

Transformation of Labour Market Policies in the Nordic Countries: Towards a regime shift in Sweden and Denmark?

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Introduction

During the past two decades active labour market policies (ALMPs) have been promoted by international agencies and institutions, e.g. by the OECD and the European Union, as part of an “activation turn” from passive to active measures, based in supply-side economics (Bonoli 2010; Junestav 2011). This policy development has been described as a convergence of developed welfare states into “activating states” or in the words of the OECD – an “active society” (Lødemel & Trickey 2001; Barbier 2005). The Nordic countries have been defined as “an active corner” in Europe following a tradition of ALMPs and social policy arrangements emphasizing paid labour as a basic condition for economic benefits. ALMPs are one feature of the social democratic welfare regime and Sweden pioneered these policies (Bonoli 2010). So if Sweden once was famous for its ALMPs, an important pillar of the so-called Rehn-Meidner model, its celebrity status waned as the economic recession in the 1990s transformed a situation of *de facto* full employment to a post-full-employment situation. Instead, Denmark, the Scandinavian neighbour earlier seen as a laggard of efficient employment and labour market policies, has succeeded Sweden and overtaken its position as the European labour market/welfare model of the 21st century.

If the Swedish “Rehn-Meidner model” was launched as a 20th century middle road between capitalism and socialism, the Danish “flexicurity model” has been launched as a third way between more deregulated Anglo-Saxon countries and stricter employment protection regulation in southern European countries (OECD 2004: 97). This model has been seen as “the new incarnation of the age-old claim that we can have *both* high levels of social protection and social inclusion *and* a competitive capitalist economy” (van den Berg 2008: 1). Flexicurity is a new benchmark or blueprint in the European Union, a “catch all” concept for job creation and higher employment, but that is “*tailored to the specific circumstances of each member state*” (Auer 2010: 373). This could be seen in the Commission’s Europe 2020 strategy, whereby the Member states shall “implement their national pathways for flexicurity... to reduce labour market segmentation and facilitate transitions as well as facilitatig [sic] the reconciliation of work and family life” (European Commission 2010: 17). In comparison with the Swedish Rehn-Meidner model, that was formulated as a clear political-economic strategy, the Danish flexicurity model is not a result of a political master plan but, as Mads Peter Klindt (2008: 26-28) emphasizes, a retrospective research-based mapping of the interplay of specific Danish labour market institutions and exists as a result of more than 100 years of political compromises and conflicts.

It has been acknowledged that the institutional configuration of the Danish flexicurity model has several components in common with the Rehn-Meidner model: “Swedish policy makers formulated a remarkably coherent combination of policies which amounted to nothing less than an integrated ‘flexicurity’ plan *avant la lettre*” (van den Berg 2008: 4). As ALMPs in the Rehn-Meidner model acted as an important mechanism to shift labour market risks from the individual to society through offering employment protection in times of manpower redundancies, it is interesting to analyze how contemporary governance structures, in a Swedish post-Rehn-Meidner era and in a Danish flexicurity, has affected the direction, and

¹ Some parts of the development of Swedish labour market policies are taken from Bengtsson (2012).

intensity of changes, of labour market policies. The main aim of this paper is to analyze Swedish and Danish labour market policies from the 1990s and forward and specifically changes in the scope of various labour market policy measures. Sweden will be the main case under study, with Denmark as a comparative case. The main empirical data is public expenditures on labour market programs 1985-2009 (OECD 2012).

The concept of activation

Welfare state restructuring in Europe could be understood by the adoption of what Jean-Claude Barbier (2005: 417) has called “an activation lens”. Although present in European policy discourses and scientific research, activation is a difficult concept to define. It has been divided into a broader understanding – a number of social policies, measures and actions – and a narrower understanding – “workfare”, i.e. more disciplined and selective measures targeted at those individuals who receive income support (Torfing 1999; Lødemel & Trickey 2001). In this paper activation will be defined more broadly, in terms of a “broad range of policies and measures targeted at people receiving public income support or in danger of becoming permanently excluded from the labour market” (Drøpping, Hvinden & Vik 1999: 134). Activation could be seen as a broader and more comprehensive concept than active labour market policies (ALMPs), but the boundaries of these concepts are vague. In a general understanding, active measures are directed to shorten unemployment spells “by proactively helping jobless people re-enter the labour market” (Bonoli 2012: 181).

One important distinction within the activation discourse is that between the activity requirements for an insured unemployed – who is covered by protection from the social insurance – and an uninsured unemployed – who receives a means-tested benefit as economic support. It is public spending on labour market measures on the former target group that is of interest in the current study. The terms *active* and *passive* are well-established terms in labour market policy research. However, there is a judgmental element in describing social security claimants as synonymous to being “passive”. Hence, it is not only a descriptive term but also a normative category. As well, neither does the label “passive” account for peoples’ involvement in activities and work outside the formal labour market (cf. van Berkel & Hornemann Møller 2002: 47) or the possibility that income security could enhance peoples’ risk-taking activities at the labour market, as, for example, understood in the Rehn-Meidner model and in the Danish flexicurity model.

Activation could be described as “Janus-faced” as public policy approaches dealing with the question of unemployment have emphasized *both* the prevention of negative individual consequences of joblessness and social exclusion through skill and personal development *and* the strengthening of work incentives and the increase of labour supply in the remaking of social security, through a reduced “dependency” on social transfers and a restoration of civic duties and discipline (cf. Lødemel & Trickey 2001; Barbier 2004; Jørgensen 2004, 2009; Lindsey, McQuaid & Dutton 2007; Bonoli 2009, 2010, 2012; Wacquant 2009). Both activation dimensions are to a varying degree present in public policy discourses – ranging between structurally based or individually respectively culturally based causes of joblessness and economic inactivity.

Consequently, when studying activation, there are several activation approaches or ideal types that in different ways structure citizen-state relations depending on aspects such as the type of employment inclusion strategy, the contract between state and citizen, the degree of state intervention, the degree of passive or active measures, and the view of the client. There

are those approaches that do not want any state intervention whatsoever or only limited intervention, advocated by so-called *welfare independence optimists* and *autonomy optimists* respectively. These approaches are of minor concern in this comparative paper. Of greater interest are those approaches sharing a basic understanding of the importance of active state intervention to employ people, advocated by the *paternalism optimists* and *activation optimists*. These approaches differ in the balance of rights and obligations between the state and the individual. The paternalism optimists see the importance of state intervention to activate the “passive” benefit recipients which are obligated to be activated. “Enforced emancipation” captures the essence of this approach, whereby force and discipline are said to be in the interests both of the unemployed and of the society. If the paternalism optimists stress individual responsibilities, the approach advocated by the activation optimists puts higher emphasis on the responsibility of the state to support the individual to re-enter the labour market through active measures, and that programmes and activities should take into account prerequisites and desires of the individual, such as skill development. Accordingly, the benefit recipient is perceived as an active being that are willing to be activated, not as an idle, passive being that needs to be disciplined by strict work incentives (van Berkel & Hornemann Møller 2002: 51-56; Johansson & Hornemann Møller 2009: 19-23).

As seen above, various public policies contain value-based and ideological understandings, e.g. policies that are *either* directed towards investment in people’s human capital and that offer self-development and empowerment for the beneficiaries *or* policies that will, ultimately by means of enforcement and sanctions, push people into the labour market, notwithstanding the quality and economic compensation of the job in question (cf. Bonoli 2009: 57). One of several existing classifications that stress this Janus faced character of activation is “offensive” and “defensive” forms (Torfing 1999). An offensive activation strategy is said to characterize universalistic welfare states where the benefit recipient is seen as an active being with a civic right to receive support in order to develop his or hers resources and skills. Following this, an offensive activation strategy is a characteristic of the social democratic welfare regime (cf. Esping-Andersen 1990). A defensive strategy is characteristic for residual welfare states based on a perception that too generous benefits will form a culture of dependency and that it is the individual’s obligation to be activated, even through enforcement (cf. Wacquant 2009).

