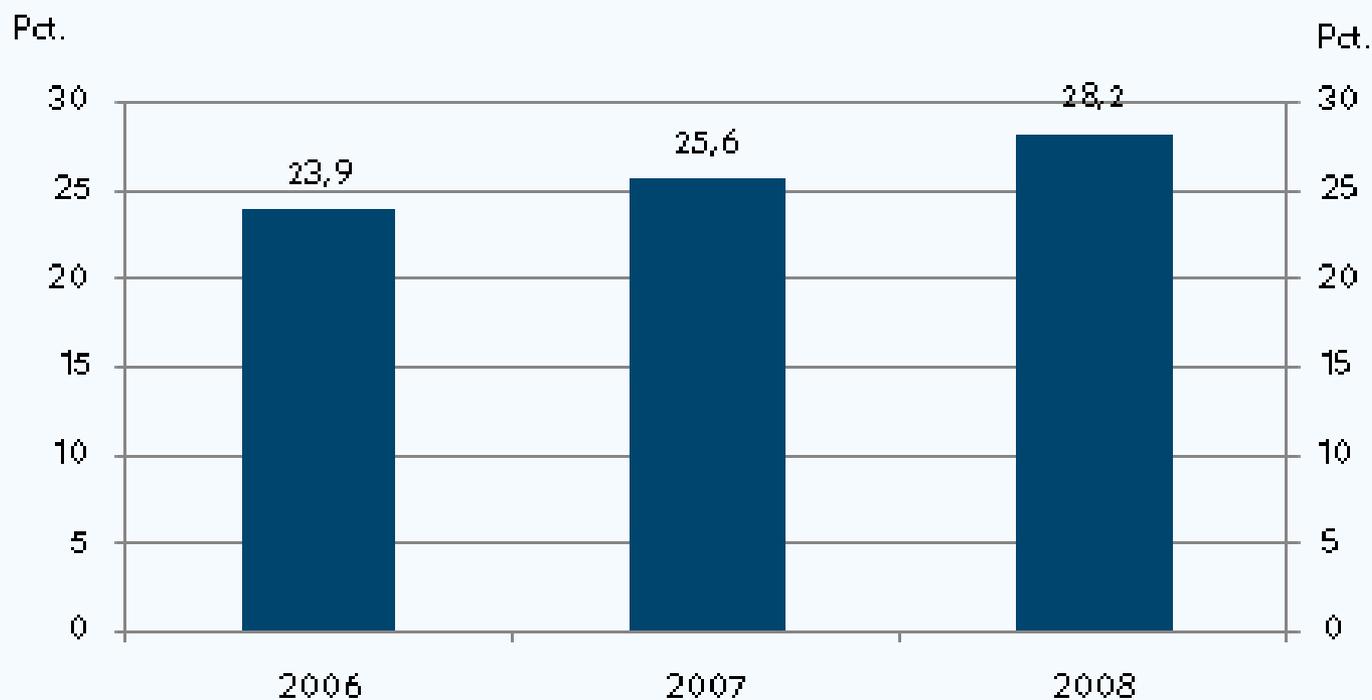


# ...matters are even worse when we look at people 10 years after graduating primary and lower secondary education



Source: ECLM

# ...and the share of 26 year old people not getting an education beyond primary and lower secondary is increasing



Source: ECLM

The growth in the educational level is too small to prevent major imbalances on the labour market.

