

# The active turn in danish welfare policy: Employment and Social Protection in Denmark<sup>1</sup>

---

PETER ABRAHAMSON<sup>2</sup>

**Abstract:** Flexicurity is viewed as the best way of securing both a good investment environment and a secure workforce. Flexicurity combines a flexible labor market, where employers have few or no restrictions with regard to firing workers, with generous welfare benefits; and the two are facilitated through active labor market policies. Denmark really has a flexible labor market; but benefits in case of unemployment and activation cannot be described as generous in a European context. Activation is often perceived as a punishment for being unemployed and has mainly been undertaken because it is mandatory, and one is in risk of losing benefits if one refuses an activation offer. There is a price to be paid for a high degree of flexibility, and it comes in the form of marginalization and exclusion. 25 percent of the Danish population of working ages is for long spells or permanently existing on not very generous benefits outside the labor market.

**Key words:** Flexible labor market; Danish labor market policy; Active labor market policies, Marginalization.

## Introduction: Recent changes in Unemployment Legislation in Denmark

With the labor market reform of 1994 the principle of active labor market policy was fully implemented within the social insurance system of welfare governance. A couple of experimental leave schemes were made more permanent. *The education leave* was a scheme enabling insured workers 25 years of age and older to take

---

<sup>1</sup> Revised version of a paper prepared for presentation to the Annual Meeting of the Taiwan Welfare Association, Shu-Chow University, Taipei, May 23rd 2009.

<sup>2</sup> Seoul National University. E-mail: [petera@snu.ac.kr](mailto:petera@snu.ac.kr)

time out, at least one week, at the most one year, to participate in some kind of recognized education receiving benefits equivalent to unemployment benefits. The *child care leave* was a scheme allowing parents with children up to eight years of age to take time out to care for their children up to one year and at least for 13 weeks. The scheme was open to everyone affiliated with the labor market, whether insured or on social assistance. Because of its popularity the benefits was reduced from 100 percent of unemployment benefits to first 70 and then to 60 percent. While on child care leave children cannot occupy a space in a public child care institution. Finally, the *sabbatical leave* was a time limited experiment running till 1999, allowing employed insured people 25 and older to take up to one year and at least 13 weeks, out from the labor market provided they could find a substitute, to fill their spot, during the period of time. Benefits were reduced to 60 percent of unemployment benefits. (Andersen, Appeldorn, Weise 1996.) The leave schemes, especially the education leave was at the core of the reform, of what Per Kongshøj Madsen has labeled the comprehensive approach where the activation of the unemployed should be combined with the efforts to upgrade the skills of the workforce in general (1999: 66). The reform was summed up thus:

Danish labor market policy has undergone rather drastic changes in recent years. The share of active expenditures has increased... The formation and implementation of policy has been decentralized (the steering reform). At the same time the use of instruments and programs have been changed (the activation reform). For insured unemployed the maximum duration of benefits and participation in activation programs has been reduced from approximate nine years to five years [now four years] (Madsen 1999: 65).

The schemes were meant to increase the circulation in the labor market between unemployment and employment; but as the schemes became increasingly popular the government feared that they might create bottle-necks by reducing unemployment too much and they were therefore made less attractive. The child

care leave must be viewed as a universal right, while the other two leave schemes were reserved for workers belonging to the social insurance system, and thus was a performative trend in welfare governance in Denmark. Furthermore the reform entailed a strong element of decentralization to the regional and local levels of governance.

With the new Social Assistance Act of 1997 the active labor market/workfare strategy has been strengthened indicating a stronger emphasis on the *obligation* of the claimants to participate in some activity arranged or referred to by the municipality. It can be stated that the fact that social assistance now is codified in three different acts where one is directly called ‘The activation act’ follows from the development of the previous years. The new act was implemented July 1998, but already since 1994 all claimants under the old legislation had to accept an activation offer presented to them by the municipality, and since 1990 the young have had to accept activation in exchange for cash benefits. So, what to begin with only concerned the young, now applies to everybody.

The Danish unemployment benefit system is, in principle, a social insurance scheme, hence, entitlements to both transfers and services are tied to labor market performance; entitlements are also dependent upon obligations to participate in various job training and educational activities. This is due to the ‘active’ turn within Danish welfare policy. Expenditure equals 10 percent of total social expenditure or three percent of GDP.

All recipients of unemployment benefits are furthermore entitled and obliged to accept a new offer of activation when they have received public benefits for a total of six months after termination of the first offer of activation. Activation early in the benefit period is based on need and is flexible, partly aimed at groups at risk of becoming long-term unemployed and partly to prevent lack of qualified manpower (‘bottle necks’). After a maximum of 13 weeks, unemployed recipients of cash assistance under the age of 30 are entitled to and obliged to accept an offer of

activation or training for at least 30 hours per week for 18 months; however only for six months for people with an education/training qualifying them to work. Recipients of cash assistance of 30 years or more must be offered activation no later than 12 months after having been granted cash assistance. All recipients of cash assistance, apart from those over 30 years, who receive benefits, not only due to unemployment, are furthermore entitled to and obliged to accept a new offer of activation when they have received cash assistance for six months after termination of the first activation offer. Unemployed people are entitled to wages during job training, while the benefits payable in connection with other activation and training measures largely correspond to the amount of daily cash benefits or cash assistance. (NOSOSCO 2006: 87-90.)

At any given time two to four percent of the Danish labor force was in activation from 1995 to 2004 (NOSOSCO 2008: 71).

Eligibility for social assistance, whether services or transfers, are – per definition – subject to means, needs and work test; it is a discretionary, i.e. a clientistic system. Recipients are obliged to undertake activities such as education, training, workfare or the like. Social assistance is taxable, and cash assistance to people, who are obliged to provide for children, equals about 80 per cent of the maximum rate of the unemployment benefit. For non-providers, the assistance equals about 60 per cent of the unemployment benefit. Young people under the age of 25, who do not have any children living with them, are entitled to special, lower youth benefits. Recipients of cash benefits, who pay high net rents or have large obligations as providers, may furthermore be granted a special benefit which is tax-free. Income such as income from work will be deducted from the cash assistance, whereas child benefits and rent subsidies do not cause the assistance to be reduced. The rent subsidy will, however, be taken into account when the special assistance is calculated. With a view to ensure that it pays

better to work, a ceiling was introduced in 2003 in relation to the entire assistance by way of cash benefits, special benefits and rent subsidies after six months' receipt of cash benefits. Besides, cash benefits to married couples will be reduced after six months at the same time as the employment deduction will be increased. Besides, the cash benefits to young people under 25 will be reduced after six months to a level corresponding to the State education grants and loans.