Besides relying on these approaches, in order to study various ALMPs and activation strategies, in a comparative perspective and over time, I will analyze the shifts in labour market policies and measures by use of a typology of ALMPs elaborated by Giuliano Bonoli (2009, 2010, 2012). Two dimensions are underlying Bonoli’s differentiation of four types of ALMPs. The first dimension, the “pro-market employment orientation”, concerns whether there exists either weak or strong policy objectives to “put people back into real jobs”. The second dimension concerns the level of human capital investment, from none (as in “passive” economic benefits) to strong. The first type is labelled “occupation”, with both a weak pro-market employment orientation and with a weak investment in human capital. Instead of developing human capital it consists of measures as job creation schemes and shorter training courses to keep people active and to prevent human capital reduction. The second type are named “incentive reinforcement” with simultaneously a strong pro-market employment orientation and none human capital investment. The aim is to strengthen work incentives through a reduced dependency on welfare benefits. It could be contested whether the tools mentioned under incentive reinforcement should be classified as ALMPs as these are not services or programmes but concerns the intensity of work incentives in national labour market policies and financial instruments as tax credits. I see them as part of the

wider concept of activation – indicators on the intensity of work incentives (cf. Bonoli 2009: 63; Venn 2012) that needs to be analyzed in parallel to the other three types of ALMPs (cf. van Berkel & Hornemann Møller 2002: 49). The third type of ALMPs mentioned by Bonoli is “employment assistance” with a strong pro-market employment orientation and with weak investment in human capital. It consists of measures as placement services, job subsidies, counselling and job search programmes that aim to match job seekers with a potential employer. The weak human capital investment refers mainly to the improvement of “soft skills”. Finally, the fourth type, “upskilling”, a typical measure in the Rehn-Meidner model or in offensive workfare as understood by Torfing (1999: 9). It consists of a strong pro-market employment orientation and strong human capital investment. Jobless people receive job-related vocational training, also a hallmark of the so-called “social investment approach” (Bonoli 2010: 440-41, 2012: 182-86).

Sweden and Denmark are usually classified in the social democratic welfare regime, characterized by relatively generous and comprehensive public social insurances and with a clear link to previous labour market earnings. In Esping-Andersen’s (1990) parlance, de-commodification of labour is balanced against institutions that commodify labour. De-commodification is about the degree in which a person or household can maintain ‘a socially acceptable standard of living independently of market participation’ (Esping-Andersen 1990: 37). In addition to the degree of social stratification, de-commodification is a fundamental dimension of welfare state regimes. A key issue related to these two dimensions is the extent to which activation strategies have increased citizen’s dependence on labour for their livelihood, and whether there has been a shift from a more universal welfare system toward more selective measures that target specific vulnerable groups at the margins of, or excluded from, the labour market. Such developments have previously been described as a dualisation of policies (Peralta Prieto 2006).

The Swedish case

From the 1960s to the early 1990s there was overall a situation of full employment in Sweden. In the first half of the 1990s unemployment rose dramatically to levels not seen since the 1930s. After the deep economic recession, unemployment fluctuated around 5-8 percent (see Figure A1 in Appendix). In 2010 the overall unemployment rate was 8.4 percent or approximately 416,000 persons (including 127,000 full-time students).

Modern Swedish welfare policies could be said to have its origin in a specific social contract between the state and the individual, e.g. expressed in the 1930s in the creation of a “People’s home” (“Folkhemmet”). An observation often made is that Swedish people see the state as a rational authority that acts for the common good and not as an external coercive power as it is often seen in other countries (Jacobsson 2010). The state has been the most important actor for the citizen’s social security and made him/her less dependent upon the family or the market in the universal and individualised Swedish welfare model. With the Social Democratic Labour Party’s position in government from the early 1930s until the middle of the 1970s generous social security systems and comprehensive social services was developed. The expansion of the large public sector absorbed a major proportion of employees, mostly women (Esping-Andersen 1990; Schierup 2010). A major result of social democratic hegemony, powerful trade unions, highly developed social policies, ALMPs etc. was decreased class differences, e.g. seen in declining class differentials in educational attainment and a more equal distribution of personal incomes (cf. Goldthorpe 2007: 42-3).

De-commodification of labour has been balanced against institutions that have commodified labour (Esping-Andersen 1990: 44ff). A main policy principle in the Swedish welfare state is *the work strategy*, i.e. that social rights in form of compensations from the social insurances are not unconditionally tied to citizenship but tied to the role as a worker. Consequently, various citizen rights and economic compensations are income-related (Junestav 2004, 2011; Johansson & Hornemann Møller 2009; Johnson 2010). Sweden has a long tradition of ALMPs and social policy arrangements emphasizing paid labour as a basic condition for economic compensations. Though originating in poor relief policies, work in the social democratic society was not seen as a punishment but “was given a positive meaning, a liberating force, giving the individual autonomy in the sense of self-reliance. Offering the unemployed a job in an active labour market context was to be regarded as a privilege” (Junestav 2011: 228). The work strategy could be defined in terms of that no person “should be granted long-term public income support until all possibility of making the person self-sufficient through employment had been exhausted” (Drøpping, Hvinden & Vik 1999: 136).

Post-war policies were to a significant degree governed by the Rehn-Meidner model, aiming to solve as diverse problems as economic growth and price stability as well as full employment, wage levelling and union solidarity. As flexicurity today is supposed to deliver institutional complementarity at the Danish labour market (Klindt 2008), the policies laid out by Gösta Rehn and Rudolf Meidner, economists working at LO – the dominant blue-collar union federation – were supposed to lead to “that flexibility could be had *as a result of* security” (van den Berg 2008: 6). The social contract offered by the union side was to accept rapid structural labour market rationalizations, aimed to strengthen the competitiveness of the small, export-dependent Swedish economy, and thereby to promote labour force mobility, in exchange for income and employment security. The motto “the security of the wings” was underlying the objectives of the model – to combine freedom and security to reach full employment without inflation (Rehn 1988: 214). Though, an important condition for the policies to be accepted was the strength of the blue collar union confederation – that LO could work as an “encompassing organization” for the whole working class, and, thereby, to internalize conflicting interests and to use strategies and solutions in the common interest of workers (van den Berg 2008: 7-8). As well, Rehn (1988: 89) emphasized the importance of LO as a moral authority to be able to centralize wage formation in accordance with the objectives of his economic policy.

Both fiscal and wage policy were explicit components as the model combined fiscal restraint and a “solidaristic” wage policy. A strict fiscal policy diverged from Keynesian principles; an expansive fiscal policy should primarily be used in times of serious unemployment and primarily in the form of selective employment policies, e.g. the Public employment service allocated labour to productivity enhancing export companies, and public investments in infrastructure and housing. Consequently, a “high-tax policy” was used to replace redundancies in the private sector with public employment. The solidaristic wage policy – a rational wage differentiation due to the nature of work and the demands on the workforce – was supposed to result in wage compression and, thereby, to force businesses with lower wages than the average to rationalize and invest in productivity-enhancing technologies or having to close down operations. Instead of relying on wage dispersion as a mechanism of allocating labour, an important instrument for job mobility was extensive investments in ALMPs to enhance occupational and geographical mobility. Job protection was substituted by employment protection, i.e. shifting focus from the protection of a specific job to ensure people to get any kind of job. Training, retraining, relocation, and mobility allowances were policy instruments aimed to help people finding jobs in the expanding industries. The

supply-side policies were also a response to the problem of labour shortage during a period of rapid economic growth. Another pillar of the model was that the state should deliver a generous income security in case of job loss. It had a clear policy function; it not only worked as social protection but as a work incentive, as the individual should participate in ALMPs and even be ready to resettle in regions with a strong labour demand (LO 1951; Rehn 1988; Esping-Andersen 1990; Benner 1997; van den Berg, Furåker & Johansson 1997; Ryner 2002; Whyman 2003; Klindt 2008; van den Berg 2008; Junestav 2011; Bonoli 2012).

Consequently, the mix of labour market policies with generous unemployment insurance (UI) and an extensive use of ALMPs was a Swedish trade mark. However, the policy of substitution of job protection with employment protection was undermined by the introduction of labour laws emphasizing stricter job protection, as in the 1974 *Swedish Employment Protection Act* and the 1976 *Act on Employee Consultation and Participation in Working Life*. This change of policies resulted not least from opposition from LO's own rank and file. Together with massive state subsidies to enterprises following the economic recession in the mid-1970s, it meant a significant retreat from the policies of the model (van den Berg 2008). The content of ALMPs shifted in the 1970s and 1980s during a period of economic stagnation and industrial restructuring towards more demand-side interventions such as job creation schemes in the public sector, i.e. an alternative to market employment (Bonoli 2012). Added to this is that the political climate changed and the discourse of neoclassical economics had marked effects on the social democratic elite in the late 1970s and onwards. A mode of policymaking based on monetarist economic theory followed (Blyth 2001; Ryner 2002). However, despite the shift of policies regarding state intervention in industrial relations and economic policies, during the period massive state interventions were still put into fighting unemployment with demand- and supply-oriented measures.

The Danish case

In the 1960s, labour market policy became an independent policy field in Denmark. Beside training programmes for unskilled workers and the institutionalization of continuing education of skilled workers, a by an international standard very generous unemployment support system was established. This was an era of economic growth and full employment but in the 1970s, 1980s and early 1990s mass unemployment prevailed (Larsen 2004; Jørgensen 2009; see Figure A2 in Appendix). In comparison to the Swedish full employment situation during the 1980s the Danish unemployment level was very high – the average level was 8.16 percent during the decade (OECD 2012). Also, the unemployment rate in Denmark was 8.4 percent in 1990, which could be compared with the Swedish rate of 1.8 percent (OECD 2012). In comparison with Sweden, the long-term unemployment rate (6 months or more) as percentage of the labour force was several times higher in Denmark during the 1980s. In 1983-1990 it ranged between 3 and 5.5 percent in Denmark – the corresponding figures in Sweden were below 1 percent during the period. Also, the Danish figures were much above countries as the United States and Canada (Furåker 2003: 179-80). Even though the period of mass unemployment placed a heavy burden on public expenditures, the UI continued to be very generous as the “historical compromise struck in 1960s to balance labour market flexibility against security protection for wage earners was upheld” (Larsen 2004: 145). The long period of continuous high unemployment was of major importance for the Danish labour market reforms in the 1990s (Lindvall 2010).

