

**Affluence and Welfare State Transformations.
Social Policy Change in Denmark, 1993-2007**

Jørgen Goul Andersen

Centre for Comparative Welfare Studies
Working Paper
Editor: Per H. Jensen and Jørgen Goul Andersen
E-mail: perh@socsci.aau.dk and goul@socsci.aau.dk

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Working papers may be ordered by:
Inge Merete Ejsing-Duun
Fibigerstræde 1
9220 Aalborg Ø

E-mail: ime@socsci.aau.dk

Tlf: (+45) 96 35 82 18
Fax: (+45) 98 15 53 46

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1. Introduction¹

This paper provides an overview of some of the major changes that have taken place in the Danish welfare state since 1990. In contrast to what used to be the dominant beliefs about welfare states' "resistance to change", Denmark provides an example that welfare states in fact change quite a lot. It also provides an example that changes are not necessarily related to economic austerity; as it will be demonstrated, prosperity can be equally conducive to change. Finally, the Danish experience provides many illustrations that change is not always a matter of retrenchment; change may also take other directions. Before moving to description of the major changes that have taken place, we therefore have to make a few conceptual clarifications.

Measuring welfare state change has always been a controversial task. Since Pierson's (1994) seminal book, most discussions about welfare state change have been phrased in the language of retrenchment, and Denmark is often listed among the countries with the most severe retrenchment (Korpi, 2002; Korpi & Palme, 2003). Even though this description depends very much on the selection of indicators and the delineation of time period, it is true that compensation rates have in many instances declined, not only in the 1980's, but even in the period of prosperity since 1993. However, another indicator reveals that public consumption expenditures increased by 35 per cent in fixed terms from 1992 to 2007. This is a reminder that it is essential to include welfare services and not only cash transfers in an account of welfare state change. But it also indicates that "retrenchment" is an inappropriate umbrella concept for welfare state change. In the Danish case, we do find instances of retrenchment – and even indices of increasing poverty and inequality. But we also find significant instances of expansion, and we find substantial transformations with new mixes of collective responsibilities and new forms of public sector governance which cannot be described in the language of expansion vs. retrenchment.

This problem goes beyond the "dependent variable problem" (Pierson, 2001: 420-22) as it was previously described, as a question of indicators of retrenchment of state welfare. It is not just about *indicators*, but also about conceptualization; it is not just about *retrenchment*, but also about other directions of change; and finally, it is not just a matter of *state* welfare, but a question of the complete mix of collective social responsibilities. As

¹ An abridged version of this paper will be printed in Martin Seeleib-Kaiser, ed., *Welfare State Transformations*. Palgrave Macmillan.

to the question of indicators, it is well-known that micro-level indicators like compensation rates may often draw an entirely different picture than aggregate level measures like social expenditures which was once the dominant indicator, and yet another picture may emerge if we look at institutional change (Green-Pedersen, 2004; Clasen & Siegel, 2007) rather than cost containment and compensation rates. As to the question of retrenchment, there are several directions of change that cannot be subsumed under even the most broad definition of this concept. And as to the question of state welfare, there is the question of functionally equivalent *collective* arrangements formally outside the state.

Leaving aside data/measurement problems (which are by themselves important), we have to make some conceptual adjustments. In the first place, it is imperative to move beyond narrow state welfare and consider the entire welfare mix, or at least the *entire mix of collective social responsibilities*. And secondly, it is necessary to distinguish between several *dimensions of change*:

- *direction* of change: Retrenchment or something else?
- *level* of change: Change in paradigms, expenditures, institutions, or outcomes?
- *dynamic* of change: Abrupt or incremental? Conflict or consensual?
- *degree* of change: Transformative or non-transformative?

These are considered briefly below (for a fuller account, see Goul Andersen, 2005; 2007a):

Government vs. governance: Welfare mix

In spite of Titmuss' classical emphasis on "the social division of welfare" (Titmuss, 1976), most welfare research has tended to focus narrowly on the role of the state. Among economists, provision of welfare is frequently seen as a mix between different institutions (e.g. Barr, 1998; see also Kuhnle & Alestalo, 2000; Goodin & Rein, 2001, Powell, 2007), or as a matter of insurance principles. Esping-Andersen (1999: 32-46) has himself rephrased his welfare regime theory in the language of both.

From a welfare mix approach, a core question is about changes in the division of labour and its impact. Johnson's (1987) "welfare pluralism" stressed the division of labour between the state, the market, the family, and voluntary associations. Gilbert & Gilbert's (1989) vague concept of "enabling state" has portrayed multiple providers coordinated by the state (see also Rostgaard & Fridberg, 1998; Gilbert, 2002; Goul Andersen, 2007a). An expanded version could also include the role of the social partners as well as the social responsibility of firms (Martin, 2004). In the field of pensions, the mix is discussed in terms of "multipillar" pension systems at the institutional level - and in terms of "income

packaging" at the micro level (Rainwater et al., 1987; Rein & Stapf-Finé, 2004). Anglo Saxons often speak of the "mixed economy of welfare" (Powell, 2007).

Some of these accounts include not only the notion of multiple providers but also the blurring of the distinction between the state and the market. In-between pure state and pure market, there are (at least) six possible combinations of production, regulation and financing of welfare (Barr, 1998: 96): outsourcing, vouchers, user fees, mandatory insurance, etc. Moreover, *new public management* (Hood, 1991) involves a "marketisation" even within the state (Cutler & Waine, 1997; Blomqvist & Rothstein, 2000; Blomqvist, 2004). Such reforms may aim at retrenchment, but the purpose is not always to save money (and arguably, this is even less frequently the outcome).

From an insurance approach (Barr, 2001; Esping-Andersen, 1999: 32-46), the basic criterion for assessment of changes is what happens to *risk management* (risk pooling and risk coverage), in particular whether changes entail a privatisation of social risk. This may happen even within a fully public system: For instance, a change from defined benefit to defined contribution schemes in pensions involves a privatisation of social risk.

Direction of change

It can be misleading or at least imprecise to see changes in the welfare mix as retrenchment. Pierson also noted (2001: 422-27) that retrenchment is not always about *recommodification*; it can also be *cost containment*, or "*recalibration*", defined as "reforms which seek to make contemporary welfare states more consistent with contemporary goals and demands for social provision" - such as "updating" to new problems, or "rationalization" to remove "obvious disincentives". What Pierson seemed to have in mind, were minor adjustments (otherwise the concept becomes all-embracing). However, current transformations goes further.

Others have spoken of "targeting" (Gilbert, 2001) which implies changing principles (see also Clasen & van Oorschot, 2002) towards more residual welfare. In the "varieties of capitalism" literature, changes are typically conceived as "liberalization" (Streeck & Thelen, 2005). Such concepts might be seen as specifications of retrenchment, but retrenchment is not implied by definition. Another keyword is *recommodification* which appears in two different meanings: (1) As erosion of full citizenship by making capacity for participation in social life more dependent on market position; or (2) as enhancing market conformity of the welfare state. Liberalisation is associated with the latter concept of recommodification. This holds even more for notions like "activation of social protection"

(Barbier, 2002), increasing "conditionality" (Clasen et al., 2001, Clasen 2005), "flexicurity" (Madsen, 2002; Wilthagen et al., 2004) or "social investment state" (Giddens, 1998; Lister, 2004). All picture the adaptation of the welfare state to economic efficiency and competitiveness. However, this does not by definition involve retrenchment, let alone erosion of citizenship. Nor does it by definition involve cost containment. Some underline that citizenship is by itself transformed into (right and duty to) "active citizenship" (Jensen & Pfau-Effinger, 2005).

Level of change: paradigms, policies, institutions or outcomes

Most of the changes above refer to the institutional level². However, there are three other levels to be considered: Changes in *paradigms* (or discourse), *in policies* (and expenditures), and in *outcomes*. Changes along these lines are not always congruent. For instance, Hall's well-known (1993) distinction between first-, second- and third order change mainly refers to the level of paradigms/discourse and suggests a cumulative pattern with paradigmatic change at the highest level. However, even first order changes in settings of instruments may occasionally have more impact on outcomes than third-order changes in paradigms.

If we accept that "social citizenship constitutes the core idea of a welfare state" (Esping-Andersen, 1990: 21) and that social citizenship is about the "right to share to the full in the social heritage and to live the life of a civilized being according to the standards prevailing in society" (Marshall, 1950), our key focus should be on *outcomes*. This means, first, that we have to take implementation into account - which is straightforward when we speak of cash transfers, but complicated when we speak of conditionality on the labour market (Barbier, 2005). Next, it is crucial to consider the *ensemble* of institutions - for instance the entire configuration of a multipillar pension system. Looking at the state component in isolation - as the power resources approach is inclined to do - would imply a serious bias.

Degree and dynamics of change

As pointed out by Streeck & Thelen (2005), most studies of welfare state change have implicitly assumed a "punctuated equilibrium model": Long periods of stability interrupted by critical junctures with far-reaching reforms. However, an important recent (re-) discov-

² Institutions can be loosely defined as "programmatic structures" of policies (Green-Pedersen, 2002).

ery is the transformative capacity of incremental change (Lindblom, 1959; Goul Andersen, 2001; Goul Andersen & Larsen, 2002; Hinrichs & Kangas, 2003). Streeck & Thelen (2005) list a number of mechanisms of gradual transformation: *Displacement, layering, drift, conversion and exhaustion* - concepts to which we return below. This also undermines conceptualizations like Hall's (1993) distinction between first-, second- and third order change: A series of first- or second order changes may indeed lead to transformative change in the longer run.

