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# CARMA

Centre for Labour Market Research – Aalborg University



John Andersen, Professor  
David Etherington, Senior Researcher

## **Flexicurity, workfare or inclusion?**

**The Politics of Welfare and Activation in the UK and Denmark**

**Working paper no. 8**

Centre for Labour Market Research (CARMA)  
Aalborg University  
Fibigerstraede 1  
DK-9220 Aalborg  
Denmark

Ph. + 45 96 35 82 03  
Fax + 45 98 15 53 46  
Email: [conniek@socsci.aau.dk](mailto:conniek@socsci.aau.dk)

Homepage: <http://www.socsci.auc.dk/carma/>

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Email: [johna@ruc.dk](mailto:johna@ruc.dk)  
Email: [d.etherington@mdx.ac.uk](mailto:d.etherington@mdx.ac.uk)

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# **Flexicurity, workfare or inclusion?**

## **The Politics of Welfare and Activation in the UK and Denmark**

by

John Andersen

Department of Social Sciences, Roskilde University Center  
Building 24.1.. P.O.Box 260. 4000 Roskilde. Denmark  
E-mail: johna@ruc.dk

David Etherington

Centre for Enterprise and Economic Development Research  
Middlesex University Business School  
Hendon  
London NW4 4BT  
E-mail d.etherington@mdx.ac.uk

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Centre for Labour Market Research (CARMA)  
Department of Economics, Politics and Public Administration  
University of Aalborg)

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## **INTRODUCTION**

The ongoing discourse over, the European Employment Strategy (EES) and the rhetoric of politics of inclusion is an important field of struggle: Politics of inclusion is an ambivalent concept and discourse both associated with neoconservative/neoliberal “work first” strategies and with “life first” strategies and notions of the “capability state” and politics of need interpretations. (Dean et. al, 2002)

Taking the more diverse and complicated socio-economic and political-cultural picture of the post industrial society into account politics of inclusion must (i) be able to address the “old” classbased issues of social inequality, (ii) be able to take new (and old) "particularities" into account and (iii) stimulate the interplay between institutions and the political participation of citizens at different policy levels (Andersen and Siim, 2004).

From the social citizenship and exclusion/inclusion angle the implications of the trend from national government to multi-level governance (Swyngedouw et. al, 2003) suggests that the creation and mobilisation of multiple actor networks is a key issue when it comes to change the power matrix. and strengthen pressure for a new “social contract” which includes the socio-economic interests and political participation of disadvantaged and excluded groups.

This raises questions about the possible creation of new types of democratic and inclusive government and governance, which can (1) integrate actors representing interest at the bottom of the social ladder and (2) enable the actors to operate across different spatial levels: the local, regional, national and global. The latter task is necessary because the forces of exclusion in the era of globalisation operate in complex ways and on many levels. Therefore the “inclusive forces” committed to social justice and solidaristic values can neither operate exclusively local, regional or (trans)national ( Siim and Andersen, 2004).

In this paper through a comparative analysis of welfare to work in the UK and Denmark we wish to redefine the debate and challenge dominant notions of inclusion and exclusion and illustrate how the European Employment Strategy is influenced by different national contexts. The paper sets out to provide a broad comparative framework which places greater emphasis on politics and agency and the role of localisation in the configuration of welfare changes. In the conclusion we outline some suggestions for new guidelines and evaluation criteria of the EU-employment and inclusion strategies and their national implementation. We are aware that the politics of inclusion involves other social policy instruments such as, for example neighbourhood renewal, however, it is employability and insertion into the labour market that are dominant in liberal and social democratic welfare discourses.

## **CONSTRUCTING A COMPARATIVE FRAMEWORK**

Esping Andersen (1990, 1999) has been a key inspiration for comparative welfare research in terms of the construction of national typologies. Amongst the different critical

responses to his methodology one is that national comparisons of social policies have tended to ignore or assume the dynamic of space and territory ( Jorgensen and Tonboe 1993:374). Recent state theory, such as the work of Jessop (2000, 2001) has included a stronger spatial element in developing ideas around 'multi-level governance'. Jessop (2000) asserts that accumulation has been accompanied by a radical shift in state intervention from a 'Keynesian Welfare State' (KWS) which underpinned the post war 'Fordist' boom, to a Schumpeterian Workfare State (SWS) which comprises quite different strategic orientation in terms of social reproduction of labour.

The main characteristics of SWS is the change in orientation of income redistribution away from subordinate classes and policies giving priority to economic competitiveness and labour flexibility. The SWS takes on variant forms (neo corporatism, neo-statism and neo-liberalism) with combinations of these strategies can be found within a nation state. Jessop also considers the *spatial dimension* to state intervention by pointing to different strategic orientations at the regional and urban scale reflecting political and territorial decentralisation with many aspects of economic and social policies allocated to regional and local based institutions (a process of 'hollowing out' of the state). There is a stronger role for local states in economic and social development and in the implementation of workfare programmes (Jessop 1997 see also Peck and Theodore 2000, Peck 2001). He develops this argument in terms of the importance of a "revitalisation of scale" (see also Harvey 1998) in relation contemporary processes of globalisation and economic integration. The crisis of Keynesian economics and politics has been accompanied by a restructuring and rescaling of the capitalist state with an increasing focus upon sub national governance in relation to intervening in spatial uneven development. This rescaling of the state is at a supra-national (such as the European Union) at a national level (in terms of allocation of functions) and at the sub national level (i.e through regional and urban policy). The state as a social relation is scaled in terms of territorial political strategies which are subject to contradictions, conflicts and struggle. Thus the 'Post or after Fordist' state involves unresolvable struggles and conflicts between different scales of organisation and power (Jessop 2001: 297).

'Workfare' arises from the way the SWS will introduce a mix of labour market measures which are subordinate to market forces – increased private sector involvement, restructuring of social benefits to support training, compulsion in relation to state labour market programmes. This approach lends towards a comparative framework, because "specific accumulation regimes and modes of regulation are typically constructed within specific social spaces and spatio temporal matrices. It is this tendency that justifies the analysis of comparative capitalisms and of their embedding in specific institutional and spatio-temporal complexes; and also justifies exploration of path dependent linkages between different economic trajectories and broader social developments " (Jessop 2000: 327 see Torfing 1999 for comparing Denmark and the UK).

Although Jessop's framework is not without its problems , it does provide a link between different levels of analysis and how the shift towards governance is an essential ingredient of state restructuring at different scales or levels. It also provides a context of



understanding governance in relation to dominant class strategies of neo liberalism and contemporary crisis of the post keynesian state.

To sum up, the interaction and intersection of social and spatial processes mediate welfare changes and shifts in developed capitalist countries. Broader restructuring processes interact with local conditions to produce distinctive outcomes. The locality becomes an essential ingredient or part of the equation in the political economy of welfare state restructuring. In other words, systems, structures and practices of economic governance and political struggle in UK and Danish cities reflect a particular temporal and spatial fix, which emerges out of the particular interaction between the national environment, local factors and broader global processes of change. Within the SWPR the national political territory is no longer the sole 'power container'. Policy-making functions are being shifted (or 'hollowed-out') upwards, sideways and downwards. Policy making devolution to the urban scale means that local politics are important in shaping regulation and the different trajectories and forms of policy restructuring are contingent on the balance of social/class forces, institutional legacies and changing economic and political conjunctures. What is key about the shift in the post keynesian welfare state is that activation and workfare becomes the dominant policy discourse, but also different modes of political representation arise in the new emphasis on governance. Forms of governance and corporatism (as models of political representation) will depend upon institutional and political legacies and balance of social forces. This explains to some extent the retention of tripartism in Denmark and its virtual abolition in the UK. However, what is important to emphasise in terms of the new social settlement is the increasing emphasis upon privatization and outsourcing and the special emphasis on the role of business interests within policy making forums.