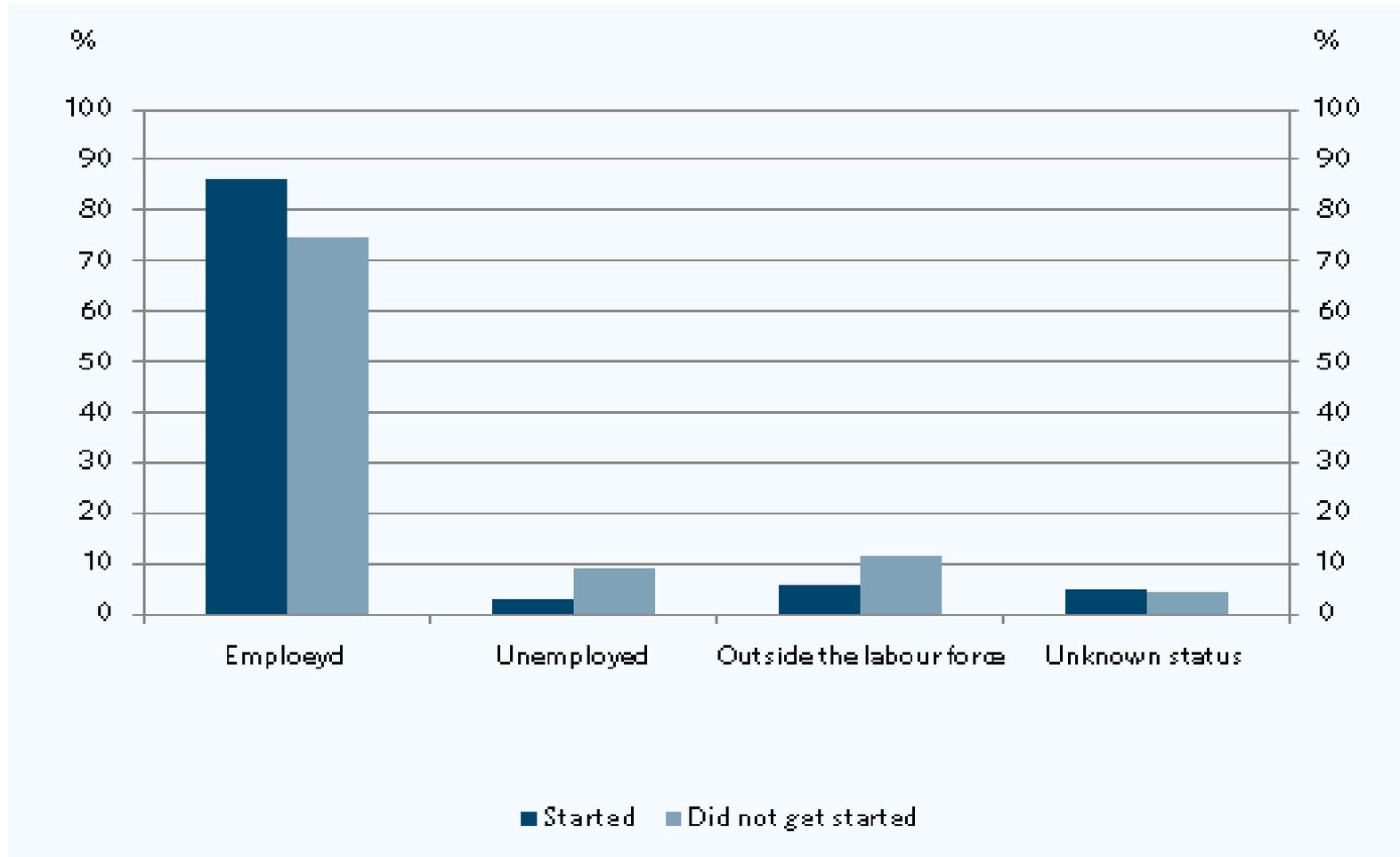
- The supply of different worker skills does not match the demand.

Changes in supply and demand, 2009-2019			
	Supply	Demand	Imbalance
Unskilled	-102	-189	88
Skilled	-52	-7	-45
Higher education	102	207	-105

Source: ECLM

**Why is this development a social risk?**

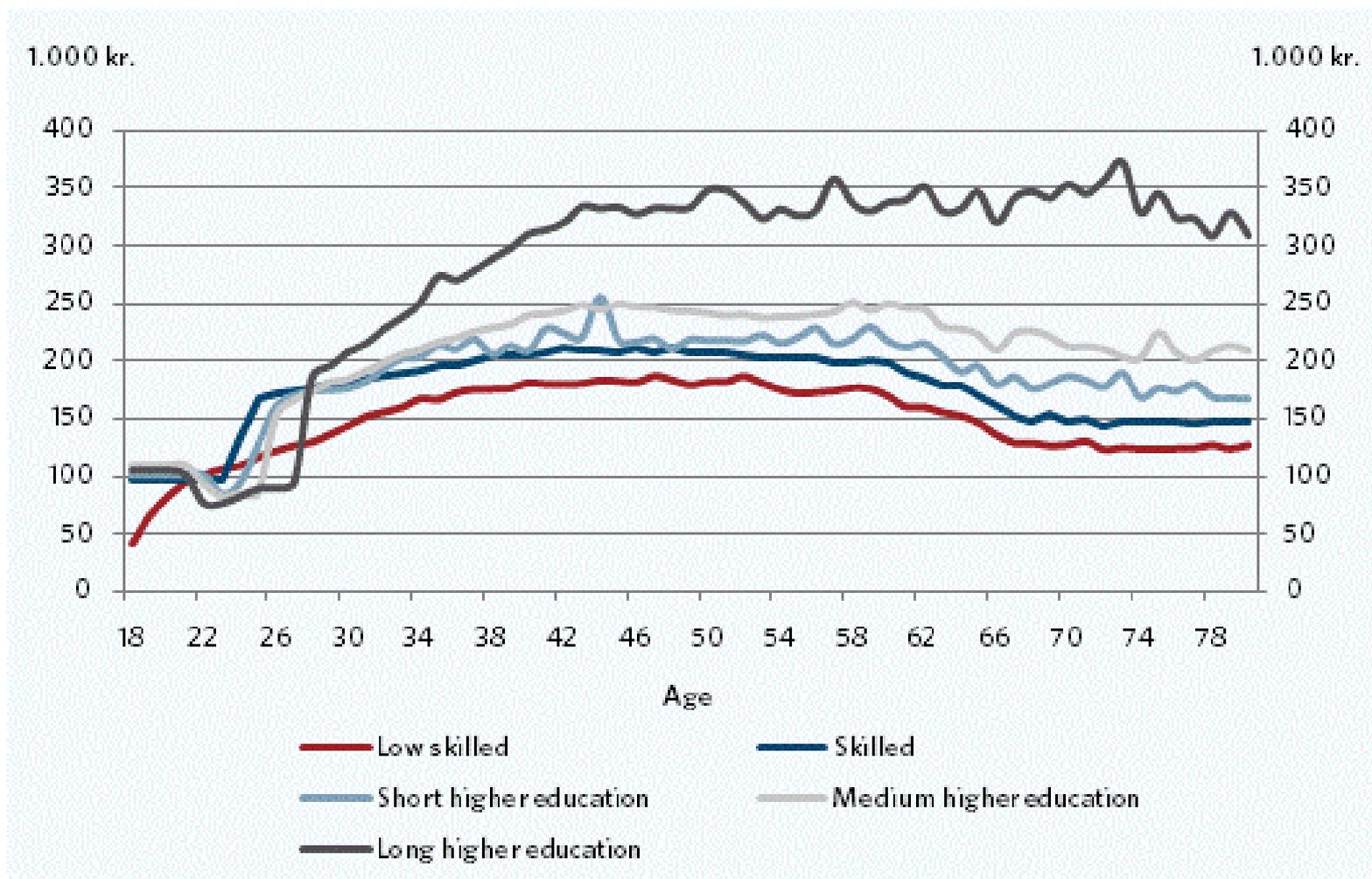
# If you have begun an education you have a tighter connection with the labour market