As from July 1 2002, a condition for being awarded the full cash assistance amount is that one has been a resident in the country for at least seven out of the past eight years. People, who do not comply with this requirement, are entitled to the so-called start assistance, which is lower than the cash assistance. Local authorities may furthermore grant assistance based on need to non-recurrent expenses, removals, medical treatment, medicine, dental treatment and the like, to cash assistance recipients and to others, who are unable to pay the costs. In case a recipient of cash assistance rejects an offer of work or activation without reasonable course and is not available for work, the local authorities may discontinue payment of the assistance. In case a recipient of cash assistance rejects an offer of activation or fails to appear without reasonable course when he has been offered activation, the local authorities may reduce the assistance by up to one third.

The expenditure for social assistance and housing, the two elements of Danish welfare policy directly addressed to the poor only take up six percent of total social expenditure or two percent of GDP.

**Table 1. Adults receiving social assistance during the year in percent of the total adult population 1981 – 2004**

1981	1984	1987	1990	1994	1997	2000	2004	2007
6.5	6.8	5.9	5.8	5.4	4.5	4.1	4.4	3.3

Source: NOSOSCO (1995, 1999, 2006, 2008).

The number of social assistance recipients calculated as whole year recipients match closely the income poor – those receiving less than half the median equivalized net income, which is partly explained by the very low compensation as shown in table 3 below. It can be said, that poverty is being produced through welfare policies.

### **Change of Government and Change of Policy?**

November 2001 Denmark got a new government indicating a change from a Centre-Left to a Right wing government. The former was headed by the Social Democratic party with the then prime minister Poul Nyrup Rasmussen, while the newer and present (2009) government is headed by Anders Fog Rasmussen. This is a minority government consisting of the Liberal and the Conservative parties and it obtains its parliamentary majority through the support of the so-called Danish Peoples Party, a xenophobic, anti immigrant, right wing political party. This government has announced that it is committed to enhancing employment, which has had a least a semantic consequence with the renaming of the ministry of labor to ministry of employment. Madsen judges that the change is only semantic (2003: 9). In what follows this is verified.

#### *Labor Market Reform Once Again: 'More People in Work'*

A priority of the present government as well as one pursued by the former one is the creation of a 'spatial' labor market, which means a labor market spacious enough to include people that are not considered one hundred percent effective and productive. One means to achieve such a spacious labor market has been the creation of so-called flexi-jobs. They are jobs under regular conditions of pay but adjusted to the ability of the individual who has a chronic reduction of work capacity. If one becomes unemployed after having been employed in a flexi-job one is *not*

entitled to unemployment benefits; instead one is eligible for a so-called redundancy benefit (*Jedighedsydelse*). It is set at 91 percent of unemployment benefits. The number of people receiving redundancy pay can be seen as an indicator of the degree of spaciousness of the labor market: are there few people on redundancy pay the labor market must be considered spacious since it has room for those wanting to work. Unfortunately, the number of people on redundancy pay has increased dramatically: from March 2002 to March 2003 it more than quadrupled. During the same period of time the registered unemployment increased by nine percent, while unemployment for those waiting for a flexi-job increased 408 percent. (*Social Årsrapport 2003*: 65-68.) Judged by these measures the government has failed to create a spacious labor market.

This is very disappointing since the government announced to enhance employment in general through its reform entitled 'More people in work!' Here it was forecasted that employment should have increased by 84.000 people by 2010, which, of course, remains to be seen and a number of changes were introduced: a liberalization of labor exchanges in the form of contracting out of a number of the services provided; a reduction in the number of 'tools' i.e. activation measures including a reduction in the possibility of receiving an education offer, which, as mentioned above, has a reasonable success rate! The general idea is that it must pay to work and that everybody should be eligible for work. This is being accomplished through tougher rules for taking any job, e.g. the demand for geographical mobility has been increased: up to four hours daily must be accepted. Social assistance has been reduced for couples after six months of unemployment, and for people less than 25 years of age it is also reduced after six months. New candidates cannot any longer qualify for maximum unemployment benefits. Sticks and carrots have been distributed very unevenly: all the carrots have gone to the employers who are now able to employ unemployed people with a wage subsidy,

while the sticks are banging the unemployed. (*Social Årsrapport 2003*: 51-56).

So the general assumption by the government has been that incentives could change the behavior and employability of the various marginalized segments of the Danish population. However, evaluations have, time and again, demonstrated that the incentives have turned out to be punishments instead as is being discussed in some detail in another section below.

### *Changes in Social Assistance: Start Allowance, the 'Ceiling' and Partner Allowance*

In line with the previous government the present one has found it imperative to reduce transfer payments to refugees and immigrants as a way of motivating them to seek employment and self support. Ethnic minorities have a high level of unemployment in Denmark; roughly the double of the average for the whole population, and already in 1999 the former then Social Democratic led government enacted the so-called introductory provision. It was meant for people who had recently arrived in the country, and payments were about two thirds of regular social assistance. However, the government was compelled to withdraw the act after complaints had been filed against Denmark for discrimination and non compliance with international conventions. Nevertheless, the current government has succeeded in creating a legislation which is not formally discriminatory. It is called start allowance, and it can be given to people who are otherwise eligible for social assistance but who have not been residing in Denmark for seven of the last eight years. So, now one has had to have been living in Denmark for at least seven years in order to claim social assistance; if not one can claim start allowance. Start allowance provides claimants with somewhere between 45 and 64 percent of social assistance and is equivalent to state student grant (*Statens Uddannelsesstøtte*). Most recipients are refugees and the ethnic composition of recipients is highly biased towards people from 'less developed countries.'