Two of the three main pillars of the Danish flexicurity model are the following: 1) A relatively limited job security, a feature consistent with labour markets in the liberal Anglo-

Saxon welfare regime, with a high level of external numerical flexibility and high rate of job mobility. This also means that, in spite of its low unemployment rate, “Denmark also has a European record in the percentage of employed who are each year affected by unemployment and receive unemployment benefits or cash benefits (around 20 per cent)” (Madsen 2010: 63). 2) A strong social safety net and generous unemployment benefits (even in a Nordic perspective). The Danish model is, as well as the Swedish model, highly dependent on that the state finances the major part of the UI, but also dependent on services such as an extensive educational system, a well-developed childcare system and public healthcare – a “heavy-social service burden” as Gøsta Esping-Andersen (1990: 28) emphasizes as a main element of the social democratic welfare regime. Consequently, in the flexicurity model a developed welfare state with high tax and benefit levels is not seen as something that is opposed to a more flexible labour market (Strøby Jensen 2009; Berglund et al. 2010; Madsen 2011). Both earlier and more recently the generosity of the UI has not only been defended by the unions but also, interestingly enough, by the employers, as the latter has seen this as “a reasonable price to pay” in exchange for the continuation of the managerial prerogative to hire and fire personnel following the less strict employment protection legislation (van den Berg 2008: 10). As mentioned earlier in the case of Sweden, an important condition for reaching these kinds of agreements has been that the labour market partners have acted like encompassing organizations.

The Danish employment schemes have traditionally been of a largely passive nature. However, the third pillar of the flexicurity model is active labour market measures (Strøby Jensen 2009; Berglund et al. 2010; Madsen 2011). ALMPs are supposed to have two main effects. The first, the qualification effect, follows from the upgrading of jobless people, and consequently, their improved job chances. The second, the motivation effect, is supposed to be enhanced among the unemployed approaching the date when they need to participate in active measures, i.e. as they probably will see this as something negative they will, accordingly, be increasingly motivated to search for jobs (Madsen 2010: 64-65).

The policy on more extended active measures was set into place when the Social Democratic government re-directed earlier strategies and invested more into ALMPs in the 1990s (Ibsen 2011: 49). Hence, altogether, the flexicurity model can be seen as a compromise between reduced job security in exchange for high employment security and income security. This compromise has been reached in a regime of industrial relations where strong trade unions and employers have had considerable freedom to regulate working conditions through collective bargaining. These industrial relations and the low level of employment protection dates back to the so-called September Agreement between the social partners in 1899. However, in a more current perspective, the labour market policy that followed from the labour market reform act of 1994 has been evaluated as very successful. It was a period with significantly reduced unemployment that has been described in terms of a “job miracle” and often seen as a result of the flexicurity arrangements institutionalised at the labour market (Larsen 2004). The Danish unemployment rate that reached close to 11 percent in 1993 successively declined to 3.4 percent in 2008. However, the global financial crisis and its aftermath had a major impact on the Danish economy with a rise in unemployment to 6.1 percent in 2009 (OECD 2012).² The importance of flexicurity arrangements for the Danish job miracle is, however, not so easy to estimate, and it is clearly dependent on macroeconomic policies as well as the regulatory function of the social partners. Regarding

² In an European Union perspective Denmark had the seventh highest unemployment rise in terms of percentage points, following the Baltic countries, Spain, Ireland and Slovakia (Madsen 2011: 9).

the latter aspect, Madsen (2010: 65) stresses that the simultaneous development of low inflation and falling unemployment was a by-product of the wage moderation policies, as wages were set in collective agreements with an eye to the Danish economy's international competitiveness and its macroeconomic balance.

Results

In this part, the development of Swedish and Danish labour market policies since the 1990s will be analysed – more specifically the amount of public resources committed to LMPs in total, the proportion of active vs. passive measures and the proportion of different types of measures. OECD data on public expenditures on labour market programs from 1985, the first year with data, to 2009 will be analyzed (OECD 2012). The OECD reports public expenditure as a percentage of GDP of labour market programs. Besides this, Figure 1 and Figure 3 are standardized for unemployment level through dividing the public expenditure in passive and active measures of the GDP with the unemployment level (e.g. van den Berg, Furåker & Johansson 1997; Bengtsson & Berglund 2012).

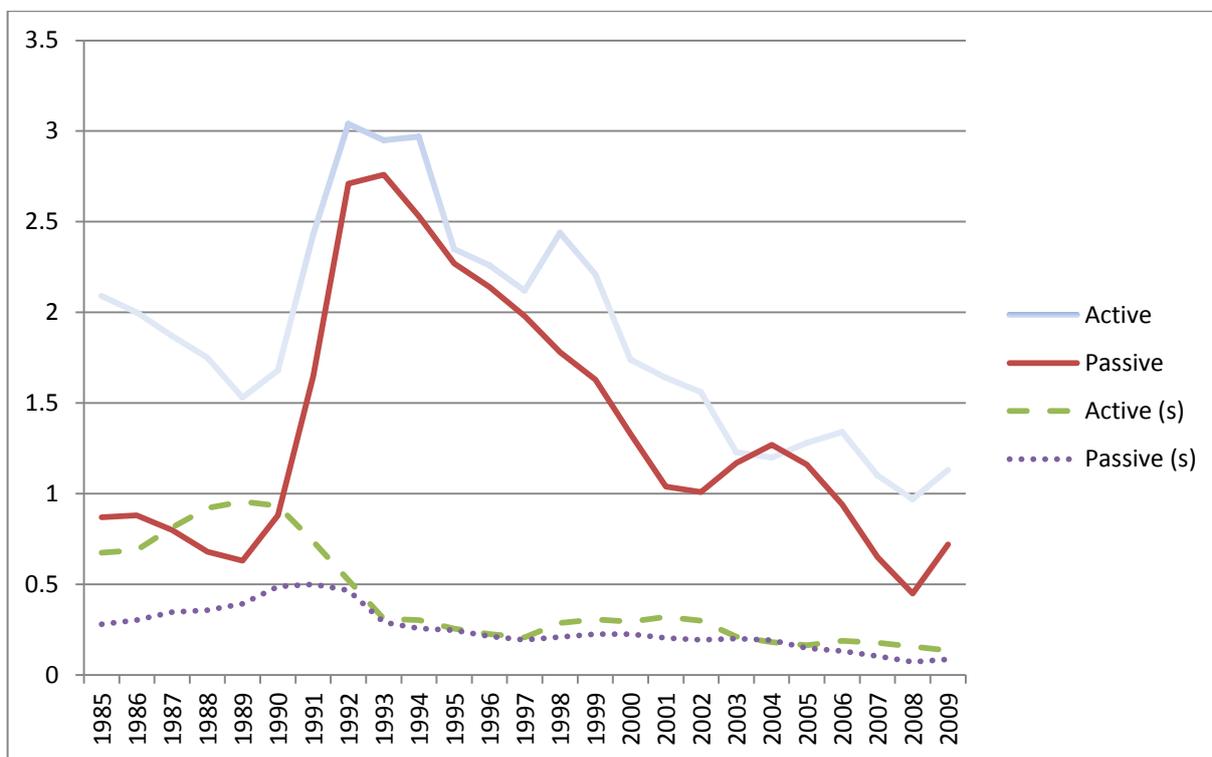


Figure 1 Total expenditures in Sweden 1985-2009 on labour market programs of share of GDP as well as expenditures on share of GDP for percentage point unemployed (percent).

Source: Own calculations based on OECD (2012)

Swedish labour market policies

During 1985-2009, the highest relative levels spent on active measures are in the period of 1985-1991. By studying Figure 1 we can see that Swedish expenditures during the whole period follow a pattern. With the exception of 2004, the expenditure level has been higher for active than passive measures. Of the total expenditure in 1985-1990 as much as 70 percent was invested in active measures, which can be compared to 57 percent in the final

years of 2004-2009 (OECD 2012). In 1990, 2.56 percent of the GDP was invested in LMPs with an unemployment rate of 1.8 percent, i.e. for each percentage point unemployed 1.4 percent of the GDP was used for measures (OECD 2012; cf. Bengtsson & Berglund 2012). However, the conditions for LMPs changed dramatically with the severe effects of the deep economic recession in the early 1990s. Mass unemployment and strict austerity measures followed. The government focused on cutting the budget deficit and national debt. In 1992, public expenses for LMPs peaked at 5.76 percent of the GDP, but for each percentage point unemployed it dropped considerably as seen in the standardized values for active and passive measures (Figure 1). If ALMPs had been developed to handle unemployment on the margin it now faced mass unemployment, and the effectiveness and the quality of the measures were dramatically weakened as the volume of participants nearly four-doubled between 1990 and 1994. The legitimacy of state ALMPs and of the public employment services was challenged (Ulmestig 2009; Lindvall 2011). Despite mass unemployment during several years in the mid-1990s, the expenditures on LMPs fell steeply both during the centre-right government (1991-1994) and during the succeeding social democratic governments (1994-2006). This result is also corroborated by the standardized figures (Figure 1).

