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Nordic activation policies in flux: A study of Swedish and Danish labour market policies

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Aim and theoretical perspective

- Analyze Swedish and Danish LMPs from the 1990s and onwards
- A study of welfare state restructuring seen through 'an activation lens' (Barbier 2005)
- The Janus face of activation policies: both investments in skill-development *and* strengthened work incentives



Why studying Sweden and Denmark?

- The Nordic countries – ‘An active corner’ in Europe
- Sweden pioneered ALMPs – an important pillar of the ‘Rehn-Meidner model’/’the Swedish model’
 - ‘The security of the wings’ – job security was substituted by employment security
- Denmark has overtaken the role as a new third way-model – the European labour market/welfare model of the 21st century
 - ALMPs an important pillar of Danish flexicurity beside of limited job security and a generous income security



Public expenditures on labour market programs 1985-2009 (OECD 2012)

- 1) Public expenditure as a percentage of GDP of labour market programs
- 2) Standardized data for unemployment level through dividing the public expenditure in passive and active measures of the GDP with the unemployment level

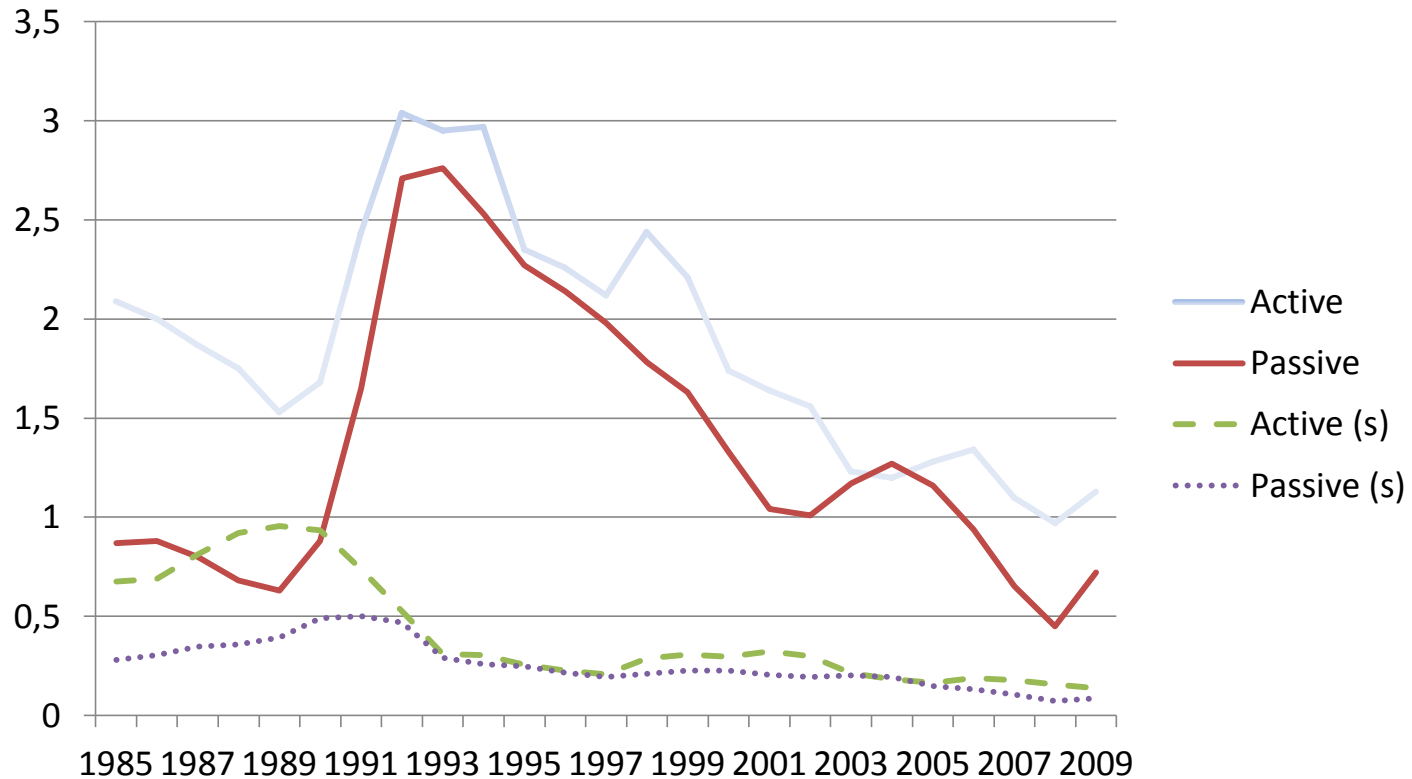


Figure 1 Total expenditures in Sweden 1985-2009 on labour market programs of share of GDP as well as expenditures of share of GDP for each percentage point unemployed

