Danish labour market policy
- from a beautiful swan to an ugly duckling?

Henning Jørgensen
Professor, Aalborg University, CARMA

henningj@dps.aau.dk

Conference "Activation of social protection"
Activation as part of the “modernization” of the welfare systems

- Activation part of a new intervention paradigm
  - employment as goal and central integration mechanism
  - new moralism build into contractual arrangements
  - reinventing identities (economic citizenship)
  - activating the whole system of social protection (Barbier)

- Activation regimes: diversity
  - different concepts of active labour market policy
  - LMP expenditures differ strongly
  - LMP priorities differ strongly
  - LMP procedures differ strongly
Construction of activation systems based on:

- **Egalitarian values**
  - social logic, outcome of struggles
  - Beveridgean rationale

- **Paternalistic values**
  - functional logic, outcome of construction
  - Bismarckian rationale

The Danish activation system of the 1990’s based on egalitarian values (social activation)
The Danish labour market system

- **A voluntaristic bargaining system**
  (collective agreements since 1899, strong IR-system)

- **A political interventionist strategy**
  - negotiated regulation of labour market questions
  - corporalism at more levels
  - active labour market policies (especially since 1994)
  - generous unemployment benefit system (socializes costs of flexibility)
Vocabulary and real differences

- EU: "social partners"
  - consensus, community, harmony
  - symmetrical concepts and distributions

- Nordic countries: "labour market parties"
  - markets and conflicts, compromises
  - asymmetrical distributions of power
Citizenship

- Nordic construction of an **interest-oriented social citizenship** (including universalism)

- Not simply a **right-oriented social citizenship**

In the Nordic countries wages and working conditions are regulated on a collective level.

The political system guarantees the **institutional frames** for the labour market system and the normalcy of paid work.

The **welfare state** supports and regulates also for those outside the labour market.
The Nordic Approach:

Macro-economic policy

Wage policy
  Collective agreements

Labour market parties

The welfare state
  Income security
  Services and LMP
Denmark 1993/94: A new policy mix of

- Expansive fiscal policy
- Public investments
- Active labour market policies
- Leave schemes (to be reduced again)
Danish LMP reform 1993/1994: start of active LMP (ALMP)

* **Content:**
  - from rules to needs
  - individual action plans
  - activation offers
  - “Learn-fare” (not “work-fare”)

* **Steering**
  - regionalization
  - labour market parties in pivotal positions
Unemployment figures (%), 1994-2006

Denmark: the Phillips curve flattened out!

Labour market policy reform

Source: ADAMs databank

Wage increase (percentage)

Unemployment (percentage)
2007

- "Flexicurity" part of the EES
- Denmark used as a "role model" for the rest of Europe as to LMP
- But: Activation in LMP was already being changed in Denmark
"Flexicurity"

Job protection

<table>
<thead>
<tr>
<th></th>
<th>Low</th>
<th>High</th>
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<tbody>
<tr>
<td>Low</td>
<td>UK, USA</td>
<td>Italy</td>
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<tr>
<td>High</td>
<td>Denmark</td>
<td>Germany, Sweden</td>
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The Danish flexicurity system: not a model – only relationships

The primary axe of the Flexicurity model

Flexible labour market

• Strong rotation between jobs
• Low job security
• Quick structural adaptation

Social security

The labour market parties

Active labour market policies

• Income security
• High perceived job security

Employment security
Some basic figures for Danish flexicurity: “the security of the wings” (up to 2007)

- 20 percent of the workforce experience unemployment each year.
- 13 percent of the workforce complete a CVT-courses each year.
- 30 percent change jobs each year.
- 11 percent in ALMP each year.

- Individual and regular contacts with the unemployed persons
- Job plan (substituting individual action plan)
- Use of "other actors" (= privatization)
- Offers: three only
  - guidance and qualification
  - trainee service
  - wage subsidies
Danish “employment policy” 2003-2011

Content:
* Shift of priority from fighting unemployment towards increasing the supply of labour
  - Activation to become threatening to unemployed people in order they will find a job themselves
  - Education no longer a central measure

Processes:
* The labour market parties no longer in pivotal positions: municipalities takes over decision-making responsibility

Polity:
* schizophrenic mixture of control and competition (decentralized operations – centralized steering)
Integration policy and employment policy united

- Introduction of “start help”/“integration scheme” for immigrants 2002: reduced economic support (30 – 50 % below ordinary level)

- Ceiling of social assistance after 6 months of support 2004

- 2005: 300 hours of ordinary work required in order to have right for public support; and it became a duty to participate in activation

- 2008: 450 hours of ordinary work required
Integration policy reviewed

- Strong believe in incentives and sanctions; but few people have become employed (86% have had no change of status)

- Strong poverty effects (the integration arrangements also called "poverty schemes")

- Special treatment of immigrants means a break with universal welfare state principles

- Integrations measures were supposed to pave the way for changes in employment policy
Changes as to content of employment policy 2007-2011

- Enlargement of target groups: people on sickness allowance, people on social assistance with social problems amongst others

- Stronger requirements as to accepting a job offer and to be ready to participate in activation measures

- Control and sanctions strenghtened

- But no change of support levels
Towards one-tier system:
Joint entrance for all kinds of unemployed people
(common for municipalities and public employment service)

91 jobcentres created

From 14 to 4 regions only:
(now mostly monitoring agencies)

From corporatism to political steering:
(reduced role of the labour market parties)
A new labour market steering system from 1.8.2009

- **Municipalities** have taken over all kind of responsibilities as to employment policy

- **Economic incentives** to steer activities

- **Strong monitoring** and intervention from the side of the state
Activation and unemployment 1981-2011
(full time persons)
New changes in employment policy 2010/2011

Changes in the unemployment support system and the security elements:

- Period of unemployment benefits from 4 to 2 years
- From 26 to 52 weeks of ordinary work within the last 3 years in order to (re)gain unemployment benefits
- Special retirement scheme ("Efterløn") strongly reduced
New government October 2011

- Continues macro-economic policies of the former right wing government

- Signals changes in employment policy: calls for “an active labour market policy” – but no big changes yet.