A number of poverty thresholds were calculated for 2003: 50 percent and 60 percent net disposable income, a standard budget, a discount budget and a basic living level. In all cases were start allowance less than any threshold, and that was the case for all family types (*Social Årsrapport 2003*: 112-114). This social policy invention is deliberately producing income poverty to a degree not seen before in Denmark.

Another initiative introduced by the present government was the so-called ‘ceiling’ over social assistance, meaning that no recipients could get more than a particularly defined maximum. Those individuals and households who had received social assistance for more than six months and exceeded the ceiling had their benefits cut! The expectation was that the recipients would increase their efforts to be employed or otherwise leave the social assistance rolls. The National Institute of Social Research evaluated the effects of this change of policy, and concluded that no such effect could be traced. The investigation was conducted as telephone interviews with a little more than 1.000 social assistance recipients. They were interviewed twice: the first time just before the change was implemented at the turn of the year 2003/2004, and the second time in the fall of 2004. While no effect of increased self sufficiency could be demonstrated the effect of fewer resources was very strongly demonstrated, leading to phenomena such as rent arrears, not paying child care fees, not paying bank loans etc. The relevant families have also to a smaller extent been able to go away on holidays, buy shoes, and go to the dentist (Graversen & Tinggaard 2005). So, the effects were there, or though not the officially intended ones.

A third initiative taken by the present government was the so-called partner assistance which indicated that unless both had worked for more than 300 hours within the last two years they could no longer both receive assistance. Flemming Larsen and Mikkel Mailand summed up the effect of these recent initiatives thus:

The main problem with these new initiatives, of course, is that they are likely to become a source of impoverishment rather than of labor market inclusion, particularly if it turns out that the explanation for the lack of labor market participation is not this group's work incentives, but a lack of demand for their qualifications, discrimination or other explanations that transcend the supply side (Larsen and Mailand 2007: 8).

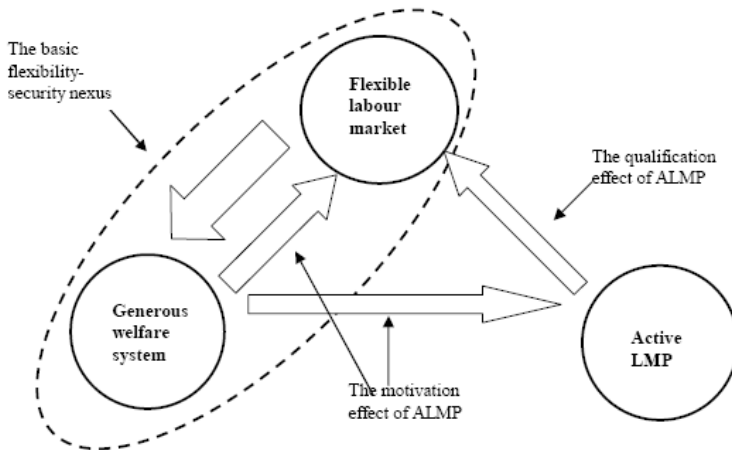
There are good reasons to believe that part of the explanation lies with the demand side; but even when it lays with the supply side it is most probably related to problems other than unemployment. Hence, part of the explanation for the absent or adverse effects of social policy efforts trying to bring unemployed social assistance recipients back into regular employment (or regular education) lies with the fact that many of the claimants have other problems beside unemployment. Henning Bjerregaard Bach and Joachim Boll have investigated what barriers there exist for social assistance claimants to (re)join the labor market, and they found that among the 'weakest' clients 25 percent had reduced work capacity due to sickness, accident or relative incapacity (*nedslidning*) (2003). Furthermore the local social assistance administrations estimated that about 33 percent of these clients had problems of alcohol use and 22 percent was judged to have a consumption of marijuana creating a barrier for their labor market performance. Finally 17 percent of the clients were diagnosed suffering from some kind of mental illness. The administrations also judged that 60 percent of the clients would be sorted out following a job interview due to insufficient personal competences like motivation, initiative, thoroughness, willingness to learn new skills and lack of stability (Bach & Boll 2003). Clearly what these clients need are not more punishment, but more support and treatment.

## **A Critical Assessment of 'flexicurity' in Denmark**

In the Danish government's report to the European Commission concerning the Lisbon objectives we can read the following (The Danish Government 2005: 35):

The Danish labour market has a favourable starting position. Denmark has an employment rate that is already higher than the joint EU objective of 70 percent, partially because of the high participation of woman in the labour market. Furthermore, the Danish structural unemployment is relatively low, which is partially because of the Danish flexicurity model with flexible rules on hiring and dismissal, a well-developed unemployment benefit system and an active labour market policy – based on strict rules on availability, re-education, etc. Extensive reforms have been carried out, especially with regard to the development of the structural unemployment and to keeping persons with reduced working capacity on the labour market.

Flexicurity is here explained with reference to what has been labeled the ‘golden triangle’ – the relationships between a flexible labor market, where it is easy to hire and fire, and – therefore – where there is a high flow of workers in and out of employment (high level of external numerical flexibility); a generous welfare system which guarantees income security; and active labor policies (activation) aiming at upgrading workers’ skills. This is illustrated in figure 1 below:



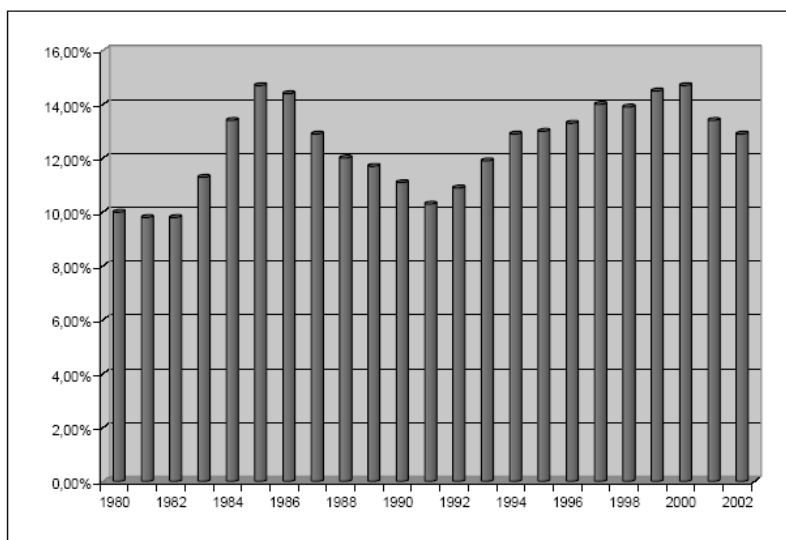
Source: Developed by the then Ministry of Labor (now: Ministry of Employment) and adapted by Madsen (2006: 34).