So far we have provided an overarching framework for understanding the significance of what can be termed the post keynesian shift and its spatial or multilevel governance dynamics. Because as Esping Andersen and Jessop emphasise the forms of welfare and social policies are contingent on the role of political forces then our approach needs to be sensitive to the role of political agency. In other words politics and social mobilisation matters as economic and social restructuring are accordingly embedded with *spaces of regulation/ spaces of representation* and institutions such as labour and union organisations and social movements which have the potential to shape the politics of inclusion and exclusion within localities (Herod 1998; 2001).

Within this broad theoretical framework it is to conceptualise a welfare regime or settlement as being characterised by forms of representation and negotiation. Table 1 outlines the salient differences and characteristics between the UK and Denmark.

## **THE EU AGENDA FOR ACTIVATION AND SOCIAL INCLUSION**

The EU EMU and the social dimension as an amalgam of specific accumulation strategies for shaping and influencing capital and trans national regional economic restructuring are of importance in relation to urban policy and politics. Etherington and

Chapman (1999) argue that key elements of the structural funding programmes designed to eliminate inequality such as the European Regional Development Fund and European Social Fund are geared more to enhancing competitiveness and entrepreneurialism (Etherington and Chapman 1999:198). Social policies and regulatory strategies in particular are imbued with strong and powerful discursive components which frame and underpin politics and policies at the national and urban scales (see below). In fact the development of EMU criteria has provided both an economic discipline and ideological legitimation for market and competitive based strategies. This has given rise to the extension of EU involvement in employment.

The importance of the 1997 Treaty on European Union or the Amsterdam Treaty was for the first time to any significant degree the EU developed a competence in social reproduction of labour. The Employment Chapter enshrines the notion of 'Employability' as the touchstone of social development and economic growth with the EU (Taylor and Mathers 2003:43).

With respect to welfare to work and the European Employment Strategy (EES) the arguments of Pascual (2002) are relevant here. She contends that the EES is not a specific European Strategy, but a strategy for coordinating national employment strategies around specific discourses and meanings about the labour market. This strategy throws up concepts such as activation, adaptation, flexibility and partnership with sufficient ambiguities which make national adaptation easy. There is symbolic element as national policies are being increasingly shaped by the ideologies produced within the wider framework of the EU Social Agenda. For example, activation according to Pascual has several meanings but can be related to a process of adapting individuals to the new economic order and knowledge based society. The uneven processes of economic change – which are a result of decisions made by economic interests linked to the ownership of capital – tends to be displaced on to the individual. The problem is how the individual can adapt to these complex changes. This process of adaptation is termed 'employability' which focuses on the supply of skilled labour rather than the demand for work and the creation of jobs. This discourse is at the heart of the EU political strategy for accumulation which is being embedded within the various national welfare settlements (Pascual 2002:16 see Went 2000:4).

The abandoning of Keynesian/ social democratic or socialist ideologies involves three interconnecting elements according to Pascual. First, is what she terms the "reversal of the order of established causalities" – this refers to explanations of causal processes in the labour market. Social protection (i.e. social security) was deemed to have a function for combating exclusion and poverty as well as assist labour market integration as the unemployed seek work. A conceptual reversal has taken place where social security is seen in a negative way and potential drain on society's resources and a cause of inflation. Labour market participation (as opposed to redistribution through income transfers) is the route out of social exclusion although it does not address the issue of the working poor and quality of work or what ILO calls "decent work."

Accordingly, this terminological and ideological shift in the questions regarded as problematic serves the functions of depoliticising the management of social conflict in a manner that prevents the socio political character of social exclusion and unemployment from emerging (Pascual 2002:22).

Questions of power and oppression are sidelined and social conflict is managed outside the political arena. Second, there exists what Pascual terms “the cancellation of earlier conceptual oppositions.” This means that embedded in contemporary discourse is the notion that principles of economic profit and social justice are entirely unproblematic and in fact quite harmonious whereas previously they have been seen as inherently *potentially* conflicting. The shift of attention is on segmentation and marginalization – or ‘new social divisions’ within the workforce (which active labour market and ‘reskilling’ can help to eradicate) rather than the basic divisions between capital and labour. Third, the new EU discourse creates ‘new dichotomies’ such as active and passive. Benefits are defined as possessing a passive function –those on benefits could be in a vegetable state as opposed to doing anything useful with their lives whilst active means inclusion into the labour market. There are in other words strong moral undertones around the concepts of active and passive which deflect attention to realities of the labour market. For example, work is made the condition of individual autonomy and acts as a disciplinary instrument. Activation as a mechanism of social control reverses what is seen as passive and active – activation actually has a passive impact on the individual because of its weapon of social control.

What Pascual is describing are some of the discursive dimensions of EU Schumpeterianism which interlock with national regulatory frameworks of welfare and workfare which are implemented at the local level. The EU has therefore a role in driving and shaping the ‘workfare’ content of local employment strategies through its structural, social and various urban funding programmes as well as the type of partnership coalitions and structures which are endemic in the new urban growth and development models (Pascual 2001:31).

## **THE LOCAL CONSTRUCTION OF WORKFARE AND THE RESIDUALISATION OF WELFARE IN THE UK**

### **The ‘localisation’ of New Labour’s Welfare to Work Programme**

The New Deal is an active labour market programme where the unemployed are obliged to accept job offers or education/training under the threat of benefit sanctions. The programme was originally managed by the Employment Service which underwent restructuring in 2002 with the creation of the Department of Works and Pensions and the Job Centre Plus agency charged with the operation of both benefits and the New Deal. This restructuring was part of the strategy of integrating the various strands of the benefits system and making access to benefits more contingent on work. In many respects the changes since 1997 represent a more punitive and “work first” focused regime with

benefit sanctions being deployed more vigorously and a tightening of eligibility to benefits (see Grover and Stewart 2000 ).

The important aspect of this new system is that social benefits have been retained at low levels. Furthermore, the social reproduction functions of welfare have been cut back. For example the cuts in grants to local government implemented under the Conservative Governments have not been restored and many areas of social reproduction which facilitate access to the labour market (child care, health, transport and training) are under resourced (see Etherington and Jones 2004 and below).

The New Deal has been to a certain extent ‘hermetically sealed’ in the sense that local programmes are under tight central control and operate to specific centrally defined performance targets, on the other hand, the programme is open to adaption and innovation at the local level. Other organisations and interests within cities make claims on budgets or attempt to link the New Deal with the various other social and employment programmes which are currently being implemented at the local level (see Imrie and Raco 2003). To some extent this recognition of ‘local difference’ has been built into the running of the programme to date with the proliferation of various pilots starting with the Pathfinder Programme in the late 1990s (Hoogveldt and France 2000).

The evolution of the New Deal needs to be located in the restructuring of the local welfare state which involves a rescaling on a number of ‘levels.’ First, is the creation of the Regional Development Agencies and new modes of regional governance has entailed relocating responsibilities of local economic governance to the regional level. An example of this is the management of budgets for urban regeneration (formerly the Single Regeneration Budgets) and the production of regional employment and skills plans. This regionalisation has necessitated intermediate tier of governance at the sub regional level which tends to be joint local authority representatives. In terms of labour market policy, this is the level where the Learning Skills Council operate. At the urban level, the Labour government has created Local Strategic Partnerships for the management of economic, social and environmental programmes. These partnerships tend to embrace the delivery of the New Deal and act as coordinators for smaller scale area based ‘bottom up’ programmes funded by the Single Regeneration Budget (SRB- an urban funding programme) and European Regional Development Funds (in the major urban conurbations). Furthermore, the creation of forms of neighbourhood governance through the National Strategy for Neighbourhood Renewal (New Deal for Communities) involve another but significant layer of governance of employment and social programmes (Jones and Ward 2002, Diamond 2001). These initiatives include Intermediate Labour Market Programmes (ILMs) which are funded and coordinated under the New Deal programme but managed to a large extent by voluntary sector organisations, and ‘Step up’ a form of ILM in terms of targeting excluded groups but relying heavily on employment based training. In many respects, local ‘social inclusive’ projects are being created through social and community mobilisation, but largely facilitated by New Labour’s urban renewal programmes.