- Activation system to be renewed

- Has abandoned “poverty schemes” from 2012

- Has postponed changes in the system of unemployment benefits for ½ year
Unemployment change 2007-2011

Bottom to top, 2007Q1 til 2011Q3. Eurostat
Newest unemployment figures

[Bar chart showing unemployment rates in June 2012, seasonally adjusted.]

Unemployment rates in June 2012, seasonally adjusted

- AT: 4.5%
- NL: 5.1%
- DE: 5.4%
- LU: 5.4%
- MT: 6.2%
- CZ: 6.7%
- BE: 7.2%
- FI: 7.5%
- SE: 7.5%
- RO: 8.0%
- DK: 8.1%
- UK: 8.2%
- SI: 9.0%
- PL: 9.5%
- FR: 10.4%
- CY: 10.5%
- IT: 10.9%
- EE: 11.1%
- HU: 11.2%
- EA17: 12.4%
- BG: 13.7%
- LT: 13.8%
- SK: 14.8%
- IE: 15.3%
- LV: 15.4%
- PT: 22.5%
- EL: 24.8%

* April 2012  ** Q1 2012

Eurostat
Long-time unemployment 2008-2010

Figure 10: The share of long-term unemployed in total unemployment, 2008Q3 and 2010Q3. Source: Eurostat LFS.
To pay the bills?

Respondents’ ability to keep up with household bills and credit commitments

- Falling behind with some/many bills
- Keeping up but it is a constant struggle
- Keeping up but struggle to do so from time to time
- Keeping up without any difficulties
- DK/NA

Q3. Which of the following best describes how your household is keeping up with all its bills and credit commitments at present?

Source: Eurobarometer: Monitoring the social impacts of the crisis, Wave 4, June 2010 (data collection: May 2010)
LMP expenditures in % of GDP (Eurostat)
Danish LMP: from a beautiful swan to an ugly duckling?

- In LMP: threats and sanctions have become more dominant (paternalistic values also introduced)

- From qualification measures (learn-fare) to “shortest possible way to a job” for everyone (work-first)

- Organizational change from a learning system to central steering of a fully bureaucratized system

- LMP no longer “owned” by the labour market parties.

- Municipalities look to own economic benefits

- Leaving Danish flexicurity behind? Security threatened?
## Policy changes - assessment

<table>
<thead>
<tr>
<th>Process</th>
<th>Continuity Content</th>
<th>Break Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incremental change</td>
<td>Reproductive adaptation</td>
<td>Gradual change</td>
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<td>Abrupt/Brusque change</td>
<td>Regime survival</td>
<td>System transformation</td>
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Institutional recalibration of the system

- Contractualization introduced at all levels
- Performance management system and "steering" as to results
- New measurement system from 2007
- Central standards and manuals
Consequences internally

- The frontline people ("street-level bureaucrats") have a new role definition: agents for a "behavioral" policy (no longer just "social workers")

- Employees experience de-professionalization

- The former PES is becoming a traditional bureaucracy (run by the municipalities, but orchestrated by the state)
The labour market calls for shifting and dynamic interventions:

But the jobcentres are transformed into traditional bureaucracies!

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<th>Tasks</th>
<th>Uniform</th>
<th>Variable</th>
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<td>Technologies</td>
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<tr>
<td>Standardized</td>
<td>Bureaucracy</td>
<td>Professional organisation</td>
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<tr>
<td>Non-standardized</td>
<td>Management</td>
<td>Learning organisation</td>
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Internal behavioral consequences:

- "Wicked" problems redefined as "tame" ones
- Street-level bureaucrats have less discretion
- No further common training and education in the system
- Controlling the unemployed people: they need to learn how to handle their own situation and to reshape their attitudes (e.g.: unemployment a moral-therapeutic problem)
Danish policy now more “European” as to operational reform

- Policy design more separated from policy implementation
- Measurement og monitoring to help performance management (central steering)
- Individualization and moral-therapeutic practices
- Contractualization
- Quasi-markets and outsourcing of tasks from PES/jobcentres
- Standardization of procedures and ways of operating
But: **cooperative adaptation is still the key to good governance**

- Institutionalizing social dialogues
- Placing responsibilities on actors (including the labour market parties)
- Developing common norms
- Coupling mechanisms
- Trust and learning
cooperation

trust learning

coupling mechanisms norms

coordination

resources motivation

institutional set-up incentives goals

cognition

actors political system
Conclusion

- Danish LMP has experienced a kind of system transformation: substantive and operational reforms at the same time in 2003-2011

- Danish LMP is no longer a role model in Europe. But still rights and social protection.

- Danish LMP is now weakening the Danish “flexicurity” system as to security elements

- The present Minister of Employment wants to restore and renew the policy in 2013-2014
“If you marry time, you will soon be left a widow”

(Søren Kierkegaard)