

Singapore 9 November 2008.

Paperⁱ submitted to ‘Interdisciplinary Studies on happiness workshop II’ 20 – 21 November 2008, organized by the Centre for Liberal Arts and Social Sciences (CLASS) at the Nanyang Technological University (NTU).

Topic: Happiness as a driver for creativity and growth: The example of Denmarkⁱⁱ

By: Joergen Oerstroem Moeller.

Prelude.

Much analysis has been devoted to how to ‘create’ creativity. Yet it is not always clear how creativity is defined or perceived. The assumption underpinning this essay is that the societal model actually influences and may be even forges creativity. The implication is that different societal models produce different kinds of creativity. A crude interpretation is that some models enhance creativity and other models constitute an obstacle or at least makes it more difficult to be creative. But in fact the distinction can be much more subtle speaking about levels of creativity, segments, layers or variations/editions of creativity. The link to economic performance becomes obvious in the sense that if societal structure fits the economic and technological global trend productivity and competitiveness increases. The next step is to open the door for discussion of whether societal structure or social fabric can be changed or in other words enter into play as an economic instrument or competitive parameter and if so what time lags we operate with. If the thesis is that societal structure is not very malleable in the short run while creativity is one of the determinants for competitiveness then countries are caught in a competitive respective non-competitive position according to their societal evolution; economic policies lose much of their potency. If on the other hand the thesis is that societal structure is malleable also in the short run another and may be crucial policy instrument is at our disposal.

Looking back over the last 30 years it is striking that around 1975 Japan, Germany, Switzerland, and Sweden were on top of the economic league. All four had specialized in high quality – and expensive - investment goods. This was marvelous at the crest of the wave of the industrial age. Their societal structure supported this economic positioning. When the industrial age was replaced by the information society or whatever term is used they all ran into difficulties. Economic policies did not suffice to turn them around. The observation is warranted that these countries actually benefited from a particular societal structure in the era of industrialization, but was hit when the trend changed forcing them into – not an economic adjustment – but a social restructuring requiring much more time and effort.

ⁱ Professor Ove Kaj Pedersen, Copenhagen Business School has kindly offered improvements and clarifications for which I am grateful. He cannot be held responsible, however, for any remaining flaws, omissions or mistakes.

ⁱⁱ The underlying assumption for this essay is that the surveys carried out by World Value Service of the University of Michigan and Erasmus University’s World Database of happiness nominating the Danes, as the happiest people in the world are correct. There will be no discussion of whether these surveys actually got it right.

The philosophy of this essay can be sketched in the following way:

It is reasonable to assume that an economy's creativity, lack of creativity, form of creativity will at least partly be determined by societal structure. This makes it relevant to ask which kind of societal models allegedly stimulates happiness, creativity, and growth more than others and what are the decisive parameters.

Creativity becomes a competitive parameter thus influencing comparative advantages in economic globalization and creativity grows at least partly out of societal structures synonymous with institutions of society. There are already evidence of such analyses in the work of the International Monetary Fund (IMF) and the World Bank (WB). They, however, apply a rather narrow definition of institutions looking at governance, intellectual property rights and so on. This essay uses a much broader definition of institutions perceived as the social framework for citizens and enterprises forged by social evolution for example how the existence of a welfare society affects competitiveness and the impact on creativity of the education system.

Societal organization via institutions is one of and possibly the most effective element behind economic success. The institutions promote innovation through education in a broad definition of that word - not confined to the school system - encouraging and preparing people to try something new, removing their inhibitions of various kinds. Institutions promote trust, making people less nervous when trying something new because they know that the underlying structure will help them through if they fail.

In this perception trust and institutions are two sides of the same coin. The common perception of values growing out of societal structure means that people trust decisions taken by institutions even if they do not know the persons or the background of those deciding upon issues of vital importance for their economic life. Without a common perception of values as the plinth of societal structures there would be no trust in institutions because decisions would depend upon the individual having power to decide.

This makes it worthwhile to study the Danish model to analyze how the link from happiness to creativity to productivity to competitiveness has grown in Denmark. Even if this model is confined to a country with Denmark's characteristics there may be lessons to learn and instruments that adapted to other conditions may be applicable elsewhereⁱⁱⁱ.

I. The significance of happiness for economics. A overview.

One of the main scholars is Mihaly Csikszentmihalyi¹ who ventures the following:

'My hunch is—and, of course, there is no proof of this—that if an organism, a species, learns to find a positive experience in doing something that stretches its ability; in other words, if you enjoy sticking your neck out and trying to operate at your best or even

ⁱⁱⁱ This also explains why I have concentrated upon the positive sides of the model and not elaborated or given much space to some of the problems, which of course are present and occupies the Danes more than the existing and visible advantages.

beyond your best, if you're lucky enough to get that combination, then you're more likely to learn new things, to become better at what you're doing, to invent new things, to discover new things. We seem to be a species that has been blessed by this kind of thirst for pushing the envelope. Most other species seem to be very content when their basic needs are taken care of and their homeostatic level has been restored. They have eaten; they can rest now. That's it. But in our nervous system, maybe by chance or at random, an association has been made between pleasure and challenge, or looking for new challenges².

What Csikszentmihalyi says is basically two things: happiness is the foundation for creativity and individuals become happy/creative when living in surroundings allowing them to express their self.

If this approach is accepted the challenge of society is to shape an environment where people become happy by self-expression. That will lead them to try new ideas – stick their neck out – while a society holding back will confine individuals to be let us say less creative.

Governments and society can frame conditions for this, the question is how? Availability of arts, culture and other performances come to mind, but it may be more accurate to look at the societal framework as a whole and ask the question whether it is sufficiently spacious to allow individuals to express themselves and by so doing go from happiness to creativity.