At the turn of the century *guarantees* were introduced, which is a combination of measures such as intensified guidance, individual action plans, training and supported employment. These are usually introduced in a specific order and at fixed dates. Participants are selected based on unemployment duration and participation is obligatory for continued receipt of compensation. The first program was the 1998 *Youth Guarantee* (Forslund & Vikström 2010; SOU 2011:11, p. 195). Two years later, in 2000, the *Activity Guarantee* was introduced – a fulltime, umbrella programme with no definite time limit for persons aged 20 or older that was, or risked becoming, long-term unemployed. The unemployed should have stable fulltime activities in a more coherent programme until finding a job or education to counteract unemployment cultures, hinder abuse of the insurance and moonlighting as well as activating those hit either by structural problems in sparsely-populated areas or in larger segregated urban areas. Also, a place in the guarantee was a solution to persons whose period of unemployment benefit had expired (Prop. 1999/2000:98, p. 57-8; Johansson 2006: 37ff). Those who declined job offers or participating in activities, misbehaved or did not participate in the constitution of an individual action plan could be dispelled from the guarantee and, thus, from the right to activity compensation. Also, a participant did no longer qualify for a new period within the UI (Johansson 2006: 46ff.).

In 2007 supported employment was reformed in line with the policies of guarantees. Instead of relying on a case worker assessment, job subsidies in form of *new start jobs* became a right for all that have been unemployed (or in other ways vacant) during a specific time period (SOU 2011:11, p. 204-5). The support is directed to all employers and corresponds to the amount of the pay roll tax. The main target group is persons 26 years or older, but persons aged 20-25 may also be covered. The normal demand is having been fulltime unemployed or on sick leave for at least 12 months during a period of 15 months (Sibbmark 2010: 30-31; SOU 2011:11, p. 212).

In 2007 *Entry Recruitment Incentive* was introduced for unemployed persons granted residence permit in the last three years. The assignment is part- or fulltime employment to be combined with studying Swedish for immigrants. The individual could be granted a new period without studies if he/she has finalised the Swedish courses at the highest level (Sibbmark 2010: 18-9). Also, in 2007, the Youth Guarantee was phased out and replaced by the Youth Job Programme. Also, the Activity Guarantee was replaced by the *Job and*

Development Programme (JOB), currently the most extensive programme. The target group of the first programme is youths (16-24 years) and first and foremost directed to those that have been unemployed during a coherent period of three months but also for people on parole and for those that have worked less than their whole labour supply (Sibbmark 2010: 16-23). Persons aged 18-24 participating in the programme and unqualified for an unemployment benefit may receive a *development allowance*. Educational attainment matters; persons under 20 and lacking a final grade from upper secondary school receives a significantly lower daily allowance compared to the other recipients (Swedish Social Insurance Agency 2011: 66).

JOB is divided into three phases. First, in-depth assessment, job seeking activities with coaching and preparatory measures (for 150 days). Second, work placement, practical training or different forms of work training (for an additional 300 days). Third, supported employment for maximum two years is supplied in “artificial jobs”; that is, the participants shall perform tasks otherwise not performed at the workplace (Martinson & Sibbmark 2010; SOU 2011:11, p. 214). This third phase has been heavily criticized for consisting of rather meaningless work, tasks that in earlier research on ALMPs have been described as “participation in futile work-for-the-sake-of-working projects” (Torfing 1999: 18). Persons that have exhausted the benefit period in the UI are normally offered to participate in JOB, with significantly lower economic compensations and the job seeker must often apply for income support from the social services. Also, a participant in programmes as JOB does not longer qualify for a new period within the UI (Johansson 2006).

An important part of what Bonoli (2012: 184-85) calls “incentive reinforcement” are in-work benefits. Since the centre-right wing government took office in 2006 there have been a number of tax reforms. The job tax deduction is the most significant change in direct taxation of work incomes. The first deduction in 2007 stood for around SEK 40 billion and each of the other three steps for approximately SEK 10 billion (Finanspolitiska rådet 2010: 159). In the budget proposal for 2011, the government states that its ambition is to further strengthen the job tax deduction. It emphasizes that, together with the changes in the unemployment and sickness insurances, the deduction increases the work incentives and lowers the thresholds for labour market entry. Also, it aims to increase the working hours of the employed (Prop. 2010/11:1a, p. 26, 51, 59).

“Activity” and “activation” have become buzz-words in social policy directives during the last two decades in Sweden. In governmental bills, reports and statements it is emphasized that the UI shall work as “adjustment insurance” (e.g. Prop. 2010/11:1b, p. 34). The unemployment benefit is seen as a compensation for the activity of job seeking; it transforms into “activity compensation”, i.e. it is the activity, not unemployment itself, which is the basis for the compensation.

The UI, which covers both employees and employers, consists of a basic insurance and an income-related insurance. The basic insurance is valid for the person that satisfies the work condition but is not a member in an unemployment fund or has not been a member long enough. The income-related insurance demands that the person both satisfies the work

condition and the membership condition; that is, having been a member in an unemployment fund for at least 12 months.³

Another sign of a strengthened pro-market employment orientation through incentive reinforcement is that the work incentives for benefit recipients have been strengthened over time. This could among other things be seen in a comparison between the late 1980s and the current government policy with regards to benefit conditionality and the compensation level of the unemployment benefit. In 1989, to fulfil the work condition the person needed to have worked, during the last 12 months before unemployment, for at least 75 days over a period of four months. The compensation level of the UI was 90 percent of the previous earnings. The compensation was paid for 300 days; thereafter a new work condition had to be fulfilled to be able to receive a new benefit. Older employees were entitled to a slightly longer benefit period (SO 2008). Before 1989 there had been a waiting period of normally six days but it was abolished that year. In 1993, in a time of deep economic recession, the work condition was strengthened, five waiting days were reintroduced and the compensation level was lowered to 80 percent.

In 2001 the demands on activation were strengthened. Unemployed should actively collaborate with the case worker in creating an individual action plan. The definition of *appropriate job* changed as it was specified that the unemployed during the first 100 days could search for jobs in the area of their occupation and close to their residence, but after that at the whole labour market. Also, active measures did no longer qualify for a new benefit period. Furthermore, the entitlement to a somewhat longer duration of the insurance among older workers was abolished; it was shortened to 300 days for all (Sörnsen 2009: 243).

During the current centre-right government, to fulfil the work condition the person needs to have worked, during the last 12 months before unemployment, at least 80 hours a month in at least six months or, alternatively, having worked 480 hours during six consecutive months and then at least 50 hours per month. The limit for the UI is 300 days. An exception is parents with children in the household under 18, who can receive 450 days. The compensation level for the first 200 days is 80 percent, thereafter 70 percent until day 300. The waiting period before the benefit is paid is seven days (Prop. 2007/08:136, p. 46; Sibbmark 2010: 12-13). If the applicant during the benefit period once again meets the work condition, he/she can receive a new benefit period of 300 days. The compensation will then be calculated on the applicant's income during the last 12 months. If it is preferable, the applicant can instead be granted a day-wage at 65 percent of the daily earnings that the benefit was based on in the earlier benefit period (Sibbmark 2010: 13). Besides this, the unemployed should be prepared to accept a job at the whole labour market from the first day of being registered at the local employment office, not after 100 days as previously.

With regards to the compensation level in the UI, among OECD countries Sweden dropped from the fifth place in 2002 to the 21st place in 2008. It is not either especially generous regarding other indicators: long qualification periods, around average when it comes to duration and above average concerning the number of waiting days (Janson & Orpana 2010). Fewer and fewer full-time unemployed persons receive any unemployment benefit

³ The admission condition for membership in the unemployment insurance is having worked, and still work, on average 17 hours per week at least for four weeks during a coherent period of five weeks (Prop. 2007/08:136, p. 46).

whatsoever – the proportion fell from 70 percent in January 2006 to 36 percent in November 2011 (Arbetsförmedlingen 2012: 43). Also, the monthly membership fees to the UI were dramatically raised from a mean of SEK 99 in 2006 to SEK 344 in 2007 (SO 2007). The UI funds are administered by the unions, which organize members in different industries/sectors. The aim of the increase was to make the fees mirror the unemployment risk in different industries. However, many people left the insurance, to the highest degree low-income workers as well as persons aged 16-24 and 60-64. At the end of 2010, well over 1.4 million individuals, nearly a third of the Swedish labour force, were not part of the UI. They did not, therefore, meet the membership condition in case of unemployment. This could be compared to around 700,000 people in 2006 before the current government took office (Kjellberg 2011).

