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Unemployment, Early Retirement and Citizenship: Marginalisation and Integration in the Nordic Countries

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A Research Project 1998-2001

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**Unemployment, Early Retirement and Citizenship:
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1. Main problems

Ever since Marshall (1949), "full citizenship" has been the central, democratic ideal of the welfare state, and it has increasingly become a key concept in discussions about the problems associated with major societal change towards the end of the 20th century. The project will examine to which degree unemployment, early retirement due to disability, and other forms of early retirement erode the possibilities of "full citizenship", considered as full participation in social and political life (Halvorsen 1997).

Citizenship is the key dependent variable in this project which focuses on the effects of welfare arrangements in contemporary society where labour markets appear to undergo quite fundamental change. Do the welfare states remain able to secure full membership and social integration? Or do we face increasing divisions and conflicts between "insiders" at the labour market and those who are at the fringe or entirely outside the labour market? Are those who are marginalised subject to stigmatization? Is full citizenship undermined by "clientalization" of the marginalised? Do so-called "passive support" arrangements contribute to increasing dependency and lack of self-support, or do they enable people to manage for themselves and maintain self-respect?

This is the overall problem in this application for a three-year Nordic comparative project that will study unemployment, retirement due to disability, and other forms of early retirement from the labour market. The main problems can be summarized as follows:

- * How widespread is the problem of marginalisation and exclusion from the labour market in the Nordic countries?
- * How widespread are the various forms of early retirement from the labour market in the Nordic countries, and how should it be characterized?
- * To which degree do we face a spill-over from the labour market to other arenas of action, that is, to which degree does labour market marginalisation cause a decline in social integration and a loss of full citizenship?
- * How appropriate are the concepts of marginalisation and social exclusion for understanding and describing these and related social problems?
- * Does it at all make sense to describe the "marginalised" as a single group (or perhaps as the three groups of unemployed, disablement pensioners, and early retired, respectively)? Or should we differentiate much further within these groups?

- * Is there a real danger of a polarisation in attitudes between those who enjoy stable employment and those who are publicly supported? May we find here a potential source of declining solidarity and welfare state legitimacy?
- * Are the Nordic welfare states effective in counteracting upon such potential problems? Do they effectively modify the problems at the labour market, and do they alleviate the further social consequences? - Or do they, unintendedly, rather reinforce the risks of marginalisation by generating poverty traps and perverse incentives? Which types of policies and institutions are effective in these respects, and which are not?
- * Do marginalisation, exclusion and retirement from the labour market contribute to undermine the economic foundations of the welfare state?

2. Scientific Background of the Project

Fundamental changes at the labour market associated with "globalisation" and the transition to a technologically advanced "information society" are often depicted as the most fundamental problem for Nordic - and European - welfare states (Esping-Andersen 1996; Lindbeck 1994). Fear is widespread that marginalisation, exclusion and early retirement on the labour market will lead to widespread marginalisation and exclusion also from social and political life (Møller 1989; Brox 1993, 1995). A new social conflict may emerge in the shape of a "two-thirds"-society (Dahrendorf 1988) where the solidarity with the marginalised and the socially excluded will eventually disappear (Christoffersen 1995).

This is often perceived as the Achilles Heel of the welfare state: The welfare state can contribute to economic security but it cannot compensate for the loss of social integration implied by marginalisation and exclusion on the labour market (Pixley 1993; Seiersted 1993). Others have questioned whether the labour market is *that* important for social integration (Goul Andersen & Hoff 1995; Goul Andersen 1996). Modern societies are highly differentiated, with a large number of alternative, integrative arenas, such as the family, friends and a civil society with a large variety of organisations (Johannessen 1996; Lorentzen 1997). From this point of view, the main precondition for integration may rather be provision of sufficient resources to secure the autonomy of the individual - and a strengthening of civil society institutions independent from market forces. From the first point of view, passive support is tantamount to indifference vis-a-vis severe social problems; from the second point of view, some employment strategies may lead exactly to the problems they were designed to solve: Dependency and clientalization.

Alongside this discussion there is the widespread concern for the disincentives of welfare arrangements which may contribute to increasing the number of persons without work

and thus - in addition to the problems caused by ageing populations - undermine the economic foundations of the welfare state (Pedersen & Smith 1995; Socialkommissionen 1992).

Such discussions about the welfare states now and in the near future are characterized by strong opinions but also by surprisingly weak empirical evidence, both in the Nordic countries and internationally. Knowledge about the extent and the nature of marginalisation, and the situation of those who are - in a formal sense - marginalised, is highly limited, and genuinely comparative empirical studies are rare. Especially, we find very few comparative studies designed to give more certain knowledge about the effects of *welfare systems* and of *welfare policies* within this field. One could say that such comparative studies of the effects of institutions are almost non-existing.