Professor Teresa Amabile from Harvard has used 20 years to study the interaction between creativity and business and her findings are summed up in this way³:

Money, it turns out, does not foster creativity; Amabile found that people doing creative, innovative work do not focus daily on salary or a potential bonus. The same goes for severe deadlines, which despite common perceptions generally stifle creativity. Competition and fear of retribution also hinder employees from doing their most creative work, she found. While these findings might chafe against popular management wisdom, they support Amabile's core hypothesis, formulated in social-psychological laboratory experiments, that creativity is a product of intrinsic motivation. "That's being motivated to do the work because it's interesting, it's positively challenging, it's captivating," she says. On the flip side, extrinsic motivators - expected evaluation, competition, anticipated reward - tend to decrease creativity.

Turning to the question what makes people happy a growing number of research and studies are published indicating that whereas such topics were judged a bit 'non-academic' some years ago this is definitely not the case anymore. It also reflects that researchers are coming more and more to the conclusion that economic growth models without incorporating the human factor and people's state of mind are less accurate than when realizing the significance of a fluid element such as happiness.

Ruut Veenhofen⁴ points to the same factor for happiness as Mihaly Csikszentmihalyi, but phrases it a bit differently saying that the more freedom of choice an individual has, the more he/she can live the life they want and the more happy he/she becomes. Security and wealth may have been decisive factors for economic growth in the past, but now human happiness and well-being become more important. Professor Veerhoven underlines that happy people show a lot of personal initiative. They know what they want, are independent and active, tackle problems head on, can handle stress. They know how to approach other people and nurture contact with them.

Adrian White⁵ has collected data from 80.000 people worldwide in 178 countries to map out what makes people happy and rank nations^{iv}. His findings can be summarized in the following way:

Temporary swings in the mood have only a marginal effect on subjective well-being (SWB) whilst long term changes and situational factors do have an important impact on SWB.

A nation's level of happiness seems to be associated with health levels, wealth, and provision of education. The three-predictor variables of health, wealth and education were also very closely associated with each other, illustrating the interdependence of these factors. People in countries with good healthcare, a higher GDP per capita, and access to education were much more likely to report being happy.

The large Asian countries come in with the ranking of China 82nd, Japan 90th and India 125th. Adrian White notes this as a surprise as these are countries that are thought as having a strong sense of collective identity which other researchers have associated with well-being.

Justina Fischer⁶ has analyzed the reason for Denmark's position as number one in the world with regard to happiness and the results are interesting looking at happiness, creativity and economic activity in a general context⁷. The main point is that mutual trust is the key. Fischer explains the importance of trust for economic growth in this way "If you trust someone in a market transaction you have lower transaction costs. You do not even have to have a contract because you trust his or her words. So you have no contract costs, you have no enforcement cost." Researcher at the University of Aarhus, Christian Bjørnskov, goes one step further by adding. "It means that the judicial system functions better in Denmark, education works better than in a lot of other countries. The trust contributes to the happiness, but it also contributes to concrete economic results"⁸.

A study by The University of Cambridge about happiness among Europeans⁹ points in the same way by coming to the result that happiness has little to do with wealth. Peoples' jobs gave them a sense of self-respect the most important factors influencing happiness appear to be the quality of our social interaction with others and the confidence we have in our country's institutions.

^{iv} Denmark shares the number one spot with Switzerland, Burundi is at the bottom.

This seems to be supported by an analysis asking the Danes whether they would work more if taxes were reduced, the implicit assumption being that by doing so they would earn more money and gain wealth for themselves. Surprisingly and disappointing for those favoring lower taxes the majority answered no¹⁰. In 1991 34 per cent would work more, in 2007 only 24 per cent. A recent survey asked whether they prefer same total weekly wage, but one hour less work per week or wage increase corresponding to one hours salary and the same number of hours per week. 75 per cent opted for more leisure.

Following the debate in Denmark my own hunch for what it is worth is that the Danes prefer equality of income and high social welfare to higher personal income and private consumption. Over the last decades political parties have tried to win elections by promising lower taxes. They have never rallied significant support from voters. My interpretation is that the Danes are not against lower taxes, but still with roots in the old farming society they haven't forgotten that farmers survived over centuries by being sly and cunning. So they realize that lower taxes mean lower welfare and they do not want that. Drawing upon Jack Knetsch' work on behavioral economics you might say that the value of what they have (social welfare) is much higher than what they can gain (lower taxes).

You might think that one of the reasons is lack of confidence in the politicians fearing that they will not do as promised. Politician's credibility may change over the years, but a study of the Danish electorate in the 1990's shows that credibility of politicians have been rising¹¹.

The result of various academic works is not fully congruous. Some surveys associate wealth with happiness; others reject that as an important determinant. Even if there are discrepancies among studies, a preliminary conclusion based upon the literature mentioned above and the observations in the prelude of happiness as a driver for creativity and growth might contain the following elements:

- Happiness is basically interesting because it improves productivity and enhances competitiveness.
- The main ingredients seem to be trust and reasonable equality of income, and quality of life such as health and education, but not so much wealth and income.
- Without happiness creativity falls and an important probably crucial factor in the happiness-creativity equation is freedom of choice to live the life preferred^v.

^v An interesting and some would say weird attempt to measure the environment for creativity is the Bohemian-Gay Index invented by Charlotte Mellander and Richard Florida. They take the view that no barriers – legal or cultural – to gays and lesbians through tolerance and open culture attract people on the fringes who frequently happen to be those harboring new and unconventional ideas. The index has sometimes been misunderstood in the sense that gays and lesbians are supposed to be more creative, but that is not the point. Any other marginal group so to speak could have been chosen. The point is that opening up for one marginal group conveys openness and tolerance saying that cultural innovation and by implication other forms of innovation is welcome. Florida, Richard, pg. 136-143, Who's is your City, Basic Books, New York, 2008.

II. Denmark's history.

The fate of a nation-state is shaped by history and controlled by geography and so it is with Denmark.

The watershed in Denmark's history occurs when land transport overtakes sea transport as the most efficient way of transporting people and goods. Until that moment Denmark was held together by sea transport linking together: The Danish isles, the peninsular of Jutland, Norway, provinces East of Copenhagen on the Scandinavian Peninsular, from time to time possessions in the Baltic and Slesvig-Holsten. Thick forest separating Sweden north of Småland as it looked before 1626^{vi} and the Danish provinces prevented a military invasion as the Danish troops could be provisioned and reinforced over the sea from Copenhagen faster than the Swedish forces from Stockholm. The easily penetrable Northern German plain gave ample warnings of a potential invasion from the South making it possible for Denmark to marshal forces to forestall and/or to overwhelm it.