The Swedish labour market policy area has been dominated by public providers, mainly the Public employment service. However, since 2006, private providers have received a considerable role in implementation of welfare services (cf. Hartman 2011). The Public employment service has long experience of purchasing labour market training delivered by external providers, but from 2007 onwards it has been assigned to purchase employment services from *supplementary actors* in accordance with the purchaser-provider model, i.e. private organizations that cooperate with the Public employment service and that contribute with a supplementary employment service. An experimental activity in 2007 was quickly extended in 2008-9. Early on the supplementary actors were mainly responsible for applicants to JOB and the job guarantee for young people, but since the end of 2009 there has been a huge expansion of applicants to the services of supplementary actors outside of these two programmes, e.g. job coaching for new and short-term unemployed persons (Arbetsförmedlingen 2011: 45-7).

By studying Figure 2 we can see that there were major cutbacks in public expenditures on LMPs specifically for out-of-work income maintenance and employment support between the early 1990s until the early 2000s. Investments in public employment services decreased to a minor degree but the pattern for training is specifically interesting to comment upon. In 1986, an important reform was the introduction of labour market training as a qualification for a new unemployment benefit period (Forslund & Vikström 2010: 17). In 1991, 66 percent of participants in various LMPs participated in vocational training (Arbetsförmedlingen 2010). Following this, training was an important part of active measures before the economic recession in the 1990s, but during the rule of the centre-right government in the early 1990s, expenditures on training steeply decreased. When the Social Democrats returned to power it was stressed that Sweden should be transformed into a “leading knowledge-nation” and that it “shall meet the 21st century with high competence, not with low wages” (Statement of Government Policy 1997, 1998, my translation). In the final years of the 1990s the unemployment rate decreased and the Social democratic government launched a policy on lifelong learning and stressed a “high-road” to full employment, in line with human capital development strategies. The work strategy was said to be complemented with a *competence strategy*. As seen in Figure 2, the investments in training increased during the period, but after a couple of years they once again decreased before making a halt in 2003-2006 at a level of 0.31-0.36 percent of the GDP (OECD 2012).

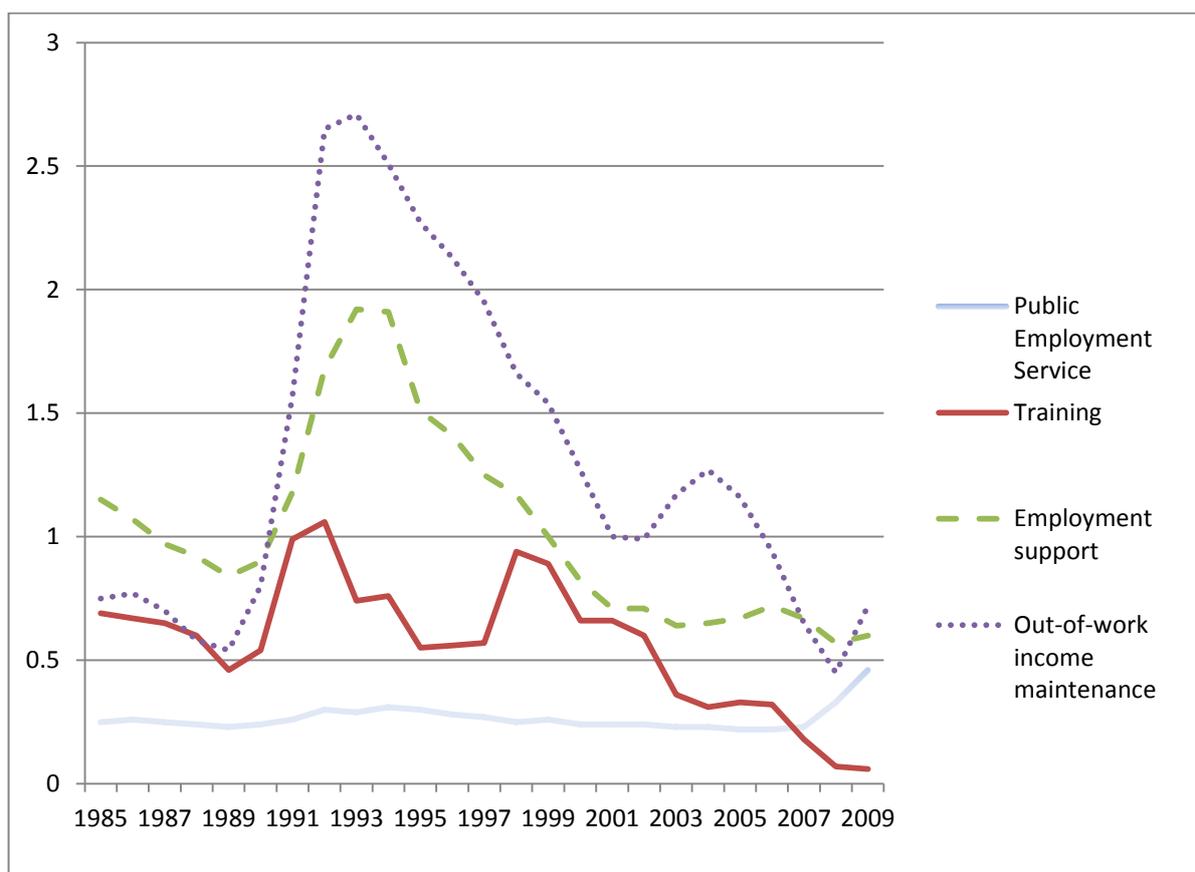


Figure 2 Total expenditures in Sweden 1985-2009 on four areas of labour market programs of share of GDP. Source: OECD (2012)

With the introduction of new instruments of policy participation as JOB, labour market training has significantly declined. Approximately 34 percent of the total number of persons in ALMPs participated in training in 2001; the equivalent number in 2009 was 8 percent (Lundin 2011: 156). The emphasis has shifted towards matching and individual coaching activities, with significant expenditure cuts overall. The percent of GDP for LMPs was 1.79 percent in 2007, 1.45 percent in 2008 and 1.85 percent in 2009, the three years with the lowest shares for the whole period of 1985-2009. The year with the fourth lowest expenditure was 1989 with 2.16 percent. However, in 1989 the unemployment rate was much lower than the 6-8 percent in 2007-2009 – it was only 1.6 percent (OECD 2012). So with the current centre-right government the expenditure level has continued to decrease to a new low level in a Swedish perspective, but also to a low level by international standards with regards to training. The Swedish public expenditure on training as percentage of GDP was 0.06 percent in 2009, which means that it has fallen below the OECD average (0.18 percent) and just above the expenditure levels of countries as the United States, the United Kingdom, Japan and Korea. However, the total expenditure on active measures in Sweden in 2009 was still significantly above the OECD average, 1.13 percent compared with 0.62 percent (OECD 2012). At the same time, the expenditure on passive measures, 0.72 percent, was below the 2009 OECD average of 1.04 percent.

Danish labour market policies

Among the OECD countries, Denmark has for a long time been a deviant case with its very high public expenditure on LMPs, specifically due to a very generous UI. To exemplify, in 1989-1995 the expenditure on passive measures as percentage of GDP did not fall below 4 percent and the total expenditure on LMPs in the year of 1993, when unemployment peaked, was as high as 7.19 percent. Today the total expenditure on LMPs is still very high by international standards – of the OECD countries Denmark was only surpassed by Spain and Belgium in 2009 (OECD 2012).

