

W O R K I N G P A P E R

Activating Welfare States
Scandinavian Experiences in the 1990s

Jon Kvist

Research Programme on Comparative Welfare State Research
Working Paper 7:2000



The Danish National Institute of Social Research

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Abstract

Welfare states interact with other major societal institutions, notably the labour market and the family. This paper investigates how welfare states may actively contribute to promote employment opportunities, i.e. participation in the labour market through various operations and policies. The principal operations concern in particular the (1) de-familiarisation of caring tasks through social services for children and the elderly, which in turn allows in particular women to (re-)enter the labour market, (2) de-commodification of labour through easy accessible and relative generous cash benefits providing a more flexible labour market, and (3) re-commodification of labour through conditioning of benefits and active labour market policies giving long-term unemployed and people with low skills better opportunities to participate in the labour market, whether the ordinary or in special activities. The paper spells out these operations and the actual implementation into policies in a number of European countries in the 1990s combined with a special view to recent Danish experiences.

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1. Introduction

During the 1980s it was widely discussed whether Europe's economic problems was caused by its generous welfare states. At the time, extensive social protection programmes were seen as the main reason why Europe did not replicate the US 'Job Miracle'. This wisdom was questioned at the start of the 1990s. Many empirical studies showed that there was no straight trade-off between social protection and economic flexibility (see, for example, Blank 1994). In this paper we will indeed argue that many welfare state programmes may foster - rather than hamper - economic flexibility.

European welfare states today are facing major challenges: globalisation, europeanization, ageing populations, dependency burdens, changing needs and social risks (see, for example, Ferrara, Hemerijk & Rhodes 2000, Leibfried & Pierson 1995, OECD 1998, Blöndahl & Pearson 1995, and, Esping-Andersen 1999). Despite their different nature such challenges are often said to be particular acute for two population groups, women and the less skilled, as they compared to other socio-economic groups are more likely to suffer from precarious jobs exposed to international low wage competition, cuts in public service jobs and provision, changing family patterns, and modest employment and income protection, if any.

For some observers these challenges represent irresistible pressures on the welfare state, and - echoing older functionalist arguments from neo-marxists (O'Connor 1973, Gough 1979, and, Offe 1984) and logic of industrialism proponents (e.g. Wilensky 1975) - they tend to argue that current types of welfare states will not make it far into the 21st century. Often they argue that these pressures will lead to a convergence of welfare states, often portrayed as a 'race to the bottom'. It goes without saying that it is primarily countries such as the Scandinavian with extensive and generous types of welfare states that are portrayed as having the greatest difficulties and thus the largest potential for qualitative change.

At the same time, policy makers vehemently reject such apocalyptic prophecies. Throughout Europe government responses to current challenges seem universal. More and better work is the mantra of European political leaders. More people in work is the recipe to cure the current diagnosis of fiercer competition, budget constraints, and withering social cohesion and inclusion. For example, the strategic goal for the EU in the next decade as set out at the Summit in Lisbon 2000 is "to become the most competitive and dynamic knowledge-based economy capable of sustainable

economic growth with more and better jobs and greater social cohesion” (EU 2000). One target is ”to raise the employment rate as close as possible to 70% by 2010” (EU 2000). One of the main questions today is therefore whether the functionalist prophecies are likely to come through or whether policy makers can make a difference through proactive policies to secure more people employment and thereby also make welfare states economically sustainable.

As mentioned women and the less skilled are generally among the groups perceived as the ones in the greatest danger of loosing out. This may be for good reasons. Table 1 below describes the labour force participation rate of men and women by their educational attainment. It shows that the labour force participation rate rise with educational level in nearly all European countries, both among men and even more so among women. What is more, the gender gap in labour force participation decreases with increasing educational attainment.

Table 1.
Labour force participation rates by level of educational attainment and gender for persons aged 25-64, 1998

Educational level (1-4)	Men					Women				
	1.	2.	3.	4.	All levels	1.	2.	3.	4.	All levels
<i>Nordic countries</i>										
Denmark	77	86	92	95	86	56	79	87	96	76
Finland	69	86	88	92	81	60	78	85	89	75
Norway	79	91	96	93	90	61	81	93	90	80
Sweden	80	89	88	93	87	67	83	86	92	81
<i>Average</i>	<i>76</i>	<i>88</i>	<i>91</i>	<i>93</i>	<i>86</i>	<i>61</i>	<i>80</i>	<i>88</i>	<i>92</i>	<i>78</i>
<i>Continental Europe</i>										
Austria	72	86	89	93	84	48	68	81	85	63
Belgium	70	87	91	92	81	40	68	81	85	59
France	77	89	93	91	85	57	76	83	83	69
Germany	77	84	93	88	85	46	69	81	83	66
Netherlands	78	88	..	91	86	44	70	..	82	62
<i>Average</i>	<i>75</i>	<i>87</i>	<i>92</i>	<i>91</i>	<i>84</i>	<i>47</i>	<i>70</i>	<i>82</i>	<i>84</i>	<i>64</i>
<i>Ireland and UK</i>										
Ireland	81	92	93	95	87	38	63	81	80	55
UK	68	88	91	93	86	52	76	85	87	73
<i>Average</i>	<i>75</i>	<i>90</i>	<i>92</i>	<i>94</i>	<i>87</i>	<i>45</i>	<i>70</i>	<i>83</i>	<i>84</i>	<i>64</i>
<i>Southern Europe</i>										
Greece	84	89	88	91	87	40	54	79	83	50
Italy	74	86	..	91	80	33	64	..	81	47
Portugal	90	87	89	96	90	69	80	83	93	72
Spain	82	91	95	92	86	39	68	78	85	51
<i>Average</i>	<i>83</i>	<i>88</i>	<i>91</i>	<i>93</i>	<i>86</i>	<i>45</i>	<i>67</i>	<i>80</i>	<i>86</i>	<i>55</i>

Source: OECD (2000).

Notes: Educational levels: 1. denotes below upper secondary education (ISCED 0/1/2), 2. denotes upper secondary and post-secondary non-tertiary education (ISCED 3 (A/B/C)/4), 3. denotes tertiary-type B (ISCED 5B), 4. denotes tertiary-type A and advanced research programmes (ISCED 5A/6).

For policy makers the lessons are clear. The greatest potential to increase employment and labour force participation in most countries is to facilitate women's and less-skilled's entry into the labour market and into work. Hence, the aim of this paper is to look at welfare state capacities to help these two groups into employment. Focus will primarily be on the Nordic countries as they are known of being heavy on services and active labour market policies, both policy measures supposed to be advantageous for women and less skilled. In contrast other west European countries play a greater emphasis on cash transfers and less on services. For these reasons Scandinavian countries may have particularly interesting stories to tell with regard to women and less skilled.

On this general background, this paper addresses three basic questions. First, through which operations or mechanisms can welfare states actively contribute to bring more people into work, looking primarily on the situation of women and less skilled? Second, how are these operations being translated into policies in a number of European countries, primarily Nordic? Third, what is the recent development of these policies in the Scandinavian, and, in more detail, in Denmark?