Independent variables and policy feedback

Finally, no account of change can escape the “independent variable problem”: What are the *drivers* of change: Exogenous problem pressure, political power, institutional dynamics, or ideas? Pierson (1994, 2001) has provided invaluable insights in the politics of retrenchment - but his entire conceptualization is based on the premise that exogenous problem pressure - economic necessity - has become the main driver of change. However, the Danish welfare state does not seem to be in a condition of “permanent austerity” – and politics, interest conflict and ideas are arguably as important as ever as drivers of change. Usually, changes are a result of an *interplay* between these, sometimes even pictured in a rather anarchic manner as “independent streams” (problem stream, political stream, and policy stream) floating together to create a window of opportunity for change (Kingdon, 1985). Now, there are much fewer veto points against change in a parliamentary system like the Danish, as compared to the American system, but it is a good reminder that policy change often rest upon a suitable combination of different types of drivers.

"Institutional dynamics" is also an important driver. This phrase might appear a *contradictory in adjecto*, but policy changes always have feedback effects (Pierson, 1993, 2000), and some institutional configurations are inherently unstable and far from any "deep equilibrium" (Pierson, 2004). If we measure change in a snapshot, considerations about future developments are crucial. For instance, a “multipillar” pension system may be neutral in relation to distribution at one stage but turn out to generate pressures for further changes, sometimes even along paths that were not anticipated by key political actors. Sometimes this may happen deliberately; sometimes it may be completely unintentional.

Policy fields and focus of the analysis

The following analysis of welfare state change in Denmark are structured around the distinction between multiple dimensions of change presented above. It is a general frame-

work, but the Danish case is unusually rich on unsynchronized movements along these dimensions. This is also one of the reasons why pictures of welfare state change in Denmark may become highly different. Few studies have given a balanced account where all dimensions are considered. The following description of welfare state transformations in Denmark focuses on three broad policy fields: Labour market and unemployment policy, pensions and retirement, and welfare services (health care, elderly care, child care and education). Before addressing these policy areas, however, we briefly present the overall economic context and the expenditure figures. Due to space limitations, we restrict ourselves to Scandinavian comparisons where the Danish pattern deviates significantly from the other Nordic countries.

2. The economic and political context

Unlike the other Nordic countries, Denmark was hit by mass unemployment immediately after the oil crisis in 1973/74. Briefly, governments sought to fight economic crisis by improved welfare in the 1970's and by cost containment in the 1980's; but institutional changes have been most far-reaching during the economic upturn since 1993 (Goul Andersen, 2000).

Until 1982, the Social Democrats experimented with any possible means to fight unemployment: Expansive fiscal policy, increased public sector employment and “switch policy” between private and public consumption, longer holidays, shorter working hours, voluntary retirement, devaluations and incomes policies (Goul Andersen, 2002b). But nothing seemed to work. By 1982, unemployment and inflation was close to 10 per cent, state deficits reached 10 per cent of GDP, and foreign debts accumulated rapidly (Goul Andersen, 1997).

This paved the way for a Conservative-Liberal government (1982-1993), which gave priority to competitiveness³. It immediately suspended automatic indexation of wages, introduced fixed currency policy, and liberalized capital markets – long before the other Nordic countries. Indexation of transfers except pensions was suspended for three years. Under political pressure, the promise of a “bourgeois revolution” was given up in

³ At least, that was the intention. The balance of payment was first priority. However, due to unexpected rise in private consumption, the balance of payment deteriorated disastrously whereas employment and the public finances improved. Claiming credit for what it had actually obtained, the government in the mid-1980's tended to lose sight of its original goals.

the mid-1980's, but from 1989 the government switched back to a neoliberal course, based on new economic paradigms. As it was unable to find a majority in parliament (Asmussen, 2007), it did not accomplish much, apart from keeping tight budgets. In the end, many institutional changes actually pointed in direction of improvements and increasing universalism. By 1991, transfers became indexed by wage increases. Universal child benefits and student allowances were introduced in 1985, universal home help in 1992.

The Social Democratic-Radical Liberal governments 1993-2001 gave priority to fighting unemployment, but mainly through "structural" policies, except for an initial Keynesian boost to private consumption in 1994. After 30 years of deficits the balance of payment had turned positive from 1990. Unemployment declined from nearly 350.000 in 1994 to just above 150.000 in 1999, and state deficits turned positive by 1998. In spite of economic success, the government was defeated in the 2001 election, mainly because of the issue of immigration, catalysed by unpopular early retirement and tax reforms (Goul Andersen & Borre, 2003). A Liberal-Conservative government took over and was re-elected in 2005. It is supported by the anti-immigration Danish People's Party which – like the government itself – has embarked on a pro-welfare course. Except for immigrants, re-trenchment has not been much on the agenda. In 2005-2007, average budget surplus reached nearly 4½ per cent of GDP (Ministry of Finance, 2007a: 147; OECD 2007: 68), and in 2007, seasonally adjusted unemployment came below 100.000 for the first time since 1974.

In the 1990's the Social Democratic government put up a plan for reduction of public debts and interest payments as a means to finance future costs of ageing. This so-called 2010 Plan was taken over by the Liberal-Conservative government which introduced a "tax stop" policy (no taxes were allowed to increase), but assigned priority to reduction of public debts rather than tax relief. Still, the government *did* lower marginal income taxes for medium income earners and introduced a small (universal, flat-rate) tax credit for all employed in 2003. This was completed in 2007 with the entire abolition of the "medium tax level", an old Conservative tax reform target from around 1990. This leaves the income taxes with only two levels: A flat tax of just above 40 per cent, and a "top tax" of about 21 per cent added to that. However, voters have increasingly assigned priority to improved welfare (Goul Andersen, 2007b), and there was as much blame avoidance as credit claiming for the 2003 tax relief, which was legitimised as an intervention to stimulate consumption and lower unemployment. In 2007, tax relief was followed by a call for an election where virtually nobody "claimed credit" for the lower taxes during the cam-

paign whereas the Social Democrats conducted its campaign under the slogan: “Tax relief or welfare” and promised to roll back the lower taxes that had just been agreed upon. According to opinion polls, this was supported by a large majority of those voters who had an opinion.

With a few exceptions, most welfare reforms since the mid-1980's have been adopted in relative consensus. Some reforms were decided by narrow majorities, but have typically been accepted shortly afterwards by the main opposition parties. Because the level of conflict has been relatively low, at least since the early 1990's, and because many changes are incremental, one might get the impression that very little has happened to the Danish welfare state. There are only few instances of programmatic retrenchment which is hard to legitimise in a situation of prosperity. Some changes might be interpreted as "systemic retrenchment", and from the outset, it was an explicit aim of the Liberal - Conservative government in 2001 to reform the welfare state in slow motion by introducing institutional changes that could have a normative impact. However, this was gradually given up in favour of a more "Social Democratic" course simply in order to stay in office. What remains is nevertheless a series of quite radical changes which have been designed to cope with future challenges, or aiming at making the welfare state more efficient. This includes efforts to marketize or privatize welfare, but largely in a way that maintains collective responsibility for financing, and rarely with the aim of saving money. Finally, as mentioned, some of the incremental changes were hardly planned in advance

3. Expenditures

From the figures on public expenditures (Table 1), one could be tempted to infer that there had been a liberal revolution since 1993. After explosive growth in the 1970's and stagnation in the 1980's, total expenditures reached a peak of 60.6 per cent of GDP in 1993. By 2007, the figure was nearly 10 percentage points lower (see also OECD, 1999: 72; OECD, 2006: 189; Ministry of Finance, 2007a:156)⁴. However, alongside declining interest payments on public debt, this mainly reflects the extreme volatility of public finances in Scandinavia. When mass unemployment hit Finland and Sweden in the early 1990's, public expenditures sky-rocketed - in Finland from 44.8 per cent to 63.3 per cent of GDP in just

⁴ Actually the decline is even larger as the figures are not corrected for a technical increase of 1.6 per cent of GDP in 1993 when a number of social security payments were changed from net payments to taxable income and raised accordingly.

four years (see Table 2; OECD, 2006: 189). But expenditures soon went back to normal, and all Nordic countries have moved from large budget deficits to large surpluses (OECD, 2007: 68).

In the Danish case, the figures conceal a marked improvement of social services. From 1982 to 1992, cumulative growth of public consumption was as low as 6.3 per cent at fixed prices. From 1992 to 2001, public consumption increased by 24.4 per cent at fixed prices⁵. And public consumption is estimated to increase by additional 8.8 per cent 2001-2007 (Ministry of Finance, 2007b: 10). Altogether, public consumption has grown by 35 per cent at fixed prices from 1992 to 2007 - even though there has been no increase in the number of elderly people and only a moderate increase in the number of dependent children.

These figures indicate that "retrenchment" is not an adequate word to describe recent changes in the Danish Welfare State. The 1980's was a period of cost containment, but with few institutional changes. Since 1993, there has been institutional change, but little cost containment, at least in the short run. Below we survey the main welfare policies.⁶

⁵ Source: Own calculations, based on public consumption expenditures in current prices and deflator for public consumption derived from national account information on public services in basic prices, in current and fixed prices (Statistics Denmark, 2003). Ministry of Finance (2003: 35) report a figure of "almost 25 per cent" for the same period.

⁶ Due to space limitations, we have not been able to include taxation in the account. There have been three major tax reforms in 1985, 1993 and 1998. All have widened the tax base and lowered tax rates. Highest marginal income tax rates have been reduced from 73 per cent to 62-63 per cent. The only genuine tax relief adopted in 2003 was targeted at lower- and middle incomes for people in employment.

