Indicative answers - Exam, February 2020

Exam Question 1

A dynamic analysis between the continental model and the Scandinavian universal must be conducted in both the social and economic spheres.

In the universal model, all the inhabitants of the country are covered, and welfare expenses are typically paid over the general taxes. In the continental model, the labor market is typically covered, while the outside population is only slightly included.

This has several consequences. The Danish model will typically not impose a child or grandparent obligation on children or grandchildren with frail older family members, while the German has specific parenting requirements for relatives.

In the area of pensions, the universal model means that everyone, regardless of prior payment, receives a national pension benefit with the benefit system associated with it. The basic pension and supplementary benefits of the national pension, converted into a salary income, correspond to the unemployment benefit rate, which is why the minimum pension for pensioners is close to 90% of an average unskilled worker's salary. In Germany, on the other hand, the benefits are fixed actuarially as a function of the size of the salary during the pay period, the period of employment and the time of retirement. This creates significant differences and inequalities in pensioners' incomes.

Both Germany's and Denmark's public support model is a "here and now scheme" where, in principle, no funds are built up.

The economic effects are very similar in the two countries on source of financing 1: the tax financing or the payroll tax in Germany. The demographic effect challenges both welfare systems. In Denmark, for example, more children or substantially more elderly people must, in principle, increase taxes or reduce benefits in order to balance public budgets.

In Denmark, since the 1990s, substantial funds have been built up for extra savings for broad-based employee groups. In addition, with the 2006 welfare reform, where the retirement age is increased, the period of education is reduced and technology within hospitals and public activities is stimulated, the basis for a solid long-term sustainability in the economy has been created. In Germany, for example, an increase in the retirement age is sought, such as in Denmark, to expand the labor supply and limit the increase in public expenditure.

Through reforms of source 1 and introduction and development of sources 2 and 3, Denmark has achieved sustainability in the economy and strengthened labor supply, improved balance of payments, and the opportunity to maintain both welfare and tax pressure. In the continental model, for example, in France, the possibility of AT increasing the retirement age from 62 to 64 is still being discussed, while the Danish age has reached 66, and continues towards 69 in 2030, though with considerable debate on special schemes for the deprived.

In Sweden and Norway there are payment services for the use of the public health system, while in Denmark there is equal and easy access to the health care system with limited payment, so that the economy only for example. on medicine and dentist, etc. can regulate demand.

Thus, both the Scandinavian and the Continental model have had significant sustainability in relation to health social conditions and pensions, but the universal model has had great political dexterity in adapting to demographics and technology, while there have been major adjustment problems in the South that have not led to financially satisfactory results.

Exam Question 2:

The welfare economies in Scandinavia and the Netherlands are characterized as being small economies with a high degree of global commitment. This means that national output is turned up to one or more times in the global economy. In the case of Denmark, international trade turnover in exports and imports is once GDP. In this way, international cyclical fluctuations hit hard on the effective Danish demand, employment and welfare.

Through the large public sector transfers and services, a comprehensive system of automatic stabilizers has historically been built, allowing the public sector to mitigate some of the consequences of crises and financial panic. On the other hand, the tax burden is greater in the welfare economies, whereby competitiveness, especially in times of decline, can be put under pressure.

At the same time, the public commitment to the Danish economy means that the sector is a major demand driver, especially in construction health and the social area. Examples are given here. Novo insulin preparations, developed from pig production, were marketed to hospitals and pharmacies, thereby directly hitting the demand side of the pharmaceutical industry, which then went global with the product. Similarly, Oticon, where public demand at home was a prerequisite for the product to go global at a later stage.

Danish companies are, in principle, small and medium-sized, which is why they will be reluctant to employ too much labor in good times and may miss out on orders going abroad.

The Danish flexicurity model has been developed over several decades to create maximum employment and security for companies and employees. The model consists of a short termination period for the collective bargaining area outside the salaried sector (max. Three months). On the other hand, employees gain financial security by a favorable unemployment benefit model, especially for skilled and unskilled workers, where the coverage ratio in relation to previous income as employed is good when considering the opportunities for public benefits resulting from lower incomes when unemployment is considered. The companies, on the other hand, achieve maximum mobility and in this respect, Denmark is among the best placed in the Western Economic Club of the OECD. On the other hand, it must be emphasized that the favorable unemployment benefits, activation and expenditure on administration in the job centers mean that Denmark is in first place in the OECD circle for labor market policy spending in relation to GDP.

In continuation of this, it can be noted that since 1990, the state has been contributing to the construction of labor market pensions, through legislation and regulation of pension funds and by allowing pension payments to be deductible on the annual tax return, which has stimulated the build-up of significant pension capital in both pensions in the labor market. and in the private schemes.