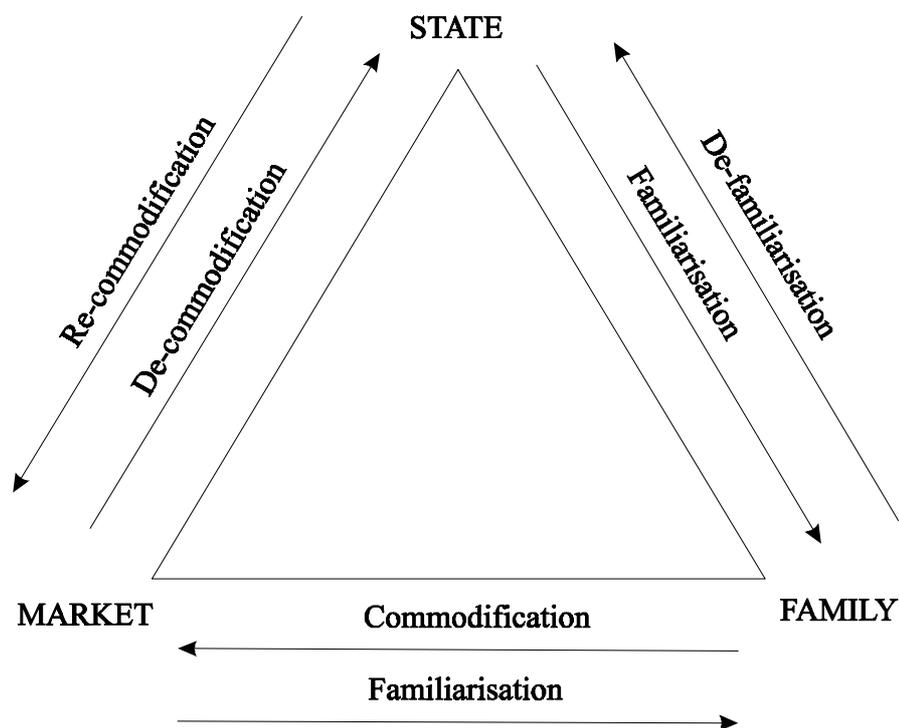
The analysis of the paper can be seen as going through a funnel. At the top we present some overall characteristics of and data on welfare state regimes in relation to the labour market. At the middle of the funnel we make use of data on social and employment policies. And at the bottom we present detailed information on such policies and their effects for Denmark only. It is hoped that this strategy will provide a way of showing some general features often missed by single case studies and some insight into the fine mechanisms of social protection and labour markets often obscured by aggregate cross-national data.

In so far as possible, six European countries are compared. Denmark, Finland, and Sweden as representing a Scandinavian model. For comparative purposes Germany and the Netherlands are included to represent a Continental European model whereas the United Kingdom represents an Anglo-Saxon model. If welfare state policies bundle together in specific cluster or welfare state regimes, we would expect (1) less variation between countries within these regimes than between countries from different regimes, and (2) that variation tend to follow these regimes types. In so far as welfare state policies do make a difference to the employment of women and less-skilled, we may also expect regime specific policy variation to be reflected at least partly by variation in employment.

The paper proceeds as follows. First, we set out some basic operations of the welfare state in relation to the labour market which help us to identify distinct type of welfare state strategies to foster full (read: more) employment. Second, these operations and strategies are coupled with their actual policies in a description of their design across countries and over time. Third, as activation is a, if not the, key issue in most countries we look in more detail as to how this objective has been pursued in recent years in Denmark and to what success. Finally, we discuss the large role of the state in the Scandinavian countries when trying to secure objectives of full employment, its drawbacks and advantages, and the extent to which it may be an inspiration for other countries.

2. Welfare state regimes and operations in relation to the labour market

In very broad terms we may distinguish between three operations that welfare states can undertake to actively contribute to more employment, particular for women and less skilled. First, welfare states may take on caring tasks from the family thereby letting women with such tasks enter the labour market more freely compared to a situation with no state provision of caring tasks. We will call this operation the de-familiarisation potential of the welfare state (see, Esping-Andersen 1999, O'Connor et al. 1999). Second, welfare states may support the flexibility of the labour market by providing easy accessible and relatively generous benefits for persons in shorter periods between employment. We will denote this operation the de-commodification potential of the welfare state (see, Esping-Andersen 1990). Finally, welfare states may actively try to promote employment by providing various types of labour market policies for those unlikely to succeed by themselves. We will call this operation the re-commodification potential of the welfare state. Figure 1 below graphically shows these three and other operations linking the three institutions of the state, the market and the family.



De-familiarisation may increase, in particular, women's labour market experiences, as they can opt more freely for the labour market than if the welfare state does not contribute towards de-familiarisation of caring tasks. In this way de-familiarisation indirectly help women to become commodified.

State subsidised familiarisation may in the short term decrease parents' labour market experiences, notably women, but may also contribute to higher satisfaction among these women and hence more work supply in the medium perspective. (Whether parental contact or enrolment in child day care institutions may contribute positively or negatively to these children's employment prospects in the longer run is an open issue that will not be taken up in this paper, but see Christoffersen 1994, Duncan & Brooks-Gunn 1997). Maternal and parental leave schemes are among the chief policies governments enact to enhance familiarisation.

It is important to note that no one operation should be seen or examined in isolation. It is the entire system of welfare state operations and policies to carry these out taken together that potentially affect the behaviour of employers, households, women, and the unskilled. The combination of and emphasis on these six operations constitute what we will here call the particular model of welfare

state. Especially, we will distinguish between three types of welfare state models; the Nordic model, the Continental European model, and the Anglo-Saxon model (these models broadly resemble the welfare state regimes suggested by Esping-Andersen 1990, 1999, and, Titmuss 1974). Table 2 below summarises the constitutive characteristics of these three ideal typical models.

Table 2
Ideal typical welfare state models configured by their operations and policies.

Model	Operations	Policies
Scandinavian model	De-familiarisation high (state driven) familiarisation high Commodification high (market induced) familiarisation low De-commodification high Re-commodification high	Extensive child and elderly care Generous maternity and parental leave schemes Lax employment protection legislation Easy accessible and generous unemployment benefits for low income groups Tough conditions to work Active labour market policy
Continental European model	De-familiarisation low (state driven) familiarisation medium Commodification low (for women) (market induced) familiarisation De-commodification low Re-commodification low	Scarce child elderly care Available, but non-generous maternity and parental leave schemes Strict employment protection legislation Generous, but selective unemployment benefits Conditions to work dependant upon status Little active labour market policy
Anglo-Saxon model	De-familiarisation low (state driven) familiarisation low Commodification high/low (market induced) familiarisation (high/low) De-commodification low Re-commodification low	Scarce child and elderly care Little paid maternity and parental leave Lax employment protection legislation Easy accessible, but short-term and non-generous unemployment benefits Tough conditions to work Little active labour market policy

Clearly, these models should be seen as ideal types. No one country will be a mirror image of the model. However, the models should be seen as heuristic instruments helping us to identify important characteristics and as yardsticks for determining the extent to which countries are similar or different, and whether they approach one model or the other.

From Table 2 it becomes clear that it is the Scandinavian model that gives the state the largest and most active role in trying to fulfil the promise of more employment. And for this reason the Continental European and the Anglo-Saxon model and policies will be used to illustrate the distinctiveness of the Scandinavian model. The Scandinavian model is characterised by combining high degrees of de-familiarisation, de-commodification and re-commodification. This is done through a combination of extensive provision of child day care, lax employment protection

legislation, easy accessible and generous unemployment benefits with tough conditions to work backed up by active labour market policies. As the focus of this paper is on the potential of active state led policies to promote employment the remainder of this paper will provide more information on the design, take-up and experiences of such policies in relation to employment in the Nordic countries.

3. Nordic social and employment policies

This section gives some information on the Nordic countries social and employment policies in so far as they can be said to concern the de-commodification, re-commodification and de-familiarisation potential of welfare states. A full account is not possible due to the sheer magnitude of such policies and their complex impact on the labour market (but see Søndergaard 1999, Atkinson 1999). Instead, we concentrate on key attributes of a few programmes that arguably are particularly important for women and the less skilled in relation to their employment prospects; child day care (universality), social care for the elderly (extensiveness), employment protection legislation (strictness), unemployment insurance (coverage, accessibility, generosity, and work requirements), and active labour market policies (scope).

The state supported de-familiarisation and commodification potential of welfare states and the labour market – the case of child day care and social care for the elderly

In Europe, getting children is the most frequent reason why women stop their employment. More than 50% of housewives in Germany, the Netherlands and the United Kingdom state that children was the main reason they stopped work, and by far surpassing other reasons such as marriage, breach and non-renewal of contracts, and ill health (Eurostat 1997). In contrast, nearly no housewives in Denmark state children as a reason for stopping employment. Danish housewives are an endangered species as they are concentrated among the elderly segments of the labour force. Not surprisingly, this category ceased to exist in official statistics in 1984. Clearly, cultural factors play a major role in explaining such cross-national differences, although becoming a housewife is strongly correlated with the level of education in all countries (Eurostat 1997).