Table 1. Public expenditures in Denmark, 1971-2007. Per cent of GDP

	public expenditure as % of GDP	public consumption as % of GDP	health care expenditures as % of GDP
1971	42.2	21.8	6.8
1973	39.8	21.7	6.6
1975	45.6	24.9	7.6
1977	46.4	24.2	7.2
1979	50.3	25.5	7.5
1981	56.9	27.9	7.8
1982	58.2	28.4	8.0
1983	58.4	27.6	7.6
1984	56.9	25.7	7.1
1985	56.0	25.3	7.1
1986	52.6	24.2	6.8
1987	54.4	25.3	7.0
1988	56.3	25.8	7.0
1989	56.3	25.5	6.8
1990	55.9	25.2	6.6
1991	56.5	25.4	6.7
1992	57.5	25.3	6.6
1993	60.6	26.4	7.1
1994	60.5	25.5	7.0
1995	59.5	25.2	6.9
1996	59.1	25.4	6.9
1997	57.1	25.0	6.8
1998	56.8	25.6	6.9
1999	55.8	25.7	6.8
2000	53.9	25.1	6.6
2001	54.5	25.7	6.8
2002	54.9	26.2	7.0
2003	55.3	26.5	7.0
2004	55.1	26.6	7.0
2005	52.9	25.9	6.9
2006	51.4	25.6	6.9
2007 est.	(50.4)		

Source: Statistics Denmark (www.statistikbanken.dk/OFF23, June 9, 2007). 2007 estimate: Ministry of Finance, 2007b. 1987/1988 change in GDP computation. 1993/1994: Change in payment of certain transfers (pensions, social assistance) into gross payments subject to tax ("artificial" increase of about 1.6 per cent of GDP - that is, there was a "true" decline of about 1.7 per cent in public expenditures as per cent of GDP from 1993 to 1994)

Table 2. Total Outlays as per cent of GDP

	OECD Old Series+)				OECD Economic Outlook*)			
	1960	1968	1980	1990	1990	1995	2000	2005
Germany	32.4	39.1	48.8	45.8	44.5	48.3	45.1	46.8
Netherlands	33.7	43.9	56.9	57.5	53.1	49.7	43.7	45.7
Sweden	31.0	42.8	61.9	60.8	61.3	67.1	56.8	56.4
Finland	26.6	32.8	36.4	46.8	48.3	59.0	48.8	50.8
Denmark	24.8	36.3	56.9	58.6	55.9	59.5	53.9	53.0
Norway	29.9	37.9	50.7	51.3	54.0	51.5	42.7	42.9
UK	32.2	39.3	45.2	42.3	42.2	45.0	37.5	45.1
USA	26.8	30.3	34.1	36.2	37.1	37.0	34.2	36.6

Total outlays include both current disbursements, capital outlays, and capital transfers. This involves some “double counting”.

+) Source: OECD Historical Statistics (1999); Goul Andersen & Christensen (1991)

*) OECD Economic Outlook 79 (June 2006).

4. Unemployment and Labour Market Policy

Unemployment and labour market policy is a policy field where changes in paradigms, expenditures, institutions and outcomes have not been synchronised. There was a substantial reduction of *compensation rates* during the crisis in the 1980's, but *institutional* changes have been more an effect of prosperity than of austerity (Goul Andersen, 2000, 2002a), including a silent revolution in financing of unemployment insurance. A *paradigm shift* towards a supply-side perspective was introduced almost over night in 1989. It had little immediate impact but served to shape subsequent activation policies and stricter conditionality. However, the Social Democrats did not embark on a neoliberal incentive or workfare course but developed own new policies that were in accordance with the new paradigm. The Liberal-Conservative government after 2001 put more emphasis on incentives, but soon came to embrace the notion of "flexicurity" to legitimise a moderate course (except for immigrants). However, it seems that the full impact of tighter conditionality has been realised through formal and informal changes in implementation since 2001.

Compensation rates

When mass unemployment hit Denmark in the 1974/75, the benefit system had just been changed to one of the most generous in the world, with a compensation rate of 90 per cent of previous earnings (Goul Andersen, 1996). This figure has remained, but indexation of the upper ceiling lagged critically behind in the 1980's. Even the wage indexation of benefits since 1991 has contained a small, hidden under-compensation (Goul Andersen, 2004).⁷

Due to the low ceiling (23.850 € by 2007), unemployment benefits has become almost a flat-rate benefit as nearly everybody receives the maximum (van Oorshot et al, 2001; Hansen, 2002). For higher-paid workers, Denmark has the lowest compensation rate in Northern Europe, with the exception of the UK (Hansen, 2002: 34-35). If 1975 is taken as the basic year, compensation rates for an average production worker (APW) reveal radical retrenchment (Korpi, 2002; Korpi & Palme, 2003; Green-Pedersen, 2002a). Suspending indexation from 1983 to 1986 reduced the real value of maximum benefits by 15 per cent. Even by 2001, the maximum was 10 per cent below the 1982 level in real terms.⁸ However, the Danish system has remained very generous for the lowest income groups (who have the highest unemployment rates). With the exception of new immigrants after 2002, social assistance (fixed at 60 per cent of maximum unemployment benefits, plus supplements in case of dependent children) has also remained generous by comparative standards (Hansen, 2006; Tranæs et al., 2006). Traditionally, poverty rates among unemployed in Denmark have been much lower - and life satisfaction higher - than in other Nordic and European countries (Whelan & McGinnity, 2000; Goul Andersen, 2002; Goul Andersen et al., forthcoming).

However, comparing compensation rates of unemployment benefits for an APW can be misleading. First, at typical unemployed worker earns less than an APW. Secondly, the most important change in many countries is the declining proportion of those unemployed who receive unemployment benefits. In Denmark, the proportion receiving unemployment benefits among those registered as unemployed has actually increased a bit, at least until 2005 when 85 per cent of those registered as unemployed received relatively generous unemployment benefits.⁹

⁷ Besides, wage earners' pension improvements are not counted in. For instance, BNP in current prices increased by 44 per cent 1994-2003, personal incomes increased by 39 per cent, but pensions and unemployment benefits only increased by 22 per cent (source: Statistics Denmark).

⁸ Calculations by the Ministry of Labour in 2001 on request by a MP (http://www.folketinget.dk/Samling/20001/spor_sv/S3584.htm).

⁹ Source: Statistical yearbook, various iss., and www.statistikbanken.dk (table AB61107). When unemployment went significantly below 150.000, however, the proportion declined. By mid-2007, 78 per cent received unemployment benefits. In addition to 21.000 unemployed without unemployment insurance (normally receiving social assistance), there are some 70.000 persons receiving social assistance who are not registered as

Institutional and paradigmatic change: Structural unemployment, conditionality and incentives

Whereas compensation rates have formally remained unchanged, duration of benefits has been shortened to four years. In the late 1970's and early 1980's, duration of unemployment benefits was been *de facto* extended from 2½ years to 8½ years. Formally, duration was 2½ years, but people could re-qualify twice by participating in a six months job offer or education programme. Re-qualification to a full 8½ year cycle required six months of ordinary employment. This system which is probably the most close any country has come to a "citizen wage" system (Goul Andersen, 1996) went on almost unmodified during the period between 1982 and 1993.

By and large, the bourgeois governments until 1989 were guided by the same economic paradigm as the Social Democrats: More demand for labour power was the key to full employment – only it should come from higher exports (Goul Andersen, 2002a). An abrupt paradigm shift took place, however, in May 1989 when the government presented its "*White paper on the structural problems on the labour market*". Unemployment was now defined as a "structural" problem which even export-driven growth was unable to cure: Because of mismatch, in particular between minimum wages and productivity, employers would start competing for the labour power of those already employed by bidding up wages long before full employment. This corresponds with the later NAWRU definition of structural unemployment as the "Non-Accelerating Wage Increase Rate of Unemployment" – the lowest unemployment rate compatible with stable wage increases (Elmeskov & MacFarland, 1993).

Accelerating wage increases in 1987 were seen as evidence of the problem, and as an indication that the structural unemployment rate was around 8 per cent.¹⁰ This helps explain why the new paradigm (contained in a somewhat more ambiguous discourse about "structural problems at the labour market) was largely accepted by all major political actors. In a commission report (Udredningsudvalget, 1992) even the trade unions gave their consent (Goul Andersen, 2002a, Torfing, 2004). In Hall's (1993) terms, this amounted to third order change, but until the Social Democrats took over in 1993, it had little practical

unemployed as they have "other problems than unemployment". The total number of persons receiving social assistance has been fairly stable until 2006 when it began to decline.

¹⁰ Basically, this was a misinterpretation: The wage increases in 1987 were *politically* determined by the mobilization of the unions in the collective negotiations and the willingness of the government to give high wage increases for public employees. There was little underlying wage drift (Ibsen, 1991; Andersen, 1993).

impact. Further, some of the first initiatives of the new government continued earlier paths: To break the unemployment curve as soon as possible, the new government not only stimulated aggregate demand but also extended parental and educational leave, introduced sabbatical leave, and extended a pre-early retirement allowance scheme by enabling long-term unemployed to retire already from the age of 50 (Goul Andersen, 2002a).

However, during the 1990's, focus was on mismatch, inflexibility and other supply-side problems. Pre-early retirement allowance and leave arrangements (except maternity/parental leave) were terminated as soon as the employment situation improved (Goul Andersen, 2002c). Still, solutions were mainly social democratic: Wage inflexibility (too high minimum wages relative to productivity) was recognized as a problem, but instead of adjusting wages to productivity, productivity should be adjusted to wages by means of activation and education. Bottlenecks should be prevented by improved job placement guided by regional corporatist boards monitoring the employment situation and assigning priorities for the employment offices in the region (Goul Andersen, 2002a; Jørgensen, 2000).

In compromises with bourgeois parties in 1995 and 1998 - later called the second and the third stage of the labour market reform - duration of unemployment benefits was shortened to four years, and conditionality was strengthened in terms of active job-seeking, commuting time, and willingness to take any job. Activation had been improved as a right in 1993, e.g. by elaboration of an "individual action plan" for all unemployed. But due to negative evaluations of impacts (Ministry of Labour, 2000), activation came to be seen more and more as a disciplinary device.