The Nordic countries may be especially interesting. Not only because "the Nordic welfare model" has always attracted much interest internationally, but also because the Nordic countries are unusually appropriate for comparative studies exactly within this field. With some justification, the Nordic countries and the "Nordic model" are often considered as a unity but as far as labour market problems are concerned, they are highly dissimilar. The four welfare systems are different, with respect to rules, the number of people affected by these rules, the size of benefits, and priorities between "active" and "passive" labour market policies. Besides, as is well-known, unusually large country differences have emerged as to the levels, the duration, and the nature of unemployment. Large variations are also found in the field of early retirement. Briefly, these differences may be summarized as follows:

Denmark has experienced a 25-year long period with enduring, high unemployment levels, with high rates of early retirement, and with a labour market policy which was, by comparative Nordic standards, dominated by relative "passive" strategies - at least until recently. Sweden, with its emphasis on active labour market policies, has traditionally enjoyed low levels of unemployment but since the early 1990s, unemployment has stabilised close to the Danish level. In the early 1990s, Finland experienced the most dramatic explosion in unemployment that had ever been seen among OECD countries, and by 1997, Finland has the highest rates of unemployment and long-term unemployment among the Nordic countries, well above the Danish and Swedish levels. Finally, Norway is not only characterised by very low unemployment but even by a considerable increase in the size of the labour force and at the same time by lack of labour power within some sectors. Thus Norway provides a reference point that indicates what is obtainable with existing institutions under the best possible macroeconomic conditions.

Among the elderly who are still in their working age, all countries have experienced an increase in early retirement. However, also in this field we face large variations with differences

in exit-opportunities and exit-patters. Denmark constitutes one extreme with the most "accessible" and encompassing arrangement: The early retirement allowance. At the other extreme we find Norway with a high labour market participation among the 60-66 years old, and with more limited exit opportunities. Finland and Sweden fall in-between. This provides an extremely good basis for studying to which degree, and under which conditions, early retirement should be interpreted as a "push", a "pull" or a "jump" phenomenon: Should it be interpreted as a form of exclusion ("push"), as an effect of incentives ("pull"), or as a voluntary and positive choice associated with changing values ("jump") - where choice opportunities may be temporarily limited by welfare arrangement but where changing preferences will, one way or another, increase the long-term propensity to leave the labour market at an early age.

3. Conceptual Clarification

As the international research, in our view, has so far only to a limited degree contributed to a sufficient conceptual development and clarification, it is an important aim of the project also to make independent contributions to such a conceptual clarification. This project distinguishes from mainstream previous research in the following respects:

- * By taking as our point of departure the concept of marginalisation as our main, overall concept.
- * By distinguishing more clearly between marginalisation in various fields. It is an open question - and a central area of investigation - whether marginalisation on the labour market leads to marginalisation in other arenas of action.
- * By focusing on welfare institutions as 'contingent variables', that is, they are expected to determine to which degree there is a spill-over effect from labour market marginalisation to a broader social and political marginalisation.
- * By aiming to differentiate as much as possible between various types of marginalised groups.
- * By focusing on the overall situation of households or families.
- * By focusing on citizenship as the key dependent variable.

In the research literature, the concepts of marginalisation and social exclusion are applied in innumerable ways. Many researchers, in particular among economists, use the concept of marginalisation as an operational concept only, defined simply by the instruments of measurement - for instance as a categorization of persons below retirement age who have been partly or entirely outside the labour market for a specified period (e.g. Møller, 1996). This could also be

labelled "formal marginalisation", and it may be a suitable point of departure for research. However, in practice, most researchers seem to conflate this "formal marginalisation" with *substantial* marginalisation which we define as something that is involuntary, that represents powerlessness, a condition of vulnerability and of limited control. This distinction is mainly relevant when describing marginalisation on the labour market but may even to some extent be applicable to social and political life in order not *a priori* to conflate a formal position with powerlessness. For instance, people are not politically marginalised if low participation represents a conscious choice, and if they have maintained their ability to act in defence of whatever preferences they hold if they want to (Torpe et al., 1997).