We may expect a similar, but perhaps not so pronounced picture with regard to caring for elderly relatives. Although not a perfect indicator, Eurostat (1997) reports the share of employed women looking after other people is twice to three times as high in the United Kingdom, Germany and the

Netherlands as in Denmark just as the intensity measured by hours per day is much higher in the former group of countries.

However, the welfare state can play an active role in facilitating women's employment opportunities whilst having small children and having elderly relatives. This can be done by way of providing families the opportunity to have their children cared for in the daytime outside the family, either through child day institutions or via various sorts of family day care schemes. Similarly it can be achieved by letting the state have the responsibility for elderly care. De-familiarisation thus describes the extent to which families do not have to have to take care of their children and elderly during working hours due to the existence of state supported schemes. In theory, a high degree of de-familiarisation in turn enables adult family members, notably women, to enter the labour market, or – to put it in the operations previously described - the commodification of women. In this section we will take a closer look at de-familiarisation policies by investigating the share of children in day care, and the extensiveness of social care for the elderly.

Unfortunately, no comparable data exist on the share of children in day care for a larger number of European countries. Nevertheless, it seems safe to say that the Nordic countries generally have more children enrolled in day care than is the case in Germany, the Netherlands, and the United Kingdom. In the latter group of countries, for example, more than 50% of women with two children or more below 5 years of age, but nearly none in Denmark, describe themselves as housewives compared to an EU average of only 6% for women without children (Eurostat 1997). Table 3 below shows the development in the share of children in day care in three Nordic countries in the 1990s.

Table 3
Children aged 0-6 years of age enrolled in child day care institutions and family day care in three countries, as percentage of age group, 1990-96.

	Age	1990	1993	1994	1995	1996
Denmark	0-2	47	50	50	46	48
	3-6	77	77	80	81	83
	0-6	64	65	67	65	67
Finland	0-2	31	16	16	18	22
	3-6	58	51	53	55	63
	0-6	44	36	37	39	46
Sweden	0-2	29	31	32	37	40
	3-6	64	63	73	74	83
	0-6	48	39	55	59	66

Sources: NOSOSKO (various years).

The share of children aged 0-2 in day care is influenced heavily by the availability and generosity of maternal and parental leave schemes as well as so-called care allowances – schemes which are all at the core of the previously described familiarisation operation of the welfare state. Such schemes were generally improved in the 1990s in Denmark, generally reduced in Sweden, whereas Finnish schemes were both improved and cut (Kvist 1999). A perhaps better measure for the de-familiarisation potential of welfare states is thus the share of children aged 3-6 in day care. From 1990 to 1996 this share grew in all three countries, most in Sweden, but after an initial setback due to municipal financing difficulties also in Finland and in Denmark. Today more than four out of five children in this age group attend day care in Denmark and Sweden, and more than three out of five in Finland. This indicates the demand for child care has almost been met in these countries, although waiting lists still exist, and thus that women to a higher degree than previously and in other countries are able to choose to enter the labour market if they can find a job.

Another important factor for women’s potential labour supply is the extent to which they are expected to take care of elderly relatives. Again, we have no reliable cross-national data on the extent of care for the elderly across the six countries. However, we may expect that the extent of social care for the elderly generally is higher in the Nordic countries than in the non-Nordic countries where the family and various NGO’s plays a larger role in the caring of elderly.

Table 4
Elderly living in service flats and institutions for elderly or receiving home help in three Nordic countries, as percentage of age group, 1990-1996.

		1990	1993	1996
Denmark	Receiving home help	24.6	22.3	22.6
	Living in institution	19.3	19.6 ¹	19.9
	Total	43.9	41.9	42.5
Finland	Receiving home help	21.4	14.2	11.5
	Living in institution	17.8 ²	17.8 ²	17.8
	Total	39.2	32.0	29.3
Sweden	Receiving home help	17.4	11.3	11.2
	Living in institution	15.4	19.0 ¹	22.6
	Total	32.8	30.3	33.8

Notes and source: NOSOSCO (various years). Elderly receiving home help are aged 65+ (in Denmark 67+ years of age). Elderly in institutions are aged 80+. Unfortunately, Information on home help based on different definitions, and thus not strictly comparable. Cross-national differences would become greater if this could be controlled for, e.g. house holds in Denmark and Finland versus individuals in the Sweden. Finnish data concerns recipients during a year compared to status accounts for the other countries. Moreover, these figures have not been converted into, for example, full-time persons, thus making them hard to compare. ¹⁾ Because of lack of data for 80+ for 1991-95, data for 1993 is the middle data point between data for 1990 and 1996. ²⁾ Because of lack of data for 1990 and 1993, data for 1996 has been used for all years.

Table 4 above shows that more than four out of ten elderly in Denmark receives social care in 1996. In Sweden the same figure is one in three and in Finland three in ten. The development from 1990 to 1996 in Denmark is stable throughout the period, whereas there has been a contraction of home help in Finland, and a shift from institutional care to home help in Sweden (for more details, see Kvist 1999). In short, the extensive care of elderly in the Nordic countries goes to show how the nature of solidarity between generations has changed. Prior to the establishment of care services for the elderly, caring was primarily a task for the family (read: women). Solidarity between generations was in this way internalised in the family. With the occurrence of elderly care schemes, generational solidarity was externalised from the family. In Scandinavia today solidarity has in this way been institutionalised by the state. Workers today show their intergenerational solidarity by supporting the current generation of elderly through employment and the payment of taxes. In return they expect future generations of workers to take care of them in a similar fashion. Other things being equal this results in higher employment, both by providing working aged women with care dependant relatives better opportunities to take up work and by the creation of job in social services, again notably for women.

A further factor contribution to women's labour supply in the Nordic countries is their large degree of individualisation in social and taxation policies (see Dex et al. 1995). For example, Danish widower's pensions were abolished in 1984 (for more on the situation in the six countries, see also, Hatland 2000). Although not directly linking up with the idea of de-familiarisation of caring tasks, there is little doubt that there is an impact of letting persons be treated as individuals rather than as part of a family unit.

In sum, the great extent of social services in the Nordic countries and the individualisation of tax/benefit systems contribute to explain their higher female employment rates compared to most other European countries.

The de-commodification potential of welfare states and flexible labour markets – the case of employment protection legislation and unemployment insurance

It has long been argued that the strive for market independence lies at the heart of labour movements and their political allies, and that its fulfilment can be associated with the Scandinavian

welfare state regime (e.g. Esping-Andersen 1990). The actuality of this quest may be doubted on a number of points, not least that it has certainly never been the mission of any labour movement to separate its members from the labour market and thereby the labour unions. In the light of the current challenges, however, another argument for a high degree of de-commodification is more compelling. Hence, for example, the Danish Social Democratic Minister of Finance, Mogens Lykketoft, argues that a flexible labour market in terms of high labour turn over can best be achieved by a combination of lax employment protection legislation and easy accessible and relatively generous cash benefits for people loosing their jobs. Lax employment protection legislation is to secure the capacity of firms to quickly adjust to new market conditions by laying off staff and the role of cash benefits in these cases is then to prevent people from experiencing major economical difficulties whilst looking for a new job.

Table 5
Indicators on employment protection legislation and unemployment insurance in six countries

	Employment protection legislation	Access to unemployment insurance	Generosity of unemployment insurance for low paid
Denmark	8	.64	80
Finland	11	.51	66
Sweden	18	.75	80
Germany	20	.42	
Netherlands	13	.28	71
United Kingdom	1	.52	26

Notes and sources:

Employment protection legislation for the late 1990s is a weighted average of indicators for regular contracts, temporary contracts and collective dismissals converted into rankings increasing with the strictness of employment protection legislation in 26 OECD countries (OECD 1999, Table 2.6).

Access to unemployment insurance in 1998 expressed by an indicator from 0 to 1 based on the coverage and allocation criteria as well as re-entitlement requirements for unemployment insurance (Kvist 2000).

Generosity of unemployment insurance for low paid is expressed by the net replacement rate of unemployment insurance for a single person earning 75% of the OECD Average Production Worker who was unemployed during the whole year in 1998 (Hansen 2000).