Movement along this path accelerated when the Liberal-Conservative government came into office in 2001. Duty to work, removal of disincentives and more efficient job placement were the main instruments. Two reforms stand out: *More people to work* (2002), adopted in agreement with the Social Democrats, and an integration package labelled *A new chance for all* (2005). The Social Democrats were also included in the political compromise over the latter, but withdrew its support when the reform was to be implemented. The 2002 reform continued a strengthening of conditionality: Those unemployed were obliged to accept "appropriate job" from the first day of unemployment; activation became a duty (but not a right) throughout the unemployment period; "individual plans of action" were replaced by "job plans", and people below 25 were strongly pushed into education

(Goul Andersen & Pedersen, 2007).¹¹ More novel elements were a reduction of social assistance after 6 months for spouses (135 € per month for about 21.000 persons), and lower ceilings for social assistance to families with high expenses (cuts of up to 380 € per month for about 13.000 families) in order to remove disincentives to work. Finally, a *welfare reform* adopted in a broad agreement between all parties except the socialist left in 2006 found yet a couple of opportunities to tighten conditionality but also to improve lifelong learning.

A Dual Welfare State?

In practice, even if *More people to work* was formally a package for the entire labour market, a large majority of those affected by the cutbacks were immigrants. In 2005 it was the other way around: General measures were included in an integration package for immigrants. The most significant new element was an obligation for couples receiving social assistance to have at least 300 hours of ordinary employment over two years in order to maintain their assistance; only a minority considered completely unable to work (the lowest among five "matching groups") was exempted. When the new rules were put into force by April 1, 2007, only about 300 persons lost their social assistance, but due to delayed implementation and temporary loopholes, the effects will not become visible until 2008 (Christensen, 2007)¹².

At any rate, these are radical measures. An even more radical measure was included in an immigration package adopted in 2002. Here social assistance for (non-EU) immigrants¹³ was replaced by so-called "start assistance"/"introductory assistance" which was some 30-50 per cent lower (Goul Andersen, 2007d). Whereas social assistance is generous by comparative standards, start/introductory assistance is among the lowest in Northern Europe (Hansen, 2006; Tranæs et al., 2006). This could indicate a move towards a dual welfare state with less social rights for immigrants. It is also relatively well-documented that poverty among immigrants is much more widespread in Denmark than in Sweden (Morrisens & Sainsbury, 2005), even though the problems with labour market integration are roughly the same. Still, start assistance is the exception to the rule: In most other re-

¹¹ A third large package, the *welfare reform* in 2006, based on a broad compromise including the Social Democrats, strengthened the works test even further by assessment of availability for a job each third month, and by requiring those unemployed to lookup for a job on the internet each week.

¹² Initially, the measure was only directed against families where both spouses received social assistance, but as social assistance is formally given to the household, even a working spouse is technically receiving social assistance.

¹³ This includes also Danish citizens returning from these countries.

spects, the universal Danish welfare state appear relatively non-exclusive vis-a-vis immigrants (Goul Andersen, 2007d).

Implementation

Altogether, formal rules of conditionality in Denmark became extremely tight already in the 1990's and even more so after 2000, almost amounting to "workfare" (Lødemel & Trickey, 2002). But much depends on how the rules are administered. With a Social Democratic government, corporatist boards guiding implementation at the regional level, and a legacy from 20 years of mass unemployment where tight controls appeared meaningless, rules were not exploited to their limits. We also know that when duration of benefits was shortened to four years, some municipalities "recirculated" people in risk of losing unemployment benefits. But for good reasons, there are no written accounts of this; evidence is mainly anecdotic. It is beyond doubt that since 2001, administration of conditionality has become tighter, and it is likely that the most important changes have taken place since then (Goul Andersen & Pedersen, 2007). In Streeck & Thelen's (2005) terms, there has to some extent been a *conversion* of the system to new goals, steered by explicit rules as well as by informal signals from the government apparatus. Still, the most important driver of change was undoubtedly the shortage of labour power, in particular after 2005.

After a municipal reform 2004-06, there is also major change in the administration of the active labour market policy (ALMP) (Madsen, 2006, 2007). State-run job offices for (mainly) insured unemployed are formally fused with the municipal system for social assistance clients into municipal job centres. The effects are limited by the fact that in most municipalities, administration remains divided, but the corporatist bodies of the new regions (reduced from 14 to 5) are given only advisory competence (Jørgensen, 2006). Further, the government has welcomed private providers and tried to generate quasi-markets, but it is not nearly as developed as in the Netherlands or in Australia. The public employment agency still has responsibility for 2/3 of all insured unemployed; and among "private" providers, the labour movement is a key actor (Bredgaard et al., 2005; Bredgaard & Larsen, 2006, 2007).

All in all, ALMP in Denmark can be seen as a battlefield between "welfare" and "workfare", but the pendulum has obviously moved towards the "workfare" pole since 2001, partly because of the economic situation with shortage of labour power, partly because of the changed political situation with a majority to the right – which in this respect

also includes the Danish People's Party, even though the party adheres to classical welfare policies in most other fields.

Change in financing: Towards privatisation of social risk?

Alongside the developments above, there has been a silent revolution in the financing of the Danish unemployment benefit system, partly because of higher contributions and changing tax rules, partly because of lower unemployment rates. Like in Finland and Sweden (until 2007), the Danish unemployment insurance system is Ghent system based on voluntary membership in unemployment insurance funds typically (but not *always*) controlled by the trade unions. Such "voluntary state subsidized" institutions (Korpi & Palme, 1998) have been maintained for strategic reasons (Rothstein, 1992): Unemployment insurance provides a selective incentive for trade union membership.

Essentially, voluntary state subsidized insurance represents a liberal legacy, a privatisation of social risk. However, in a Social Democratic welfare state, financing is taken over by the state while members' contributions become nearly symbolic so that the Ghent model functions almost like mandatory insurance. However, it can be reversed into a liberal institution if the burden of financing is shifted back to those insured by raising members' contributions. This was exactly what the bourgeois governments attempted to do in the 1980's. It provides a brilliant illustration how incremental modifications in settings (Hall's first-order change) can amount to transformative change. Contributions were raised in 1983, 1985, 1986 and 1987. In aggregate terms, contributions were raised from just below 10 per cent of expenditures on unemployment benefits in 1982 to 22 per cent in 1987 (Goul Andersen & Kongshøj, 2007).¹⁴ In 1992, the last year of the bourgeois government, the figure was 21 per cent.

This increase in contributions is significant, but does by itself not amount to systemic change. However, the mission has almost been accomplished since. In 1998, members financed 28 per cent, and in 2006 the figure had increased to 54 per cent (Goul Andersen & Kongshøj, 2007). As unemployment continued to decline significantly, this means

¹⁴ Statistics before 1985 do not include administration costs. We have estimated these costs on the basis of the 1985 figures. In the calculations in the main text we have included costs of administration (and a few minor costs) both in the nominator and the denominator. The argument is that administration costs are largely imposed by the state which requires control, interviews, job placement, and much more from the unemployment insurance funds. Needless to say, members' contributions as percentage of total unemployment benefit payments are somewhat higher. Conversely, if we calculate the part of members' contributions that are used exclusively for unemployment benefits, the figures become somewhat lower: 7.4 by 1982, 18.6 by 1987. By 2006, members financed 45.5 per cent of the payments - *plus* the administration costs imposed by the state (Goul Andersen & Kongshøj, 2007).

that the overwhelming part of unemployment benefits in 2007 was financed by members' contributions. With some justification, one can speak of a change from a social democratic to a liberal model of unemployment insurance. Needless to say, lower unemployment is part of the explanation, but arguably it is the *combination* of lower unemployment and a *nondecision* to adjust members' contributions that is decisive. Another explanation is the separation between contributions to unemployment insurance and to early retirement allowance. Until 1998, unemployment insurance financed both schemes, but from 1999, a separate contribution for early retirement was introduced. At the same time, contribution to unemployment insurance was lowered, but not accordingly. As from 1998, members' contributions to early retirement allowance has been around 40 per cent of gross expenditures (Goul Andersen & Kongshøj, 2007).

Simultaneously, tax deductions for contributions were up to 73 per cent until 1986, as against some 33-35 per cent since 1999, due to a change of deductions in the tax reforms of 1993 and 1998 (according to the formula: lower tax rates - widening of the tax base)¹⁵

In Sweden members' contributions have until 2006 remained negligible. Members have paid a small amount for administration, plus about 80 € annually for insurance. In Denmark, payments for administration are about 6-7 times the Swedish level, and Danish wage earners paid about 440 € for insurance in 2006, about 5½ times the Swedish level.¹⁶

Conclusions

"Retrenchment" is incomplete to describe the *direction* of changes in Danish unemployment and labour market policies; since 1990, changes have not been much about saving money and have not been driven by austerity. True, duration and compensation rates have been cut, and a strong emphasis on security has been replaced by emphasis on inclusion through work. Still, cutbacks were from a very high point of departure in 1975, and a replacement rate of up to 90 per cent remains generous for those low income groups where

¹⁵ In the mid-2000's, there was a sudden increase in private unemployment insurance, and some insurance companies believed in a great market here. This runs contrary to theories of the near - impossibility of private unemployment insurance (Barr, 2001). Because of the fear of competition, trade unions went into the business and thereby developed a model which *may* be sustainable as they could avoid the separation of risk groups that normally makes private unemployment insurance infeasible. Sweden has similar arrangements of supplementary insurance by unions (for an overview of private welfare in Sweden, see Lindqvist & Wadensjö 2005,2006).

¹⁶ The Swedish bourgeois government elected in 2006 has promised to replace the Ghent model by mandatory unemployment insurance (this system is also found in Norway). In the mandate for the commission, however, it is a premise that the unemployment insurance funds should be maintained (Goul Andersen & Kongshøj, 2007).

economic incentives counts mostly as work motivation. To cope with incentive problems, there have been targeted efforts to remove disincentives, and as to *conditionalities*, Danish policies have moved from a "soft" position to an extremely "tight" position, increasingly also in real practices (Ministry of Employment, 2005: 23-24, 70-71). Policies have come to include elements of workfare, and activation has turned into a works test and a sanction. But the system has remained efficient to protect against poverty, except for some groups of immigrants. Unintentionally, unemployment benefits has become a flat-rate benefit, financed mainly by members' contributions (and with rather inadequate income replacement for higher earnings).