What is significant about these changes is that local government has become a more marginal player within the dynamics of policies and programmes. Much of former local government functions have been privatised or contracted out or shifted to the voluntary and community sector. To a large degree many programmes are funded on a contract basis with many aspects of employment programme delivery open to operation by the voluntary and private sector (Table 1). This has given rise to a more complex and fragmented institutional and stakeholder environment w. What is also significant is the absence of trade unions within the local partnership boards.

### **Workfare as Systematic Exclusion? Conflicts around the Politics of ‘Inclusion’**

The New Deal represents an UK adaptation of the EU ‘employability agenda’ but the tensions outlined by Pascual above are surfacing within the implementation of the programme. It is important to highlight three *inter linked* aspects of exclusion in relation to the implementation of workfare which are points of conflict, contradictions and resistance to workfare. First are the policy regimes around social reproduction. Second is the way workfare is embedded in a social construction of space and the urban. Third, is the nature of governance and changing forms of political representation in relation to accountabilities and political participation

#### *1. The New Deal and the Crisis in Social Reproduction*

Jamie Peck argues that the main paradox of employability is that it is more effective for those at the front of the job market but its practical effect is to minimise and residualise welfare provision (Peck 2001:347). Often, the critique of New Labour’s strategy highlights the limitations of paid work as a route out of poverty (see below). However, the under investment in policies of social reproduction (health, housing, transport, basic education, child care) throws into sharp focus the way inadequate social provision and protection actually undermines the New Deal programme. This is the most important contradiction of New Labour’s strategy – in that it serves to reproduce social divisions inherent in capitalist society – rather than seriously try to link politics of inclusion to progressive and offensive attempts to change the opportunity structures of contemporary capitalism in a inclusive and equalising direction. One way of illustrating this is to highlight the way the position of women.

National research carried out by the Institute of Fiscal Studies suggests that the ‘childcare gap’ is a significant constraint on the ability of mothers to return to the labour market. About a quarter of non working mothers would like to work but are prevented from doing so by having to look after children. One in 10 mothers working part time say they would increase their hours if affordable and accessible child care was available (Guardian, 26<sup>th</sup> March 2002 “The Mother load”

Guardian, 19<sup>th</sup> December 2002 “Childcare Policy fails to help the poor.”) In this respect the Danish welfare regime differs a lot from the UK regime, since access to public child

care in Denmark to day does not in the same way constitute a systematic barrier for women and parents labour market participation. Hence the extent and quality of access to child care is one important example of how the different quality of social services constitutes fundamental different conditions for increased labour market participation.

The New Deal for Lone Parents has had some impact on getting lone parents into work, but generally lack of work experience and relevant qualifications make employers reluctant to employ lone parents. Many women do not have access to private transport and therefore are dependent upon public transport for their journey to work. Lack of affordable and accessible public transport can have effects on work opportunities and even put women with dependants off from taking up available work. Women are often caught in the 'Benefit Trap.' It is difficult to get women to come off Family Credit to get paid work because Family Credit then only becomes just worth accessing. Family Credit needs to work for low paid workers. Recently produced national data by the Day Care Trust suggests that only 2.3% of all families with children up until 16 years are accessing tax credit to pay for child care. Furthermore, women's access to paid employment affect their access to pensions. Not surprisingly, women pensioners are more likely to be poorer than men Oxfam (2001)

Whilst highlighting the way welfare to work accentuates the reproduction of social divisions on the lines of gender, it is important also to consider the overall class dynamics of this crisis. The first relates to the high numbers of men who are claiming sickness benefit and excluded from unemployment calculations and the necessary support to get back into the labour market (Beatty et al 2002) Research undertaken by Dean and MacNeill (2002) underlines the problems of social reproduction in relation to accessing the labour market for all 'social groups': Their findings suggest that is the failure of mainstream social and welfare services to deal effectively with the problems associated with poverty (homelessness, poor health, drug and alcohol addiction, learning difficulties) act as barriers for returning to the labour market. Disengagement from the labour market is seen as the fault of the individual, rather than the result of inadequate social support.

## *2. The Social Construction and Exclusion of Space through the New Deal and Labour Regulation*

Despite the New Labour Government's rhetoric, there are severe challenges to its labour market policies because of the persistent existence of spatial inequalities as a consequence of the 'jobs gap' and restructuring of employment in the major industrial cities. The rate of employment loss in Britain's cities has shown remarkable consistency from the 1960s, through to the 90s (Turock and Edge 1999). Surveys have revealed that the true level of unemployed far exceeds the official figures based on claimants receiving benefit. A significant number of men of working age and over 50 are categorised as economically inactive (over 4 million). Added to this are those women who are carers but are available to work and do not register as unemployed (Beatty et al 2002).

Workfare is predicated on the notion of ‘employability’ which suggests that the problems of labour market adjustment lie with the capabilities (or lack) of the unemployed. Involving and ‘empowering’ the community and area based initiatives (ABIs) at what ever scale can be considered as two sides of the same coin. Both are predicated on the notion that social groups and areas require some sort of assistance in order to help themselves and make them more ‘competitive’. This one sided supply side discourse has parallels with employability agendas in the sense that problems are located in the inadequacies of the ‘communities’ and ‘areas’ rather than being related to wider structural processes. It is important to emphasise here the continuities of this ‘ideological offensive’ against the poor with the UK urban policies constructed in the late 1960s and which informed the establishment of the Urban Programme and brief for the Community Development Projects of the 1970s. Some of the arguments are not new but dressed up in a new language (Fairclough 2000). Perhaps the ‘new’ element is the communitarian notions of community and self help as “models of incorporation” as well as models of urban management (Cochrane 2003:230).

However, the key problem is that whilst “ghetto” areas are served notice by the government that they need to mobilize their entrepreneurial capacities, the constant processes of globalized uneven development are constantly undermining ABI’s. The argument here is that the way spaces and cities are being represented is important in relation to the local configuration of workfare regimes. Competitive urban strategies are shaping the terrain in which policies are becoming ‘joined up’ in the sense that welfare and industrial policies are being framed in an integrated way. So in many cities ‘activation’ is being reshaped towards both a management function of labour reserves within marginal spaces but also closely linked to entrepreneurial politics situated around growth agendas.

### **Social Struggles for Negotiating Inclusion and Representation in the New Models of Local Governance**

Syrett and Baldcock consider that there is some degree of democratic deficit in the changes in the governance of London and their observations can be applied to all major cities.

More generally the reforms in local government, the introduction of LSPs and community-based initiatives such as the NDCs (New Deal for Communities D.E.), central government policies have sought to promote active engagement with local citizens and local communities in order to rebuild the relationship between government and the electorate..... Yet there remains scepticism concerning the degree of political accountability provided by these devolved approaches to local governance....significant elements of economic development activity are still delivered locally by non elected bodies, with central government still dictating policy agendas and controlling funding streams. With such a highly complex system it remains extremely difficult for members of the public to understand who is responsible for what in the delivery of economic development

and regeneration policy, let alone influence policy makers (Syrett and Baldcock 2003:79).

Cochrane suggests that deprived cities and localities are locales of significant social inequalities which maybe the basis of resistance rather than cooperation and consensus. The marginalisation of local government within the new urban and workfare discourse indeed in it self create barriers to participation because of the inadequate potential for elected and representative institutions to give some voice to the dispossessed and oppressed (Cochrane 2003).

It is possible to consider the different strategies of resistance and contestation by a variety of social groups which shape different power configurations within the institutions involved with shaping local governance in the UK.

With respect to *the unemployed* one strategy of resistance is to opt out of the programme, often a result of disaffection (Fergusson 2002:184).The threat of benefit sanctions combined with other circumstances will encourage this strategy. Opt out can be interpreted as some form of contestation because it undermines the policy objectives of universality within the philosophy and principles of the programme – i.e it is open to and services all NDYP clients unemployed and seeking work. This opt out strategy is clearly worrying the government because of the responses through the creation of Action Teams as a mechanism to create an out reach service to ‘find’ those who are not participating in the New Deal programmes (interview with Senior Officer Job Centre Plus, Sheffield, 2003).