Source: Own calculations based on OECD (2012)

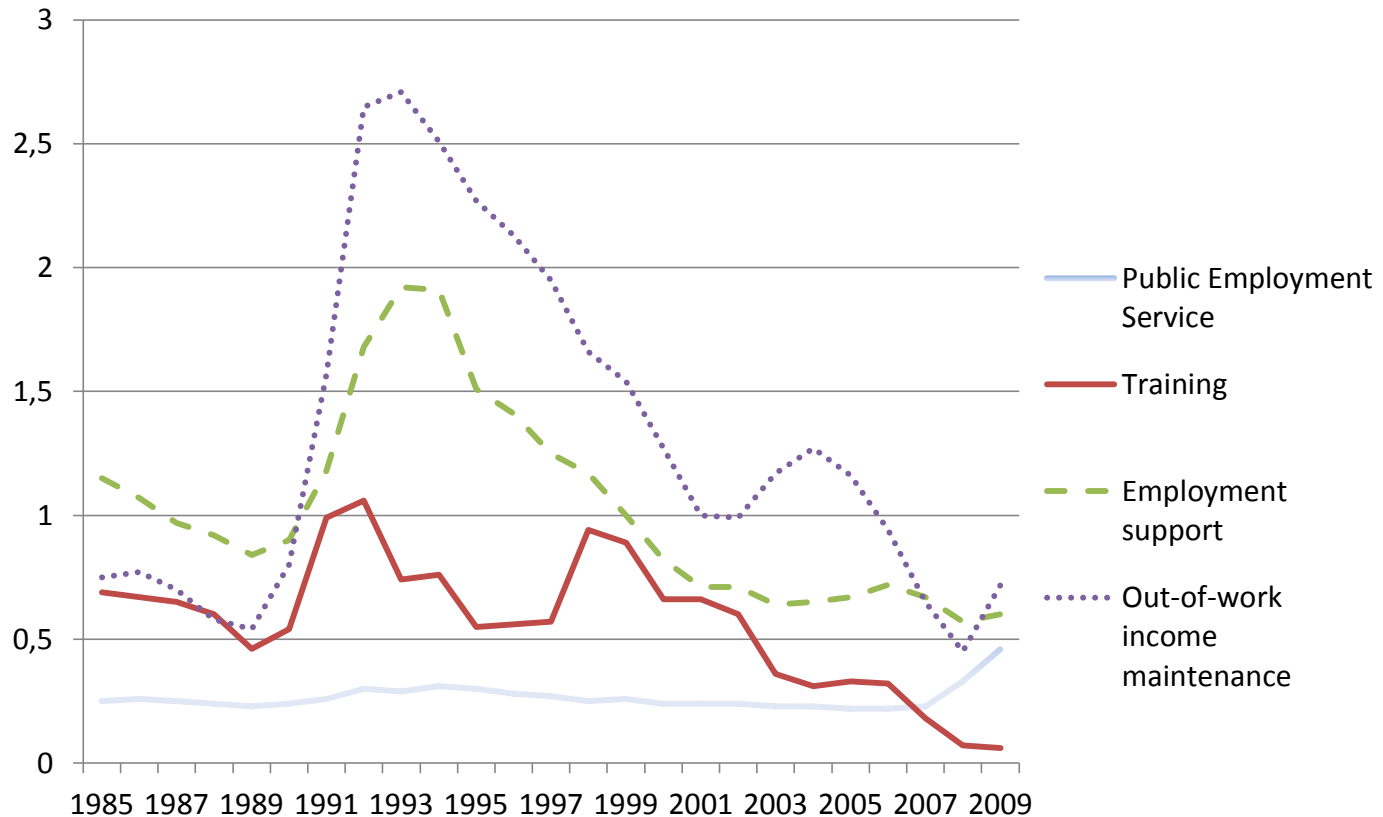


Figure 2 Total expenditures in Sweden 1985-2009 on four areas of labour market policy measures of share of GDP.