This explains why Denmark

- until 1626 was the strongest power in Northern Europe and
- except for eight years from 1332 to 1340 and five from 1940 to 1945 has never been occupied by enemy forces.

Until the final military defeat in 1864 Denmark was a multinational monarchy very much in the mould of the Habsburg Empire with the monarch reigning over Danes, Norwegians, Germans and some other minorities^{vii}. The elite spoke German and most of the people spoke their native tongue with Danish as a minority language; a situation not really changing until around 1800. It was nourished by what today is regarded as an anomaly that the King in such a multinational monarchy hired civil servants from abroad^{viii} to serve the Kingdom much as present day multinational companies hire CEOs from abroad to manage them. The civil servants had a high degree of loyalty to the monarch, but did not feel any kind of association with the people and/or the nation. It hardly existed even for ordinary people seeing themselves as citizens of the local feudal lord or local community.

Denmark last won a genuine military land battle in 1611 against Sweden. Since then defeat after defeat combined with wrong reading of the strategic situation in Europe has turned the changed circumstances about sea- versus land transport into creating a genuine Danish nation-state. Before immigration triggered off by guest workers started in the 1970s Denmark was one of the few genuine nation-states in Europe with very small

^{vi} This year is chosen as the Danish King Christian IV unwisely intervened in The Thirty Years War and was defeated starting a long and uninterrupted series of Danish military defeats.

^{vii} Among others possessions in the North Atlantic: Greenland, Iceland and The Faroese Islands originally populated by Vikings most of whom took off from Norway.

^{viii} In Denmark's case the German states south of the border not yet united in a German state. The Danish orientation towards the West – Britain and the UU – first started after 1945

minorities who for various reasons did not voice discontent or constituted any kind of political problems for the government.

In 1648 and 1660 Denmark lost the provinces east of Copenhagen on the other side of the Sound separating Denmark from Sweden to that country, in 1815 Denmark lost Norway to Sweden and in 1864 Denmark lost the majority of Slesvig-Holsten to Prussia. So in 1864 the Danish nation-state emerged with a population who almost 100% spoke Danish and felt as Danes. Or may be it was the defeat that triggered off a national awakening thus opening the door for a common perception of what it means to be Danish leading again to a education system promoting equality in a broad sense and may be introducing learning methods reflecting the sense of equality ultimately giving birth to the mindset we see among Danes today.

Historians still discuss how the long series of military defeats produced the unique form of being Danish that exists today having a tangible and visible sign in the Danish flag, Dannebrog^{ix}, flying over many Danish houses on days where it is permitted to hoist the flag.

There are however few if any who question that the Danes constitute a closely knit entity of people radiating a special kind of being Danish^x. The main characteristics of this unique form of nationality can of course, and is, be discussed, but in my opinion it rests upon the main characteristic of equality. The main phrase was coined in 1933 called the Jante Law saying that *Don't think you're anyone special or that you're better than us*. This exposes the strong as well as the weak sides of the Danish society, a society based upon equality, respect for others, and trust, but also holding back on bold initiatives, showing a minority complex vis-à-vis other nation-states and worshipping a strange mixture of provincialism, skepticism against what comes from foreign cultures, and large degree of tolerance.

The Danish society as it is today may through its history and policies have turned into another strange mixture of creativity, individualism, and team work explaining how such a small country have been able to give birth to a considerable number of global enterprises and a number of let us call it ingenious products such as the Lego brick. The Danes repeatedly ask themselves that question and backs away from finding an answer realizing that the person who actually revealed the secret would break the Jante law and consequently be an outcast rejected by the whole Danish society and out of play for academic recognition! Better to keep the secret.

There is one element of Danish history that indisputably deserves recognition probably forming the mindset of most Danes until present time and that is the influence of N. F. S. Grundtvig (1783 to 1872) who forged the Danish national character in the middle of the 19th century after Denmark in its usual habit had lost two wars with Britain (1801 and

^{ix} The only national flag formally having a name and dating back to 1219.

^x The English King William III's Envoy Extraordinary to the Danish court from 1689 to 1692 Robert Molesworth published in 1693 'An Account of Denmark as it was in the year 1692' saying that the Danes are 'a tribe'. He may have got it right!

1807-1814) and one with Prussia and Austria (1863-1864). He took the view that culture and identity is embedded in the unity of life and language¹².

On this basis he instituted and managed to implement two essential factors in Danish farming society. The first one was education and the second one was the cooperative movement. Both mobilized the Danish farmers who had been emancipated from the Danish edition of serfdom by the King at the end of the 18th century and turned them into creative citizens in a Danish nation-state. As Denmark was predominantly an agricultural society and economy until the middle of the 20th century this is still the criterion for understanding much of what is going on inside the head of a Dane.

According to Østergaard (2006) an American cultural sociologist having lived for more than thirty years in Denmark characterized Danish culture among other things by stating that in the US there is one politics and fifteen way to celebrate Christmas while in Denmark there are fifteen political parties and one way to celebrate Christmas.

Denmark is a monarchy, strangely recalling that it is the most egalitarian country in the world. The Queen enjoys tremendous respect and very few Danes could imagine a Denmark without the Royal family. The present Queen can trace her roots back to a King who lived in the middle of the 10th century and very appropriately has got the name Gorm the Old. He is buried under a big stone where his son, Harold the Bluetooth, has written with Viking runes how he christened the Danes.

Like the flag the Monarchy has become a symbol with exceptional power as a rallying point without any constitutional power.

III. Equality

Denmark is unquestionably among the most egalitarian societies in the world and unquestionably equality contributes to happiness. The underlying question is how egalitarian Danish society really is.

Looking at social mobility almost half of the Danes reach a socially higher position than their parents. Some of this can be attributed to structural development (society moving in this direction by creating higher quality jobs). Taking this into consideration 25% of the Danes move upward socially. One out of ten moves downwards¹³.