Note: We are looking at people who began upper secondary education within 3 years after primary and lower secondary education was completed and those who did not.

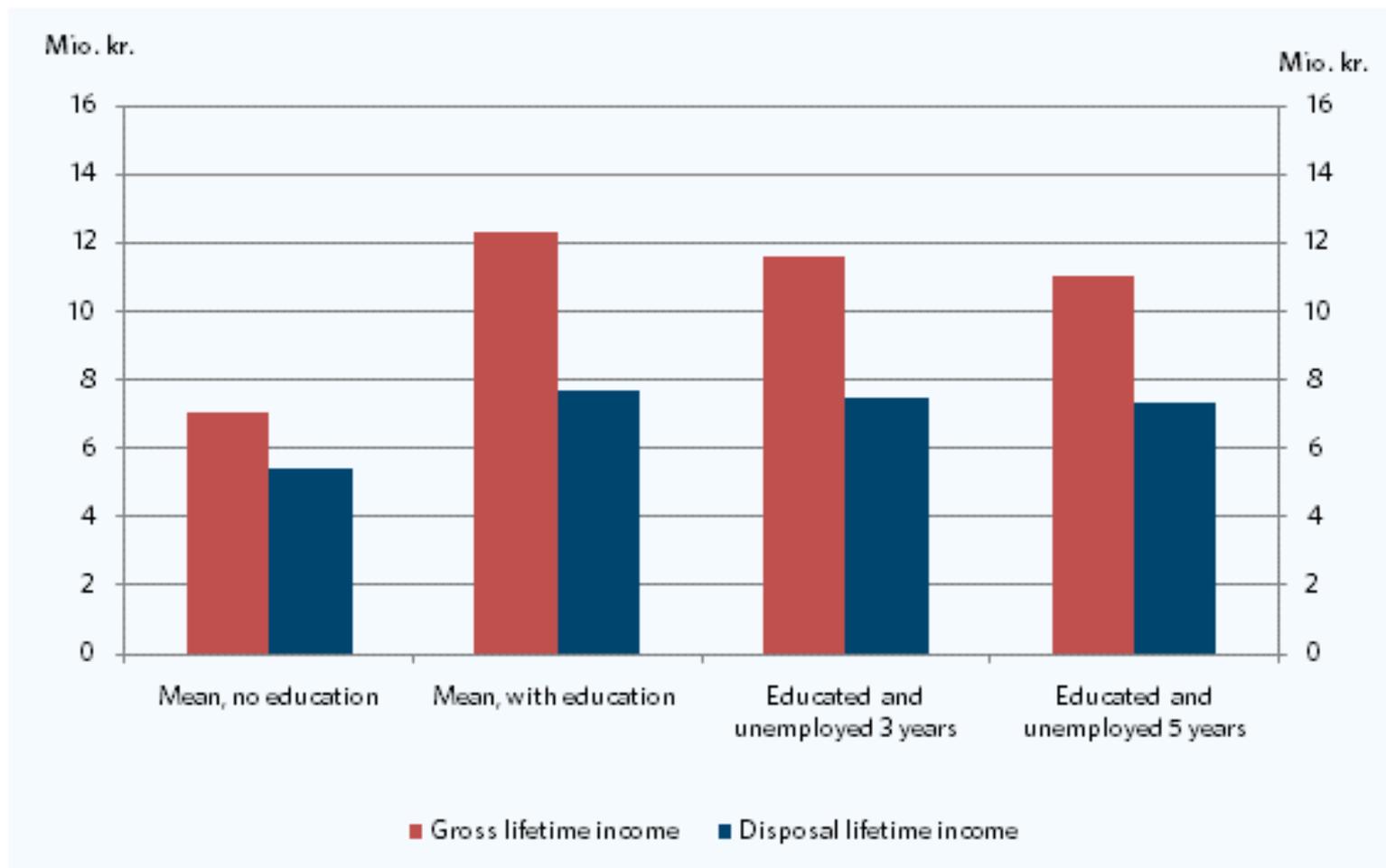
Source: ECLM

# The higher the level of education the higher the lifetime income



Source: ECLM

## ...even if you get unemployed



Source: ECLM

## ...but society also gains from education

### Net effect on public budget

	Tax	Public benefits/ transfers	Cost of education	Total