**Figure 1: The ‘Golden Triangle’ of Flexicurity**

The idea is that if employers can easily get rid of workers in bad times they are more inclined to hire workers in good times, and workers when fired, are still able to maintain a reasonable life because of relatively generous unemployment benefits. Finally, activation – either because of the scare/motivation effect (see below) or through skills upgrading – helps unemployed getting back into employment. Let us look a little more closely at these elements in turn.

### *A Flexible Labor Market*

One way of measuring the degree of flexibility in the labor market is to calculate the percentage of all employees who changed to another firm each year. The figure below shows that from 1980 to 2002 10 to 15 per cent of all employees changed to another firm each year.



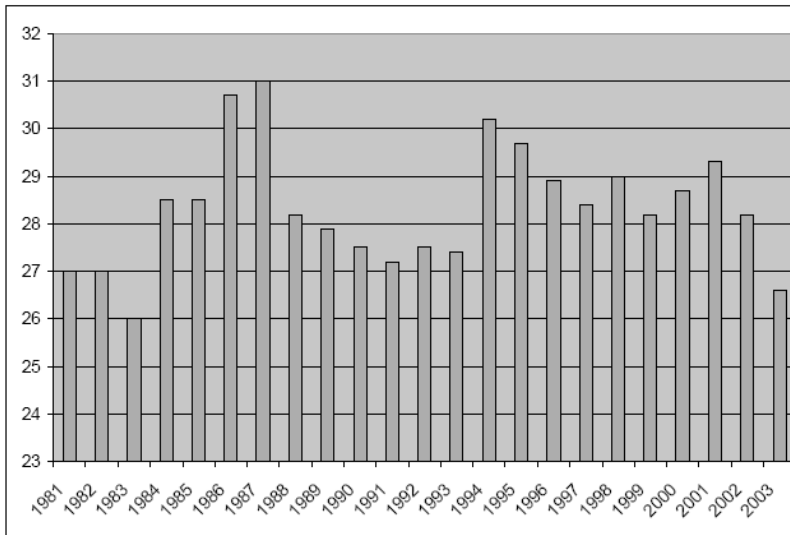
Source: Bredgaard, Larsen and Madsen (2006: 11).

**Figure 2: Numerical flexibility, 1980-2002 (the percentage of all employees who change to another firm each year)**

Job changes may involve spells of unemployment. Hence, Ibsen and Westergaard-Nielsen (2005: 28) have calculated that

‘more than two thirds of all workers who leave an employer each year will have found a new job before next year and less than one third ends up in no employment the next year. A little more than half of these become unemployed while the rest is either retiring, in education or out of the labor force due to sickness or another reason.’ On such other reason could be activation.

These job changes reflect the massive job creation and job destruction taking place in the economy and shows up in figures for job tenure. Figure 3 below gives the share of the workforce that has less than one year’s tenure:

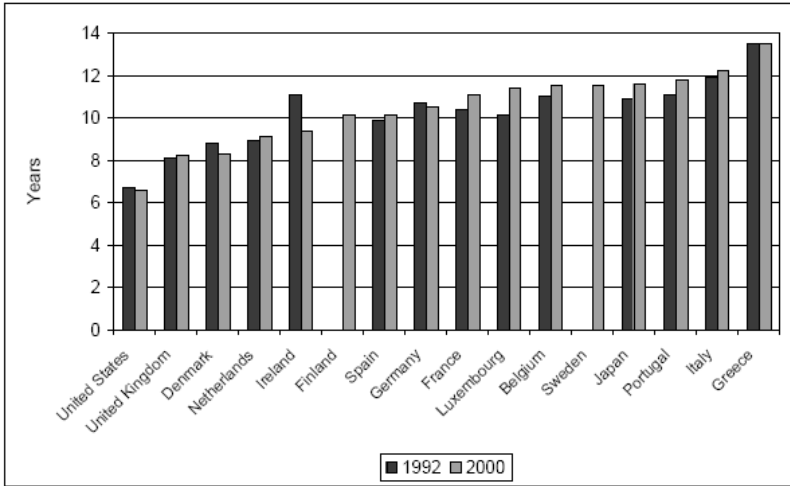


Source: Bredgaard, Larsen and Madsen (2006: 12).

**Figure 3: Less than one year tenure in current job, 1981-2002 (%)**

Depending on the business cycle somewhere between 26 and 31 per cent of the workforce have held their jobs for less than one year, and average job tenure is eight years which is relatively low compared to most other countries (Ibsen and Westergaard-Nielsen 2005: 4). This is demonstrated in figure 4 below. It has been pointed out that job tenure is much lower in Denmark than

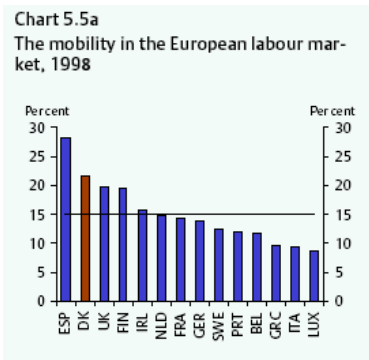
in Sweden and Finland hence leading some observers to talk about the Danish labor market regime being a ‘hybrid’ between a liberal and a Scandinavian regime (see, e.g. Madsen 2006).