Educational mobility gives a similar picture. An overwhelming majority of Danes gets a higher education than their parents. As was the case for social mobility a part hereof is structural and for education a larger part than for social mobility. Incorporating the social development making it necessary for the large majority of the workforce to have an education it is not surprising that this is the case.

More interesting is the picture combining social and educational mobility where it seems that the Danish society over many years have moved towards a positive correlation in the sense that parents social and educational position played a less important role stopping

children from getting a higher education. Over the last decade or so, however, Denmark may have reached a situation where the combination of social and educational mobility has stopped working in a favorable tandem. This is especially the case for academic education¹⁴.

Recent figures indicate that only one-third of young people in the age bracket 16 – 19 years have ambitions to get a job with higher salary and higher social prestige than their parents.

Only 48% of children with unskilled workers as parents and having grades qualifying for higher education actually gets such an education compared to 77% for children coming from a family where one of the parents have a higher education¹⁵.

Gender equality has reached a high level although there still is a long way to go. In the public sector 20% of topmanagers are women and in the middle level the ratio is 50-50¹⁶. The picture is far from the same in the private sector.

With regard to income OECD figures¹⁷ classify Denmark as being the most equitable among OECD countries having a Gini-coefficient in the Mid-2000s of 0.2324 far below the OECD average of 0.31070. Denmark seems anchored in this position as figures from the mid 1980s to the Mid-2000s show the Gini-coefficient moving from 0.2209 to the present level - almost stagnant. This is even more revealing of egalitarianism as the OECD average has moved upwards from 0.29264 to 0.31254. Denmark's Nordic neighbors have also seen a rise in inequality^{xi}.

The tax system contributes to equality of income with high tax rates on all income, consumption etc and a progressive scale setting the highest tax rate on income to start at DKK 327.200 (SGD 84.000) putting an extra 15% on income tax. Around 20% of all Danish taxpayers fall in that bracket and the general contention is that they pay approx. 60% of the last DKK they earn into the treasury.

So all the Danes are happy with this state of affairs or are they?

Studies reveal that moonlight works has grown into some kind of national sport. According to a recent study¹⁸ moonlight work corresponds to 3% of Gross Domestic Product (GDP) in 2005 (the level was reached in the 1990s) falling slightly from 3,8% in 2001. More interesting is that 54,2% of the population says that they either have moonlighted or are willing to do so if they get the chance; the same study tells that in 2005 19,8% actually moonlighted.

Obviously they react against the system and against equality. They probably do so for two reasons. First, the services offered by the public sector, which are compulsory so to speak and for which the Danes pay approx. 50% of GDP is too expensive compared to what they offer. There are constant criticisms about the quality of the health sector; the education system etc with more than 75% of the Danes arguing for more money to be

^{xi} Sweden from 0.19753 to 0.23414, Norway from 0.234 to 0.276 and Finland from 0.20666 to 0.26908.

spent on these two sectors¹⁹, but little improvement can be seen. So what do people do? They lower the price. As that cannot be done officially they do it unofficially by moonlighting reducing the taxes bringing the price into line with what they actually is ready to pay for the services offered^{xii}. This is perfectly rational behavior and tells that the modern Dane still thinks like the farmers knowing that the way to survive is to cheat the feudal lord by keeping some of the harvest away from him. Second, some of them come to the conclusion that their work compared to others is more worth than reflected in the pay scale so they lower their taxes changing the ratio of real disposable income to bring it into line with what they think is correct remuneration of work/performance^{xiii}.

In this context the question is how it influences happiness and creativity. Of course the following are personal judgments, but his conduct makes the Danes even more happy and creative. They maneuver to keep for themselves what otherwise would have been taken away from them. They lower the price for what they get to what they want to pay. The whole system knows what is going on, but as the figures show more than half the population thinks it is all right. It makes them even more creative. The citizens are constantly on the hunt for new ways to evade tax and the authorities are constantly chasing them. Ingenuity gets to new highs with a spin off effect on real economy activity!

IV. Political consensus.

Most Danes would agree and most Danish politicians would disagree that over the last 100 years it has not made much difference which political party was in power. They more or less followed the same middle of the road – consensus – political course.

The Danes are cunning people so they have devised an electoral system making it impossible for one party to get majority of votes in Parliament and almost impossible to form a majority government even in a coalition among several political parties. In the 1980s Denmark had for several years a coalition government consisting of four parties, but still without a majority of votes in Parliament forcing it first to negotiate among itself and then to negotiate with one or two other parties. No Danish political party has ever got more than 46% of the votes and that was in 1935 during the great depression, but even that figure was not enough for it to command a majority of votes in Parliament. A complicated and ingenious system ensures that seats in Parliament correspond almost to the last decimal to share of votes cast. Since 1945 Denmark has had governments enjoying a majority of votes in Parliament for less than 10 years. With the exception of a few years all Danish governments have been coalition governments. The present

^{xii} In a strictly speaking economic analysis excluding political and moral issues moonlighting and corruption is nothing else than the prices set by authorities do not reflect the market value. As mentioned above the services offered by the public sector are too expensive. With corruption the official price of a service fx a license is lower than businesses are ready to pay so those in control of services can raise the price to bring it into line with the genuine value. Both moonlighting and corruption can only be erased when official prices are brought into line with the genuine value of the services.

^{xiii} There is an anecdote illustrating this. After the 1917 revolution the Bolshoi Theatre in Moscow aligned all salaries. Next day the great star of the opera turned up at the ticket counter selling tickets. When asked why, he answered: Now I sell tickets and the clerk using to do so can sing!

government in power since 2001 consists of two parties, but is far from having a parliamentary majority.

The inevitable consequence of this is that Denmark has been governed from the center for over 100 years – for good and worse. The upside is that no great plans have ever been implemented without long discussion and endless compromises, but also enjoying a large degree of support. The downside is that muddling through was for many years the key words to political life in Denmark.

So far it is fair to say that almost all Denmark's policies outside a few contested areas have been implemented with an overwhelming majority in Parliament. The education system can be mentioned as an example. It is reformed from time to time with all the established political parties voting for.