All Anglo-Saxon countries have lax employment protection legislation followed by Denmark, and somewhat later by Finland and the Netherlands, see Table 5. In contrast, Sweden and Germany have relatively strict employment protection legislation. Job protection is a double-edged sword. On one hand it may provide employees with a sense of security of not loosing their jobs. On the other hand, job protection may also work as a barrier for employers against taking on, in particular, low skilled workers. Employers may be discouraged from hiring people if they fear that laying off people is difficult or expensive. In effect, this may cement the position of insiders and outsiders on the labour market (Lindbeck and Snower, 1988). Thus, job protection may work to serve the interests of the

well-established in the labour market, typically middle-aged, males in stable well-paid jobs, on the expense of the not-so-established, typically young, females in precarious low paid and low skill jobs. Whereas there is no evidence that strict employment protection legislation affect overall labour market performance there may be this type of effects on the distribution of employment and unemployment (OECD 1999, p. 50). Also stricter employment protection legislation is associated with less economic flexibility in terms of lower turnover in the labour market as both jobs and unemployment spells tend to last longer (ibid, p. 50).

In any case, there are wide cross-national differences as to how employment protection combine with easy accessibly, generous unemployment benefits for low-income groups. And it is this very combination of employment and social protection that constitute the de-commodification potential of welfare states.

Despite generally stricter conditions to become eligible for unemployment insurance in the Nordic countries during the 1990s, such programmes are still today generally more easy accessible than similar programmes in Germany and the Netherlands (Clasen, Kvist & Oorshot 2000, Kvist 2000). This reflects the share of unemployed in receipt of unemployment insurance benefits. In the 1990s this share was 50-60% in Finland, 53-73% in Norway, 68-78% in Denmark, and 71-80% in Sweden (Torp 1999). By comparison, about 30-35% of the unemployed in Germany and the Netherlands receives unemployment insurance (Clasen, Kvist & Oorshot 2000). Below 20% of British unemployed receive the contribution based Job Seekers' Allowance (ibid) which may also be explained by a comparatively short benefit period. In short, this means that the role of unemployment insurance and other cash benefits, notably unemployment assistance and social assistance, in the income protection of jobless varies between countries (see also Group of Seven 1995). Unemployment insurance benefits are typically individualised, although they may have different rates for breadwinners and supplements for children, whereas unemployment and social assistance benefits are normally tested against partner's income. This has implications for work incentives and labour supply where incentives in the latter group of schemes are affected by the economic position of possible partners. Other things being equal, individualised and non-means-tested schemes have less work disincentives built into them.

Work incentives are also influenced by the generosity of benefits. In this regard, it can be argued that unemployment insurance should serve two purposes that are potentially at odds with work incentives. One is to provide insurance against temporary income loss, thus facilitating a proper job search and diminishing mismatch problems. The other purpose is to secure against relative poverty. Obviously poverty alleviation mainly affects the lower end of the income scale, and hence the situation of less skilled. The Scandinavian welfare states are often portrayed as having very generous social protection schemes, not least for the unemployed, and providing both generous insurance against income loss and poverty alleviation. This is only half-true. The misunderstanding typically occurs when official replacement rates are mistaken for real replacement rates and/or when due consideration to the existence of benefit floors and ceilings and tax systems are not made. For example the seemingly generous official replacement rate of 90% in Denmark masks the fact that only persons with incomes between 53 and 64% of an average production worker (APW) have earnings-related benefits (Hansen 2000). For the remainder of the population unemployment insurance constitute a *de facto* flat rate benefit. In comparison similar figures for the corridor - at which benefits actually do reflect previous earnings as stated by official replacement rates - goes from 36 to 87% in Sweden and from 37 to 142% in the Netherlands (the minimum level in the Netherlands indicates where the unemployment insurance benefits is topped up by social assistance). The flat-rate nature of benefits in the United Kingdom means that there is no corridor at all for single persons. Finland's corridor starts at 22%, but has got no maximum ceiling. In this way Finnish unemployment insurance presents a hybrid between the Nordic and Continental European schemes.

For these simple reasons, many Continental European countries provide just as generous benefits, if not more, for middle and high income groups as the Scandinavian countries despite having lower official replacement rates. As can be seen from Table 6, Scandinavian countries tend to provide generous benefits for low-income groups, but less generous benefits for middle and high-income groups. In comparison, Continental European countries tend to provide somewhat less generous benefits for low income groups and more generous benefits for middle and high income groups, see Table 6.

Table 6

Net replacement rate for insured single unemployed for the whole year according to former income levels in five countries, 1998.

Former income, per cent of APW	Denmark	Finland	Sweden	Germany	Netherlands	United Kingdom
75	80	66	80	59	71	26
100	63	60	70	58	71	20
150	46	50	52	58	69	14
175	41	48	46	55	60	12
200	37	45	41	49	54	10

Source: Hansen (2000).

Note: APW denotes the income of an Average Production Worker. Net replacement rates express the benefits' share of previous earnings after taxes.

Table 6 shows us two important things. First, national unemployment insurance schemes and their effects cannot be generalised according to an estimate based on only one point in the income distribution. Moreover, replacement rates may vary according to different family situations and over time. To take an average of different replacement rates as is commonly done by, for example, the OECD (e.g. Scarpetta 1996) just adds further confusion to cross-country analysis as no such average recipients exist in reality. Rather one should appreciate the way that national schemes create different opportunities and incentive problems for the heterogeneous population of unemployed (see also Grimshaw & Rubery 1997, and, Kvist 1998). Second, in relation to this later point we can see that replacement rates decrease most rapidly with rising previous income in Denmark and Sweden. These two countries also have the largest replacement rates for the low-income group (defined at 75% of APW). Finland and the Netherlands have smaller replacement rates for the low-income group and more stable replacement rates over the income distribution. The United Kingdom forms a group of its own with low replacement rates for all income groups, although the inclusion of housing allowance would result in a higher rate for low income groups than depicted here. In short, the Nordic countries have the potentially largest work disincentives for low-income groups, but less insurance against income loss for middle and higher income groups than the non-Nordic countries, except the United Kingdom.

On this basis one may argue that the Nordic countries may have latent problems of work incentives for low income groups, but not enough insurance against income loss for higher income groups to facilitate proper job search. However, as unemployment is disproportionately falling on the shoulders of low-income, i.e. less skilled, the latter may not be a major problem. Moreover, this problem is further reduced to the extent that families consist of two earners which is today the norm

in Scandinavia. At the same time, work incentives may be less of a problem in Germany and the Netherlands, but their potential problem may rest with medium and higher income groups.

Importantly, however, work incentives and the facilitation of job search is not only influenced by the level of benefits, but also the duration of benefits and conditions imposed upon claimants, a point we will return to in the next section. To sum up, we find that Denmark comes closest to the combination of lax employment protection legislation (actually the most lax country which are not Anglo-Saxon among the OECD countries) with easy accessible, generous unemployment insurance benefits. Finland also approaches this model. In contrast, Sweden appears to have tougher employment protection surpassing the Netherlands and close to Germany, although Sweden has the most easy accessible unemployment scheme of all six countries. The United Kingdom forms a group of its own by combining the most lax employment protection legislation with more or less accessible unemployment benefits, that are not generous. Clearly, there are marked differences between the countries in their de-commodifying potential. In the representative for the Anglo-Saxon model, United Kingdom, market forces and hence a low degree of de-commodification are seen as the most desirable and efficient way of clearing labour markets and fostering economic growth. In Germany, and less so in the Netherlands, insiders in the labour market are well covered through strict employment protection legislation and generous benefits, but outsiders face second-class social and employment protection. Finally, in the Scandinavian model, as represented most clearly by Denmark, employment protection is low, but combined with a generous social safety net for low-income groups.

The re-commodification potential of welfare states and the labour market – the case of conditioning benefits and active labour market policies

Conditions attached to benefit receipt can be seen as a way of linking welfare with work. This is even more so the case if cash benefits are linked to active labour market policies. At least when such policies aim to help jobless (back) into the labour market and/or provide meaningful activities. In other words, conditions and activation offers must be of a certain quality, a helping hand and not merely an instrument to policy moral hazard which is dominant in the liberal approach to workfare (see also Standing 1990, Gilbert 1992). The combination of work requirements and such active labour market policies gives the re-commodification potential of welfare states and is seen as constitutive of the Scandinavian model set out earlier. In this section we will look at how the

conditioning of benefits and activation offers aim to target relatively generous benefits to the needy and, most important, upgrade unemployed' qualifications.