Wright’s study presents a clearer picture about the relationship between Personal Advisors and unemployed ‘clients.’ In her study of a British Job Centre and through interviews of both staff and clients she found that the unemployed were classified by staff under their own value judgement leading to categorisations of ‘good’ and ‘bad’ clients. The bad clients seemed to be those who did not conform to procedures or guidance.

To say that policy is accomplished, and even co-produced in some instances, is not to imply that staff and clients are engaged in an harmonious joint venture, indeed conflict was frequently a feature of interactions between staff and clients. There were instances of trouble when clients were not compliant with the rules of the bureaucracy (....). This is an example of the way social policy is contested (Wright 2001:17).

What is interesting about this study is the way personal struggle of the unemployed will “co-produce” policy and that in many instances the services and procedures need to be constantly modified and reviewed in order to respond to those unwilling to go quietly into the labour market. It is true that people can be disaffected and conform and comply but the evidence from specific case studies is that the unemployed express particular grievances and it can be assumed that these manifest in strategies of refusal and negotiation. Another extensive study undertaken by the University of Northumbria when using focus groups of the unemployed revealed widespread inadequacies of the Job Centre Plus system. What is interesting about this research is the level of dissatisfaction



about social and welfare services (e.g. transport, benefits, childcare) which are seen as essential to facilitate access to the labour market (Dobbs et al 2003).

In relation to *the role of the trade unions* the TUC diluted its original oppositional policies to workfare formulated during the early 1990s and in response to the introduction of the Job Seekers Allowance.

Recalling the TUC's stand against the New Job Training Scheme in 1987, it seems that the New Deal breaches at least three of the five principles of the Charter against Workfare then supported by Michael Meacher and Clare Short. The work elements will not pay the rate for the job, there are no plans for trade union control or vetting of schemes, and the schemes will barely be voluntary (in the sense that there will be a choice of four 'plats du jour,' but no chance of leaving the restaurant) (Gray 1996:23).

However, the unions are involved with a critical dialogue with the government over the evolution of the New Deal. For example, the TUC has recently described the New Deal for Young People as the "toughest benefit sanction regime ever seen in the UK" (TUC 2002a: 1) The TUC nationally, and where it has representation locally has been critical of the poor record of recruiting minority ethnic people into the programme (TUC 2002b). There is evidence that the TUC line is becoming more critical of the way the New Deal is operated particularly in the context of a tougher benefits sanction regime. Within localities the trade unions are generally excluded from partnerships and not generally interested in being represented within the partnerships. It is however true to say that the trends towards privatisation and cut backs in social, health and educational services are constantly being challenged by local trade unions. Some unions such as the PCS (Public and Commercial Services Union) have an important influence on its implementation through negotiation around employment relations. There is in addition a sea change within the leadership of some of the unions in relation to opposition to, privatisation and changes in welfare which indirectly will influence the operating environment of welfare to work. Furthermore the PCS union in its response to the Labour Party consultation on the welfare state held in 2002 made a number of criticisms about the operation of the NDU, minimum wage and a lack of a policy to create and retain employment (Public and Commercial Services Union 2002). Currently the PCS is engaged with a dispute about pay and job losses which is being shaped by campaigns rooted in local labour movement mobilisations and social networks.

The *voluntary sector* play a key role in the welfare to work programme as agents in relation to labour market policies and in particular through the Intermediate Labour Market Programmes (ILM). Their role in the management of area based initiatives (ABIs) and in particular through the New Deal for Communities (NDC) has been a central plank of New Labour's welfare policy. The NDC was established to revitalise poor neighbourhoods involving the integration of housing, social, employment and environmental programmes. The voluntary and community sector plays a collaborative and co-operative role in shaping ABIs and managing employment and social projects despite the fact that the capacity of 'communities' to undertake this is problematic – there

is a lack of resources and the fragmentation and splintering inherent between community organisations – or a diverse “communities of interest” (Edwards et al 2003:197). Community mobilisation in cities is “exclusionary in their inclusiveness” as the state incorporates certain groups who will co-operate around specific policy agendas. Their role is imbued with paradoxes and contradictions because the community sector responds to the current crises of social reproduction as those services geared to enabling access to the labour market – training, transport, health and child care are being constantly rationalised and under resourced.

Women, particularly through their involvement in the voluntary sector are a key agent of mobilisation, around welfare and work. Struggles are geographically embedded because of the focus on area regeneration programmes and some voluntary organisations are developing innovative social and employment projects and have effective campaigning and networking experiences. However, struggles tend to be fragmented because of the proliferation of many groups (which often lack sufficient funds to develop) compete for limited resources. As Mayo observes, community organisations tend to contest the partnership and power structures assembled to decide, allocate and distribute urban funding. Such struggles embrace diversity in terms of experience, goals and objectives (Mayo 2004). At the national level there is a broad coalition of organisations (e.g. the National Council of One Parent Families, Fawcett Society, Maternity Alliance) which is placing child care high on the political agenda but also highlighting the issues of the role of welfare in accessing the labour market (see Etherington 2004).

To sum up, whilst there is resistance to the New Deal, its inadequacies or failure puts into sharp focus the residual aspect of welfare provision which is necessary to enable people to enter the labour market. In the UK, this is becoming more and more subject to mobilisation and contestation. What is characteristic about the political struggles around employment is how localised they are – primarily because of the central role ABIs play in New Labour’s welfare agenda. Another dimension is the multiplicity of actors within labour market and welfare policy. Hence the important challenge is the necessary but complicated coalition- and solidarity building which can address the problem of the quality and level of social protection (and social reproduction in general) as a condition for accountable “politics of inclusion”, which not only includes supply side policies but also inclusive capability/capacity of the demand side – not least the uneven spatial opportunity structures of integration in the labour market on decent and fair conditions (Standing, 2002)

## **DENMARK – THE INCLUSIVE LABOUR MARKET AS FLAGSHIP IN AN REVITALISED WELFARE PROJECT?**

The Danish welfare state needs to be understood in relation to the form of ‘social partnership’ and corporatism (and modes of negotiation and decision-making) between labour and capital which arise from the power configurations between the various class interests. The trade union and labour movement organisations play a pivotal role in economic and social policy making - a role which emerged from national social struggles

at the turn of the century, when the current Danish 'model' its guiding principles were born (see Etherington ,1997, 1998). In this context the widespread public support for the Danish 'universalist' model, along with continued strong interest representation from powerful labour and closely linked social movement organisations (such as feminist movements, local government associations and specific local government user organisations), operate to defend the continuation of comprehensive social policies (Goul Andersen, 1997; Siim, 1998 ). Table 1 shows the different levels of policy in which social interests have channels of representation.

**FIGURE 1 INTEREST REPRESENTATION AND WELFARE STATES IN THE UK AND DENMARK**

	<b>Denmark</b>	<b>UK</b>
Industrial Relations	Co-regulation collective bargaining recognising trade union rights to collective bargaining. Most sectors covered. Legal right for recognition.	Voluntarist and decentralised with limited coverage. Union recognition limited under law.
Trade Union involvement in labour market policy	Unemployment Trusts managed by unions provide advice services in relation to labour market policy and training. Work based training integrated to some extent into collective agreements and the IR regime.	Ad hoc involvement in relation to work based negotiation. No formal links with unemployed except through TU sponsored Unemployment Centres and individual union initiatives.
Mode of Social Reproduction and Access to Work	Relatively generous benefits, comprehensive maternity child care provision – access to all pre school children, integrated and subsidised public transport (public controlled or tightly regulated), housing mobility through regulated private and subsidised social housing	Social benefits low, heavily means tested and linked to working tax system. Only limited child care provision does not guarantee 100% pre school coverage. Dependent on private provision. Transport system deregulated and privatised does not guarantee mobility. Market private/public rents limits mobility
Labour Market Policy Stakeholders and forms of political representation	Trade unions, local government and private employers. Tri-partism operating within labour market institutions	Private employers, voluntary sector and public sector. Representation modelled on company board within Local Strategic Partnerships
Institutions and delivery	Regional Labour Market Councils and vocational training institutions run by social partners.	Local Learning Skills with limited budgets for vocational training. New Deal heavily orientated to contract system involving private and voluntary sectors. Limited role for local government.

