

how willing they are to relocate for the sake of a job. Occupational mobility refers to how willing people are to change occupation.

Often, jobseeking is not just about people finding a new job, but about finding the right one, i.e. near where they live, in the preferred line of work and at an acceptable wage. The further people are willing to move to find the right job, and the more different types of job they are willing to consider, the easier it is for companies to attract labour. Therefore, greater occupational and geographic mobility reduces structural unemployment.

Studies show that the better trained the workforce, the more flexible it is. The better the education and training system, the greater the occupational mobility, and the lower the structural unemployment. Greater opportunities for education and training also have similar effects.

Geographic mobility is improved by employment allowances, infrastructure improvements, including internet access and extending the telecommunications system, relocation subsidies and/or better opportunities for working at home. All of these measures make it easier and more desirable to take a job somewhere else.

Like the countries with which it is usually compared, Denmark has rules designed to guarantee geographic mobility. Following a brief training period, unemployed people must take any suitable job that they can reach within three hours by public transport from where they live. If they have been unemployed for more than three months or have a medium-cycle or long-cycle higher education, this transport rule is waived.

### ***Unemployed jobseekers and the degree of compensation***

It is not only people who are already in employment who seek new jobs. Unemployed people do so too, for economic and social reasons – and because the rules oblige them to do so. Unemployed people also want to find the right job.

However, there are costs associated with the process of jobseeking, and the unemployed only receive benefits, not a full wage. The more they receive in benefits and the longer they receive it, the less the process costs them, and the more time they spend looking for a job. This makes it more difficult for

companies to source labour, and increases structural unemployment. This is known as the job search theory.<sup>136</sup>

In Denmark, unemployment benefit can be up to 90% of previous income. However, there is an upper limit of DKK 827 a day, corresponding to approx. DKK 215,000 per annum (2015). This means that only people with an annual income of up to approx. DKK 240,000 have a **compensation** ratio<sup>137</sup> of 90%. For other income groups, the amount is smaller, as per Table 16.1, which shows the **compensation** ratio for a single person with two children in 2011.<sup>138</sup>

Table 16.1 **Compensation** ratio for a single person with two children, 2011

	67% of average full-time wage	100% of average full-time wage	150% of average full-time wage
	----- Pct. -----		
Denmark	88	67	52
Finland	73	66	57
Norway	92	86	64
Sweden	74	55	43
Germany	48	37	27
The Netherlands	69	68	54
Great Britain	33	28	20

Source: Bjørn and Høy, 2014

Note that people in Denmark who are made unemployed and who earned 67% of the average wage for full-time employees before losing their jobs have a **compensation** ratio of 88%. People who had an income corresponding to the average for full-time employees have a **compensation** ratio of 67%. For people who were on 1.5 times the average wage, the ratio is 52%.

Compared with other countries, the **compensation** ratio for low-income groups is high in Denmark. Only Norway's **compensation** ratio is higher. On

136 One of the pioneers of the theory was the late Dale Mortensen, who lectured at Aarhus University for a number of years. In 2010, he and two colleagues were awarded the Nobel Prize for Economics for their work on the theory.

137 The **compensation** ratio is the ratio of benefit after tax to previous income after tax.

138 In some countries the **compensation** ratio depends on the number of children, but not in Denmark.

the other hand, the **compensation** ratio for people on higher incomes is not particularly high in Denmark.

### ***The benefit period***

Until 1994, there was in principle no limit on the benefit period in Denmark. Officially, it was 2½ years, but if the unemployed person entered into an “activation” agreement, then their right to unemployment benefit was continuously extended. In other words, unemployed people had to take part in a job-creation process in the private or public sector, or embark on some form of education or training. All unemployed people have a duty to take part in job-creation schemes.

In 1994, the unemployment benefit period was extended to seven years, but the right to prolong it due to activation was abolished. During the 1990s and into the 21st century, the benefit period has been shortened several times – most recently in 2010, when it was halved from four years to two.

The maximum benefit period in Denmark is therefore on a par with Norway and Finland, while, e.g. Germany has a maximum period of up to one year.<sup>139</sup> In Sweden, the benefit period depends on whether or not you have children. For those with children, the benefit period is 90 weeks; for those without, it is 60 weeks (Bjørn and Høy, 2014).

### ***Rules regarding availability for work and reacquiring entitlement to unemployment benefit***

However, not everybody is entitled to unemployment benefit. Unemployed people must be available for work, which the ILO<sup>140</sup> defines as “actively seeking work in the past four weeks and available to start work in the next two weeks” (Bjørn and Høy, 2014).

This applies in Denmark, where the rules regarding availability for work have been made much stricter over the last 15 years or so. Anybody who was made redundant used to have a period of grace before jobseeking became compulsory, but greater demands are now placed on unemployed people – from day one, they must actively seek and be available for work. Both unemployed people and others who are in receipt of social security benefits

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139 In Germany, the maximum benefit period is dependent on age and previous employment. For people under 50, it can be as short as six months.

140 The United Nations’ International Labour Organization.