Labour market marginality is a dynamic phenomenon that may have different outcomes, and the project will examine to which extent and in which situation it may be a "bridge" to full integration or a "trap" that tend to lead to enduring marginalisation and exclusion. Some researchers have claimed that what we have described as "formal marginalisation" is about to become a normal condition in a society where life-long full-time employment is increasingly replaced by a multiplicity of various forms of labour market attachments (schmid & Auer 1997; c.f. the distinctions between various groups with 'atypical labour' in Johannessen, 1997).

In relation to the concept of social exclusion, we understand marginalisation as "incomplete participation" (Svedberg 1995), that is, as in intermediary position between full integration and exclusion, and as a situation that imply a risk of being excluded from an arena in society. The concept of social exclusion which has been applied in connection to the third EU Program on Poverty, is sometimes used in a similar meaning, but usually it refers to something more far-reaching. Social exclusion refers to an extreme situation of exclusion from several basic arenas and resources, and of being outside the mainstream of society (Castell 1991; Abrahamson 1995; Marshalkl 1995; Room 1995). Thus, marginalisation and social exclusion may be defined as different but overlapping phenomena (Johannessen 1997).

It is important to maintain, however, that marginalisation and exclusion are multidimensional phenomena that must be studied in relation to specified arenas and/or access to resources, as for instance material conditions of living, social and political participation, etc. It is a central problem to examine the *relationship* between the different arenas and resources. By making the concept of citizenship our key variable, we at the same time emphasise that /full participation in social and political life is the central aspect. Unlike the social exclusion literature, and in contrast to the earlier literature on poverty, this emphasis on citizenship explicitly relates the problem of marginalisation to the discussion about the future conditions of democracy. Finally, it is important to stress the need for a *differentiation* among the marginalised, both among the

unemployed and among the early retired. Are the problems the same, and are the effects of welfare arrangements the same, e.g. for men and for women, for immigrants and for others, for the young and for the middle-aged, etc.?

4. Data and Methods

The project will exploit a number of data sources:

- * Data about institutions: Differences in welfare arrangements between the Nordic countries, and changes over time.
- * Available labour market statistics, social statistics and databases
- * Reanalyses on the basis of existing surveys
- * Collection of new and comparable interview data for the four countries.

So far, there are very few interview data that allows an examination of the relationships between labour market marginalisation and decline of citizenship in the Nordic countries. In fact, there are surprisingly few interview data about the marginalised and the excluded at the labour market, and the possibilities to make comparisons are very poor. In 1998 there are, however, rather unique possibilities to compensate for this as large data collections are taking place in Norway and Denmark. It requires only very modest extra costs to build out on these surveys and coordinate the questions relevant for this project:

The Danish participants have received funding for two surveys of long-term unemployed, one of which is a panel study on the basis of a sample from 1994. The Norwegian members of the group have the opportunity to participate in the design of the Norwegian condition of living survey 1998 which is conducted by the Central Statistical Bureau of Norway and is focused on the theme social integration and participation. By oversampling on the marginalised and adding new questions to the questionnaire, this survey would be highly appropriate for this project. Also in Finland and Sweden, we have the opportunity to conduct new surveys designed for the project here. Finally, nation-wide surveys of political participation are conducted in Denmark and Sweden in 1997/98, and to some extent, the project may also draw on the ISSP (International Social Survey Programme) study of 1997 which is devoted to the study of "work orientations" and contains questions about work ethics, motivation and values, and job security. The members of the project group are directly involved in most of these studies and hold good contacts to the remaining ones.

Thematically, the analyses may be grouped under four headlines. All these types of analysis have in common that it is not only possible to compile information from the Nordic countries, but also to exploit the country variations regarding welfare systems, the extent and the

duration of marginalisation, etc., to draw more far-reaching theoretical conclusions about the effects of various systems (at least within a societal context resembling the Nordic one).

The first type of analyses is aimed at **providing an overview** - a theoretically informed "mapping" of the situation. This includes, inter alia:

- precise and detailed system descriptions
- precise and comparable accounts of the size and the character of the groups that are formally marginalised vis-a-vis the labour market
- the degree of substantial labour market marginalisation and exclusion
- the impacts of globalisation, of new technologies, and of the strategies of firms
- the degree of economic marginalisation among these groups
- effects of welfare arrangements: Welfare dependency or larger autonomy by providing resources?

This block is mainly based on data about institutions and on official statistics but will also to some extent include information from the survey studies.

The second main type is about **social and political participation**. To which degree are those who are (formally) marginalised on the labour market also marginalised in terms of participation in social and political life? Do we encounter a loss of citizenship, and increasing divisions between the "insiders" and the marginalised? How is this affected by welfare arrangements? This type of analysis is in direct continuation of the first type but is mainly based on survey data.