Local government and Representative Democracy	Strong role for local government in activation. Shift to governance in strategic policy making bringing in more ‘actors.’ via the local committees for the inclusive labourmarket consisting of public agencies, the social partners and user service groups still influential.	Decreasing role for local government due to ‘enabling’ role of Council. Councils have to bid for contracts in new deal. ‘Cabinet’ government in town halls centralises power.
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The administration and delivery of welfare also needs to be located in the traditions and culture of local self governance which were prominent features of a radical farmers movement of the 19<sup>th</sup> century which through religious organisations created network of poor relief, education and political organisation (Christiansen 1994).

In short the context for inclusion policies in Denmark differs from the UK with regard to:

- 1 the overall character of the welfare regime: despite changes the universalistic features of the regime have survived
- 2 the role of local government: the municipalities have great influence on activation/employment policy
- 3 The tripartist regime of industrial relations (IR) the social partners have great influence on activation/employment policy in a multilevel governance structure sponsored and controlled by the state

Unlike UK the labour market is still regulated by strong trade unions. The combined effect of welfare regime and IR-regime is that the problem of the “working poor” and unregulated employment relations is more marginal, since most sections of the labor market are still unionized and minimum wages has been kept on a high level compared to the UK. Before we discuss the present policy development in Denmark we shall outline some basic paths of the institutional configuration, which are important in order to grasp the path dependency of the current development. The Danish welfare and employment policy regime is institutionally divided in *two pillars*:

1. The “**corporatist pillar**”: the Regional Labour Market Authorities are responsible for active labour market policy measures and controlled by Trade Union and Employers plus local government representatives: in other words: rather tripartism than corporatism. The most important target group is *unemployed members of the trade union controlled unemployment funds*. One important feature of the system is also that the unemployment benefits are administered by the trade union controlled unemployment funds. In most cases membership of an unemployment fund also means membership of a trade union - in other words the Gent-model of unemployment insurance (trade union controlled funds which are financially supported by the state). In general the “most employable” part of the unemployed are members of an unemployment fund ( app. 80% of the total number of unemployed) are therefore entitled to the non-means tested unemployment benefits

2. The **local government** pillar;; Programmes and (means tested) benefits for unemployed social assistance receivers are administered and controlled by the municipalities (elected local governments) guided by national laws. The unemployment social assistance receivers are in most cases those individuals whose employment record have not been sufficient to qualify for benefits in the trade union controlled unemployment funds. Therefore the “least employable” unemployed citizens are to be concentrated in the social assistance system ( app. 20% of the total number of unemployed)

Until the mid 1970’s, local government only played a marginal role for special social categories in relation to employment and training measures ( e.g. handicapped people) All the active labour market measures was in the hands of the Regional Labour Market Authorities and hence belonged to the “corporate world”. The marginal role of local government changed during the global down turn and consequent unemployment crisis and major economic restructuring (Jensen- Butler 1992) because the number of unemployed entitled to social assistance (in particular young people) grew rapidly The growing number of unemployed entitled to social assistance administered by the municipalities had not been able to qualify for unemployment benefits from the trade union administered unemployment funds ( which requires 12 months work and membership). Since the mid seventies and through the eighties local authorities were given extended legal powers and obligations to provide work related training and educational measures for unemployed citizens claiming social assistance.

Since 1998 a *third* pillar in this system has been developed: namely Local Coordination Committees (LCC’s), which were supposed to act as institutional framework for better cooperation *and synergy between the two existing pillars* (Local government and Regional Employment Agencies) and act as a platform for setting up local experimental partnerships based projects around the “Inclusive Labor Market Strategy” (ILMS). In order to contextualize these recent policy changes, which much more than the activation policy addresses *the inclusiveness of the demand side/* the employers let’s discuss more in detail the evolution of the Danish IR and welfare regime.

### **Politics of inclusion dates back to the sixties!**

Like in the rest of the EU member states the battle for full employment was lost in the late seventies. The special feature was that two path shaping, ambitious and comprehensive social reforms was designed before the unemployment crisis, namely:

- (1) The social Security Act (1976) (Bistandsloven), which for the first time included all services in kind and cash in one comprehensive law, as part of the new system of local government (since 1970)
- (2) The creation of active labour market policy institutions (Regional Employment Agencies /Arbejdsformidlingen, 1969)

The two reforms of social security and active labour market policy was both *designed* in

the sixties where there was a general shortage of labour power. But the reforms were *implemented* in the seventies in a radical worsened labor market context. The result was that some of the very ambitious social policy goals with regard to *systematic reintegration* measures for citizens who for one reason or another were on the margins of the labor market became much more difficult to implement than expected. However it is worth to emphasize that the present rhetoric of inclusion is *not* in itself new: In fact it echoes the Danish and Scandinavian social policy debate of the sixties and seventies related to the Social Security Act in which inclusion via education, counselling and tailored jobtraining programmes e.t.c. constituted the most important part. But - unlike the contemporary mainstream discourse - the inclusion orientation was directly linked to general *improvements* in benefits levels. More *generous* benefits for social assistance receivers were seen as a positive tool to create motivation for engaging in educational or other programmes, which over time could pave the way for reintegration on the labour market. To put it short the idea was: *Generous welfare as a tool route to decent work on a voluntary basis.*

We will return to this later and continue with the system of active labour market policy and unemployment benefits. The Social Security Act of 1976 - probably the most important postwar social policy reform - was closely linked to the huge national reform of the local government system in 1970. As a matter of fact the basic social rights are defined very detailed by the state, most specifically within education and social security. To guarantee social citizenship, the national system has kept the main responsibility for the financial implications of a large part of the welfare sectors (e.g. social security, health and education) and therefore local expenses are to a large extent nationally regulated and fixed. The combination of financial reimbursement between municipalities, social rights defined by law *and* a decentralised welfare administration under the full control of the local government constitutes an important feature of the Danish system. Since 1970 there have been 275 local councils which carry out planning, social services, care for the elderly, childcare, social security provision, primary education, and utilities (water, energy, waste). There are 14 county councils which provide regional planning, transport, secondary education, environmental policy and health. In the coming years the number of municipalities will probably be reduced to less than half of the existing numbers.

### **The Danish model of industrial relations (tripartism) and the “flexicurity regime”.**

The strong path dependency with regard to both the corporatist type of Industrial Relation and the basic architecture of the universalistic welfare state in Denmark can in part be explained by the way policy networks consisting of researchers, representatives of the social partners and politicians in the postwar period - and particular in the years of the booming economy of the sixties - gradually reached a common horizon of understanding the interplay between industrial relations, welfare reforms and macro economic growth. In most aspects this common understanding was close to the internationally known *Rehn-Meidner* model from Sweden. This policy paradigm offered a new understanding of the role of welfare state, trade unions and employers in a "mixed economy". The key ideas ,

which mainstream the Social Democratic leaders and social liberal forces followed, were that a strong universal welfare state and high minimum wages - could not only be legitimized from a social justice point of view but also be functional w.r.t. the stimulation of economic growth because high minimum wages stimulates "creative destruction" - to use Jessob's Schumpeterian term - among low productive capitalists. However a clear condition for maintaining macro-economic stability was the implementation of an efficient active labour market policy capable of proactive prevention of shortage of labour power in segments of the labor market (which could increase wages to much) . Following this logic high levels of (overwhelmingly) state paid unemployment benefits was also accepted because they could be seen a way of "socializing" the social costs of the necessary labour market mobility in a dynamic market economy. The dominating discourse at the macro level was that the welfare state makes long-term "sustainable growth" possible because it creates a regulatory framework which is build on the acceptance of a collective responsibility for social security, but in a way which stimulates workers mobility – or in today's language: the capability to adjust to changes on the demand side. Therefore a strong welfare state is not only (i) "politics *against* the market" (due to de-commodification): it can also operate in a way which to a large extent "politics *along* the market" - that is supporting the dynamics of market forces by ensuring and legitimizing the externalisation of social costs due to socio-economic changes and thereby reduces resistance at the firm and local level and stimulates mobility. The prototype of this "politics **against and along** the market" logic is the Danish system for unemployment insurance: the advantage for employers is that term of notice at the plant level is very short, but the level of unemployment benefits are relatively high and conditioned by willingness to labor market mobility and flexibility. This is what in recent research 30-40 years later is labelled as "flexicurity" regimes (Vielle and Waltheys, 2004). The *negotiated* balance between social protection and incentives to adaptation - at the same time "taming and stimulation" of the market dynamics is also the key content in the concept of the Danish "negotiated economy" (Amin and Thomas, 1996)).