Eliminating work disincentives is at the core of employment policies. In this regard, the conditioning of benefits upon work is the Scandinavian model's functional equivalent of the Anglo-Saxon model's reduction of benefit generosity and the Continental European models' restrictions on benefit access. Relatively generous benefits in the Scandinavian model for low-income groups are thus circumscribed by tough work conditions in order to combat unemployment traps and benefit dependency. In this way activation stimulate the unemployed to seek and get work.

However, activation offers also aims to endow participants with more qualifications, albeit occupational qualification such as computer skills, general qualifications such as literacy and language skills, and personal qualifications such as increased self-esteem. Here the conditioning of benefits on activation aims to secure people against marginalisation, against entrapment on benefits or in precarious jobs.

Unemployment benefits rarely come with 'no strings attached'. To be eligible for unemployment insurance benefits all six countries require persons to be available for and to seek employment, and to accept suitable work – the ILO criteria for being unemployed. However, there are marked cross-national differences in the formulation and implementation of these conditions, and administrative routines may also differ substantially within a single country across regions and branches and over time with economic fluctuations and administrative fashions (see also Clasen, Kvist, & Oorshot 2000, Kvist 1998). Here we will focus on formal rules only that are most directly linking benefits with work and activation programmes, that is the requirement to accept suitable work. 'Suitable work' refers to different mobility requirements on behalf of the claimants such as wage mobility, geographical mobility, and occupational mobility. Additionally conditions might be the willingness to participate in 'suitable' activation offers. As mentioned earlier we expect the Nordic countries to be quite prescriptive regarding conditions to work and training imposed on beneficiaries compared to the situation in other countries.

In principle, all six countries expect that unemployment beneficiaries accept offers of 'suitable' activation offers. However, there seem to be some distinctive cross-national differences with regard

to the requirements of geographical and occupational mobility. Sweden demands full geographical mobility at the onset of unemployment. This is not the case in Denmark. In the United Kingdom there is no full geographical mobility, but after 13 weeks of unemployment, there is full wage mobility and no restrictions on the type of occupation. Conditions are less prescriptive in Germany, but vary between different groups of unemployed, influenced by the type of benefit received and individual circumstances. In the Netherlands suitability of work and activation offers depends on level of education, former job and wage, as well as on unemployment duration. After 1.5 year of unemployment all work is regarded suitable for all unemployed.

In sum, we can distinguish between three ways of imposing conditions. In the Nordic countries, there is generally more emphasis on geographical and occupational mobility than in the Netherlands and Germany. However, the Nordic countries do not, at least initially, place the same emphasis on wage mobility as in these countries and, in particular, the United Kingdom. Germany and the Netherlands have a 'moving' interpretation of obligations where the different types of mobility requirements become stricter as benefit receipt prolongs.

As mentioned earlier we expect great cross-national differences as to the number of unemployed actually being offered activation offers with more participants countries resembling the Scandinavian model than in countries approaching the Continental European and Anglo-Saxon models. This is partially reflected by the crude indicator provided by the OECD on the share of the labour force entering labour market programmes, i.e. labour market training, youth measures, and subsidised employment. This share amounts to 16.6% in Denmark (1995), 12.2% in Finland (1997), 12.4% in Sweden (1997), 3.2% in Germany (1997), 14.1% in the Netherlands (1997), and 2.2% in the United Kingdom (1996-97) (OECD 1999, Table J).

The Netherlands deviates from the expected pattern due to a recent dramatic increase in the use of subsidies to regular employment going from 0.4 to 11.2% of the labour force from 1995 to 1996 (see also Hartog 1999). Whereas this does represent a qualitative shift in Dutch employment policies, the Dutch reliance on wage subsidies still makes it stand apart from the Scandinavian countries where labour market training play a larger role (on the Dutch development see also Oorshot and Englefriet 1999).

Inflows say something about the general use of activation, but cross-national differences may also be a function of, for example, the length of activation offers (although we may expect that the Nordic countries generally make more use of activation than the other three countries, at least when focusing on labour market training and youth measures. Ideally we would therefore also like comparable data on the average share of people in activation offers or at some point in time. Unfortunately, such data does not exist for the six countries in this study, but Table 7 below provides information for the Nordic countries in the 1990s.

Table 7
Participants in activate labour market measures in three countries, share of labour force and share of unemployed, 1990-1998.

		1990	1991	1992	1993	1994	1995	1996	1997	1998
Denmark	Share of labour force	..	..	2.4	2.4	2.1	2.0	2.0	2.1	2.1
	Share of unemployed	..	..	.20	.18	.15	.18	.22	.25	.31
Finland	Share of labour force	1.8	2.3	3.1	3.4	3.8	3.9	4.3	4.4	..
	Share of unemployed	.34	.24	.20	.16	.17	.18	.20	.22	..
Sweden	Share of labour force	1.3	2.2	3.7	4.4	5.5	4.6	4.7	4.5	4.1
	Share of unemployed	.46	.42	.35	.30	.35	.31	.33	.34	.38

Sources: Denmark (based on the DREAM database and kindly provided by Jørn H. Rasmussen, Dfa, labour force and unemployment figures from Danmarks Statistik 1999). Danish figures information concerns only insured unemployed, including social assistance claimants in activation would increase rates considerably. Finland and Sweden (Torp 1999). Finnish figures include participants in schemes for handicapped.

Table 7 gives information on the share of participants in the labour force and in total unemployment. The first measures the scope of activation, the second the intensity of such policies. The scope of Swedish and Finnish activation rises with increasing unemployment during the first half of the 1990s from around 1.5 to 4-5% of the labour force. Then it declines slightly in Sweden, and increases slightly in Finland. In contrast, the scope of activation remains rather stable in Denmark after the introduction of the labour market reform in 1994 at a time when unemployment decreases. This is also reflected in a growing share of insured unemployed being activated in the latter half of the 1990s, i.e. a doubling from 0.15 in 1994 to 0.31 in 1998. (Adding social assistance claimants in activation would increase rates considerably). Rising levels of unemployment in the first years of the 1990s results in decreased intensity of activation in Finland and Sweden, i.e. the share of unemployed in activation drops in Finland from 0.34 in 1990 to 0.16 in 1993, and in Sweden from 0.46 in 1990 to 0.30. Then the rate picks up again in both countries to a level of 0.22 in Finland (1997) and 0.38 in Sweden (1998). When adding social assistants claimants in activation in Denmark, this would mean that today around four of ten unemployed in both Sweden and Denmark are in activation at any one time, and about one in five in Finland. There is thus no sign

that the Scandinavian countries are giving up their activation line, quite on the contrary activation seem to be given a new momentum at the threshold of the new century. Hence re-commodification can still be seen as an integral part of the Scandinavian welfare state. However, it is difficult from such aggregate evidence on the scope of activation to say anything about the goals, quality and efficiency of activation measures and the operation of re-commodification. The next section, therefore, explore such issues in more detail by looking at one country only, Denmark. Denmark has been selected for further examination as its social and employment policies has recently undergone true changes that has attracted attention outside its national borders (e.g. Walters 1997, Cox 1998, Etherington 1998).

4. Danish policies and experiences

Historically, Denmark has suffered from high, persistent unemployment compared to the other Nordic countries. In the 1970s policy-makers responded with Keynesian type of policy measures whereas monetarian type of thinking gained prominence in the 1980s. In both decades, however, changes in social and employment policies were remarkably alike. Unemployment insurance benefits were generally expanded to cover more groups, including self-employed, and to cover unemployed for longer periods, but contracted through reduced benefit generosity by freezing benefit ceilings. The primary way of expanding *de facto* benefit periods was to let participation in activation count as ordinary work towards qualification for a new benefit period.