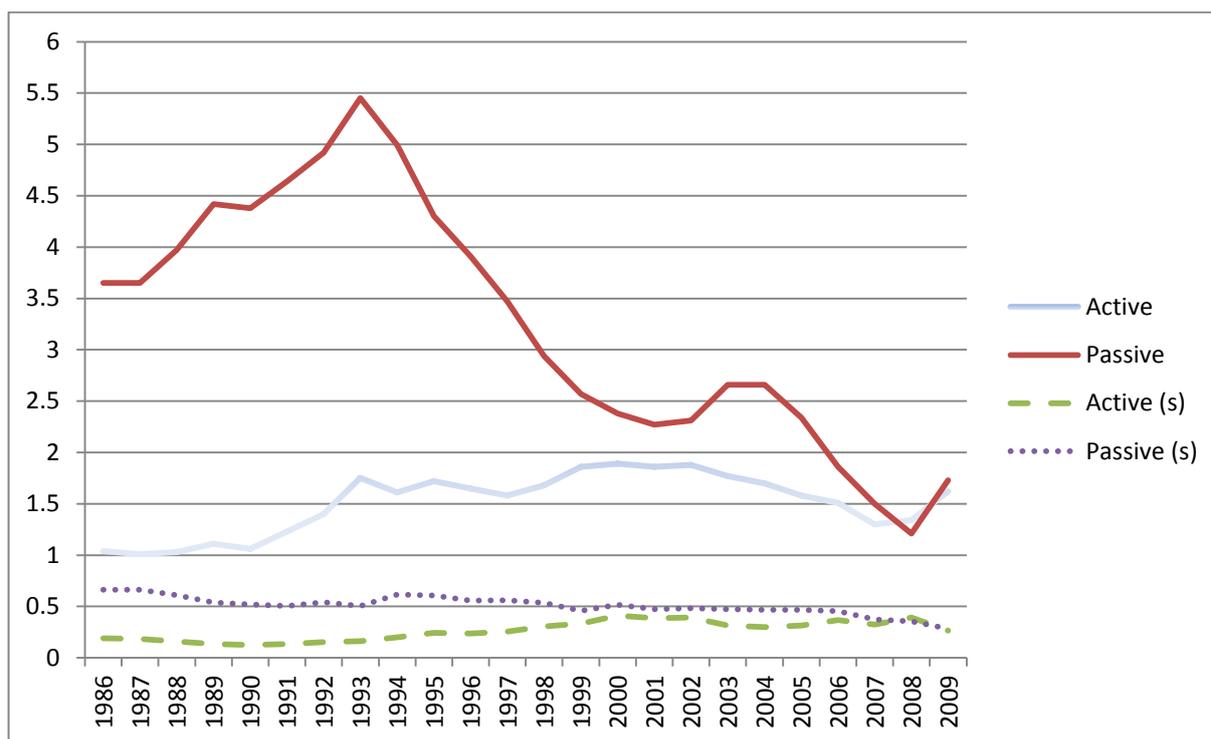


Figure 3 Total expenditures in Denmark 1986-2009 on labour market programs of share of GDP as well as expenditures on share of GDP for percentage point unemployed (percent).

Source: Own calculations based on OECD (2012)

By comparing Figure 1 and Figure 3, the relative proportion of active and passive measures has taken very different forms in Sweden and Denmark. While major investments in active measures have been a Swedish trade mark, major investments in passive measures are a main characteristic of Danish LMPs. The traditionally strong passive nature of Danish LMPs can be seen in Figure 3 with 2.5-4 percentage points more invested in passive than in active measures from the mid-1980s to the mid-1990s. However, in the 1990s the proportion of active measures of overall spending on LMPs strongly increased – a major reorientation in combination with major reductions in spending on passive measures since the highest level in 1993. Today the total expenditures on passive and active measures are more or less equal. Also, the expenditures on passive and active measures as share of GDP for each percentage point unemployed have been equalized during the time period (Figure 3).

The Danish unemployment policy of the 1970-1980s has been described as consisting of a low degree of work incentives. It was easy for the unemployed to reach the work condition for the UI and, thereby, to stay in the insurance for a long period. Activation in its broader

meaning, referring to investments in ALMPs and stronger work incentives for the benefit recipient, was weakly developed with a main commitment to provide welfare and to maintain the standard of living of the unemployed: “Denmark never adopted an extensive Swedish system of active labour-market policy, and the right to receive unemployment benefit or cash assistance was never really linked to an obligation to take a job, or to be trained or educated” (Torfing 1999: 13). However, by international standards, activation policies were introduced early in Denmark (1989-1990) on municipal level in the fight against youth unemployment. In 1994, the social democratic-led government implemented the labour market reform act with an emphasis on activation policies and reforms of the benefit systems that continued to be very generous in an international perspective but that comprised a shorter insurance period, strengthened eligibility rules, more restricted access to the unemployment benefit system and compulsory activation (e.g. through the introduction of individual action plans). There was a major reorientation towards expansive fiscal policies. The more needs-oriented approach meant more individual and tailor-made measures. Danish ALMPs were clearly directed towards a high road to growth and employment through skill-upgrading, as education and job training were the main measures offered to the unemployed person. It was a long-term strategy of increasing the skills of the labour force, a “learn-fare” approach. As well, higher numbers of the unemployed were enrolled into activation (Larsen 2004; Jørgensen 2009). This development of human resource investment was seen in Sweden in the mid-1990s as well as in many other countries as a reorientation of LMPs towards activation (Jacobsson 2004; Bonoli 2010).

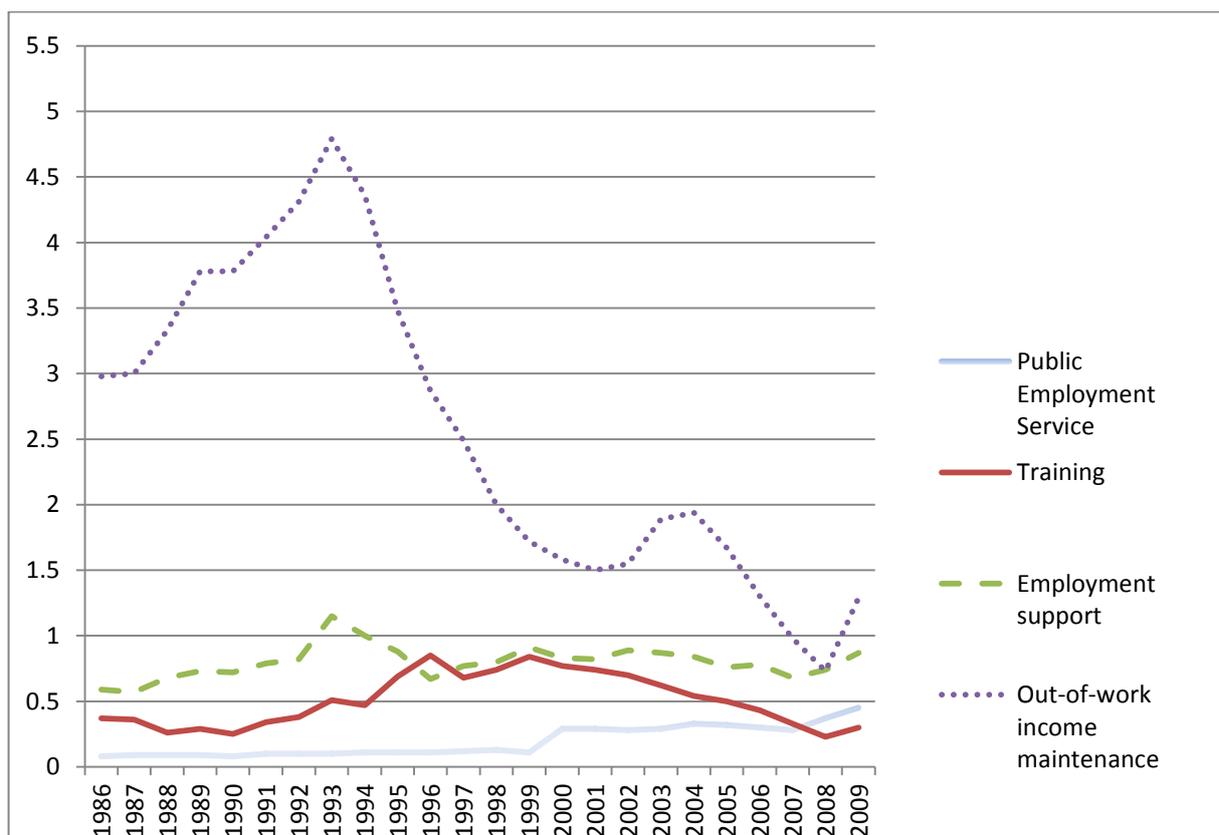


Figure 4 Total expenditures in Denmark 1986-2009 on four areas of labour market programs of share of GDP. Source: OECD (2012)

Studying Figure 4 the reorientation in the mid-1990s towards active policies and training measures are evident. As unemployment quickly decreased and the expenditures on out-of-work income maintenance steeply declined during the final six-seven years of the 1990s (approximately three percent of GDP), the investments in training increased. There was also a minor increase in public employment services, while expenditures in employment support decreased in the mid-1990s, but has thereafter been on a rather consistent level.

In the new century a rather dramatic decrease in expenditures on labour market programs as share of the GDP has been seen, with the exception for 2009 due to the repercussions of the global financial crisis (see Figure 3). A liberal-conservative government was elected in 2001, and it has changed activation policies, with regards to both the governance structure of the Danish labour market (e.g. processes of decentralization, contractualization, marketisation and de-corporativism) and to the amount and content of LMPs. It is the second aspect that I focus on in this paper. In his critique of policy changes since 2003, Henning Jørgensen (2009: 363) describes the reforms during the last decade as having “done severe damage to the Danish activation strategy developed during the 1990s”. In 2003 a new labour market reform was introduced with less skill-upgrading and a stronger emphasis on measures as guidance and contact meetings and subsidized job training. There was also a greater emphasis on social disciplining and workfare policies (Larsen 2004). Part of this is a change of active measures from more qualitative and attractive offers to more low-cost, low-quality offers to encourage unemployed persons to avoid active employment schemes and to encourage them to find a job of whatever sort – i.e. a strengthening of the “motivation effect” of active measures (Jørgensen 2009).