As mentioned before the ambitious and optimistic policy goals articulated in the sixties faced huge implementation difficulties in the worsened labor market condition after 1973/74. However the point to be stressed here is that both the levels of benefits for unemployed and measures for inclusion (not least via education) was *expanded* in the seventies. Therefore the "welfare state buffer" was to a relatively large extent able to counteract the social polarisation effects of the employment crisis. In the contemporary discourse it is very common to state that until the nineties the dominant logic of the welfare state was distribution of "passive benefits". In fact it is to some extent misleading to summarize the Danish development trajectory as a change from "passive to active". Rather the changes from the seventies to the nineties could be summarized as follows:

- ***from non compulsory and pro active generous politics of inclusion*** of the seventies, where (re)integration/inclusion was linked to improvement in social benefits in general – as an integrated part of the social reforms packages of the "golden age" of the welfare state (Andersen and Larsen, 1989). *to*
- ***more compulsory and less generous politics of activation.***



Hence we will argue, that instead of talking about a shift from passive to active, its more correct in the Danish case to talk about a *return* to politics of inclusion: After 20-25 years of high unemployment the ideas of inclusion was *rearticulated* in the nineties - but now ( as discussed briefly in the introduction) in a more *defensive and partly compulsory form* - among other things influenced by the New Right underclass discourse: the emergence of a "dependency culture" , break down of work ethics due to "overgenerous" passive benefits (Andersen, 1999).

Until the beginning of the eighties where the Social Democrats in government was replaced by a Conservative-Liberal coalition (1982) the level of income compensation for unemployed citizens increased. The access to the non-means tested unemployment benefits also became easier and the period in which unemployed benefits could be received was extended to 7-8 years ( including obligatory Job-offers of 9 months every third year). It was in this period that the Danish system of unemployment benefits by some observers was characterized as probably the most generous system in the world and very close to a citizens wage model on a high level (Andersen and Larsen, 1993, Goul Andersen, 2002) After the change in national government to the Conservative-Liberal coalition in 1982 ( in power until 92, where the Social Democrats came in power again) the welfare state project became a much more defensive project at the discursive/ideological level. At the discursive level the legitimacy and functional advantages of the developed welfare state was attacked. The Marshallian legacy of decommodifying social rights, which to some degree emancipated the individual from the forces of the market, was translated into "disincentives" and "market imbalances" by the offensive neo-liberal and neo-conservative forces. The Rehn-Meidner paradigm was now regarded as outdated by influential economic experts influenced by Milton Friedmans monetarism and militant anti Keynesianism.

However, despite the changed political rhetoric of the eighties, little was changed in the unemployment and active labor market measures. In a comparative perspective the Danish case therefore is a clear example of *strong path dependency* (Torfing, 1999) – despite the obvious changes at the discourse level in welfare and employment policy a relative stable welfare regime maintaining the basic level of social security and not dramatic changes in politics (an example of the clear distinction between changes in discourses and reality, which is often overlooked in contemporary post modern social constructivist approaches). During the eighties there was some but only a modest reduction in the levels of social protection schemes for unemployed. (Andersen and Larsen, 1993) This is not least due to the fact that the trade union movement was able to mobilize through out the eighties defending the reforms of the seventies (Andersen and Larsen, 1990). The Easter Strikes in 1985 – a several week long general strike – was in part driven by mobilization against the governments plans at that time for changing the unemployment benefit system.

At the end of the eighties the pragmatic forces within Liberal-Conservative coalition had strengthened their position vis a vis the neoliberal "hardliners" of the cabinet. They finally gave up their first attempts to fundamental strategic changes in the Danish unemployment insurance system - basically to abolish trade union control over

unemployment funds and to reduce the state contribution to the unemployment funds in order to reduce the level of benefits and to move in a pure actuarial direction of the system - and accepted to negotiate changes with the Social Democrats and the trade unions. The first result of the various consultations was, that the right to and access to educational measures while maintaining unemployment benefits at the same level, was radically improved. Slowly the government and the opposition and the social partners started a new path of development for the nineties based on the often difficult balance between on the one hand the extension of unemployed *rights* to training and educational measures and *obligations* to agree on a individual plan of action as a condition for maintaining unemployment benefits. This and how the activation policy with emphasis on the (labor) supply side gradually in the late nineties was supplemented (and some observers would argue potentially *transformed*) with strategies for more inclusiveness of the *demand side* (the employers). This will be explained in the following.

### **The “reinvention of inclusion”: the activation turn of the nineties.**

The dominant change in the Danish welfare regime in the nineties was a growing emphasis on activation programmes (Andersen, 1998). The content of the activation policy was a compromise between conservative and liberal forces and the Social Democrats. The obligation for unemployed to participate in the programmes if benefits are to be maintained is similar to the UK. But the first huge difference is that Danish activation policy was not implemented in a context of deregulation and absence of minimum wages. The second important difference is that the gradual extension of the rights and duties to participate in activation schemes through out the nineties took place in the period of the "Danish jobmiracle" ( app. 200.000 additional jobs) during the nineties ( Kongshøj, 2002) The increasing level of employment due to a successful Keynesian inspired macro-economic policy improved the efficiency of the programmes and hence reduced some the skepticism among unemployed and unions. A third important difference at the political and institutional levels is that trade unions have not been excluded from the policymaking and policy implementation processes at local and national level. This is *not* so say that the activation policy has been without conflict (sections of the trade union movement are still sceptical). The point is that compared with the UK it has made an important difference that trade unions both at national, regional and municipal level from the beginning have been able to influence the policy and been active in control and design of the policy.

Since the late eighties the obligation on the local authorities to offer job training and activation schemes has gradually been extended from the very young (18-19 years) to include *all* registered unemployed whether entitled to unemployment insurance (implemented by the regional labour market councils) or the Municipal social assistance program. The content and quality of the activation programmes in terms of improving skills and job possibilities of the schemes are very different from municipality to municipality. Evaluations show that particularly for elderly unskilled men and sections of the immigrant populations (which despite improved employment possibilities still face

discrimination), the schemes in some cases have only a modest positive effect on employment.

One key policy for trade unions with regard to activation has been that job training schemes and subsidized jobs should not be misused by employers to reduce existing ordinary jobs or to create “undecent” work places. To a large extent the unions have been able to insure this – but with some neo liberal controlled municipalities as exceptions from the rule.

There are of course conflicts and tensions which are shaping local agendas. In some Municipalities the unemployed are organized independently of the trade unions and challenge the way activation is implemented. Ankers study of the unemployed movement reveals;

In many interviews activists seek to explain that activation leads to the formation of a third labour market with workers in second –hand positions, working under conditions which would never be allowed by the trade unions in the ordinary labour market. This, it is argued, additionally ruins the ordinary labour market, because ordinary labour is substituted by social assistance recipients.....In the interviews in networks and associations, activists tell their own stories about activation. They argue that they are being blamed for being out of work and that this is part of a political strategy of the political parties to favour that part of the population who are actively employed. Activists feel that they are being turned into scapegoats in contemporary politics as a consequence of the increased emphasis upon activation measures (Anker 2002:22).