	Mio. kr..			
Low skilled	4,2	4,1	-	0,1
Skilled	5,2	3,0	0,3	2,5
Short higher education	6,1	2,5	0,4	3,2
Medium higher education	6,7	2,4	0,4	3,9
Long higher education	11,4	2,0	0,4	9,0

Source: ECLM

## ...and also from higher productivity

	Mio. kr.
Low skilled	9,2
Skilled	11,8
Short higher education	14,3
Medium higher education	14,2
Long higher education	22,5

Source: ECLM

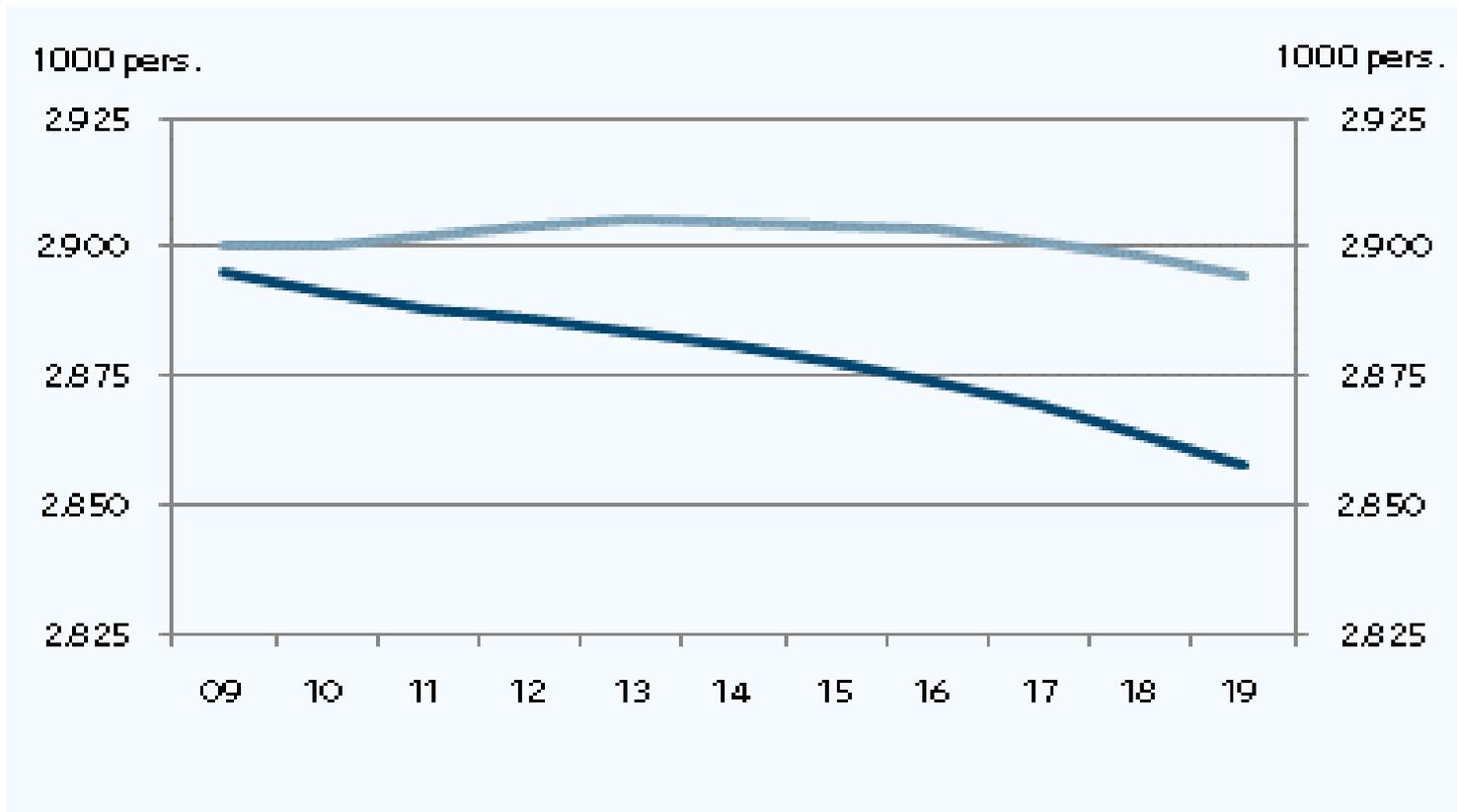
Productivity is measured as gross income minus the cost of education.