The third main type of analyses focus on a strongly needed **differentiation among the marginalised**. This includes not only the trivial differentiation between e.g. the unemployed, those who are retired because of disability, and others on early retirement arrangements. Rather, we are hinting at two types of additional differentiations: In the first place, a differentiation on the basis of social and demographic criteria (gender, age, ethnicity, education, class, etc.): Are the problems of being outside or at the fringe of the labour market different for men and for women, for immigrants and for others, for young people and for the middle-aged or elderly - and do welfare arrangements affect these groups in different ways? Secondly, it will be examined whether it is possible, also on a comparative basis, to establish typologies of the marginalised on the basis of the different nature of their problems, their orientation to work, or on the basis of life styles and values more generally. Both the scientific and the political debates about the marginalised often seem to operate with a rather stereotypical picture of the "marginalised" as an implicit frame of reference. However, the question is whether this group is not as differentiated

as the rest of the population - or even more. But can we make enlightening new typologies and classifications, and how does the relative size of such groups vary between the Nordic countries?

The fourth main type of analyses is about **attitudes to marginalisation and to the marginalised**. Do we face an increasing division of values between insiders who are work-oriented and pay high taxes on the one hand, and publicly supported groups developing new lifestyles and values at the other? And if so: Do we face an emerging conflict between these groups? How are the signs of stigmatization? Are there any signs of an erosion of solidarity and welfare legitimacy? And how is this affected by more generous vs. less generous welfare arrangements; by more active vs. more passive policies; by enduring vs. short- and medium term mass unemployment, etc.?

Finally, it is not the ambition of the project to provide new analyses of the economic consequences of marginalisation. But the question of economic incentives and in particular their *effects* does constitute an element of our project, and the question of economic consequences certainly also forms a part of the frame of reference for the project. It is imaginable that there is a *trade off* between regards for democracy, citizenship and welfare on the one hand, and concern for economic efficiency at the other - although we would not a priori exclude the possibility that this is a false problem. However this may be, one of the shortcomings of many existing studies is that they focus only on one of the two sides - bypassing either the economic or the democratic aspects. Indeed, what might seem an ideal from an economic point of view may have unacceptable consequences for citizenship that is not recognized even in those studies that do make some superficial considerations on such matters. By the same token, studies focusing on the social problems may too easily forget that undermining the economic foundations of the welfare state may in the last instance constitute the most serious threat to the maintenance of democratic citizenship.

5. Division of labour, publications, time schedule etc.

The project is carried out by the senior researchers referred to below. Their previous research experience means that their qualifications are complementary in relation to the analyses to be performed, and this will of course determine the division of labour amongst them. To some extent, it is the aim also to make some of the data available to PhD-students and others. In this situation, the research group will function as a steering group that jointly decides on the allocation of tasks and the possible inclusion of other researchers being interested. Prof. Jørgen Goul Andersen and Department of Economics, Politics and Public Administration at Aalborg University will take care of the coordination and administration of the project.

The involved researchers have many years of experience in doing research on the welfare state, marginalisation and/or early retirement, as well as in directing big research programmes and doing comparative research. Besides, the applicants have taken the initiative to establish a European COST Network to coordinate and develop research in Europe within this field. The proposal submitted by the applicants and a large number of researchers from more than a dozen European countries has been accepted by the COST Technical and Senior Officials' Committees and is expected to be initiated towards the end of the year 1997.

The research group will publish its findings in Nordic and international journals throughout the project period, and the project is completed by 2001 with two concluding publications, at least one of which is directed to an international audience.

The timetable for the project is as follows:

Autumn 1997/Spring 1998:	Elaboration of a detailed operational plan for the implementation of the project; coordination of questionnaires etc.
July 1, 1998:	Formal start of project
1998:	Data collection; publication of research note(s)
1999:	Data analysis and publication of articles.
2000:	The same, and writing of articles for the final publications; first editing of articles; minor conference or symposium.
2001:	Concluding articles, and final editing of publications; publication of the two books from the project.
July/December 2001	Formal end of project

Research Group:

Project Director:

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Other participants:

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Professor Olli Kangas, Department of Sociology, Turku University, Finland.

By March 1998, Heikki Ervasti, PhD, and Laura Surama, Phd., both at Turku University, and Vemund Snartland, NOVA, are included in the research group.

Budget: NOS-S has granted NoK 2.430.000 for the entire period,

1998: 420.000 NoK

1999: 840.000 NoK

2000: 750.000 NoK

2001: 420.000 NoK

For details, see Danish version of the Project Description.

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