However the Danish case is an example of that the dominating conflict have not been over if activation or inclusion was a legitimate route or not. The positive part of the activation programme is that Municipalities, (who are responsible for people on social assistance ) and the regional labour market authorities (linked to the trade union controlled unemployment funds) have *the obligation* to offer job training and educational measures for unemployed. The dominating conflict have been (and is still) *over the content and conditions* and institutional forms in which activation policies could be implemented

The inclusive labour market strategy and corporate social responsibility ( CSR)

The *second* new orientation in the Danish Welfare Model is the Inclusive Labour Market Strategy ( ILMS) It consists of several elements.

1. A program for “flexjobs”: that is access to “projected” jobs for individuals who on a permanent basis have reduced working skills (see later)
2. A number of more discursive and rhetorical efforts to mobilise the social partners in the fight against social exclusion . The Ministry for Social Affairs has launched a National Committee under the label “New Partnership for Social Cohesion”. Since the return of the Social Democrats to government in 1992, the rhetoric of partnership and social responsibility of social partners has gradually increased, and experimental pilot

programmes have been set up in an effort to stimulate the active role of companies in the fight against social exclusion.

3. The trade unions and employers have, not the least after pressure from the government since the mid nineties , negotiated what is termed “*social chapters*” in the *collective bargaining*. The idea with social chapters is to define a regulatory framework for jobtraining and protected jobs in the workplace. The social chapters are supposed to be a tool to stimulate job creation for individuals in jobtraining, disabled and others with lower social and professional skills than average productivity.

The effort to mobilise the social responsibility of the social partners and Corporate Social Responsibility /CSR was heavily inspired by the rhetoric of the EU-institutions, the Third European Action Program against Poverty (Poverty 1989-94, Andersen, 1994), the Social Dialogue, the European Business Network for Social Cohesion EBNSC (initiated by former EU Commissioner Jacque Delors), etc. The former Minister of Social Affairs, Karen Jespersen has also argued that the campaign for CSR a response to the criticism from employers organizations against the welfare system for undermining “incentives” and thus creating af “dependency culture”.

4. The creation of Local Coordination Committees which were supposed to act as institutional framework for better cooperation *and synergy between the two existing pillars* (Local government and Regional Employment Agencies) and act as a platform for setting up local experimental partnerships based projects around the “Inclusive Labor Market Strategy” (ILMS) This will be contextualized more in the following.

## **THE DANISH WELFARE TO WORK PROGRAMME; LOCAL GOVERNMENT AS A SOCIAL PARTNER**

The 1999 Social Policy Act placed increasing responsibilities on local government for the most vulnerable groups in the labour market – i.e those claiming social assistance, sickness benefits, but also citizens in danger of early retirement but still with some labour market affiliation. Individual job training schemes are offered to those who cannot be placed in ordinary job placements and require special training and supervision. In addition to job training, ‘flex jobs’ have been created for people who on a permanent basis have a ‘reduced capacity’ for employment. The basic principle of flexjobs is that the state ( and local government) subsidizes a part of the wage so that the “reduced capacity” is compensated. Furthermore working hours and the job profile is negotiated taking the individuals capacity into account. Up til now app. 25.000 individuals are participating in the schemes. Both the public and private sectors can employ people in the so-called ‘flex’ jobs but in cases where people are experiencing severe social problems, local government will in most cases be the employer. Hence it has been disputed why only a smaller part of the private sector has created flexjobs. But so far there is a consensus among the trade union and employers association leadership that participation in the flex jobs scheme should be on a voluntary basis.

In addition to the employment programme, local councils are obliged to draw up Individual Action Plans for those on Social Assistance and the unemployed in principle have a choice from a menu of job training and other vocational orientated training. The more recent reforms have promoted a 'campaign' around the social inclusive' labour market policy where local authorities are legally required to coordinate social inclusive programmes with the other social partners, including the establishment of local coordinating committees (see below) (Rosdahl and Weise 2001).

It is also important here to emphasise four additional areas of local government responsibility, which has contributed to activation and access to work. One is transport, whilst subject to privatisation and outsourcing in recent years still is primarily under local government control in terms of planning and subsidy. Second, the availability of subsidised child-care has important consequences in relation to women's and men's access to the labour market (Pedersen et al 2000: 179). The third aspect is the system of financial compensation established during the 1930s whereby richer local authorities subsidise poorer authorities via a system of financial transfers (including additional transfers from central government to pay for social assistance and subsidise child care) is still in operation. Hansen and Butler Jensen (1996) argue that this has been crucial in combating uneven development and economic restructuring in urban areas. Furthermore the retention of public sector employment levels throughout the 1990s has been an important dimension of sustaining labour demand in urban areas (KL 2001).

#### *The Reforms as the Re-Regulation of Interest Representation and Local Governance*

The administration of labour market programmes is undertaken by the 14 regional Labour Market Councils (boundaries are co-terminus with the County Council boundaries). The LMCs comprise corporatist institutions with planning and implementation undertaken by the social partners' – local government, trade unions and the employers. The executive boards are supervised by the central government Labour Market Authority, and policies and plans from the regional boards are subject to approval by central government. Labour market policy reflects the geographies of local labour markets in Denmark and a trend towards selective decentralisation and intervention in local and regional economies by the state. The increasing role and power allocated to the LMCs in terms of labour market policy decision-making is an important feature of rescaling of the Danish state. In many respects the regionalisation of politics through the LMC and associated networks is a defining feature of the welfare reforms.

The Regional Labour Market Councils comprise equal representation from local government, employers and trade unions, and at the national level (National Labour Market Council, local government (together with the trade unions, private employers and relevant government departments) is represented by the KL (National Local Government Association). The LMCs are allocated responsibilities to produce labour market plans and submit to the national council. These plans set targets and identify priorities for the respective region (or county council) for the development of labour market policy. The LMCs are allocated substantial budgets for priority labour market measures (Hansen and Hansen 1999, Goal Andersen 2002).

The second area of significant development in relation to the governance of labour market policy is the introduction of legislation to promote a social inclusive labour market via the Active Social Policy Act 1999, which included the establishment of *local coordination committees* (LCC'S) (lokale koordinationsudvalg) for each (or a group of) local authority area (such committees have been established informally as a result of the 1994 reforms by some local authorities). The fact that there is a legal compulsion forces local authorities to establish these committees and ensure relevant representation from the social partners (trade unions, employers and local authorities as well as from the health and social sectors). These committees are allocated a budget in order to establish projects and initiatives, which facilitate labour market integration.

Evaluation research on the first phase of this programme (see Kommunernes Landsforening, 2001 and Andersen and Torfing 2002) suggests that in most cases the Local Coordination Committees (LCC) have in most cases achieved better coordination between the various 'actors' in the local labour market policy arena, and strengthened political involvement from local politicians and senior managers in the social inclusive labour market. Andersen and Torfing (2002:17) argue that the most dynamic committees have contributed to building local coalitions building around the inclusive labour market strategy because of the 'bottom up' orientation of much of the work, and the development of labour market politics and policy at a smaller geographical scale. One important feature of the LCC's is precisely that it creates a platform for negotiations over the conditions activation programmes. For the trade union representatives it is of vital importance to make sure that employers can not use activation programmes as a way of undermining the wage and work conditions defined in the collective bargaining. The first evaluations indicates that the trade union representatives would see the LCC's as a usefull platform for the above.

As a whole the experiences with LCC's in DK are diverse. The two poles with regard to experiences from the first years are:

- Limited action: In short the dominating activity was paralysing power games over symbolic status among actors in the local elite about positions in the LCC's
- Creation of relatively efficient partnerships, which links actors together across the public – private divide and provides a innovative institutional platform for development of good practice.