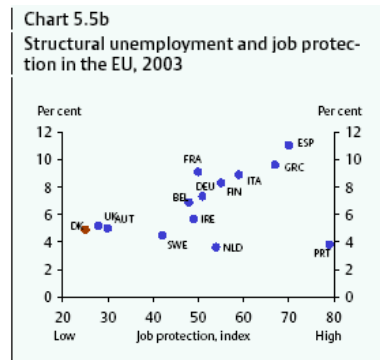
Source: Madsen (2006: 13).

**Figure 4. Average tenure in years for employees in a number of OECD-countries**

**Figure 5**



**Figure 6**



Note: The mobility is calculated as the number of employees that have had their present position for less than a year and who were employed the year before compared with people who were employed both years. The data for Ireland in Chart 5.5a is from 1997. The index for job protection in Chart 5.5b has been constructed by The World Bank and it takes values from 0 to 100. The higher the number, the higher the degree of job protection in the national legislation. Spain stands out because of the high mobility combined with high job protection, which is due to a substantial increase in the application of temporary contracts.

Source: Stimpson (2000), OECD, The World Bank and calculations from the Danish Ministry of Finance.

Source: The Danish Government (2005: 48).

It is, hence correct that there is high labor mobility in the Danish labor market and the explanation for that is the low degree of labor protection. Figure 6 shows that Denmark has the lowest degree of labor protection in Europe and significantly lower than Norway Sweden. Figure 5 confirms that the high labor mobility in Denmark is the highest in Europe, apart from Spain. (See, also Andersen and Mailand 2005; Ibsen and Westergaard-Nielsen 2007; Bingley and Westergaard-Nielsen 2002.) The Danish labor market is, indeed, flexible.

### *A Generous Unemployment Benefit System?*

On paper the Danish transfer payments to unemployed people look very good. There are no waiting days and in principle the amount is 90 percent of prior wage or salary. However, since there is a ceiling compensation is in average much lower. Table 2 shows compensation rates calculated as the net value of unemployment insurance benefits set against the net wage of an average production worker:

**Table 2. Compensation from unemployment insurance in percent of an average wage 1995 - 2005**

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
67	66	65	64	65	64	64	63	63	60	62

Source: NOSOSCO (2008).

Compensation was around two-thirds of an average workers income in 1995, but has fallen back to 60 percent in 2004. This can hardly be called generous, and it looks even worse when replacement rates for social assistance are calculated, as shown in table 3 below:

**Table 3. Compensation in case of unemployment, non insured, single, no children 1995 - 2005**

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
47	46	45	44	44	44	44	43	43	41	42

Source: NOSOSCO (2008).

The value of social assistance benefits is equivalent to 41 per cent of an average workers wage, which – probably – nobody would label generous. What is furthermore clear from tables 3 and 4 is that not only are compensation not very generous it is also less so over time; down from 67 and 47 per cent respectively to 60 and 41 per cent respectively. However when the various child allowances are taken into account plus the possibilities of extra allowances and housing allowance, the single social assistance recipient with a child is raised above the poverty line:

**Table 4. Compensation in case of unemployment, non-insured, single parent with one child 1995 - 2005**

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
77	77	76	74	71	73	73	71	72	69	72

Source: NOSOSCO (2008).

Nevertheless, the benefit period may be said to be generous in international comparison. Within the unemployment insurance system one can receive benefits for a total of four years including periods of activation, and in principle social assistance can be received indefinitely.

### *Evaluating Activation Measures*

The National Institute of Social Research has carried through a thorough evaluation of these latest experiences of the compulsory active labor market policy within social assistance. A representative group of claimants receiving an offer of job-training, education or sheltered employment during January and February 1996 was investigated (Brogaard & Weise 1997; Weise & Brogaard 1997). The participants were, however, not evenly distributed on the various active measures. The mechanisms of sorting out works in such a way that those participants in job training had the best overall qualifications; less so regarding those in sheltered employment; and the least so those in education. Only a minority of participants in job training measures actually achieved regular employment (14 percent), more so if they have



completed job training in the private sector (21 percent) than those from public job training (10 percent).

There exists quite a large discrepancy concerning whether the claimants had a number of offers to choose from when they were asked themselves and the municipalities were asked. In the first case 75 percent of the claimants experience that they could *not* make choices among more offers, while the municipalities recalled that that was only the case in five percent of the cases! The majority of claimants state that the fact that they would otherwise lose their benefits was very important for their acceptance of the offer given to them; but nearly half of the claimants also found that it was of great importance for them to 'have something to get up to in the morning.'

Regarding the effects the investigation showed that both the condition of the claimants and the kinds of offers given were important: An analysis of the probability of being in employment or education half a year after having been activated shows that the youngest, those with the best educational skills, and those with the best health do better than others. Taking this into consideration it is clear that participants in some kinds of offers do better than participants in other offers. Activation within private job training but also within public job training and within production schools (*produktions-skoler*) enhances the probability of getting a job/are in education (Weise & Brogaard 1997: 16). The overall effect regarding integration into main stream society via either a job or education was not much different to what earlier evaluations had shown; yet, perhaps, a little better since 42 percent stated that they were in such a situation after having been activated (Weise & Brogaard 1997: 19). Analyzing the first wave of active labor market governance Per Kongshøj Madsen had found that about one third of earlier activated persons were in employment one year later (1992a; 1992b).