Source: OECD (2012)

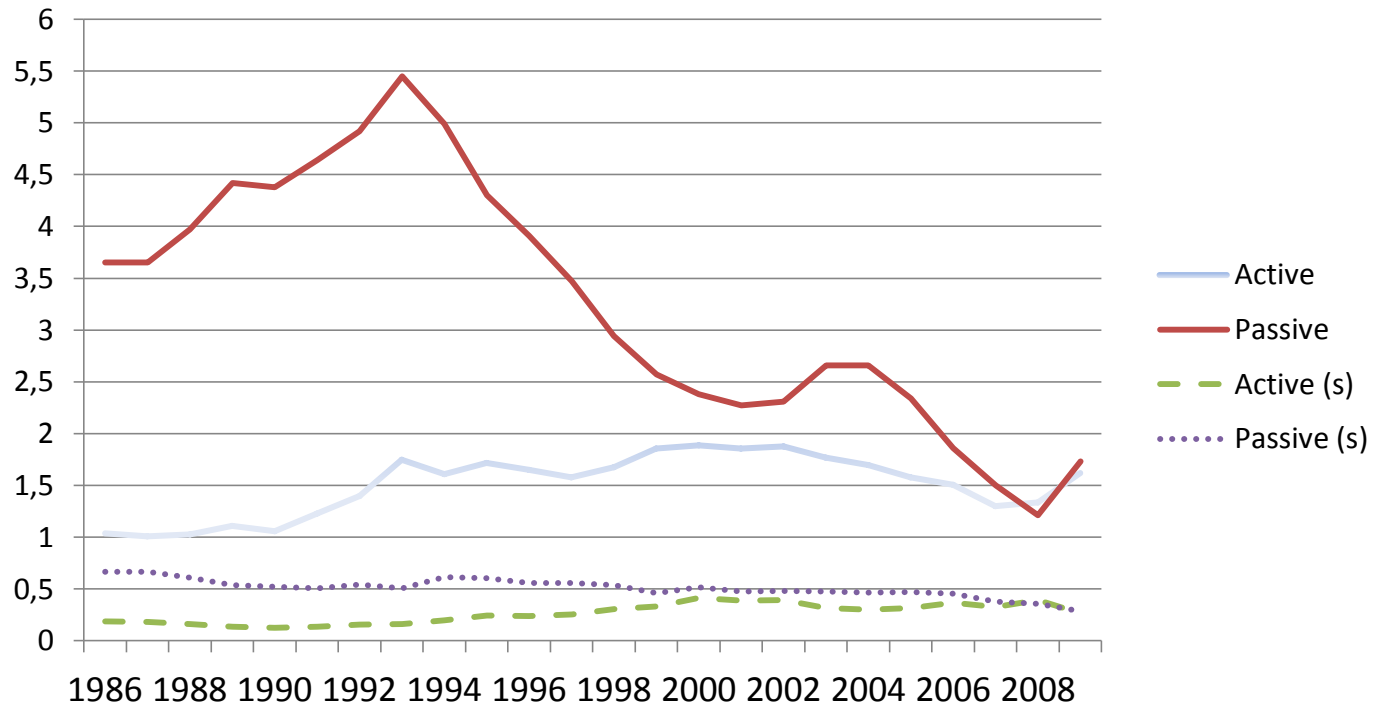


Figure 3 Total expenditures in Denmark 1986-2009 on labour market programs of share of GDP as well as expenditures on share of GDP for percentage point unemployed (percent).

Source: Own calculations based on OECD (2012)