The best practice in the LCC's is found where the inclusive labour market strategy has been supported by three types of actors, namely

1. The most innovative sections of the trade union movement: the inclusive labour market strategy as a way of linking solidarity between unemployed and employed expression of extended solidarity. Not least
2. Sections of the professional complex in the local welfare state and social workers employed in the tradeunion controlled unemploymentfunds who wants to strenghten the *pro-active* parts of social policy and wants to transform bureaucratic and individualised ways of practice to more empowering and outreaching practices on the borderline between labour market, educational – and

social policy

3. Employers who see ILMS as part of a “corporate social responsibility” and as part of a human resource management.

The national evaluations (Holt, 2002) about companies' commitment to CSR indicates that what seems to have changed most in recent years is companies' commitment to secure employment for those already in employment (e.g. job replacement for elderly workers or workers with specific health problems) but less successful with regard to inclusion of “outsiders” - those who have been outside the labour market and disadvantaged on the grounds of ill health, social problems and low education and attainment – and for those groups such as ethnic minorities who have no or little previous work experience.

Hence at this stage observers and researchers disagree over whether there are clear indications about a larger inclusion capacity (Holt, 2002) from the private sector vis a vis the marginalised groups on the edge of the labour market. So far the most significant change is the 25.000 “flexjobs” (less than 1 pct. of the labour force) which mainly consists of citizens with permanent health problems, who otherwise would have been entitled to sickness benefits or early retirement. The public costs of the flexjobs is paid by 65 pct by the state and 35 pct by the Municipality. This creates economic incentives for the Municipalities to create flex jobs and to avoid transfer of social clients to early retirement where the municipal share since 2003 have been 65 pct of the public costs.

The problem of estimating the effect of the ILMS is also due to the fact that unemployment has increased from 4-5 pct to 6-7 pct the last two years – a development which has undermined the ILMS. At the political level the support for the strategy has also been reduced. In general the present Liberal-Conservative government has been hesitating in its approach to the role of the LCC's. Unlike the former government the present government openly stated two years ago that it considered to abolish the entire LCC construction, because increased employment possibilities for vulnerable groups was best supported without interference from the state and the social partners. This proposal however created protests from all trade unions. Furthermore the trade union movement managed to get the Employers organisation to reject the government's proposal as well. Confronted with heavy criticism from not only the trade union but also the employers the government redrew its proposal. These recent experiences support the assumption that despite turbulence the long Danish tradition for tripartism is still alive. Like in the eighties it is very difficult for the state to escape from compromises with the social partners.

To sum up the Danish activation, inclusion and employment strategy has been negotiated and adjusted since the late eighties with trade unions and employers. Despite shortcomings and conflict (mainly of course over the compulsory elements) over the activation policy the “activation turn” have to a larger extent been accepted, because it was implemented in a period with rising employment and not in a context of persisting unemployment and deregulation. Furthermore the right to some sort of (re)integration measure has been acknowledged as an important part of social citizenship – although the quality and form of activation schemes in a number of cases has been disputed a lot.

Since the late nineties the activation strategy was developed with the ILMS and LCC's. The *potential* offensive side of ILMS is the shift from (i) narrow focus on *the supply side* ( in the new right underclass and authoritarian workfare version: dependency culture, lack of incentives, lacks of human capital etc.) to (ii) focus on the (lacking) capabilities of *the demand side to "open doors" for citizens outside or on the margins of the labour market.* However the impact and efficiency of this additional policy can still be disputed, but so far the policy has a relative strong discursive legitimacy

The still unanswered question – not least under the present government, which started its period with open criticism of the strategy and the legitimacy of the LCC's and the Danish tripartist type of Industrial Relations regime – is if the ILMS, which mainly consists of voluntary schemes and discursive efforts is sufficient? Critics of the consensus oriented "campaign strategy" argue that if lack of social responsibility of the labour market is not sanctioned in a capitalist market economy - and if power balances are fundamentally unchanged – there is a danger that its effects will remain modest.

## CONCLUSION

It is important to develop the discourse over the content of the inclusion paradigm and policies and it is important with constructive criticism of the ways in which inclusion strategies are defined, implemented and evaluated.

Following Dean et.al (2002) and with inspiration from Nancy Fraser (1997) we suggest that a transformative definition of politics of inclusion as the productive/innovative linkage of politics of redistribution and politics of recognition, which over a longer time span creates sustainable paths of democratic and social development increasing the societal capacity to handle both conflicts about economic resources and life-chances and conflicts about identities. Such a notion could further be linked to politics of transformative empowerment (the opposite of the mainstream individualistic notions of empowerment, which has to do with the agency and mobilisation dimensions of social and political change. Transformative empowerment could be defined as processes of awareness and capacity building for underprivileged groups leading to greater participation, to greater decision-making power and control, and to transformative action improving social rights and changing the fundamental opportunity structures in an inclusive and equalising direction. (Andersen and Siim, 2004).

Unlike most of the mainstream inclusion rhetoric which emphasises political and social *consensus* as a condition for change the key argument here is that the crucial challenge is the ability to organize collective action from the bottom. In other words: The presence of mobilised and organised *conflictual* relationship between the affluent and the less affluent in the game over access and control over valued goods in society, is a condition for reaching long term sustainable, negotiated social contracts in society. We therefore also suggest a notion of social integration and social conflict, which includes the distinction between exclusionary "socially unproductive" versus inclusive "socially productive" types of conflicts. Following classical conflict sociology of the nineteen fifties (Coser, 1956) the idea is to stress the *positive and innovative functions of social conflict*: A way



of approaching the challenge of handling on the one hand the need for recognition of identity differences and particularities and on the other hand recognising the need for a set of basic social rights based on universalistic values and orientations within which differences can be thought and handled - is to speak about *socially productive conflicts*. In political theory this way of thinking has similarities to the notion of radical democracy (Mouffe, 1993).

This line of thought is also in line with what Dean and others has discussed as “the life-first” approach, which requires a “*politics of needs interpretation focused on the re-definition of rights and a politics of capabilities, focused on the redefinition of human autonomy*” ( Dean et.al:2002:12)

Following this point of departure some of the important issues for critical dialog and concrete intervention in the ongoing debate over the guidelines of ESS (and related inclusion policies) - arising from the two cases discussed in this paper – would be:

1. The importance of emphasis on a broader range of *social reproduction issues, which forms the conditions for labour market integration on decent conditions*. For example access to child care and rights to (re)education).The implication of the above could for example be that the guidelines set up in the NAP’s should much clearer than to day *include the important social reproduction conditions for labour market integration* (on) like: access to child care, adequate housing, education (educational citizenship see: Andersen, 1999) and transportation as a condition for mobility.

2. The importance of emphasis on the qualitative side of jobs and work  
An offensive rethinking of the ESS guidelines could include concerns about quality of work e.g. in line with the recent orientation of the ILO towards *decent work*. Such could be included in the evaluation criteria for the NAP’s

3. The national employment and inclusion plans should also be discussed and evaluated from an institutional and *power balance* point of view. Politics of inclusion in the more radical understanding as outlined above is in the longer run unthinkable without more fundamental changes in the power balance between actors in favour of the disadvantaged. The way a policy field is structured can give more or less place to articulation of deprived needs, aspirations and productive learning processes among actors. This is in itself important to reflect upon when we discuss the conditions for sustainable politics of inclusion. Do institutional arrangements facilitate a changed power balance in favour of the underprivileged actors or do the institutional frameworks tend to depolitize and create fragmentation of articulation of social needs? – as in the case of closed policy making and policy implementing in closed elite governance networks.

In other words we should ask questions like:

Are the trade unions involved in policy making and policy implementation with regard to active labour market policy, educational measures, jobtraining schmes e.t.c.?

Are representatives of excluded social categories present in policy making and implementation. Do they have their own voice and power resources to make a difference - including adequate institutional platform(s) and open policy networks to operate within in order to avoid marginalisation from mainstream discourses and influential policy networks?

Are there attempts to strengthen the democratic mobilisation and the institutional capacity to facilitate political & institutional learning processes?

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