To put it crude, the role of Danish social and employment policies in the 1970s and 1980s was primarily to insure unemployment insurance recipients against the loss of benefits by letting them re-qualify for unemployment insurance benefit through participation in various job and training offers. Some commentators argued that the practice of this system amounted to a ‘citizen’s wage’ (Goul Andersen 1996), others that it was not a job generator, but a benefit carousel (Langager 1992). Hence, the labour market reform in 1994 signalled a qualitative shift in social and employment policies. The stipulation of a seven year maximum benefit period, including time spent in activation offers, was not only an incremental step and an end to a virtual infinite benefit period for a small number of people, but represented a revolutionary change in policy thinking. It was accompanied by the so-called ‘active line’ implying a shift from passive to active cash benefits for unemployed and the decentralisation of policy from central to the county level involving the social partners (for more on the Danish labour market reform see Arbejdsministeriet 1999, Madsen 1999,

Winter, Haahr & Ørberg 1995). In this section we will look more into the goals, policies and effects of recent changes to policies for insured unemployed in Denmark.

Policy objectives

The main objective of recent Danish labour market policy has been to reduce the structural rate of unemployment without lowering benefits. Linking unemployment insurance benefits with activation has been the chief policy and encapsulated the so-called 'active line'. In the light of lax employment protection legislation and generous benefits for low-income groups the aim has also been "to increase unemployed' incentives to quickly look for ordinary work and to test their availability for work. At the same time it is securing that long-term unemployed are given further qualifications in periods where they cannot find ordinary employment" (Arbejdsministeriet 2000, pp. 21-22). In broad terms activation policies may be said to serve two different set of objectives and target groups:

1. Short-term unemployed who are offered courses, education and so on to counter bottle necks in the labour market and to improve the individuals' qualifications.
2. Long-term unemployed where the activation measures are broader and long-term in nature encompassing also measures to improve the well-being and self-perception of the individuals.

The labour market reform reflects a new way of thinking about the welfare state and employment in Denmark. During the late 1970s and 1980s it became common to say that there was a widespread belief that there was not enough jobs to everybody (Bonke 1983). Sharing jobs and 'protecting' the unemployed was widely seen as answers to the problem of unemployment. Many policy measures such as the early retirement scheme (*esterløn*) of 1979 and later early retirement and leave-of-absence schemes intended to distribute employment from the 'work rich' to the 'work poor'. However, all evaluations have shown little or no effects of such programmes (see, for example, Mærkedahl, Rosdahl & Thaulow 1992, Andersen, Appeldorn & Weise 1996, and, Pedersen 1996). This is part of the reason why policy-makers made a U-turn in the early 1990s. Since then activation is no longer an offer for claimants of unemployment insurance, but an obligation claimants have to accept to remain entitled to benefits and an obligation for authorities to offer. The idea of distributing employment and unemployment has been given up. Instead it is generally believed that social and employment policies may contribute to lowering the structural rate of unemployment,

and, diminishing not only the economical, but also the social costs of unemployment. This belief is shared by all major political parties. Only three radical parties are not behind the ‘active line’, on the political left, *Enhedslisten*, see activation as enforced labour, and on the political right, *Fremskridtspartiet* and *Dansk Folkeparti*, sees it as too expensive. The social partners and the interest organisation for social workers are also generally behind the ‘active line’. Even in Denmark it is rare to find this type of consensus behind policies.

Main elements of the labour market reform and subsequent revisions

Before 1994 activation was also widespread in Denmark. Claimants had the right to participate in an activation offer before their benefit period expired. Hence it is not the existence of activation that is new in the Danish context. What is new is the obligation imposed upon claimants and authorities on, respectively, taking up and offering activation. The principal interaction between social and employment policies have in this way changed, and many less fundamental changes have been taken place during the 1990s, see Table 8 below.

Table 8

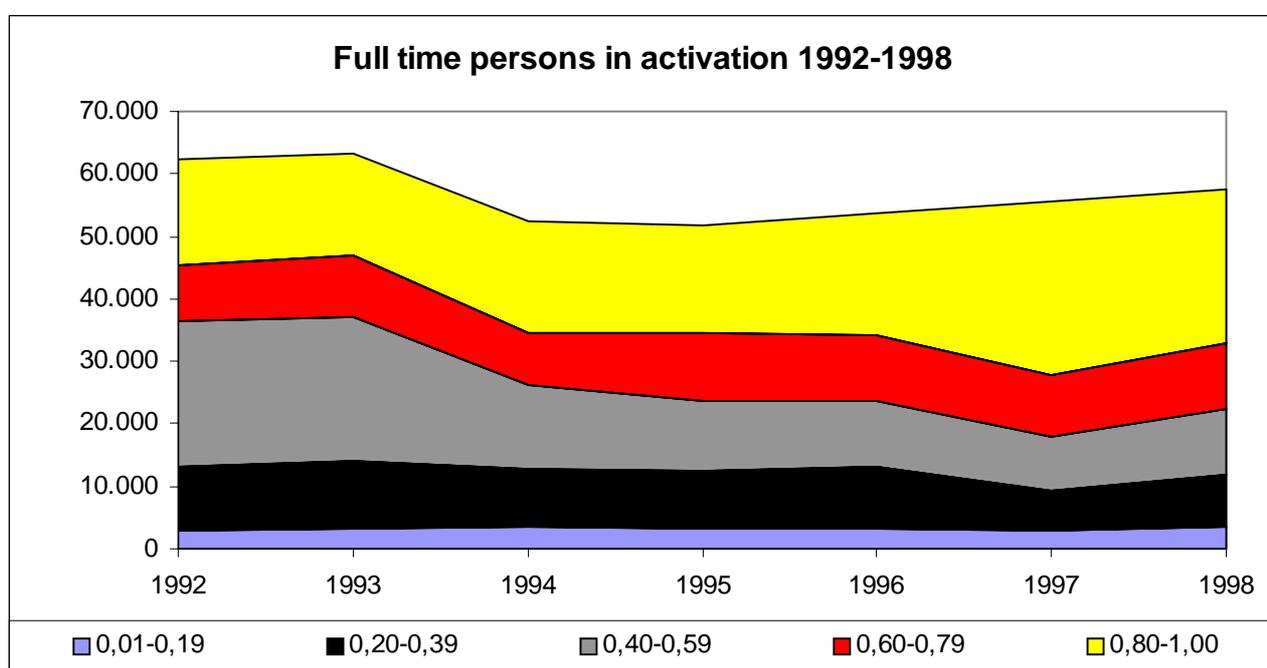
Features of the labour market reform and subsequent changes, 1994-2000.

	Unemployment insurance (UI)	Activation measures (AM)
1994 <i>Labour market reform</i>	Stipulation of 7 year maximum period Re-qualification to UI through participation abolished UI benefit period divided into two: First period four years long and is the so-called contact period Second period lasts 3 years and starts after 4 years and is the so-called active period where the unemployed has both the right and the obligation to participate in AM	Individual action plans introduced Decentralisation of AM to regional authorities consisting of social partners and local authorities Regional authorities obliged to provide AM for unemployed in their active period Early activation for vulnerable groups Measures to prevent bottle-necks
1995-98 <i>Budget Deals (1995, 1996, 1997, and 1998)</i>	Right and obligation to AM during the whole of the active period (1995) Gradual shortening of UI period to 5 years (1996) Right and obligation to full-time AM after 2 years Young people under 25 years of age right and obligation to full-time AM after six months	Adult apprenticeship schemes introduced (1997) Introduction of special IT schemes for people with long-term education (1998)
1999 <i>Budget 1999</i>	Right and obligation to AM after 1 year Measures for young also to include persons with vocational education Special availability criteria for persons aged 50-59 limited to persons 55-59 years of age	Adult apprenticeship extended from 2,000 to 5,000 places Quicker identification of vulnerable groups Education programmes further targeted and education exceeding 6 weeks to be cleared by AM authorities Registration as unemployed at labour market exchange from first day of unemployment and registration of details earlier More measures for people with lacking language capabilities
2000 <i>Budget 2000</i>	Right and obligation to supplementary AM for people with 25 hours of ordinary work limited to 20 hours of work	Service jobs for unemployed over 48 years of age with more than 6 month of unemployment and people on early retirement scheme (<i>overgangsydelse</i>) Public job training and sheltered jobs merged Labour apprenticeships (combination of AM with periods at work)

The development since 1994 can be summarised as a shortening of maximum benefit periods from seven to 4 years, advancement of the start of the activation period from four years into the unemployment spell to now 1 year (for youth and some vulnerable groups even earlier). With regard to activation measures regional authorities with representatives of social partners and local authorities have been given wide discretion to plan initiatives according to local needs and custom, schemes have been lengthened, the drawing and follow up on individual action plans have been

strengthened, the scope of measures have been expanded, new schemes have been introduced, and more efforts made to identify special vulnerable groups and their needs.