As in Sweden, a membership in an UI fund is voluntary and to be entitled to an unemployment benefit one must have been a member for at least 12 months. Earlier the work condition was minimum 26 weeks of full-time work during a three-year period, but it has increased to 52 weeks. The Danish unemployment benefit system consists of both an initial “passive” and a subsequent “active” period. From the early 1990s to the end of the 2000s the passive period was reduced from four years to six or nine months (depending on the age of the unemployed) (Berglund et al. 2010: 240-43). In 2010, the government decided to lower the overall benefit duration period from four to two years (Madsen 2011: 16). As in Sweden, participation in active measures does not any longer make a person eligible for an extension of the unemployment benefit. The compensation level amounts to a maximum of 90 percent of the previous wage (Berglund et al. 2010: 243).

By studying Figure 4 it could be stressed that unemployment fell during the period in question to around 3-4 percent before the major rise in 2009 and that it affected the total expenditures on LMPs. Still, it is fairly evident that there has occurred a policy change. Expenditure cuts on out-of-work income maintenance were extensive in 2004-08 and from the turn of the century there have been major cuts in spending on training to the currently low levels. The level in 2008 was at the same as in the end of the 1980s and early 1990s. The decline has not been as steep as in Sweden (see Figure 2), but the pattern is similar. At the second half of the 1990s, skill-upgrading was stressed in policies and in actual spending in both countries but in the last decade there has been a successive lowering of investments in training measures. That one can talk of institutional change in Denmark is also seen in the investments in public employment services that have increased during the last decade from a very low level but that have surpassed the expenditures on training during the last couple of years (Figure 4). This also happened in Sweden (cf. Figure 2).

Discussion

The results of this comparative study of Sweden and Denmark shows that there has been policy change concerning the amount of public resources invested in LMPs overall and in relation to various types of measures. As well, in Denmark, the pattern of expenditures on active and passive measures has also changed its form.

In Sweden, the shift from a *de facto* full employment situation to a post-full-employment situation created space for alternative ideas about new governance structures, policy goals and instruments. The work strategy has been a main institution at the Swedish labour market for a long time but during the last decade, and specifically during the current centre-right government, the “work first approach” has been increasingly emphasized. Currently, major cuts in active measures and in economic compensations and benefits, as well as stricter work obligations, altogether work as activation policies to create stronger incentives for people to take up employment (cf. Wadensjö 2010: 40-41). Also, there is an emphasis on self-regulation and privatization: reductions in compensation rates from social insurances are an incentive for supplementary private insurances, e.g. through the trade unions.

Policy change is heavily influenced by processes of *individualization*. Individual action plans has become a main instrument within national labour market policy. There is a stronger emphasis on the qualifications and activities of the job seeker and a political language of individualization, competition and choice. Through a modern matching service, including private provision of LMPs and job coaching, the unemployed shall “be given increased possibilities to compete” and the employment offices “shall better be able to respond to the needs of job seekers through more individual service” (Prop. 2006/07:1, p. 73, my translation; cf. Bengtsson & Berglund 2012).

Connected to the process of individualisation is a *contractualisation* of the relationship between the citizen and the welfare state. Activation programmes build on “contract rationality”. The guarantee takes the form of a “client contract” in which the unemployed person and the employment officer signs an agreement. However, the contract consists of an asymmetric relation between the state and the citizen that could be defined as an instrument that will test whether the unemployed actively stands at the disposal of the labour market. Following this, citizenship rights have become contractual as well as more conditional (Johansson 2006: 48-9).

Contemporary policy changes may also be seen as a shift from a traditional universalistic approach to a more residual approach with the growth of more *selective* policy instruments. In contemporary LMPs greater investments in so-called preparatory measures aim not to directly lead to employment but are mainly oriented towards more vulnerable groups such as low-educated youths, the old, foreign-born and disabled persons (Lindvert 2011: 37-38).

The shift in national employment and social policies has been anchored in discourses of the prerogative of the work strategy and the fighting of the so-called “socially excluded” (“*utanförskapet*”) (e.g. Regeringsförklaring 2007). The main social cleavage is said to exist between people in employment and those positioned as socially excluded, i.e. those who receive compensation from the social security system, unemployment benefits and means-tested social assistance benefits (Alm et al. 2010: 14). Instead of framing social policies in terms of welfare, the “passive benefit system” is being attacked (cf. Junestav 2011: 242-43). Activation that are putting beneficiaries under pressure from sanctions and time limits risk forcing them to accept any job offer whatsoever. This is certainly the case with the currently

very large number of uninsured persons, e.g. nearly a third of the Swedish labour force is not part of the UI, as well as for the people no longer eligible for the health insurance. The labour force has been increasingly commodified, i.e. the possibility to uphold a socially acceptable living standard independently of labour market participation has considerably decreased (cf. Esping-Andersen 1990: 37).

To sum up, there have been benefit reductions, stricter benefit conditionality and a significant decrease of the spending on active measures, not least training. It can be expressed in terms of that a “liberal” ideal type of activation (Barbier 2004; Barbier & Ludwig-Mayerhofer 2004) or that a defensive workfare strategy (Torfing 1999) has increased in importance. As well, “enforced emancipation” of passive social security claimants, in line with the paternalism optimists, is an activation approach that has been strengthened (van Berkel & Hornemann Møller 2002).

Denmark does by international standards invest extensive public resources in LMPs. For example, in 2009, of total expenditures in LMPs, the Danish level was 80 percent higher than the Swedish level. What about the active measures that Sweden once pioneered? Also, Danish expenditures in active measures as percentage of GDP were significantly higher than the Swedish ones (43 percent). However, when studying the content of measures, if Denmark earlier was a deviant case in relation to general European activation systems, institutional change during the last decade have led to a growing European convergence with regards to discourses, policy objectives, instruments and outcomes, described by Jørgensen (2009: 361) as an “‘Europeanisation’ of Danish activation policy”. The previous success of state interventionist policies seems to have lost pace with a change of policies and of steering processes with stronger disciplinary elements – there is greater pressure on the unemployed to independently find a job. Harder sanctions and economic incentives have been introduced to counter what is perceived as motivational deficits among the unemployed (Jørgensen 2009). As in Sweden, commodification of labour has increased.

What does the development described above mean for the functioning of the flexicurity model? A “decisive new and central element” (Larsen 2004: 152) of the 1994 Danish labour market reform was increased investments in active measures as education and job training to upgrade the skills of the unemployed. This meant that the third pillar, of what eventually came to be conceptualized as the Danish flexicurity model, was put in place – i.e. ALMPs besides low job security and high income security. However, during the last years training expenditures has considerably decreased and “learn-fare” been weakened with potential repercussions for the possibility to uphold employment security as a key ingredient in the flexicurity model. Following the activation turn in OECD countries since the mid-1990s, a new role has been set forth for ALMPs. Instead of meeting the shortage of skilled labour through upskilling, public policies are reoriented towards two types of ALMPs: “employment assistance” (e.g. job subsidies, counselling, job search programmes) and “incentive reinforcement” (e.g. tax credits, benefit reductions, benefit conditionality) (Bonoli 2012: 196). Also, in Sweden and Denmark, this reorientation is an empirical fact.

In accordance with the “Work First approach” of the Swedish centre-right government, various policy instruments are used to relatively worsen the situation for those not part of the employed labour force compared to those in employment. Besides reforms of social security, in-work benefits and subsidised employment for low-wage service jobs have been major strategies to reach the underlying policy goal, as the government expresses it, to “improve wage setting” (Prop. 2009/10:1, p. 38). This means, literally speaking, reforms that will

pressure the reservation wages downwards. At the same time, matching is emphasized in current national labour market policies. Instead of taking a “high road” to employment, wage moderation and policies with less training and human capital development and stronger work incentives definitely points towards a “low road” to employment and work as an impetus towards an expanded low-wage service sector. Bengtsson and Berglund (2012: 102) has described the development in terms of new forms of governance that includes a “strategy to discipline and develop a ‘standby-ability’ among the unemployed to maintain motivation for job searching, as skill enhancing education, training and human capital accumulation do not longer seem to be prerogatives in state regulation of the Swedish labour market”.

Also, Danish development seems to be heading in the direction towards governmental rationalities that aim to mobilize additional labour supply. As Jørgensen (2009: 357) states: “Everyone has to accept paid work as unconditionally good, irrespective of working conditions or the type of job offered. This is the tendency. In a nutshell, dependency on the market is to be promoted, replacing the former dependency of the unemployed on the welfare state”. According to Klindt (2008: 30-31), the mobility political aspects that was at the core of the flexicurity model has generally been eroded and replaced with an employment policy stressing that all should work no matter the character of work or the qualifications of people. This is in line with the British Work First approach that “any job is better than no job” (Lindsey, Mcquaid & Dutton 2007: 541).

