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Making Reform Happen

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Ladies and gentlemen,

Thank you for the opportunity to take part in this panel on this very important topic.

There's probably no better place to discuss today topic than right here in Paris: How to make reform happen.

It may be "The City of Light", but as far as reform goes - the French government seems to have stumbled around in darkness. As have, in fairness to the French, their European colleagues.

I'm paying special attention to the French, because for years now, we've had a steady flow of delegations and deputations coming to Denmark from France:

Cabinet Ministers, union leaders and business people have been coming to our small country to study the flexicurity model on the Danish Labour Market.

The basic bargain underpinning the success of the Danish Labour market - sometimes referred to as "Flexicurity" - is this.

Employers enjoy the flexibility to easily adjust their number of employees in accordance with changes in demand.

There are no job-protections, as heavy penalties or social contributions, to be paid in order to layoff people.

From a trade union point of view, this has the positive effect of giving companies incentives to hire extra workers - even if they're unsure if increases in demand are only temporary.

Together with a balanced macroeconomic policy this has brought our unemployment levels down to a stunning 3.5 percent - and still without increased inflation.

At the other end of the stick, employees enjoy a fairly generous level of unemployment benefits financed by income tax.

So the fear of defaulting mortgages or slipping into permanent economic problems is significantly reduced.

Furthermore, there is a comprehensive publicly financed adult education system - to ensure that anyone who is laid off can acquire the skills to enter into new jobs - within a relatively short period, thus reducing the risk of social exclusion.

This is the story we've been telling all these years to delegations coming through.

So - I was somewhat disappointed after listening to president-elect Sarkozy during the presidential elections. Mr. Sarkozy repeatedly referred to the Scandinavian labour markets.

But in my opinion he's missed a key point of flexicurity.

His take on flexicurity reminded me of an old joke by a Danish Comedian.

The comedian always said his favourite dish was Rum pudding "Only", he added, "I take mine without the Pudding".

Mr. Sarkozy loves flexicurity Only without the security part of it.

Flexibility cannot stand alone. Instigating security is a key point of making reform happen.

Because - only when people are secure in their everyday lives, they have the courage to embrace reform.

We absolutely need reform. But reform must go hand in hand with security. Not old fashioned security:

Too often, well-meaning people end up advocating the construction of a European Maginot-line, combining protectionist trade policies and outdated job-protection programmes.

Let me end it on this note: We need smart reforms that combine flexibility with security. That brings together politicians, labour unions and business people.

We did it again last year in Denmark, when we collaborated on comprehensive reforms to our welfare system and investments in research and education

We've fixed some of the long-term macroeconomic problems with early-retirements. But we did it while securing benefits for ordinary blue-collar workers and investing in working conditions.

We've agreed to keep the Danish labour market flexible and our economy open to cope with Globalization.

But we did it whilst securing massive investments in active labour market policies and adult vocational training to keep Danish workers competitive in the global economy.

This is our recipe for successful reform: Involving the social partners in shaping every major structural initiative.

And understanding, that: only by instigating security can we make ordinary people embrace change and reforms happen.

Thank you.