Policies have been shaped by a *paradigm shift* towards supply-side economics, but governments found alternatives to neoliberal solutions. Minimum wages have remained high. The idea of "*flexicurity*" has served to legitimise status quo, not as guidance to reform. It is important to supplement description of *policies and institutions* by a focus on *outcomes*. Due to high minima, activation and long duration of unemployment benefits, effective protection against poverty has *largely* been maintained except for those groups of mainly immigrants who have been exposed to lower social assistance in order to ensure that it always pays to work. Speaking of retrenchment and conditionality, it is important to take context into consideration. Such policies were adopted exactly because of the improved employment situation, and in that context their effects have been somewhat less dramatic even though it should be underlined that poverty rates have increased, due to these measures (Arbejderbevægelsens Erhvervsråd, 2007).

Finally, as to *processes* of change, there are instances of rapid change as in 1982, 1993, and in 2002 - following shifts in governments. But most changes have been incremental and some went unnoticed like the change in the Ghent system. Policies have been flexible: In 1993, new leave and retirement arrangements were introduced to reduce labour supply, but as the employment situation improved, these schemes were abandoned (Goul Andersen, 2002c). This holds also for the "individual action plans" which were replaced by "job plans" in 2002. Although the latter is mainly a symbolic change, it nevertheless constitutes a strong signal to the street-level bureaucrats.

The fact that prosperity has been conducive to reform contradicts theories of retrenchment but is fairly logical: When there is an abundance of employment opportunities, or even shortage of labour power, tighter conditionality is easy to legitimise. They are also more likely to have the intended effects. Moreover, when unemployment is very low, there are no strong actors to defend the interests of the weakest.

In assessing the potentials for the future, it would be tempting to extrapolate from the trends of change during the last decade. However, we would rather predict that the current paths of change are exhausted. In a situation of affluence, it is after all difficult to mobilize support for radical change that would lead to more poverty. Danish opinion polls in 2007 reveal declining support for start assistance and for tightening in general.¹⁷ For the Liberal-Conservative government, "flexicurity" has been a much-welcomed political formula to legitimise a moderate strategy (Ministry of Employment, 2005). Next, it is almost impossible to tighten conditionality further. An finally, the government has realised that incentives are not very efficient (Ministry of Employment, 2006) and cannot be driven much further without seriously increasing the risks of poverty (c.f. Tranæs, 2007). Perhaps the most interesting question is whether one can envisage a reversal of trends, including implementation, if large-scale unemployment returns. If not, the effects on poverty could be considerable.

5. Pensions and retirement

In pension and retirement policies, one also finds major transformations. Contrary to standard theories about double payment problems, the backbone of the Danish pension system has been switched from tax financed basic pensions to "private", fully funded labour market pensions within only 15 years. The state component is becoming a means-tested residual. This has happened without legislation and without substantial political controversy. As it stands, the system will remain one of the most redistributive in the world, but the system is in flux and has not found any equilibrium.

A more controversial part is the age brackets in the generous early retirement allowance (currently from the age of 60) and old-age pensions (currently 65). The 2006 welfare reform went far in this respect, but the full impact has gone largely unnoticed in public debates. At this point, distributional consequences are considerable as the weakest groups on the labour market (in particular women) will lose a generous voluntary early retirement opportunity.¹⁸

¹⁷ Unpublished 2007 election campaign data available upon request from the author.

¹⁸ Due to space limitations, we have not included the field of disability pensions where a major reform was implemented in 2003 (see e.g. Høgelund, 2003)..

Old Age Pensions

After World War II, all the Nordic countries developed tax financed, universal, flat rate "people's pensions" systems. Unlike the other countries, however, Denmark did not introduce an earnings-related second tier in the 1960's. The people's pension was more generous than in the other countries, voters preferred to continue along this path, and the Social Democrats were divided over the issue (Albrekt Larsen & Goul Andersen, 2007). Since then, the Nordic countries have moved institutionally in very different directions. In Sweden, Finland, and Norway, the second tier turned out to be the first step towards abolishing the people's pension system in favour of a defined contribution "social insurance" system (Myles & Pierson, 2001; Bonoli, 2003), although with a guaranteed minimum. In Denmark, there has been no formal pension reform, and the people's pension is formally maintained. However, in reality, Denmark has developed a multipillar system which is becoming - in the formal sense - one of the most "privatised" systems in the world. This developed through *layering* - by adding a fully funded, and accelerating, "private" scheme negotiated in collective agreements. This will partly crowd out the people's pension which has at the same time become more targeted.

The Danish system is continuously changing and has not so far reached any "deep equilibrium" (Pierson, 2004: 157). Figure 1 describes the situation by 2007. The basic pillar is the people's pension which became universal in 1956 (Anderson, 2004; Green-Pedersen, 2007; Ploug, 2001; Goul Andersen & Albrekt Larsen, 2002) and completely flat rate in 1964 (finally implemented in 1970), except for a small, income tested supplement which was in practice given to most pensioners. In the 1993 tax reform pensions became fully taxable and were raised accordingly, but only the income tested supplement was increased. By 2007, the means tested supplement and the basic amount is of the same size (each about 8050 € for a single pensioner). A majority of pensioners still receive the full pension (16.100 € annually for a single pensioner); deductions for supplementary incomes above 7500 € constitute 30 per cent for singles and 15 per cent for married couples (Goul Andersen, 2007c).

Figure 1. The Danish Pension System. 2007

Pillar 1 A. Tax-financed public pensions	People's Pension	a) Basic amount	Tax-financed/ Pay As You Go
		b) Pension supplement	
	Supplementary pensions benefit		
Pillar 1 B. Schemes targeted at old-age pensioners only	- Housing benefit for pensioners		
	- Support for heating for pensioners		
	Other individual supplements		
	Tax exemptions and rebates		
Pillar 1 C. Fully funded public pensions	Supplementary pensions (contributions, funded)	ATP SP (suspended)	Funded: Financed by pensioners (but tax subsidy via deductions)
Pillar 2. Collective Contribution financed private pensions	Labour market pensions (collective agreements)		
Pillar 3. Individual voluntary private pensions	Other private pensions		

Gray: Means-tested schemes.

1964 also witnessed the introduction of a supplementary contributory scheme (ATP). Unlike in the other Nordic countries, it is small, flat-rate, and fully funded. Since the mid-1990's, it has gradually been extended also to the unemployed so that virtually everybody will receive ATP in the future. In 2007, annual pension was up to 3100 €. The social partners in 2007 agreed that contributions should be indexed.

In 1998, yet another supplementary, funded scheme was introduced, called special pensions savings (SP). Contributions are 1 per cent of all incomes, about the same as ATP contributions for an average production worker. In 1999, SP was made strongly redistributive, with equal pensions to all. This would have secured an extremely high equality among pensioners, but it was reversed immediately in 2002 by the Liberal-Conservative government which furthermore suspended the entire scheme from 2004-2007 in order to stimulate private consumption. At the time of writing, its future is uncertain.

This does not complete the first pillar, however. By 2003, a small supplementary pension benefit for poor pensioners was introduced after pressure from the anti-immigration Danish People's Party. By 2007, maximum has been increased to 1000 € an-

nually. It is income- and property tested (but the value of real property is not included). However, the most important component - which is often overlooked - is a special housing benefit scheme for pensioners, and support for heating, which were introduced in 1978 and 1981, respectively. Housing benefits is tested on incomes and on (large) fortunes, but most pensioners are currently eligible; heating support, by contrast, is only for the poorest. This holds also for other individual supplements which are granted by municipalities on a more discretionary basis.

Taken together, however, this means that effective minimum pensions are very high in Denmark. It can be calculated (Goul Andersen, 2007c) that a single pensioner who has no income at all beyond basic pensions, is a tenant, and pays a rent of 675 € per month, has the same disposable income as a person receiving maximum unemployment benefits (23.850 €) and receives ordinary housing benefit. This should be taken into account when we consider the impact of the new element in the pension system: Labour market pensions.

Labour market pensions are fully funded and are usually administered jointly by representatives for the social partners. They were introduced in collective agreements for white collar workers, mainly in the public sector, from the 1950's onwards. In the 1980's, the expansion had passed the point of no return; the only possibility to introduce collective earnings-related pensions was through labour market pensions negotiated as part of collective agreements (Myles & Pierson, 2001). By 1989 labour market pensions were included in collective agreements for all public employees, and in 1991/1993 for nearly all employees in the private sector. In the 2007 collective agreements, target of contributions was raised to 12 per cent (of which 4 per cent is paid by members, 8 per cent by employers). These pensions are fully funded and also cover risks of disability and "critical disease". When they are fully phased in, they will most probably constitute the backbone of the pension system; but it is a bit unpredictable as it depends strongly on profits on savings, on life expectancy etc.

Most actors originally thought of the labour market pensions mainly as a supplement, not as a replacement (Goul Andersen & Larsen, 2004). But it is an instance of layering and differential growth (Streeck & Thelen, 2005) which slowly transforms the entire system. Like in the other Nordic countries, the backbone of the system is becoming a defined contribution system, only in the "private" sector (but still collective). Old age pensions of the state remain generous but will increasingly become means-tested. Taken in isolation, the state pension system is gradually becoming a residual system. But this is almost equivalent to a guaranteed minimum as in the other Nordic countries.

In the absence of further changes, the system will provide very high minimum pensions - and large tax incomes for the state to finance the costs of ageing. As the burden of financing pensions has been lifted from the state to the social partners, public budgets will be less pressured in the long run. As compared to the new Swedish system, the Danish system seems equally sustainable, but it is likely to produce more egalitarian outcomes as it mixes actuarial equity with equality. Besides, guaranteed minimum pensions in Sweden are indexed by price increases whereas the people's pension in Denmark is indexed by wages.