# The reason for the high gains is that absence from the labour market is lesser the higher education you have completed

	Unemployment	Early retirement due to healthproblems	Voluntary early retirement	Sickness benefits	Other things	Total absence
	Pct.					
Low skilled	7,7	11,2	4,3	0,6	9,9	33,8
Skilled	3,3	4,3	5,2	0,5	4,8	18,1
Short higher education	3,1	3,1	4,1	0,3	5,0	15,6
Medium higher education	2,4	2,7	4,2	0,3	5,9	15,5
Long higher education	3,0	1,5	2,0	0,2	4,6	11,3

Source: ECLM

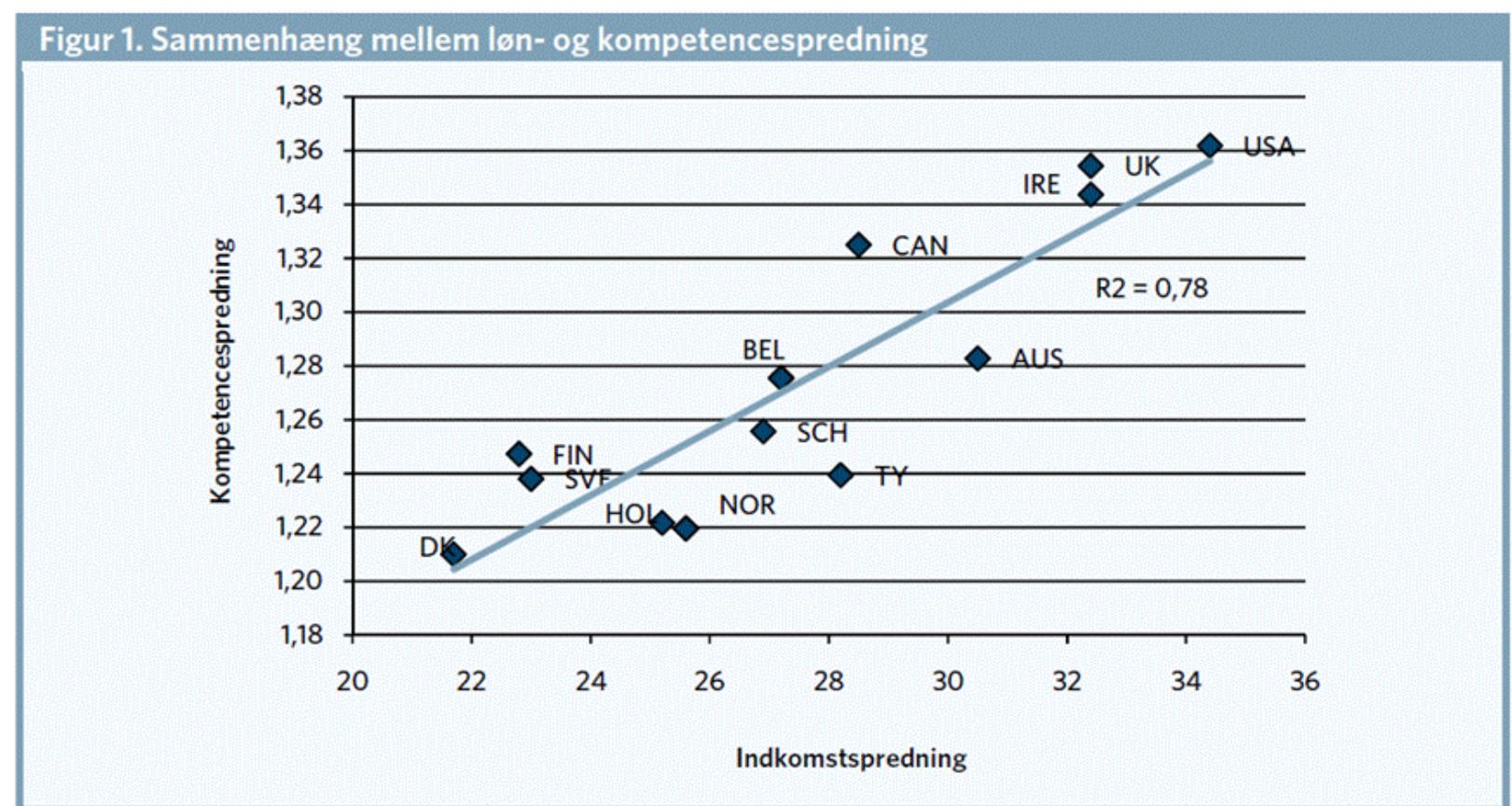
# Education can even reduce the demographically determined fall in the labour force in the coming years