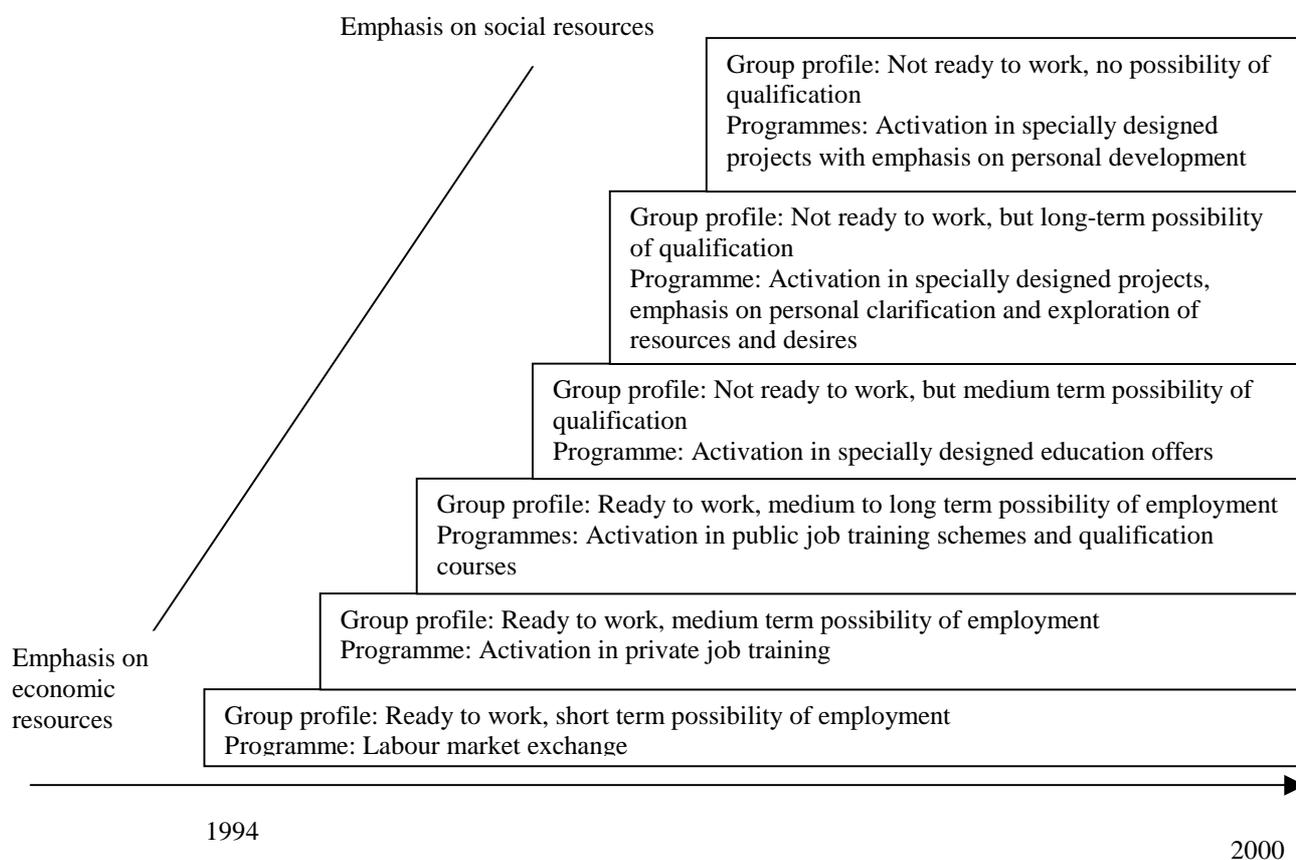
On this background, the intensity of activation has increased throughout the 1990s. This partly reflects a decreasing number of unemployed, and, partly, that a growing share of participants in activation are activated for longer periods during a year. Figure 2 below shows that the share of people activated for more than 80% of a year has increased since the introduction of the reform in 1994.



Notes and sources: Activation intensity indicates the period during a year that persons are in activation (information based on DREAM and kindly provided by Jørn H. Rasmussen, Dfa).

In short, Danish activation measures in the 1990s is characterised by being used for still more people in an increasing number of situations and still earlier in the unemployment spell for longer and longer periods. In tandem the goal of activation has become increasingly broad. From first being merely concentrating on economic questions of deterring able-bodied from benefit take-up and up or re-skilling people to avoid mismatch and bottlenecks, the questions are now also of a more social nature. That is longer term investments in human resources and the general lifting of life quality for jobless people through activation in a broad sense of the word, not only encompassing traditional work and education programmes, but also programmes aiming at securing

Figure 3: The activation ladder in Denmark, 1994-2000.



better self-worth, meaning of life and so on. Together with the decentralisation of the planning of policies and individual action plans, this constitute a true revolution of Danish policies for unemployed away from a social liberal type of compensatory, passive income support towards a social interventionist approach of preventive and rehabilitative, activation offers.

The broadening of policy objectives and policies is reflected in Figure 3 which builds on a sketch that originally drawn up by Copenhagen Municipality to aid their visitation of clients. Figure 3 shows the diversification of current activation efforts spanning from the mobilisation of economic to social resources. Obviously, the higher on the ladder the more (re-)entering employment becomes a goal of the individual action plan. In 1998 activation also became an integral part of the social assistance scheme in Denmark. Although not the direct topic of this paper the activation of social assistance recipients has meant a major increase of people and programmes on the first part of the activation ladder. For example, in the third quarter of 1999 an average of 28,549 social assistance

claimants were activated compared to 48,718 claimants of unemployment insurance (Danmarks Statistik 2000). The 1998 activation law for social assistance recipients gives further impetus to the changing nature of Danish social policies towards the social interventionist and social investment approach outlined above. However, efforts to extend the activation line to disability pensioners stranded through a reform of the disability reform is currently at a standstill.

The prospective for including more groups by the activation line in Denmark is probably bleak. There is evidence that the activation of insured unemployed (unemployment insurance claimants) and non-insured unemployed (social assistance claimants) cannot go much further. Instead efforts are being made at changing the type of activation offers. One of the schemes introduced in 2000 is particularly innovative in the Danish context. In the labour training scheme (*arbejdspraktik*) participants starts a training programme with an employer for a shorter period during which the employers helps to identify the individual' need for further training, education and so forth. Then the participants circulate between training and work at the employer and courses outside the place of employment. This signals a new way of involving individual employers directly in the planning and implementation of activation programmes where the hope is that the closer link between participants and employers and the identification of specific needs will increase the effectiveness of schemes.

Effects of activation measures

The main question on the use of activation measures is whether they work or not. Do activation measures help people into work and/or increase their well-being, or, are they merely instruments of social control and parking slots for participants? There are numerous way of evaluating such questions. Here we will briefly look at the effects of activation in terms of getting people off unemployment insurance benefits and at what has happened to the group of marginalised from the labour market.

Different types of activation measures have different results. As was shown earlier the activation measures spans over a wide range of measures, and many studies have shown that the effect of these measures varies considerably (see, for example, Madsen 1999, Arbejdsministeriet 2000). However, due to limits of space we will only report on the general effects of activation measures (but see Langager 1997, Bach 1997, Larsen & Langager 1998, Madsen 1998, Nordisk Ministerråd

1999, Arbejdsministeriet 2000). Broadly speaking, we may distinguish between three types of activation effects (Arbejdsministeriet 2000):

1. *Motivation effects* relate to people's job search just before they get entitled and obliged to participate in activation measures, and in less political correct terms it may therefore be called the deterrence effect. It is measured by the number of people leaving the unemployment insurance system just before they are transferred to the active period.
2. *Qualification effects* measure the effect of having participated in an activation scheme. The effect is measured some time after having completed an activation offer.
3. *Benefit effects* describe that people's job search is reduced while participating in activation offers because the participant does not apply for jobs as much as before and after and/or because the labour market exchange does not forward job offers to the same extent as otherwise.