It is loaded with tensions, however. Means tested high minima mean that that composite tax rate on pension savings is very high. This could create legitimacy problems in the future. Further, the special housing benefit of pensioners which is essential for equality comes under pressure if pensioners are no longer considered a "weak" and "deserving" group. Finally, indexation of transfer incomes is in practice slightly lower than wage increases. Earlier on, this would be corrected due to the political strength of pensioners. As fewer people become dependent on public pensions, however, this is less likely to happen. This means that basic pensions could lag behind wages by at least 20 per cent over the next 40 years.

To summarize, the Danish pension system has undergone a major transformation - without legislation - towards mixed responsibilities. Labour market pensions have made the Danish welfare state robust to ageing, and by mixing a contributory scheme with a people's pension scheme, Denmark will avoid the full distributional impact of pure defined contribution schemes. The system satisfies all the concerns of World Bank (1994) recommendations (Ploug, 2001; Green-Pedersen, 2007), but it is much more egalitarian. As labour market pensions are formally private but functionally equivalent to defined contribution state pensions, they involve an invisible increase in the proportion of GDP devoted to collective social purposes. But it is an institutionally vulnerable and unconsolidated system with a somewhat uncertain future. Besides, because of gender segregation on the labour market, there is also gender segregation in labour market pensions. As women are "bad risks" in relation to pensions - women live longer - this discriminates women, as compared to the other Nordic countries. But low-paid women may gain, as compared to their Nordic sisters, from the maintenance of the people's pension (Goul Andersen, 2007c; see also Frericks et al., 2005).

Early retirement

In 1979, the Social Democratic - Liberal government introduced a voluntary early retirement scheme enabling people to withdraw from the labour market at the age of 60 with an allowance equal to unemployment benefits, in order to provide more jobs for young people. Eligibility was conditional on membership in a voluntary unemployment insurance fund. Requirements to contribution record were successively elevated to 20 years, but at the same time an initial reduction of the benefit after two years was abolished. Until 1998, a large majority received maximum unemployment benefit, but sometimes reduced because of other pension incomes.

As the scheme became more and more expensive, it was reformed in 1998. Contribution requirement was raised to 25 years, and a separate early retirement contribution was introduced. People were given an incentive to continue until the age of 62. Otherwise, the allowance would be reduced by 9 per cent, and by 5 per cent of the value of individual pensions above a certain basic level. Finally, a tax-free cash payment was introduced for those who did not exploit their right to early retirement. Pension age was lowered from 67 to 65 years (in order to save money as old age pension is lower than early retirement allowance).

This had some impact among men, but less among women whose share of the early retired has increased from 38 per cent in 1984 to 55 per cent in 2004. The entire scheme was increasingly criticized by employers and economists, not least in the context of discussions about ageing. In 2003, a Welfare Commission was appointed to analyse the issue. Because the 1998 reform had nearly halved support for the Social Democrats, the government was reluctant to reveal its preferences, and in the 2005 election campaign, it promised not to make any large welfare reforms without support from the Social Democrats. However, when the Social Democrats after the defeat in 2005 elected a new leader who had committed herself to scrap the early retirement allowance for newcomers, this obstacle had gone.

Eventually a broad compromise was reached in the welfare reform of June 2006. The most important element was a change of the age brackets in the retirement system. Besides, contribution record was raised to 30 years and required to begin from the age of 30. Otherwise the system was left unchanged. The reform is not to be implemented until 2019-2022 where the age limit of early retirement allowance is gradually raised from 60 to 62 years. Correspondingly, pension age is raised from 65 to 67 years from 2024-2027.

However, these age brackets are subject to full indexation by life expectancy at the age of 60. This means that age brackets will be raised to 63/68 years from 2025/2030 and to 64/69 years from 2030/2035. Provided that Danes by 2025 have reached the same life expectancy at 60 as the French had by 2004, age brackets will be 65/70 years from 2035/2040 (Goul Andersen, 2007c), that is, for people born after 1970. In other words, it is a very radical reform, but there was no public debate about long-term implications which were hardly even mentioned by the media. Needless to say, this was an instance of obfuscation. Long time perspective and concealment of the true implications in technical appendices to the agreement, coupled with lack of demographic knowledge among journalists, alongside a presentation just before the summer holidays, serve to explain the absence of discussions. Probably even some of the party leaders did not realise the full impact.

Now, in a 100 per cent defined contribution pension system like the Swedish, age brackets become irrelevant and are automatically phased out as the defined contribution scheme is phased in (except for those with a guaranteed minimum). Denmark only goes half the way, so to speak. Like the age pension system, it will remain a *mixed* system with *mixed* responsibilities. Thereby it ironically contains less individualisation and privatization of risk than the Swedish (state-run) scheme. Early retirement allowance will only disappear for the most wealthy. It is reduced by 55 per cent of pension income from labour market pensions, ATP and SP. It is halved if labour market pension income amounts to 21.700 €, and zero if it exceeds 43.350 €.

Due to the higher age brackets, however, the early retirement allowance will become unattainable for some of the core groups of industrial workers and female service workers for whom the scheme was originally designed. At the same time, access to disability pensions has become more restricted in a reform in 1999. In a nutshell, the changes in the pensions and early retirement system constitute large institutional transformations that will by and large produce the same outcomes as previously. Adaptation to increasing life expectancy is secured partly by the defined contribution element, partly through higher age brackets. But as far as early retirement allowance is concerned, one can speak of a strong recommodification - a genuine decline of social citizenship - for the lowest skilled workers who do not take share in the general improvements of health and life expectancy.

6. Welfare services

Welfare services are often given too little attention in welfare research. In Denmark, services enjoy higher legitimacy than transfers (Goul Andersen, 2007b), and costs for welfare services have come to exceed expenditures for transfers. In 2005, 256 bill. DkK was spent on transfers to households; but public consumption expenditure totalled 400 bill. DkK of which nearly three quarters went to social, educational and health care services (Statistics Denmark, 2006). Even though services in Denmark are more generous than in most other countries - unlike transfers to households - pressures for expansion are strongest on services which are backed by public employees and by middle-class users with rising expectations. Below, we review transformations in welfare services in general, and some specific developments in four areas: Health care, elderly care, child care, and education (including a few related transfers). Needless to say, the survey is very brief, and we have excluded important areas like family policy, housing etc.

From cost containment to renewed expansion

When the bourgeois government took over in 1982, it had one overriding concern: Cost containment. This included public services which the government wanted to reduce slowly, but steadily. Apart from harsh budget requirements to municipalities (at times with high penalties for expansion), a main instrument was a new budgeting system with "total frames" so that budgets were determined upwards-down, not bottom-up. The aim was to maintain zero growth in output, and with a calculated annual productivity gain, this could enable a reduction in the number of public employees (Schlüter, 1982). The ambition to cut public consumption was not realised, but until 1992, the government actually managed to maintain average growth rates as low as $\frac{1}{2}$ per cent. These policies were highly unpopular, and later governments have set their targets higher. But they recognized the need to maintain tight budgets and typically aimed at medium-term growth at $\frac{1}{2}$ - 1 per cent (usually a little more in the first year to come) - only to find year by year that spending has increased much more than intended. As mentioned, the cumulative growth from 1992 to 2007 was as high as 35 per cent. As expectations have also risen, pressures for increased spending have remained very high. At any rate, welfare change in Denmark has become a question about growth priorities, not about retrenchment.

Paradigmatic change

Quite a few changes in services have been shaped by a new paradigm which has been disseminated across modern welfare states, e.g. by the OECD.¹⁹ Danish governments have used the term "modernisation" about what later came to be known as *New public management* (Hood, 1991; Greve & Ejersbo, 2005; Ejersbo & Greve, 2005; Greve 2007; Christensen, 1998). The first modernization programme was presented by the bourgeois government in 1983 (Bentzon, 1988), and in 2002, the government launched a new programme which has subsequently been implemented, *inter alia*, in an elderly care reform (2002). It has also been underlying a municipal reform (2004-2006) and a proposed quality reform (2007).

In government discourse, the term "modernization" has served as an umbrella concept covering a number of more or less coherent ideas rooted in the application of a market perspective to public services - just like the slightly more theoretical umbrella concept *New Public Management*. The underlying premise is that there is little difference between public and private service "production". This means that principles of management from the private sector can be transferred to the public sector, and that services wherever possible should be exposed to competition and consumer choice by generating quasi-markets. Competition requires a separation of buyers and providers of welfare within the public sector - the latter should in principle function as private companies and be paid according to performance, as agreed upon in a contract. Consumer choice requires information about quality. Allocation according to customers' demands becomes easier if there is a price mechanism like user fees. Obtaining efficiency becomes easier if wages are more individualised and less compressed. And incentives or control is needed to avoid "sharking" among public employees ("agents") vis-a-vis their employers ("principals"). In short: The new paradigm defines a lot of new problems which require institutional change.

In the 1980's, modernization efforts were mainly focused on cost containment and better management (decentralisation and stronger management, contracting, output controls) and less on marketisation (competition, user fees and outsourcing). Besides, as a supposedly popular element, programmes also contained "rule simplification", later called an "action plan for de-bureaucratisation" (Ejersbo & Greve, 2005). The latter was not very successful (Christensen, 1991), nor was the idea to increase user charges. Nevertheless, new public management ideas have continued to shape policies. The Social Democratic

¹⁹ It should be underlined that policies in Denmark are nearly always highly pragmatic and seldom *directly* related to theory.

leadership accepted and developed many of the ideas. But they did not actively promote outsourcing or freedom of choice between private and public providers; due to internal resistance, they largely tried to keep private providers out from core welfare tasks.