Source: ECLM

# Higher level of education leads to less inequality

Relationship between the difference in the educational level (y-axis) and the difference in wages (x-axis).



Kilde: AE på baggrund af OECD, 2000.

**In short:**

***Workers with no education risk becoming redundant and being dependent on public benefits.***

**What a waste!**

***Society could benefit through higher productivity, growth potential, wealth, better public finances...***

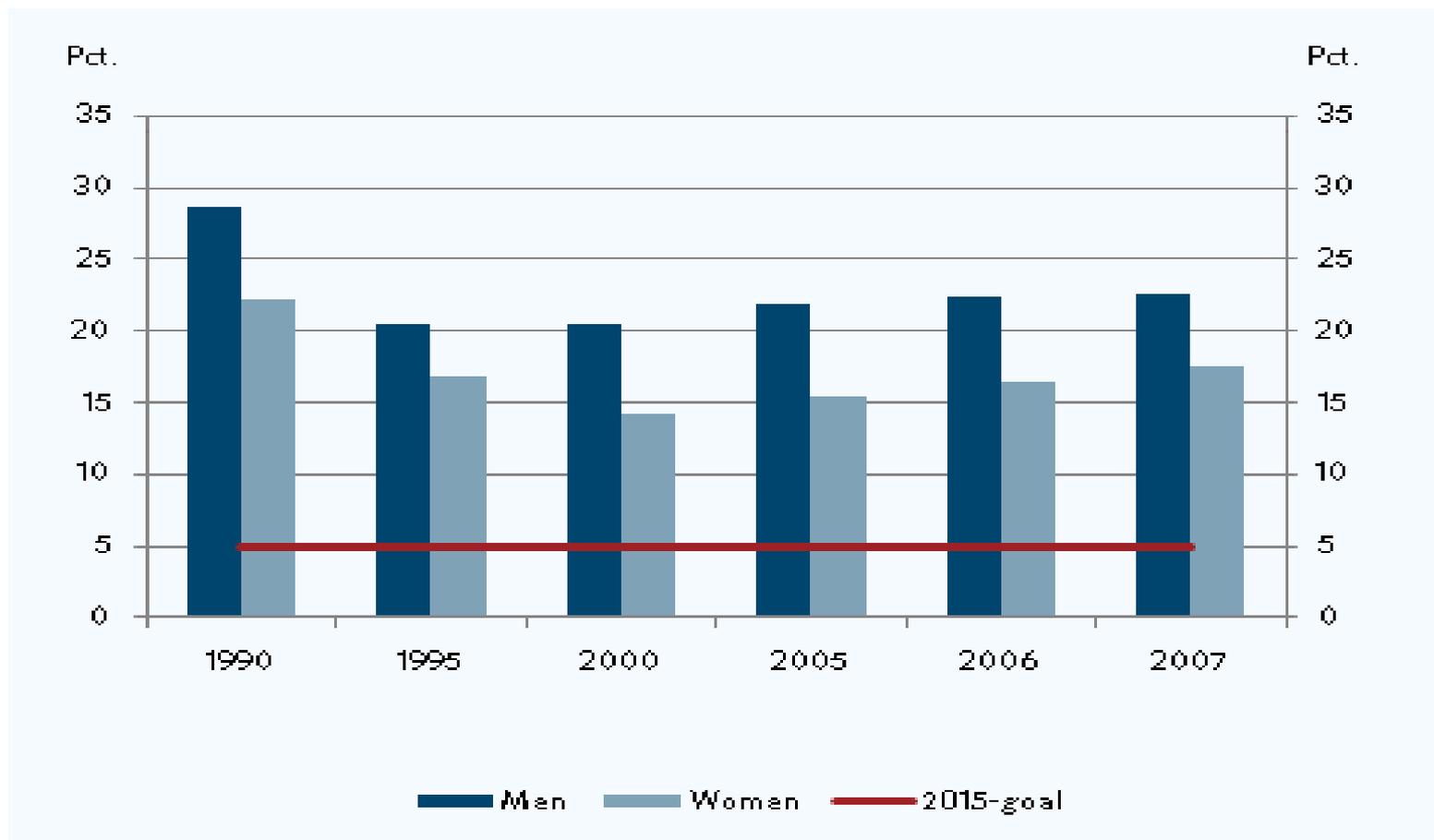