Obviously, the motivation and qualification effects have to more than cancel out the benefit effect before we may deem activation measures to be effective.

Generally speaking, most studies show that the motivation effect is considerable, and that the advancement of the active period has proved effective. Moreover, the effect has been shown to decrease with age (Arbejdsministeriet 2000). In other words, an important element of the activation strategy has been not only to help people through giving them more qualifications, but also to prevent longer spells of unemployment for persons who can get jobs by themselves.

The qualification effect of activation measures is more difficult to measure. Here it is also important to note the wide differences between various types of activation measures. Broadly speaking, private job training has shown greater effects than public job training and education which are the two main types of activation measures (Langager 1997, Arbejdsministeriet 2000). Educational leave and education whilst on unemployment insurance show the least effects. Generally activation measures show more than double the effect for people aged 25-49 than for people aged 50-59.

The benefit effect is greatest for people who are activated early in their unemployment spell and for people with high skills as measured by length of education. For these groups there are considerable dead-weight effects of early activation as they are likely to have found work by themselves. Also

for the group of less skilled there are certain benefit effects, but generally these are more than balanced out by qualification effects (Arbejdsministeriet 2000).

One can also look at whether the group of marginalised people has become smaller since the implementation of the labour market reform. Marginalised are here defined as persons who more than 80% of the time over a three year period have been on unemployment insurance, activation measures or on educational leave from unemployment (for this and other marginalisation measures see Ingerslev & Pedersen 1994, Arbejdsministeriet 2000). Measured in this way the group of marginalised fell by 56.3% from the end of 1994 to the end of 1999. Ultimo 1999, 55,800 were marginalised of which 9,500 persons qualified on the basis of unemployment alone, 33,300 by a combination of unemployment and activation, and 13,000 by a combination of unemployment, activation and educational leave.

Looking at what happens to those who leave the group of marginalised provides another perspective. For example, of the ones who left the group of marginalised in 1996 we find that 38% are in employment (this and subsequent information on marginalisation based on DREAM database and kindly provided by Dfa). Another 15.3% are unemployed (8.9%) or in activation (6.4%). The remaining 46.7% have retired from the labour market either permanently (36.1%) by death, migration or on benefits for disability, old age and early retirement, or temporarily (10.6%) on social assistance, leave schemes, or sickness and maternity benefits.

Hence, if we define the group of marginalised from the labour market to also encompass other groups of people than people on unemployment insurance and in activation schemes, the picture is not so rosy. In particular the group of people on social assistance and in municipal activation is very stable, if not rising, throughout the 1990s. Including such groups and other groups we find that the number of marginalised amount to 152,350 people at the end of 1999 - 96,550 more than using the narrower definition presented above – slightly decreasing since 1994, mainly because of reduced numbers of persons on parental leave and sickness benefits.

In sum, the number of marginalised has dropped mainly because of favourable economical conditions and the qualitative shift in social and employment policies. At the same time, however, the number of heavily marginalised on social assistance has not decreased, primarily because

unemployment is not their only problem. Hence, whereas re-commodification via the conditioning of benefits and activation measures may help large groups in the population into work or in providing them with more well-being it is not a panacea for all social ills or a ‘tide that can lift all boats’.

5. Concluding remarks

What can be learned from the Scandinavian experiences? The main premise is that access to paid work is the best guarantee against poverty, marginalisation, and exclusion, and a way of securing an economically, sustainable welfare state. In the Nordic countries the state plays an active role in serving this goal through three main state operations:

1. De-familiarisation of caring tasks through extensive social services for children and elderly that contribute to maximise mothers’ ability to enter paid employment by enabling mother’s to more easily opt out of caring responsibilities during the day time and by the creation of jobs in social services. De-familiarisation thus encapsulates an especially interesting employment scenario for less skilled females.
2. Re-commodification of unemployed via extensive and individually tailored employment programmes aims to guarantee against lifetime entrapment on benefits and precarious jobs. As unemployment falls disproportionately on less skilled, re-commodification has its greatest employment potential for this group.
3. De-commodification of labour via lax employment protection coupled with easy accessible and relative generous benefits aims to secure people during interruptions of employment. De-commodification together with re-commodification thus may help towards lowering the structural rate of unemployment by creating a more flexible labour market and securing a more egalitarian distribution of employment and unemployment risks.

Some of these policies were not originally intended or designed to promote employment. Most notably de-familiarisation of caring tasks was largely motivated by the aim to secure gender equality from the 1960s throughout the 1990s. Nevertheless, an important by product has been that women, including single mothers, have now wide access to gainful employment because they can reconcile employment with children and because of the creation of many jobs in the social services.

Dominant cultural values together with the inertia inherent in existing policies provide barriers for the import of such policies to non-Nordic countries. Moreover, financial strain may also render the

possibilities of whole sale imports unfeasible. For example, it seems unlikely that European governments in financial distress are likely to greatly expand their social services. Politically it is easier to introduce and expand programmes in times when everybody is gaining, than at times when priorities have to be made and thus conflicts occur. Hence, if non-Nordic policy makers may want to change policies towards more Scandinavian style of policies they may enter troubled water.

To the extent that policy-makers still want to embark on such policies they may want to consider the lessons which can be drawn from the experiences from the qualitative shift in Danish social and employment policies during the 1990s. Besides the positive effects on employment and an increase in participant's self-reported well-being, another lesson is the need to create a common vision for policies, or – in less ambitious terms – a common understanding of the problems at hand and how to start tackling them. In the Danish case, the failing policies and increasing number of people becoming marginalised in the 1980s showed policy-makers and professionals, that is was no longer enough or desirable to merely compensate 'losers' in the labour market with cash benefits. Instead it became increasingly recognised that the state had to take on an active role in order to minimise the human and economical costs associated with unemployment in the longer run. The state became obliged trying to prevent and combat marginalisation through benefits in kind, that is social services and labour policies. The broad consensus among political parties, social partners, street-level bureaucrats, and individual participants on the desirability of such a shift in policy bears witness to the existence of such a common understanding. Whether it is possible to establish a common understanding for the need and type of policy change in non-Nordic countries is beyond the scope of this paper to consider, although the current work line in the Netherlands and the New Deal in Britain may signal important similarities.

Countries approximating the Continental European model may consider change their priorities away from cash benefits and towards more reliance on service benefits. This can help both women and less skilled by creating new jobs and enabling notably mothers and less skilled to enter or remain in the labour market.

In the light of the current apocalyptic prophecies of globalisation, europeanisation and so forth recent Scandinavian experiences also provide an interesting case. Despite dramatic economic turmoil and skyrocketing unemployment in Sweden and especially Finland, this did not result in

correspondingly high levels of inequality or exclusion (Gustafsson et al. 1999, Fritzell 2000). Indeed, it may be argued their welfare state kept large segments of the population ready to re-enter the labour market in the economic upturn towards the end of the decade. Second, this shows that the Scandinavian model is sustainable in adverse economic situations (as does the twenty years of high, persistent unemployment in Denmark during the 1970s and 1980s). Third, the qualitative shift in Danish social and labour market policies in the 1990s were not pushed forward by economic necessity. The problem of deficits on the balance of payments had largely been solved by 1993, but there was still a public deficit that could benefit doubly by a reduction of unemployment in both cutting expenditures and raising revenues. This was no doubt in the back of the mind of the Minister of Finance, when he was instrumental in drawing up the Labour market reform. However, this cannot be said to be a 1:1 relation not was it because of the 'social construction of an economic imperative'. Indeed the continuing expansion of social and labour market policies has benefitted greatly by a favourably economical development from 1994 and onwards. Hence, the functionalist and social constructivist arguments implicit in many of contributions in the 'challenge' literature find little empirical evidence in recent Danish policy changes where it was under a situation of economic prosperity that change was implemented, and where policy experience and learning played a large role in pushing reforms forward. To the extent that economic factors did play a role, it was more as facilitators of the restructuring of the Danish welfare state.

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