Interestingly, the modernization programme of the 1980's also came to include reforms to increase user influence through voice - through elected user boards wherever possible in the public sector, first and foremost in schools. This builds on another paradigm of user influence or user democracy, which has been very strong in the "activist" Scandinavian welfare states (Hernes, 1988; Goul Andersen & Hoff, 2001). Since 2001, the market approach to welfare production has been stressed, in particular free choice. In short, emphasis has been on citizens as consumers and on "exit" rather than "choice" in the 2000's, but it must be underlined that the two have worked together well: In the first place, "exit" can be an alternative to "voice" when users (like hospital patients) are difficult to organise. Next, "exit" is complementary to "voice" by making it possible to satisfy the preferences of minorities among users. And finally, "exit" can be a resource for "voice": Users have larger influence if they can sanction by voting with their feet.

Changing the welfare mix in services

As mentioned, there were few institutional changes towards mixing state and market in the 1980's. Another global idea - that of mixing state and civil society - also had limited impact. A basic characteristic of the Nordic welfare states is the degree of de-familialisation (Esping-Andersen, 1999) and state responsibility for care functions. This development seems irreversible.²⁰ In a full dual earner family model, money for family care must be generous but targeted to extraordinary situations (Goul Andersen, 2002c). Unlike in Continental European welfare states (Naegele et al, 2003), switching between work and care over the life course is not really an option. There have been a few reforms enabling people to take leave from job to care for seriously ill family members, and parental leave has been extended to one year. It has also become possible to receive *cash for care* for own children for one year, and for providing home help. But take up is low. Liberals and Conservatives

²⁰ Unlike in many continental European countries, there is little debate about new combinations of work and family care. But there are a few instances, characterized by strong rationing and high compensation, e.g. improved maternity/parental leave, care for seriously ill family members etc. (Goul Andersen & Holmgaard Johansen, 2007). There has been a debate about family provision of home help care, but in general, the dual earner model and the strong need for labour power tend to exclude such solutions in a Nordic context. Finally, the Conservatives and Liberals were once very favourable to giving families opportunity to care for their own children, and this possibility actually exists. But as take up of such possibilities would be far highest among immigrants, and as the government wants immigrants to be integrated on the labour market, while the children should attend kindergartens by all means, this issue is rarely discussed anymore.

have traditionally favoured cash for care, but lack of voter interest, society's need for women's labour power, and the risk that such arrangements would mainly be used among immigrants have cooled the parties' active interest quite a bit.

The role of *voluntary associations* is recognized by everybody, but nobody would envisage that they could take over functions from the state; their role can be described as supplementary and highly specialised (Bundesen et al., 2001; Henriksen & Bundesen, 2004; see also Dahlberg, 2005). As to *social responsibility of firms*, this has increasingly been taken seriously by the firms as something more than just an euphemism for subsidised workers (Martin, 2004). As quite another path, one could mention the explosion in firm-based health care insurances which the government has made a tax-free fringe benefit. So far, these insurances are cheap due to low take up. It is impossible to assess what will happen if people learn to *use* the insurances, and if the premiums increase accordingly - will employers' interests cool off, will the state take the opportunity to save money, and will there be a "crowding out" where people become less willing to pay for public health care in addition to private insurance? So far, the idea of free public health care is so strongly rooted that "crowding out" seems less likely than a "push on" effect where private hospitals increase expectations to public health care.

There are more far-reaching potentials in new mixes of state and markets where there are many ways to combine regulation, financing and provision of welfare (Barr, 1998). Since the mid-1980's, there has been little discussion about full privatisation, let alone mandatory private insurance. New or higher user fees were also given up as they were highly unpopular among voters (Goul Andersen, 2007b). Ironically, it became the task of a bourgeois government to introduce free universal home help in 1992 and to reduce user fees for childcare after 2005.

Outsourcing/contracting out means that delivery is private (profit or non-profit), but financing and regulation remain public. Unlike user fees, this has no immediate distributional impact. Voter resistance is substantially lower, but resistance among public employees remains strong (Goul Andersen, 2003, 2007b). Social Democrats have accepted outsourcing as a principle, but have been more reluctant implement it in welfare services than their Swedish sister party (Green-Pedersen, 2002b). Bourgeois governments, on the other hand, have worked hard to increase outsourcing - in the 2007 economic agreement with the municipalities it was agreed to increase outsourcing from 20 to 25 per cent before 2010. Because of the critical discussions about outsourcing in the 1980's, it has become important for governments to underline that outsourcing is not aimed at saving money,

only at improving quality. Furthermore, outsourced services are often exposed to so much critical media coverage and government control that firms do not regard this market attractive. For instance, after some negative experiences, firms have almost completely dropped the market for childcare.

Vouchers are different from as they allow users to choose, usually between private and public providers (as in elderly care), sometimes only between public providers (as in health care - unless waiting lists are too long). Vouchers have expanded "from above", not as a result of demand "from below". Consumers have even had to "learn" being consumers (Rostgaard, 2006). But they are very popular among voters who see it as an extension of social rights (Goul Andersen, 2003). Public employees are critical, but often find it difficult to argue against because users can choose public alternatives if they want. This may also explain why the media have seldom been critical against vouchers.

Health care

Until the mid-2000's, Denmark has been successful in containing costs for health care. In the 1970's health care expenditures were growing very fast, even in relative terms, from 6.8 per cent of GDP in 1971 to 8.0 per cent in 1982. However, in spite of very low economic growth and an ageing population, bourgeois governments managed to lower expenditures from 8.0 per cent of GDP in 1982 to 6.6 per cent of GDP in 1992 (table 1). This reflects that cost containment was really harsh. Seemingly it also had negative effects on quality and even on life expectancy (Goul Andersen & Christiansen, 1991). Since 1992, however, expenditures have expanded at a faster growth rate than GDP (in spite of rapid economic growth). Still, over the last 35 years, there has been virtually no growth in health care expenditures as per cent of GDP (Goul Andersen, 2002d).

This is not an effect of increased privatisation of financing. Except for unusually large co-financing of medicine and dental care in Denmark, all core areas of health care have remained completely free of charge, whereas there are small user fees in the other Nordic countries.²¹ Free, universal health care is not contested. There has been a lot of efforts to improve quality control and efficiency by documentation, surveys of user satisfac-

²¹ In a municipal reform (called "structure reform"), counties were merged into five regions with health care as their main task. Unlike the counties, the regions have no right to collect taxes. Other things being equal, this will transform regional politicians into "expenditure advocats". In the 1990's, Denmark, Norway, Sweden and Finland were the only countries that did not experience increasing health care expenditures as per cent of GDP - and at that time they were all managed and financed by the counties.

tion and benchmarking, but no deterioration of conditions for patients. On the contrary, since 2002, there has been much emphasis on patients' rights. Patients have been granted right to choose treatment wherever they want in the public health care system, and a right to treatment on a private hospital if the public system cannot provide treatment within two months - currently to be reduced to one month. This has increased outsourcing to private hospitals. Until 2006, counties were responsible both for financing and management of health care. As part of the municipal reform, counties were merged into five regions who do not have right to taxation of their own. How this will affect incentives of regions to economise remains to be seen.

Together with the spread of private health insurance (also found in the other Nordic countries), the waiting list guarantee has led to an expansion of private hospitals. Initially, private hospitals were strongly opposed as a principle by the Danish population, and the first entrepreneurs had to legitimise their plan to build a private hospital by the claim that they would not be treating Danish patients at all. Since the late 1980's, private hospitals have largely been accepted, but it remains a small part of the entire health care system, and the principle of free universal health care does not seem under pressure. Costs are increasing, however, including the hidden costs of fiscal welfare, as taxpayers are indirectly contributing to private health care insurances of companies. Other private health care insurances are not deductible, however.

Elderly care

Unlike Sweden which introduced user fees for elderly care as part of the crisis policies in the 1990's (and maintained them afterwards) Denmark abolished means-tested user fees in 1992. In Norway, there are user fees of a more symbolic nature (Szebehely, 2005). Compared to other countries, Denmark has an unusually large proportion among people aged more than 65 years receiving elderly care - about 25 per cent. Only Norway and Iceland come close to these figures whereas the Swedish figures are around 15 per cent. In short, Denmark is currently the herald of Scandinavian universalism in elderly care.

From time to time, it has been debated whether user fees should be re-introduced, and about one-half of the population supports such a proposal (unpublished findings from a 2000 survey). Meanwhile, municipalities have been rationing "practical assistance" (help for cleaning etc.) by one third from 1997 to 2005 (Nielsen & Goul Andersen, 2006). Often people are granted only one hour of cleaning each second week, because municipalities assign priority to those in need of personal care. Besides, rest homes are being abolished in

favour of centres where people typically have their own, fully equipped two-room apartments and are offered the care they need. The apartments are rented on normal conditions (favourable due to the special housing benefit scheme for pensioners, see above), and there is payment for meals and other services, but care is free. These priorities run counter to rational choice theories of retrenchment: Large voter groups who have capacity to use their power as voters are being cut in favour of small groups who are often too weak to vote at all. Even though universalism is formally maintained, the significant cuts in practical assistance mean that in real practice, the difference between the Danish and the Swedish situation is not so large as it might seem. Sweden competes with Denmark in being the country that spends the most on elderly care, but it also has a larger proportion of very old people, so the exact ranking is uncertain.

Otherwise, the most important change is the marketisation of home help services. In 2002, municipalities were forced to calculate a unit price and invite private producers to deliver the service at the same price so that the elderly are offered completely free choice between public and private providers. This has necessitated an organisational division so that service providing units are separated from public authority functions. In principle the providing units are organised as private producers who sign a contract with the municipality. Private producers (typically "for profit" producers) are gaining an increasing share of the market - some 20 per cent of the "customers" by 2005 - but as they mainly provide practical assistance, their share of total number of hours worked was only three per cent (Nielsen & Goul Andersen, 2006). Free choice is popular (although not the highest priority), and user satisfaction is slightly higher among those using private providers who are considered more responsive and flexible: Even though contracts are based on a minute-by-minute specification of what the home helper should do, the most important parameter on which private providers can compete is by neglecting such specifications and deliver what the customers want). Finally, private providers can compete by offering additional service against payment - an opportunity which is also much wanted among the municipalities. But this is opposed by private providers who fear competition and by some welfare "fundamentalists" who fear that municipalities would assign priority to such additional services for the better off elderly.