Such a consensus support coherence and social capital confirming to the people that they live in a society where there is a place for almost everyone. The Danes have never seen and never experienced the large swing of policies seen in Britain or the US produced by an electoral system able to confide all political power in one party opening the road for it to implement its policy even with less than a majority of the votes cast.

A former Danish Prime Minister was once heard saying, probably mixing joke and seriousness, that it would be awful to gain absolute majority in Parliament because that would force him to implement his party programme!

V. The negotiated economy.

A study of trade union membership in most European countries 1993 – 2003 show that approx.. 60% of the total workforce is member of a trade union²⁰. This is far above the European average and visibly higher than for Denmark's Nordic neighbors such as Sweden and Norway. Over the ten years this survey covers the figures have gone up, but a closer look reveals that the rise has come from the public sector while the number of members of trade unions cooperating with industry has gone down, albeit not strongly.

The role of the trade unions in Denmark has many years ago stopped being about distribution of income. As income equality is the highest in the industrialized world there is not much to fight for on this battlefield.

This has posed the trade unions before the crucial questions to map out a role in a changed environment. That role is gradually becoming decentralized wage settlements combined with a strong effort to offer its members retraining, education and leisure activities. In short, the Danish trade unions move away from the old specter having to fight centralized acrimonious battles about the wage level to offer members a better quality of life supplementing the public sectors offers of activities. The trade unions

accept yes even strive for the role as stakeholders in the system working to maintain it and conveying this to the public^{xiv}.

Wage negotiations normally take place every second year, but in the private economy wage settlements are done decentrally down to the level of individual companies and not centrally thus linking the wage levels more to the performance and less to a national average. From 1989 to 2000 the share of collective agreements covering the private sector having centrally negotiated wage rates has fallen from 34% to 15%²¹.

From time to time the war chests of the trade unions have grown so large that they need to be burned off and a strike is called. It will normally last for 7-10 days after which either the parties agree or allow the matter to go on arbitration. There is no need to go in detail, but a cumbersome machinery is established to deal with all conflicts on the labor market with strict rules for negotiations, postponement of conflicts, warnings etc and a public figure having the competence to decide whether yes or no a compromise shall be put forward. If he/she does so the proposal is submitted to vote among the workforce and the business organizations. If there is not enough votes to end the conflict the government let a limited time pass before it steps in transforming the proposals – normally – into law. The whole circus is like an opera carefully orchestrated where everyone knows and plays according to the cast knowing how it ends.

It is a complete replica of the consensus and compromise in the political system with rules making sure that a middle of the road solution is chosen.

The remarkable thing is that the trade unions have agreed to change their role from institutions focusing upon wage settlements and distribution of income to pillars of the system in which they exists to use of power to enhancing the performance level of the members in the workplace. It is long time ago the Danish trade unions thought about how to share the cake, now they think about how to make it bigger. The trade unions may have drawn some lessons from the surveys quoted above (Point I) revealing that the Danes are more interested in leisure than wage increases.

Over recent years trade unions for people working in the public sector have taken on a more belligerent attitude pointing out that their members have fallen behind the wage level and need to be remunerated better for the work they are doing. A large strike among personnel in the public sector - among others nurses - was called spring 2008, but did not really meet expectations as the majority of Danes did not share the view that public sectors workers were underpaid. It illustrates, however, that what is called the negotiated economy is coming under pressure not from trade unions whose members work in the private economy or business, but from workers in the public sector.

^{xiv} The Danish Women handball team won the world championship in 1997. The sponsor of the team having its name on the shirts was the Danish Metal Workers Union. This union has its roots in the blacksmith, hardly an image most people associate with women playing handball. Of course the choice to sponsor the team was not only deliberate, but also aimed at shaping an image of the trade union as part of the Danish society instead of an organization fighting other organizations.

It goes without saying that Denmark as all other countries can sport its examples and numbers of trade unions still flirting with the classical class struggle.

VI. Flexicurity²².

Denmark's combination of flexibility and security on the labor market has been labeled Flexicurity – a word finding its place in the vocabulary of miraculous economic cures! In Denmark it is however better known as the golden triangle encompassing three elements.

- Flexibility in employment
- High level of unemployment benefits
- Active labor market policies.

In a more sophisticated and complicated version two elements are added.

- No exclusion from the social system
- Effective collective agreements.

One more factor could be added, which is that the trade unions have taken a strong and determined lead in shaping Flexicurity seeing themselves not only as stakeholders, but also as responsible for making the model work. A large part of the implementation is entrusted to the trade unions with the blessing of business life. Flexicurity is not invented in an economic laboratory, but has grown out of the factory floor almost a grass roots movement²³. The enlarged presentation of the model conveys that it is not only regarded as an instrument for labor market policies, but also incorporated in the endeavors to maintain coherence and social capital for Danish society as a whole.

And it works. The unemployment rate is around 4%, one of the lowest among OECD countries. The employment/population ratio is 78,3 compared to an OECD average of 65,4 and the labor force participation rate is 81,4 compared to an OECD average of 70.

Mobility of the labor force is very high. A survey in the late 1990s showed that strictness of employment protection legislation in Denmark is among the lowest in the OECD area only surpassed by USA, Britain, Iceland, and Canada. What may be more important is that a large majority of the Danes actually think it is a good thing to change jobs. Compared to a EU average of 40% the figure for Denmark is 75%. Denmark tops the list of frequency of job changes just ahead of Britain and Sweden and one in three Danes changes job every year. The significance of this is of course that the Danish workers change jobs and combined with the active labor market policy focusing upon training etc it seems likely that they move to new jobs with a higher productivity. This is of course the key in labor mobility as moving from one job to a job of same quality and importance for the economy is not interesting, only if the workers move upwards with regard to value added and productivity it becomes interesting as a factor boosting GDP.

It often comes as a surprise for people to hear that the rules in Denmark for dismissals are among the most flexible in the OECD area. For blue-collar workers there is no need for

notice if the worker has been employed less than 6 months after which the notice gradually rises over 28 days after 3 years of employment to stop with 120 days for more than 12 years of employment.