***..and above all less inequality!***

**Therefore: The decline in the educational level is a social risk we as a society ought to address.**

**Who and why?**

# Men are less likely to get an education than women

## Share without education beyond primary and lower secondary education



Source: ECLM

**... and so far men have been the losers during the crisis**

**The unemployment of men is above the unemployment for women**



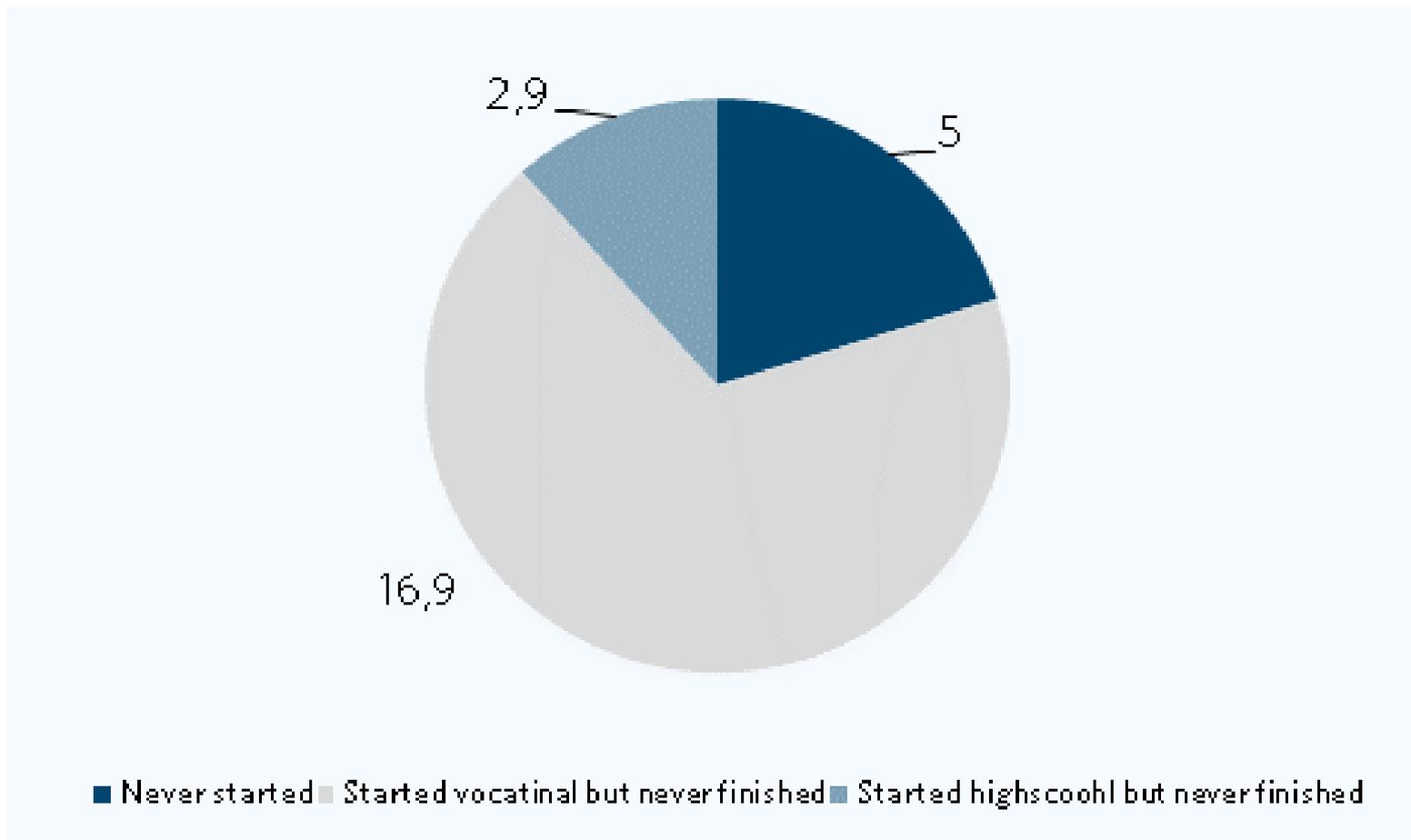
# Among men that have not danish origin more than a third have no education at all!