A complementary investigation was carried out in the beginning of the 2000s by Bach and reported in 2002. Here it was

measured how various forms of municipal activation influenced the degree of self sufficiency/dependence among activated persons during the period of time from 1995 to 1998 and the overall conclusion was that effects were, at best, very modest. Dependency was measured as the number of weeks in a year where the person was dependent upon one of the following transfer schemes: social assistance, unemployment insurance benefits, activation benefit, rehabilitation allowance, leave allowance, sickness benefits, early retirement pension, 'transfer' allowance (*overgangsydelse*, a scheme making it possible for mature workers ages 55 – 59 to receive unemployment benefits without actively seeking employment; the benefit was meant to carry these workers over from long-term unemployment to voluntary early retirement; subsequently it was phased out during the 1990s), and voluntary early retirement. Dependency was calculated as 0 percent if the person was not relying on any of these benefits throughout the year and as 100 percent if the person was dependent upon one of them for the whole year. The situation before receiving an activation offer and after was then measured for each category of activation measures based on register data calculations. About one third of municipal activation consisted of sheltered employment and about one fifth consisted of individual job training within the public sector. Unfortunately, they had very little effect: sheltered employment reduced the dependency of transfers with only three percentage points, while individual job training within the public sector reduced dependency by six percentage points. The biggest effect was calculated for individual job training within the private sector; in those cases dependency was reduced by 16 percentage points, but only 12 percent of clients received such an offer (Bach 2002). Interviews with the clients revealed that half of them did not see any aim of going through activation other than they had to in order to keep their benefits. When they were to judge the effects of activation they more often pointed to issues such as improvement of their every day life and self confidence than to issues of being qualified for regular employment.

Similar to the study on municipal activation the Institute carried out a study on municipal rehabilitation. Rehabilitation is substantially congruent with activation but is based on different legislation and presupposes some kind of reduced work capacity among the recipients. Physical problems dominate, but often there is a combination of problems. Approximately 25 percent of those starting a process of rehabilitation drop out of the program; but among those completing, the large majority found a job afterward. It is however difficult to determine whether this is a direct consequence of the rehabilitation measures the study shows! Hence it is demonstrated that the average reduction in dependency is very limited (Filges, Harsløv, Nord-Larsen 2002).

Presumably reflecting the above documented (lack of) effect a project called 'Company rehabilitation as the road (back to) employment' was started by the Social Democratic lead government and placed under the Ministry of Social Affairs in 2000, and after the change of government continued under the newly created (or at least renamed, see above) Ministry of Employment (former Ministry of Labor). More than 400 companies, of which 77 percent were private and 611 rehabilitees, participated in the project from 2000 to 2002. The National Institute of Social Research evaluated the project and reported this in 2004 (Harsløv et al. 2004). Participants in the project had no or very limited affiliation to the labor market. They were primarily social assistance recipients (57 percent) or recipients of sickness benefits (37 percent). Nearly half of them completed a rehabilitation program within one of the companies during the observation period. 80 percent of those who had completed the program were in employment immediately after its termination; two-thirds in subsidized employment, for the most part flexi-jobs. The research team concluded that positive effects are associated with two things: focus and meaning. This means that the activities must be organized so that they consciously and explicitly aims at the goal (employment), and that the person to which the activity is directed experiences this as meaningful whereby he or she

becomes motivated for participation and makes an effort to reach the goal. The effects of company rehabilitation were summed up as threefold: there was found to be a *liaison-effect*, meaning that the long-standing relationship between the client and the company may result in subsequent employment, subsidized or regular; there was also found to be a *qualification-effect*, meaning that the client actually acquired skills and other competences during the program; and a *developmental-effect*, meaning that the client to an increasing degree was able to handle his or her own situation and take responsibility for his or her own future and self reliance (Harsløv et al. 2004).

Nevertheless, the unemployed have been supposed to be more flexible with regard to which kinds of job they would accept, and at what wages etc. The National Institute of social Research investigated the flexibility among 1.500 unemployed persons via questionnaires in the fall of 1994, and then traced their labor market performance via register data in the three following years (Bach 1999). Surprisingly it was found that there was no positive correlation between the degree of flexibility and the degree of employment.

What have been demonstrated in this overview are rather limited effects of activation measures; but one ‘curious’ effect has been identified by economists; one which they have labeled the ‘motivation effect’, or at it would better be understood by sociologists: the ‘scare effect.’ What has been discovered is that unemployed people significantly increase their job search and hence employment when they approach the time of activation (Geerdsen 2003). So, e.g. Geerdsen tentatively concluded that the prospect of activation may be more effective than activation itself. When it is only a tentative conclusion it is because there is the issue of selection effects. It may be so that the most employable of the unemployed are those who manage to get a job before they otherwise have to go into the activation measure (Geerdsen 2003).

Larsen and Mailand recently summed up activation policies thus: ‘...throughout the period [from 1994 and onwards] the policy has included complementary elements of social disciplining and social integration. There is no doubt, however, that developments have been shifting from a significant focus on social integration to a much stronger emphasis on social disciplining’ (Larsen and Mailand 2007: 3).

### **Flexicurity: Job Miracle or Marginalization?**

The fact that more than 12 per cent of the workforce was unemployed in 1994 and that five years later unemployment was reduced to six per cent or less has given rise to suggestions of a Danish job miracle. Current unemployment of 3,8 per cent (June 2009) is on the rise, but from a very low starting point. Indeed – employment has increased in Denmark during the 1990s with more than 200.000 full time equivalent employees (the total workforce in 2008 was: 2.925.000) (Statistics Denmark 2009). But this figure does not account for population and labor force growth. So when the relative growth in employment is calculated as the employment rate it has only increased from 72, 4 per cent in 1995 to 75, 5 per cent in 1999 (Abrahamson 2006a). This is significant but not impressive, and it means that the fall in unemployment has been much bigger than the increase in employment, which can only be explained by reclassification of the non working part of the population: many of those who were unemployed in the early 1990s are now labeled sickness pay recipients, early retirees, on various leave schemes or in activation

**Table 5. Unemployment rates, total, men and women 1994 - 2008**

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total	12.3	10.4	8.9	7.9	6.6	5.7	5.4	5.2	5.2	6.2	6.4	5.7	4.5	3.3	2.0
Men	11	9	7.8	6.7	5.5	4.9	4.6	4.5	4.7	5.7	5.8	5	3.8	2.9	1.9
Women	13.8	12	10.1	9.3	7.8	6.5	6.2	5.9	5.8	6.6	7	6.4	5.3	3.8	2.1