The implication is that Danish enterprises do not shy away from hiring workers fearing to get stuck with a too large labor force.

The workers accept this because of the generous unemployment allowances offered. It is not exactly the same as they could earn in employment, but amounts to what broadly speaking is comparable to a normal salary. A comparison is difficult as some part of wages are linked to performance, bonus systems etc which do not form part of how unemployment allowance is calculated. Whatever the exact figures are a Danish worker being dismissed can live for a time on the allowance. Broadly speaking the annual unemployment allowance can be estimated to a maximum of DKK 200.000 corresponding to approx SGD 50.000 with exchange rates as of end October 2008. The total cost is currently running at DKK 20 billion corresponding to approx. SGD 5 billion. It is a myth that the government pays all of it. The financing is split between 37% by the workers and 63% by the government.

Out of job the active and passive labor market policies start to do two things for the worker:

First, efforts are undertaken to find a new job. Unemployment allowance is limited to four years and over that period the unemployed will be what is called activated in the search for a new job.

Second, the unemployed can benefit from retraining and learning schemes sponsored by the government and the labor market organizations.

The total cost for the Danish active and passive labor market policies is estimated to 4,5% of GDP, by far the highest figure among OECD countries with the Netherlands as runner up.

The Danish Flexicurity is uniquely Danish. Other countries may copy some of the elements and some of the elements may work outside Denmark, but it is highly doubtful whether the model as such is transferable.

It is in a fine tuned balance as an important link in the whole social fabric. Mobility, unemployment allowance and active labor market policies interact in a various ways. They cannot be separated and all of them build upon decades or even centuries of social development and consensus reaching far beyond the labor market.

Some Danish observers speak about Denmark's transition into its present position as moving from a nation of farmers to a nation of industrial workers to a welfare nation and then ask the question what next?

It is indeed a good question because the model is so ingrained in social structure that if fundamental changes therein take place it will come under attack. So far it has withstood challenges and proved itself especially because the participants in particular the trade unions see themselves as stakeholders. Its real uniqueness may be having mobilized employees and employers supporting a model working for change and alleviating fear among employees for consequences of losing their jobs.

The impact of the changing balance between the private and the public sector may play a decisive role for the future of Flexicurity and indeed the Danish model. The number of employees in the public sector is growing while the private sector is not. Whether Flexicurity will be able to work under such circumstances is an open question as few of its instruments and advantages can be transferred to the public sector. In 2007 the share of total workforce in the public sector was 28,3% and it is expected to rise slowly, but steadily over the next decades²⁴. The employees in the public sector show an increasing tendency to belligerent attitudes pointing to lower wages than in the private sector.

VII. The learning society²⁵.

The Danish school system was borne more than 200 years ago and since the middle of the 19th century adult education has struck roots among the population. As many other countries the Danish government has forwarded brilliant plans about how to make Denmark a frontrunner in the race to shape a world class education system.

The difference may be that the Danes actually like to learn; education and training has become an integral part of the Danish mindset. The impact on knowledge and performance is obvious, but there is another and in the context of this essay may be even more important aspect. The Danes get together through learning building a stronger and more robust social coherence. By offering education and training to people without jobs the likelihood that they will get a job increases, yes, but it also keeps them occupied with something else than contemplating how to behave as hooligans and take revenge on other citizens. There is an alternative to join various anti-social gangs. The social influence of togetherness with other people and with teachers should not be underestimated.

Even the young Danes cannot wait to go to school! 99% of Danish children attend pre-school classes and for six-year old the share is 96%.

To my mind the Danish kindergarten system is one of the most important factors to understand creativity and happiness in the Danish society. A Danish kindergarten is not a place where 'somebody' looks after children parked there when parents are at work. It is a place where children learn to learn, are stimulated to use their imagination and fantasy and get along with other children. The whole idea and ambition is to keep the children occupied doing something that they like to do to stimulate their senses and launch them into first the school and adult life. When you play you learn by watching the consequences of what you are doing. Not a bad prescription for the rest of your life!

They are looked after by trained pedagogues haven gone through a 3 ½ year education leading to a bachelor degree and strictly designed to care for children and activate them. The ration is on pedagogue to 15 – 18 children.

The school system is heavily debated in Denmark because a number of international surveys show that Danish children are not doing well in factual knowledge such as math, arithmetic, reading and writing. Indeed there are constant complains about how bad students are at writing and spelling correctly. This may be and probably is correct, but the other side of the coin, much more difficult to quantify and measure, is that their ability to act on their own, shoulder responsibility, be creative and go along well with colleagues at the workplace may be high.

The Danish school system is based upon public financing with a relatively small share of children going to school funded by parents or organizations of various sorts. This does not mean that the schools are uniform; on the contrary they are allowed a vast degree of freedom with regard to cultural values and pedagogic methods. In a way this serves as a kind of laboratory where parents send their children to schools reflecting their basic values and how they want education in particular pedagogic methods to fit these values.

Surveys²⁶ indicate that Danish school children spend less time on homework and more on leisure activities and/or earning money by various kinds of jobs than school children in many other countries. The atmosphere between teacher and student is based upon egalitarianism like the rest of the Danish society, which stimulates discussions and exchange of views in the class room and opens the door for the students to challenge the teacher. There goes a direct line from the kindergarten to this atmosphere in the school and universities.

Life long learning is like Flexicurity a cornerstone of the Danish model. 60% of all Danish workers take part, one way or another, in learning activity every year. The total amount counting in public and private expenditure indicates that the Danish society uses approx 1,5% of GDP on adult education per year on life long education. The system also realizes that teaching an adult is not the same as teaching children so more than 5.000 persons have been especially trained to teach life long learning courses.

A study comparing workplaces in various European countries²⁷ reveals major differences in how people work and learn at the workplace. The Netherlands and Denmark stand out as the economies giving most emphasis and with success to ‘discretionary learning’ while ‘taylorist’ patterns are not significant in these two countries. 60% of the workforce in Denmark is in an environment where they are supposed and expected to assume responsibility and take their own decisions. Sweden as a comparison sports a share of 52,8%. Again the line back to the kindergarten and the impact of life long learning give a clear indication of how creativity, individualism and teamwork are linked together.