	Share without highschool diploma or vocational education		Share without any other kompetence	
	Danish origin	Other origin	Danish origin	Other origin
Men	21,0	37,3	17,9	34,3
Women	16,7	25,5	11,4	20,0
Total	18,9	31,8	14,7	27,4

Source: ECLM

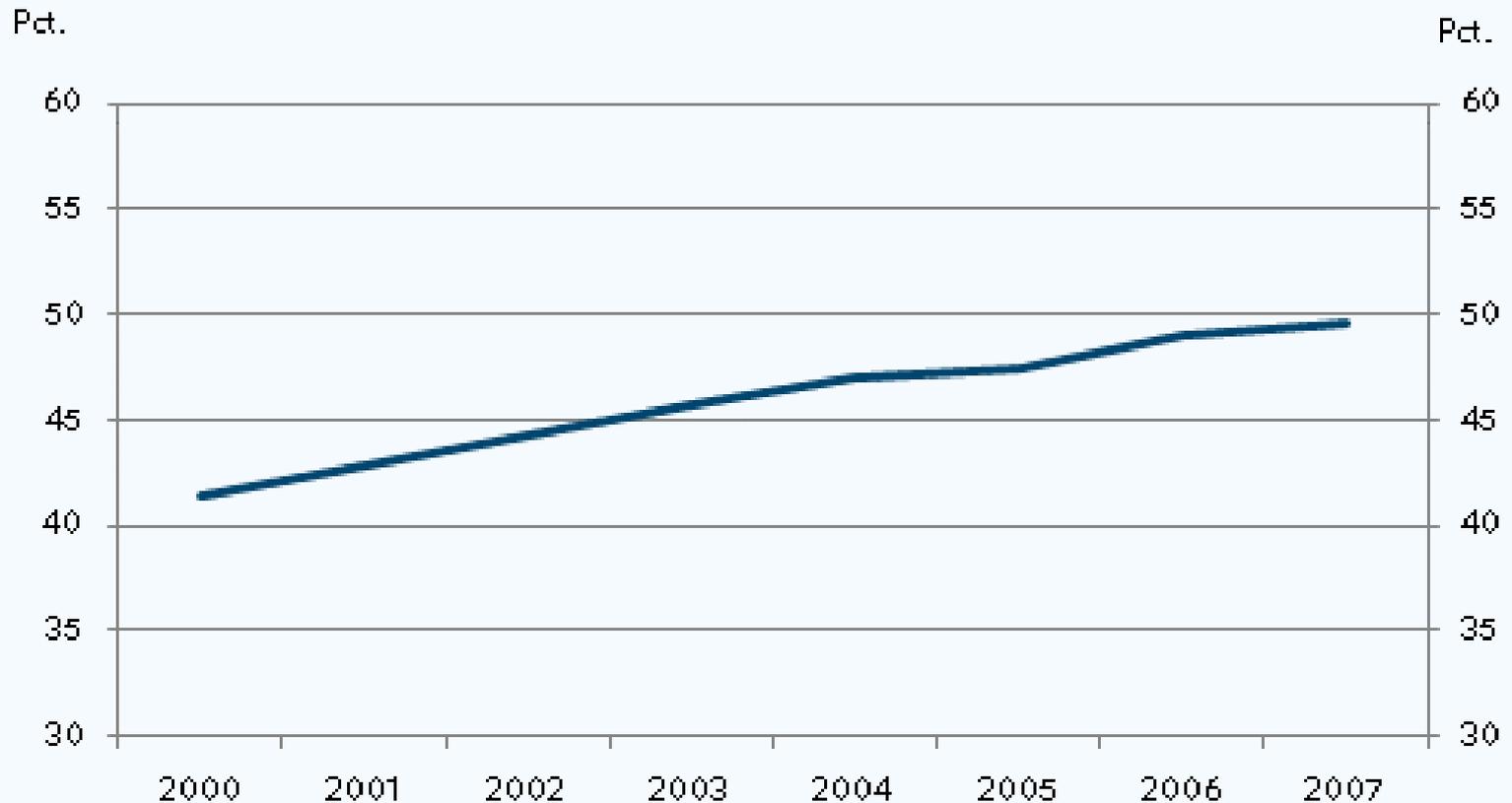
Latest projection says that more than 11.000 in a generation will be without education. That is more than 90.000 young people without education in 2015.

# Many do begin an education but do not finish



Source: ECLM

The problem is very obvious within the vocational educations – 50 % dropped out in 2007



Source: ECLM

# Solutions

# Thoughts of the ECLM

The problem is that young people do not complete their education (only 5 % do not begin an education).

The educational system needs to embrace both the academically strong and those not so strong.

**- We can achieve this through:**

Better tutoring and guidance.

A larger variety of educational offers that also emphasizes practical aspects and allows you to continue with a higher education.

## Thoughts of the ECLM (continued)

Education should not only be compulsory for ages below 15/16 but also for ages below 18.

If one is below 18 years old one should not be allowed to work if one is not taking an education.

Upper secondary educations (whether it is vocational or general educations that qualify for a higher education) should be the lowest educational level in the future.

Firms have to take in more trainees from vocational educations – could be achieved through subsidies.

95 % of a youth generation getting an education beyond primary and lower secondary education and 50 % getting a higher education will reduce imbalances significantly.