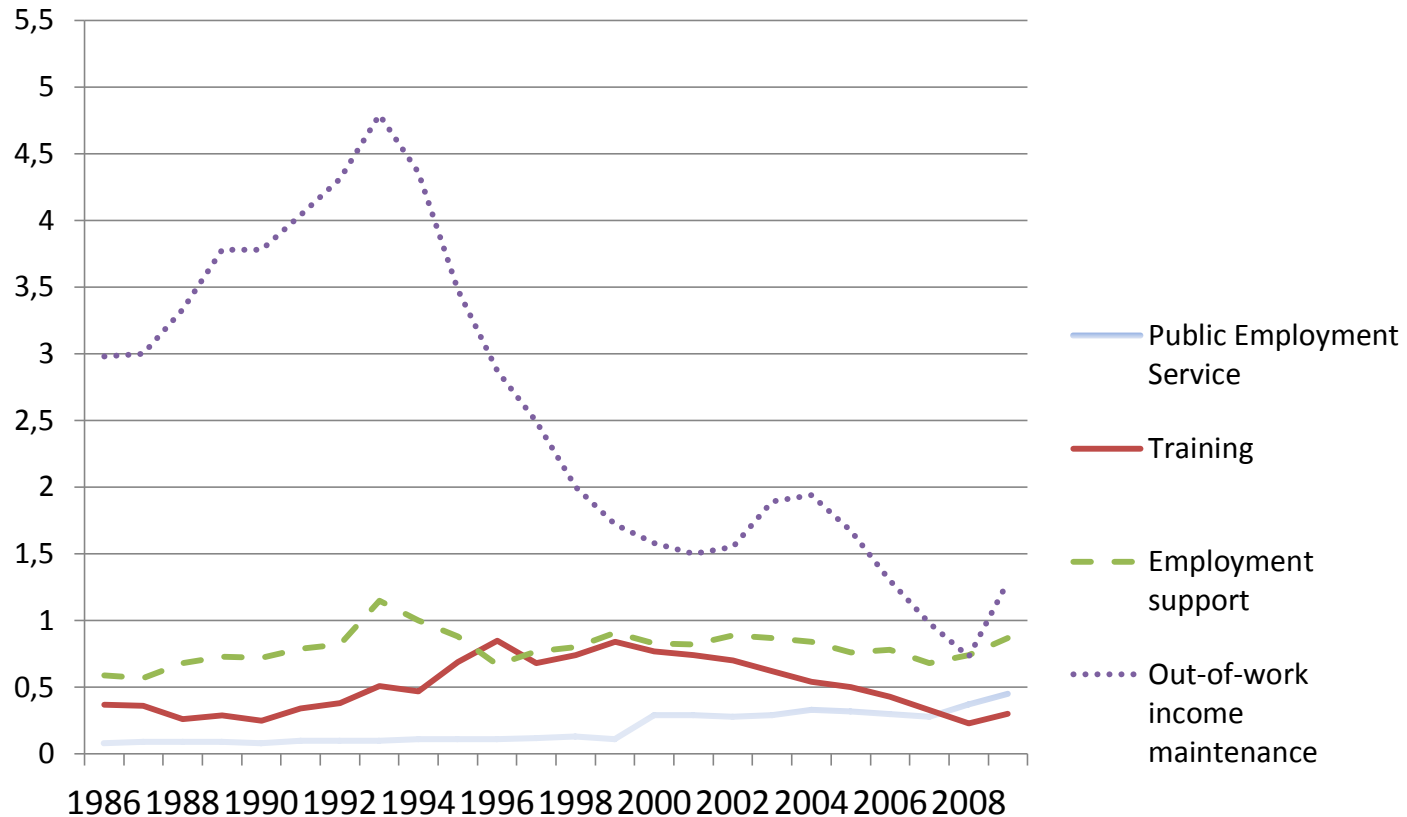


Figure 4 Total expenditures in Denmark 1986-2009 on four areas of labour market policy measures of share of GDP.
Source: OECD (2012)



A new policy landscape – the development of Nordic residual workfare states



A summary: Denmark

- Denmark does by international standards invest extensive public resources in LMPs
 - In 2009, of total expenditures in LMPs, the Danish level was 80 percent higher than the Swedish level
- Harder sanctions and work incentives ('work first')
- Successive cuts in training, 'learn-fare' weakened
 - potential repercussions for employment security as a main pillar of flexicurity
- Following the financial crisis, 'work first' policies has become unpopular



A summary: Sweden

- 'Work first approach': Employment as the only way towards social inclusion
- Incentive reinforcement (tax credits, benefit reductions, stricter benefit conditionality) → increase labour supply → lower reservation wages → expand the low-wage service sector
- A dismantled competence strategy
- High levels of income protection 'seems largely to be part of history' (Ferrarini et al. 2012)
- A turn towards a defensive workfare strategy (Torfing 1999)



From employability...

- A supply-oriented perspective where individual characteristics and motivations are focused
- Both investments in training and increased demands on the unemployed to be active
- In Sweden: At the second half of the 1990s a policy on human capital development was launched
 - the work strategy was complemented by a 'competence strategy'
- In Denmark: 1994 labour market reform reoriented LMPs from passive to active measures
 - both 'learn-fare' *and* activation reforms of the unemployment insurance



...to "standby-ability"

- 1) Stricter work incentives
- 2) Contractualization of citizenship rights
- 3) Less generous unemployment benefits
- 4) Less costly forms of activation
 - Major cuts in LMPs, specifically in human capital development and increased focus on job counselling and job coaching activities