The Folk High School is a Danish invention going back 150 years offering education to adults in their spare time, during holidays and vacations. Every year 60.000 Danes go to a folk high school for a course.

An enormous programme is rolled out for education in the evening for everybody regardless of age, job or whatever. Every year 675.000 Danes corresponding to 13% of total population frequent such education facilities ranging from factual learning such as languages, practical learning (how to do things fx cooking) and societal/artistic activities such as paintings.

VIII. Innovation.

Denmark is normally regarded as a very innovative economy and an analysis seems to support that thesis, but also discloses that Denmark is best at incremental technological improvements, transforming technological break through in other countries into a new product adapted by Danish 'ingenuity' and with emphasis on design and what gives a unique appearance or practicability more than unique technological content.

The heritage from the evolution of the Danish society over several hundred years, the education system/society/holistic concept, the egalitarian element in the Danish folk culture combined with the learning society gives a flat pyramid on the factory/office floor. The cost advantages are obvious. What may be equally important, but less visible is that Danish workers by this structure are given an opportunity to be innovative themselves and they are. They do not turn to supervisors or controllers – of which there are very few around - if seeing something go wrong, but solve the problem themselves on the spot and frequently they have own ideas of how production can be done better and how a product can be improved

Lundvall (2008) summarize this by highlighting three elements:

- Different subsystem related to education, work and labor markets support each other and they match the small firm industrial structure and the experience-based mode of innovation.
- Flexicurity, networking and participation in organizational learning promote swift adaptation and incremental innovation.
- Labor market policy has become more active and the efficiency of the public sector enhanced and stronger links between industry and society have been built. It is logic that Danish enterprises being small both in a European and global context have hold back on linking in to universities as their main focus was incremental technological changes (improving performance, design etc) instead of genuine technological break through. Now this may start changing a bit in the favor of new technology.

The role of the public sector is vital for several of the Danish success stories. Denmark is world leader in wind energy thanks to subsidies from the publics sector to wind energy going back may decades and costing Danish tax payers a lot of money, which may now be returned. This interest in alternative/sustainable energy combined with a tremendous

effort to make energy savings has made the energy sector one of the biggest industrial complexes in Denmark competing with agriculture/food processing, pharmaceuticals/biotechnology and shipping as drivers in Danish growth and export. Denmark is world leader with regard to hearing aides because the social welfare system many decades ago started to subsidize purchases of hearing aides, which created a large market stimulating innovators and entrepreneurs to step in. The intriguing observation is that neither energy nor hearing aides were subsidized by the public for starting an industry, but individual Danes saw the opportunity and exploited it.

IX. The Paradox.

A pertinent and some will say impertinent question is why the Danes living in a highly regulated society with a number of rules, regulations etc that seems overwhelming can be among the most happy and creative in the world. The assumption is that creativity is based on freedom to express oneself and shape one's own life according to individual lifestyle, but how can that take place in such a highly regulated country?

Maybe the answer is that most rules and regulations are found inside economic life and less so inside let us call it private life. Irrespective of some incidents pointing to the opposite Denmark is a very tolerant society when speaking about lifestyle.

In fact, pondering on this allegedly paradox the difference between regulations of economic life including tax rules etc to ensure equality and egalitarianism to ensure freedom of lifestyle is striking.

Apparently, it is not enough to observe that a society is heavily regulated, but an analysis of which sectors and how the population reacts to regulation of private life may be essential.

X. Conclusion.

The Danish model is based upon Denmark's history, unique experiences and traditions. The main points seem to be high degree of trust, fundamentally shared values among individuals and between individuals, enterprises and public organizations making all of them work in the same direction supporting each other.

The learning society has struck root in Denmark where its obvious value for productivity and competitiveness is supplemented by its indirect sponsoring of societal network.

The egalitarian society stimulates and opens the door for innovation outside institutionalized framework and puts the worker as a person or individual in focus.

The most surprising factor – also an observation made by Lundvall (2008) - is that the welfare society, which according to much theory and countless political statements should make the individual less individual actually works in the opposite direction. The

fact that the Danes know that behind them is a welfare society caring for their needs if something goes wrong pushes them in the direction of more innovation, more risk taking and more creativity instead of the other way round. It also makes the economy more efficient and smooth for changes.

It is a statement frequently put forward that globalization makes people insecure because of the risk for job changes. Apparently this is not true in Denmark where the majority of people changes job frequently and as far it can be seen do not find it a problem.

The contrast to this is the US where a recent study²⁸ concludes ‘that the worker anxiety so well documented has been created not by a lower real wage and a higher unemployment rate, but by job insecurity resulting from, one, occupational obsolescence because of rapid technological innovations and, two, import competition from economic globalization. The job insecurity in the US is made worse by inadequate social safety nets and by the inappropriate design of the funding of medical insurance’ .

May be it is the sense of security that makes people accepts insecurity and thus makes them happy – at least happier than other people around the globe.

BIBLIOGRAPHY.

- Campbell, John L, John A. Hall, and Ove K. Pedersen: *The Danish Experience, National Identity and the Varieties of Capitalism*, Copenhagen: DJØF Publishing, 2006.
- Madsen, Kongshøj P. 2002. "The Danish model of flexicurity - A Paradise with some snakes". Brussels: Conference on The Interaction between Labour Market and Social Protection (16 May 2002), European Foundation for the Improvement of Living and Working Conditions.
www.eurofound.eu.int/ewco/employment/documents/madsen.pdf
- Complete list of references on ‘The Danish Model’ can be found at <http://www.tesionline.com/intl/references.jsp?id=19062>
- A good list of references to the Danish model and what supports it can be found in Lundvall, Bengt-Åke, *The Danish model and the Globalizing Learning Economy – Lessons for developing countries*, first draft for the Wider-project, January 2008 available at http://www.business.aau.dk/ike/upcoming/Danish_model_balrev.pdf
- Thulstrup, Jørn, fra Kartoffelkur til Lykkeland.....og hvad så?, Institut for Konjunktur-Analyse, 2008.