As seen above, ALMPs characteristic of Anglo-Saxon, residual welfare state regimes seems to have a stronger grip over the countries under study with lower investments in training and more of “quick fixes” and less costly measures. This seems also to follow a European development of greater convergence of policy objectives and instruments (cf. Jørgensen 2009). How could this policy change be explained in a period of skilled labour shortage, when governments promote entry into low-skill jobs rather than invest in human capital through job-related vocational training? Two economic explanations are suggested by Bonoli (2012: 200-201). First, that upgrading is costly in times of austerity and strict borrowing policies within the European Union. Second, upskilling may not have the same effect currently as in the mid-20th century. Training and retraining may have been more effective to meet employers’ labour demand during the post-war period of industrial development than to reduce the skill distance between the unskilled and skilled service workforce in contemporary working life: “It was arguably easier to retrain Swedish forest workers to work in the expanding manufacturing sectors than current unskilled service workforce to staff health and social services or other expanding high value added sectors” (Bonoli 2012: 201).

In a discussion on the retreat of Swedish investments in ALMPs, Johannes Lindvall (2011: 41-43) emphasizes two explanatory factors. The first factor is that labour market measures were badly adapted to the massive demand created by the deep economic recession in the 1990s when unemployment levels rose quickly. The massive increase of participants in various measures lowered the quality. As measures to a very low degree resulted in employment they were increasingly perceived as meaningless. For example, the proportion in employment six months after vocational rehabilitation decreased from 74 percent in 1989 to 25 percent in 1993 (Prop. 1999/2000:98, p. 15). Instead of preparing people for labour market participation ALMPs more and more came to fulfill the function to stop extensive social exclusion (Lindvert 2011: 34). The second factor is the retreat of corporatism during the 1990s. Research has shown that there exists a relationship between the degree of corporatism and investments in ALMPs as training and similar measures as it presupposes participation of the social partners. For example, the increased investments in ALMPs in

Denmark during the 1990s were part of wider reform packages due to tripartite deliberations between the state and the social partners (Lindvall 2011: 42-43; see also Larsen 2004).

With an increased emphasis of activation in form of incentive reinforcement, former boundaries between social policies and labour market policies have weakened during the last two decades in Sweden. Individual responsibilities and obligations for labour market reintegration have increasingly been stressed. At the same time, the state has retreated from the activation approach that Rik van Berkel and Iver Hornemann Møller (2002: 54) have called the “activation optimists”, whereby “policies should assist people, when and where necessary, in developing forms of participation”. That is, the policy principle that could be said to be at the centre of the Rehn-Meidner model. Gösta Rehn (1988: 215, my translation) described the “old society” where the unemployed did not have any chance to be re-educated but “had to take the first job being offered from the employment services; otherwise he did not even receive an unemployment benefit”. Rehn thought we should aim for a modern “labour market policy society”, combining the interests of society and individual. Resources should be invested in skill-upgrading, mobility allowances etc. so that manpower is used in the most productive way and simultaneously to create an “instrument of freedom and security” for the individual: “a society with a free choice in working life gives him instead the possibility to, without rush, make the reorientation that he maybe needs to later think that it principally was of advantage to get away from his old poor job” (Rehn 1988: 215, my translation). In Sweden at least, the policy shift during the last two decades can be seen as a move towards a greater reliance on matching and counselling services and, accordingly, towards the old, pre-labour market policy society that Rehn strongly criticized.

Appendix

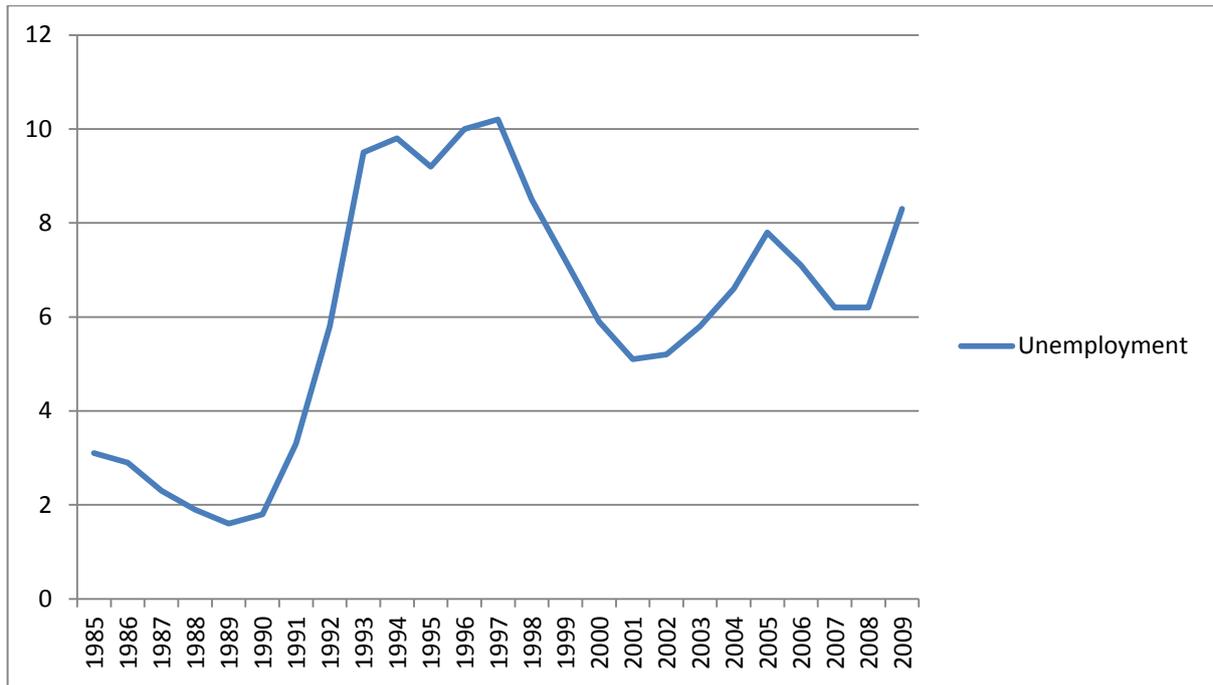


Figure A1 Sweden. Unemployment rate 15-64 years. Percent.
Source: OECD (2012)

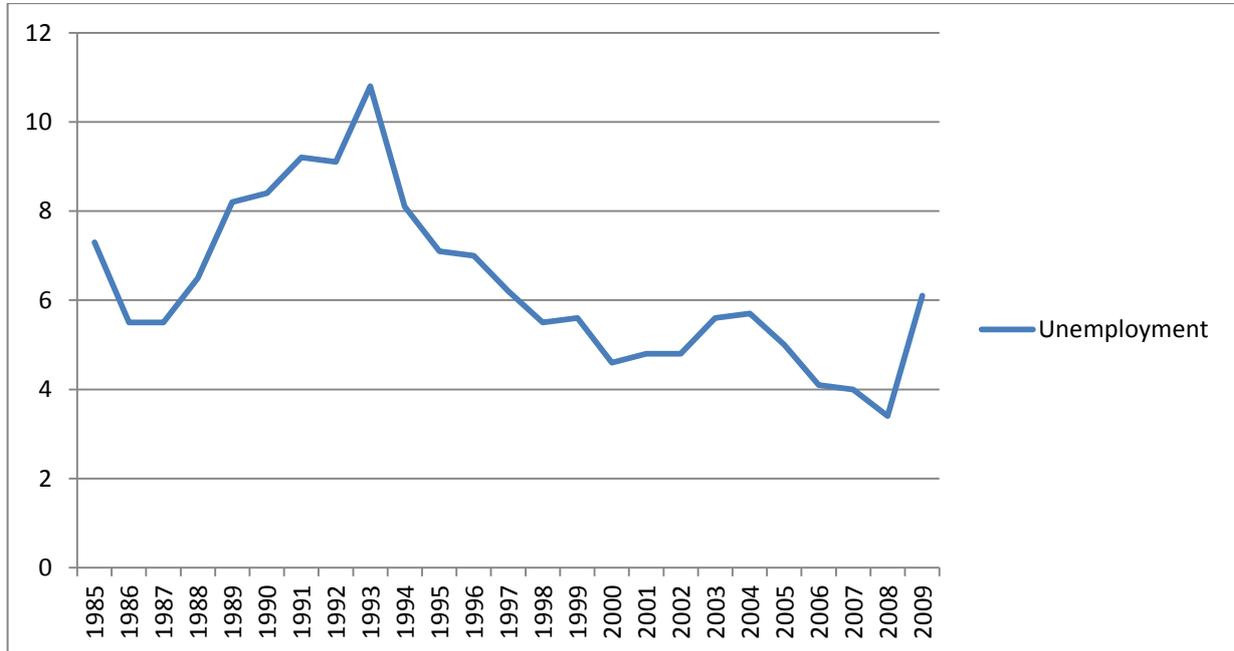


Figure A2 Denmark. Unemployment rate 15-64 years. Percent.
Source: OECD (2012)

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