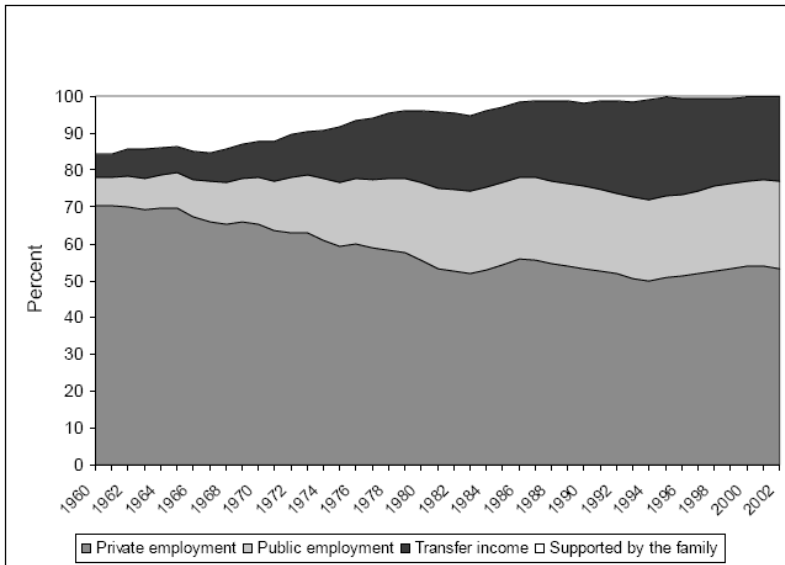
Source: Statistics Denmark (2009).

**Table 6. Activity and Employment Rates 1997 - 2008 all 16-64 year-olds**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Activity rate												
All	78.9	79.1	79.2	79.1	79.5	79.5	78.5	78.3	78	78.3	78.1	78.3
Men	83.1	83	83.1	82.8	82.9	82.7	81.6	81.3	81	81.2	81.9	82
Women	74.6	75	75.3	75.3	76	76.2	75.2	75.3	75	75.3	74.1	74.6
Employment rate												
All	73.4	74.2	75.5	75.8	76.1	76.3	75.1	74.1	74.2	75.2	75	75.7
Men	78	78.7	79.6	79.6	79.7	79.7	78.3	77.1	77.3	78.3	79	79.5
Women	68.7	69.6	71.2	71.9	72.4	72.9	71.8	71.1	71.1	72	70.9	71.8

Source: Statistics Denmark (2009).

The long-term consequences of a flexible labor market and an encompassing welfare state are illustrated in figure 8 below. 25 per cent of the population ages 16 to 64 are not employed, they are living on public support outside the labor market – they are marginalized from main stream society.



Source: Bredgaard, Larsen and Madsen (2006: 17).

**Figure 8: Adult population by source of income, Denmark 1960-2003**

One of the mechanisms through which this process of marginalization operates is activation. It works as a sorting out system judging the qualifications and ‘motivations’ of the unemployed and is instrumental in deciding whether one can return to the labor market or, whether, one has to seek support from one of various schemes keeping the marginalized alive.

## Conclusion: Typologizing Labor Market Governance

Social policy in late modern societies, and very strongly

so in Denmark, are changing radically from a reactive to a proactive approach to risks and social problems. If this assessment is correct we need a substantial revision of what we traditionally have understood social policy to be about. Welfare policies are being broadened in scope and are changing status within this new development with its emphasis on active labor market policies. By this we understand either some kind of ‘artificial’ employment in the form of subsidized or sheltered employment, or as some kind of skill upgrading through job training or education as e.g. Janosky (1990: xxiii) defines it (education, job training, job creation and job placement):

**Table 7 Typology of Active Labor Market Policy Measures**

		Institutional Implementation	
		Social Assistance	Social Insurance
<i>Measures</i>	Providing Jobs	Sheltered Employment	Subsidized Employment
	Providing Skills	Job Training as Simulated Work	Standard Education

Furthermore, it is the judgment that active labor market policy governance come in two fundamentally different forms dependent upon the institutional framework. Within the social insurance system active labor market policies are, generally, developed as an extension of workers’ *rights* to secure employment or upgrading through the ‘normal’ or standard institutions of education and business. Within the social assistance programs, however, emphasis is much more on the *obligation* of claimants to submit to various measures of social control through simulated work training schemes and specially designed forms of sheltered employment.

So, overall, we can identify a process of development and a process of differentiation. The development away from



passively supporting marginalized citizens through transfer payments to actively try and promote employment through the creation of jobs and skills, i.e. through various services, is in line with the tendency of welfare development in late modern societies of shifting the balance between transfers and services more towards services. Through the differentiation between active measures as basically social control and management of marginalized segments of the population on the one side and real labor market integration through main stream institutions for the core working groups on the other side is a strengthening of a traditional divide or bifurcation of welfare provision in modern society into a fairly generous welfare state with a wide degree of *entitlements* to integrated workers vis-à-vis rather restricted *provisions* to marginalized paupers.<sup>3</sup>

The development toward a more pro-active approach within welfare policy can be substantiated by an analysis of official policy declarations with respect to how future welfare policies should be structured as they appear in the United Nations, OECD and the European Union (Abrahamson 1998; 2006b).

Despite the ideological, political and practical emphasis on activation we must seriously doubt that this is the reason for the relatively low incidences of poverty in Scandinavia. Most important in this respect is the very high level of labor market participation as demonstrated in this paper. Most adult people, both men and women, are working, and when they momentarily or permanently have to leave paid employment the transfers and services offered them, usually, keep them out of income poverty. Unfortunately, the system organized to do away with the residual poverty, the systems of social assistance, often fail in this respect. They, emphasized by activation measures, act as systems of social control, monitoring and discipline.

---

<sup>3</sup> The distinction between entitlements and provisions comes from Dahrendorf (1994).