¹ Csíkszentmihályi, Mihaly. *Flow: The Psychology of Optimal Experience*. New York: Harper and Row. 1990, Csíkszentmihályi, Mihaly. *Creativity : Flow and the Psychology of Discovery and Invention*. New York: Harper Perennial. 1996 Csíkszentmihályi, Mihaly. *Finding Flow: The Psychology of Engagement With Everyday Life*. Basic Books. 1998, [Gardner, Howard](#), Csíkszentmihályi, Mihaly, and [Damon, William](#). *Good Work: When Excellence and Ethics Meet*. New York, Basic Books. 2002.

² Interview by what is Enlightenment Magazine, available at <http://www.wie.org/j21/csiksz.asp?page=3>.

- ³ Harvard Science available at <http://harvardscience.harvard.edu/medicine-health/articles/hbss-teresa-amabile-tracks-creativity-wild>. A recent article si 'Affect and Creativity at Work', Administrative Science Quarterly 50, March 2005 and a complete list of works is found at <http://www.getcited.org/mbrx/PT/99/MBR/11058741>.
- ⁴ Professor Ruut Veenhoven, Erasmus University of Rotterdam, Interview available at <http://www2.eur.nl/fsw/research/veenhoven/>. General website for Professor Veenhovens work <http://www2.eur.nl/fsw/research/veenhoven/>.
- ⁵ Adrian G. White, social psychologist at the University's School of Psychology, University of Leicester, <http://www.le.ac.uk/users/aw57/world/sample.html> and http://www.eurekalert.org/pub_releases/2006-07/uol-uol072706.php.
- ⁶ Justina Fischer, economist at the OECD, see data <http://ideas.repec.org/e/pfi55.html>.
- ⁷ Summarized by Reuters October 17, 2008 'Happy Danes find trust is key'.
- ⁸ Reuters op. cit.
- ⁹ See a synthesis <http://www.admin.cam.ac.uk/news/dp/2007041701>.
- ¹⁰ Mr Jørn Thulstrup, Director, Institute of Business Cycle Analysis.
- ¹¹ Thulstrup, Jørgen, Figur 4-2, tilliden til politikere, Danmark 1993 til 2008, Fra kartoffelkur til lykkeland, Institut for Konjunktur-Analyse, København, 2008.
- ¹² Østergaard, Uffe, pg. 78, Denmark: A Big Small State – The Peasant Roots of Danish Modernity, Chapter 1 in National Identity and the Varieties of Capitalism, The Danish Experience, Campbell, KJohn. L, John A. Hall and Ove Kaj Pedersen (eds) Djøf, Copenhagen 2006.
- ¹³ Munk Marin D., Social mobilitet – social mobilitet i Danmark - set i et internationalt perspektiv, arbejdspapir 9.2003, Socialforskningsinstituttet, 2003 available at http://www.sfi.dk/graphics/SFI/Pdf/Arbejdspapirer/Arbejdspapirer/AP9_2003MDM.pdf.
- ¹⁴ Munk op. cit.
- ¹⁵ Videnskabsministerens Fremtidspanel, Nye vej i Videnpolitikken, Ministeriet for Videnskab, Teknologi og Udvikling, København, 2008.
- ¹⁶ Deloitte, ligestillingsredegørelse for kommuner, regioner og stat 2007, Deloitte, København 2008.
- ¹⁷ OECD Growing Unequal? Income Distribution and Poverty in OECD Countries, OECD, Paris, October 2008 available at http://www.oecd.org/document/53/0,3343,en_2649_33933_41460917_1_1_1_1,00.html#DATA.
- ¹⁸ Nyt fra Rockwool Fondens Forskningsenhed, April 2006 available at http://www.rff.dk/fileadmin/dokumenter/Danske_nyhedsbreve/apr2006.pdf
- ¹⁹ Figur 5-2 in Thulstrup, Jørn, Institut for Konjunktur-Analyse, København, 2008.
- ²⁰ <http://www.eurofound.europa.eu/eiro/2004/03/update/TN0403105U.htm>.
- ²¹ Madsen, Per Kongshøj, pg. 342, 'How Can It Possibly Fly? The Paradox of a Dynamic Labor Market in a Scandinavian Welfare State' in National Identity and the Varieties of Capitalism, The Danish Experience, Campbell, K John. L, John A. Hall and Ove Kaj Pedersen (eds) Djøf, Copenhagen 2006..
- ²² If not stated otherwise all figuers are from reference (21) or reference (23).
- ²³ See for example 'Flexicurity – A Danish trade union view' published by CO Industri available at <http://www.lo.dk/Englishversion/~media/LO/English/Congress2007/Flexicurity%20%20a%20Danish%20trade%20union%20view.ashx>
- ²⁴ Berlingske Tidende 22. Oktober 2007, Antallet af offentligt ansatte vil vokse endnu mere, available at <http://www.business.dk/article/20071022/okonomi/71022110/>
- ²⁵ If not stated otherwise source and reference of this paragraph is Denmark's Contribution to 2008 Joint Council/Commission Report on the Implementation of Work Programme "Education and Training 2010" with an annex on Denmark's Strategy for Lifelong Learning. Copenhagen, May 2007 available at http://ec.europa.eu/education/policies/2010/natreport07/dk_en.pdf.
- ²⁶ Lundvall, Bengt-Åke, The Danish model and the Globalizing Learning Economy – Lessons for developing countries, first draft for the Wider-project, January 2008 available at http://www.business.aau.dk/ike/upcoming/Danish_model_balrev.pdf
- ²⁷ Lorenz, E and Lundvall, B-Å (eds), How Europe's Economies Learn: Coordinating competing models, Oxford, Oxford University Press, 2006 quoted in Lundvall op. cit.
- ²⁸ Wing Thye Woo Dealing Sensibly with the Threat of Disruption in Trade with China: The Analytics of Increased Economic Interdependence and Accelerated Technological Innovation, Brookings Institution,

Washington, 18. October 2007 available at
http://www.nottingham.ac.uk/cpi/events/event_reports/china_2020_16_11_2007/papers/wing_thye_woo.pdf.