## References

- Abrahamson, P. (1998). 'From passive support to active involvement: Active labor market policy as a major trend in renewal of social policy.' Paper presented at the Nordic Social Workers' Association Congress, Thorshavn, the Faroe Islands, June 1998; revised version published in Danish as: 'Efter velfærdsstaten: Ret og pligt til aktivering.' *Nordiske Sosialt Arbeid* Vol. 18, No. 3: 133-143.
- Abrahamson, P. (2006a). 'Welfare reform: renewal or deviation?' J. Campbell, J. Hall and O. K. Pedersen (eds.) *National Identity and the Varieties of Capitalism: The Danish Experience*. Montreal: McGill University Press, pp. 356-374.
- Abrahamson, P. (2006b). 'La nouvelle portée de l'espace et du lieu quant à la citoyenneté sociale : le cas de l'Union Européenne.' [A new significance of space and place regarding social citizenship: the case of the European Union] *Lien Social et Politiques, No. 56 (Automne 2006)*: 21-38.
- Andersen, D., Appeldorn, A. & Weise, H. (1996). *Orlov - evaluering af orlovsordningerne*. Copenhagen: National Institute of Social Research, Report # 96:11
- Andersen, S. K and M. Mailand (2005). *Flexicurity og det danske arbejdsmarked*. Copenhagen: FAOS forskningsnotat 059.
- Bach, H. B. (2002). *Kontanthjælpsmodtagere – aktivering og arbejdsudbud*. Copenhagen: National Institute of Social Research, Report # 02:3.
- Bach, H. B. & J. Boll (2003). *De svageste kontanthjælpsmodtagere. Barrierer for beskæftigelse*. Copenhagen: National Institute of Social Research, Report # 03:27.
- Bingley, P and N. Westergaard-Nielsen (2002). 'Return to tenure: firm and worker heterogeneity.' Aarhus: Aarhus School of Business. Working Paper.
- Bredgaard, Th., F. Larsen and P. K. Madsen (2006). 'The challenge of identifying flexicurity in action.' Paper for the workshop 'Flexicurity and Beyond' Aalborg 12-13 October.
- Brogaard, S. & H. Weise (1997). *Evaluering af Lov om kommunal aktivering*. Copenhagen: National Institute of Social Research.

Dahrendorf, R. (1994). 'The changing quality of citizenship.' B. Van Steenberg (ed.) *The Condition of Citizenship*. London: Sage.

Filges, T., I. Harsløv, M. Nord-Larsen (2002). *Revalidering: deltagelse, forløb og effekter*. Copenhagen: National Institute of Social Research, Report # 02:2.

Geerdsen, L. P. (2003). *Marginalisation Processes in the Danish Labor Market*. Copenhagen: National Institute of Social Research, Report # 03:24.

Graversen, B. K. & K. Tinggaard (2005). *Loft over ydelser – Evaluering af loftet over ydelser til kontanthjælpsmodtagere*. Copenhagen: National Institute of Social Research, Report # 05:4.

Hall, P. (1986). *Governing the Economy: The Policy of State Intervention in Britain and France*. New York: Oxford University Press.

Hall, P. (1993). 'Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Britain.' *Comparative Politics* Vol. 25, No. 3: 275-96.

Harsløv, I., S. Jensen, A. Kruhøffer, S. N. Møller, A. E. Hansen, A. Rosdahl, (2004). *Virksomhedsrevalidering*. Copenhagen: National Institute of Social Research, Report # 04:2.

Ibsen, R. and N. Westergaard-Nielsen (2005). 'Job creation and destruction over the business cycles and the impact on individual job flows in Denmark 1980 – 2001.' Aarhus: Center for Corporate Performance, Aarhus School of Business. Working Paper.

Ibsen, R. and N. Westergaard-Nielsen (2007). 'Medlemskab af a-kasser og fleksibilitet.' *Jubilaumbogen for akasserne*. Copenhagen: Beskæftigelsesministeriet [Ministry of Employment].

Janosky, Th. (1990). *The Political Economy of Unemployment: Active Labor Market Policy in West Germany and the United States*. Berkeley: University of California Press.

Larsen, F. and M. Mailand (2007). 'Danish Activation Policy: The Role of the Normative Foundation, the Institutional Set-up and Other Drivers.' In Amparo Serrano Pascual and Lars Magnusson (eds.) *Reshaping Welfare States and Activation Regimes in Europe*. Bern, Berlin, Bruxelles, Frankfurt am Main, New York, Oxford, Wien: P.I.E Peter Lang. (Quoted from manuscript.)

- Madsen, P. K. (1992a). *ATB: Bedre end sit rygte, men ikke god nok*. Skælskør: How.
- Madsen, P. K. (1992b). 'Noget at råbe hurra for? - Om effekten af arbejdsmarkedsprogrammet.' *Samfundsøkonomen* 1992 No. 4: 17-24.
- Madsen, P. K. (1999). *Denmark: Flexibility, Security and Labour Market Success*. Geneva: ILO Country Employment Policy Review in selected OECD countries.
- Madsen, P. K. (2003). 'Fra arbejdsmarkedspolitik til beskæftigelsespolitik - et skifte i form eller indhold?' *Social Forskning* 2003: 3.
- Madsen, P. K. (2006). 'How can it possibly fly? The paradox of a dynamic labour market in a Scandinavian welfare state.' In John Campbell, John Hall and Ove K. Pedersen (eds.): *National Identity and the Varieties of Capitalism: The Danish Experience*. Montreal: McGill University Press, pp.
- Ministry of Social Affairs (1999). *Social Tendencies 1999*. Copenhagen: Ministry of Social Affairs.
- NOSOSCO (1995, 1997, 1999, 2005, 2006, 2008). *Social Security in the Nordic Countries: Scope, Expenditure and Financing*. Copenhagen: Nordic Social-Statistical Committee.
- Social Årsrapport 2003*. [*Social tendencies 2003*] edited by P. Abrahamson et al. Copenhagen: Center for Alternative Social Analysis.
- Statistics Denmark (2009). *Statistikbanken*. Copenhagen: Statistics Denmark.
- The Danish Government (2005). *The Danish Reform Strategy. Contribution to EU's Growth and Employment Strategy (The Lisbon Strategy)* Copenhagen: Ministry of Finance.
- Weise, H. & S. Brogaard (1997). *Aktivering af kontanthjælpsmodtagere: En evaluering af lov om kommunal aktivering*. Copenhagen: National Institute of Social Research.