It remains to be seen whether free choice will have any behavioural and ideological effects (as normative institutionalism would suggest), and whether private firms will become a new strong interest group in this policy area (as historical institutionalism would have it). In the short run, however, the main effect is an empowerment of users, and this is

the main reason for the popularity of such reforms. In the long run, there may be institutional feedback effects, but "systemic *retrenchment*" is not likely to be an adequate label.

Child care and family policy

Unlike in Sweden, private "for profit" providers have failed in the field of child care in Denmark (Udliciteringsrådet, 2004, 2005). Public attention and controls has simply made it unattractive for producers. Also, it could be complicated to reconcile private "for profit" management and democratically elected user boards, even though this could perhaps in principle be accomplished.²² Instead, the government has tried to promote freedom of choice in other ways. There has always been free choice between institutions (or public child carers) within the municipality, but since 2001, the government has sought to introduce free choice across municipalities (even though this has not always been fully implemented, due to waiting lists). Another change is the possibility to establish private child-care with public support. This has turned out as a flexible way to meet special needs, for instance regarding opening hours.

However, rather than increased choice possibilities, the most important change is the obligation for municipalities to provide public childcare for anyone in need. Furthermore, unlike in the 1980's this also includes care for children of nonworking parents: unemployed and immigrants are strongly urged to let their children attend nurseries and kindergartens in order to learn the language better and in order to alleviate "negative social heritage". Next, user charges have been reduced from a maximum of one third of the costs to a maximum of one fourth, with 50 per cent rebate for the second child and other siblings (however, this followed a period of de facto increasing user charges in the 1990's). Even though instances of retrenchment are discernible (they always generate loud protests) when municipalities cut back on personnel or introduce payments per hour, the entire policy field has been one of expansion, not retrenchment.

When it comes to cash payments, child allowances were made universal from 1985, justified as compensation for the losses of a tax reform that reduced deductions for interest payments (which were largest for young families). Curiously, this is the only instance where a significant voters want to reintroduce means-testing. However, government and opposition have been united in rejecting this proposal, mainly because of fear of adverse effects on work incentives.

²² There have always been quite a few self-owner institutions, but in almost any respect they have for decades functioned like formally public institutions.

Education

Like childcare, education belongs to the "social investment" part of the welfare state, and except for a few economists, even die-hard neoliberals have never challenged that education at all levels should be free of payment. Not even the unusually generous student allowances that were introduced in the mid-1980's, have been questioned. By 2007, students above 20 years and not living at home receive 650 € per month regardless of parents' income (with the possibility to get loans on favourable conditions on top of that). Moreover, new schemes for cheap transport and improved support for students with dependent children have been introduced. Like in the field of childcare, it is difficult to find much retrenchment here, even though productivity gains are sometimes presupposed in budgets of the state-run parts of the education system.

By tradition, Denmark has been the country of user influence in schooling par excellence (OECD, 2004). In the first place, all schools are directed by user boards with a majority of parents. Secondly, there is free choice not only between public schools in the municipality (recently extended to go across municipality borders, but with some deficiencies regarding implementation), but also between public and private schools. Since the 1850's - as an effect of the economic, political and cultural mobilisation of the farming population - Denmark has had a unique tradition of "free schools" which can be established for pedagogical, religious, political or ethnical reasons and receive public support. The fees to be paid by parents constitute on average about 100 € per month (OECD 2004). There are also a few boarding schools with upper-class recruitment, but these are the exception. Even though there are social biases in recruitment to private schools, they reflect differences in education, not in income (Jørgensen, 2007).

Looking at outcomes, the positive side is a unique feeling of user influence among Danish parents - even in comparison with the other Nordic countries which have moved in the same direction (Goul Andersen & Rossteutscher, 2007). The negative side is tendencies to segregation, mainly in neighbourhoods with high proportions of immigrants.

Summing up

In public services, there has been little retrenchment since 1992. Inevitably, retrenchment occur when priorities are changed, but with a cumulative growth of about one third in a period virtually without demographic pressures, the label of retrenchment is misleading. There is no questioning of universalism or state responsibility, and it is a field of credit claiming rather than blame avoidance.

The major institutional change - especially since 2001 - is the effort to increase freedom of choice everywhere in the public sector, in accordance with the modernisation programme of the Liberal-Conservative government. This is to quite some extent guided by *new public management* philosophies, but in the first place, it is not by any means about saving money or about minimizing the state; secondly, consumerism ("exit") is mixed with formal and informal user influence ("voice"); and finally, the choice revolution is in practice more about providing an outlet for dissatisfaction and individual preferences than it is about transforming the service sector to a marketplace. The latter would be far too demanding for consumers. Looking at outcomes, there is little doubt that we face an empowerment of the individual citizen. As to normative side effects (Blomqvist & Rothstein, 2000; Blomqvist, 2004), these do not currently seem to lead away from the welfare state; rather, they could seem to "push on" in the sense that expectations increase even further. Maybe this will produce a too "demanding" citizen, but expectations are certainly directed at the state.

7. Conclusions

The Danish experience strongly disconfirms notions about the "stickiness" of the welfare state. Borrowing from another branch of literature, one could say that "reform has become the routine" (Brunsson & Olsen, 1993). There have been a lot of reforms, quite a few of them even transformative, some abrupt, others incremental. With a few exceptions, reforms have been adopted in relatively broad compromises or subsequently accepted by the opposition. Whereas retrenchment and cost containment was a common denominator of the reforms in the 1980's, the reforms since then have been more of an institutional character, and they have seldom been driven by short-term cost containment concerns. Rather, they have aimed at bringing more people to work, at securing long-term sustainability, or at improving efficiency or responsiveness.

As far as directions are concerned, we find paradigmatic and discursive changes in a somewhat more liberal direction (especially supply-side economics and new public management). But by and large, governments have refrained from neoliberal solutions. With the partial exception of an obsession with incentives and competition from time to time under the Liberal-Conservative government, most solutions have been pragmatic and more or less in accordance with Social Democratic/ social liberal traditions. Institutional

changes have been large, even transformative in some fields, notably pensions and labour market policy. There have been substantial modifications in the division of labour between the state and the social partners, and between the state and the market in provision of welfare. It is reasonable to speak of an "activation of social protection" in the sense that there is much more emphasis on bringing people back to work. It is reasonable to conclude that efforts to bring the welfare state to act more in conformity with the market is an overriding change. Another is the continued prioritisation of social investments in the young.

However, there has been little questioning of the responsibility of the state for final outcomes. And speaking of outcomes, it is difficult to speak of deterioration of citizenship, in spite of a few examples pointing in that direction. It is easier to discover instances of empowerment. This is also why we refrain from using the keyword "recommodification" to describe market-oriented changes. True, there have been deteriorations for those unemployed, and in particular for immigrants living on social assistance; there has been increasing conditionality stretching almost to workfare in some instances. Still, these changes should be seen in the context of the improved employment situation which is also an important driver of the tightening (although some economists might claim the reverse causal relationship).

Even though there are some signs of increasing inequality and poverty - the ultimate measures of outcomes - the critical questions should be addressed to the future: What will happen to (the administration of) social protection if and when the decline in unemployment is reversed? What will happen to those 60-65 years old in 2019 who are too worn out to work but not eligible for disability pension? What are the chances that the tax system will become substantially less redistributive? And will the state be able to maintain a relatively high level of equality if wage dispersion continues to increase? All of these questions are uncertain. But as to the last couple of decades, one feel tempted to conclude that there has been large institutional transformations of the welfare state - indeed systemic change - which however have the net effect of maintaining or even ensuring status quo in outcomes.

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Project Welfare Architecture (2005-2009)

Project conducted jointly by Centre for Comparative Welfare Studies (CCWS, headed by Jørgen Goul Andersen) and Socialforskningsinstituttet (The Danish National Centre for Social Research, headed by Niels Ploug). Financed by a grant from the Danish Social Science Research Council. The overriding purpose of the project is to contribute to comparative welfare state theory by exploiting the Danish experience comparatively, and to write an encompassing, theoretically oriented book about the Danish welfare state.

The project is composed of 14 interconnected projects:

1. The Danish welfare state (book project)
2. New perspectives on welfare state theory (book project)
3. Conceptualisation of welfare and change: The dependent variable problem
4. Testing equivalence by fuzzy-set theory
5. Interests, ideas, institutions: The independent variable problem
6. Globalisation and economic challenges. Exogenous problem pressures.
7. Social policy competition and mobility: EU and the welfare state
8. Intergenerational risk and social policy
9. Destandardisation and the welfare state.
10. Ageing and the pension system
11. Older workers and firms
12. Public and private provision of social welfare (supportive project)
13. Voter constraints and dynamics
14. Immigration and the legitimacy of the welfare state (supportive project)

The project is described at the home page:

<http://www.socsci.aau.dk/ccws/projects/AWelfaresystems/a22.htm>

Project Welfare Architecture (2005-2009): Publications

Contributions to books and journals and publications in press

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- Friis, Karina, Per H. Jensen & Jesper Wegens (2008) *Virksomhedernes seniorpraksis*. Copenhagen: Frydenlund (in press).
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Working Papers

- Albrekt Larsen, Christian & Jørgen Goul Andersen (2007) Social Democracy and the development of the Danish multipillar pension system. Ambivalent preferences, incremental change and mechanisms of path dependency. *CCWS Working Paper*.
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Conference Papers

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- Goul Andersen, Jørgen (2006) Towards a better understanding of Welfare State Change. Directions, Degree and levels of change – and their long-term political Impact. Paper presented at Project Group Meeting no. 3, Tannishus.

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- Goul Andersen, Jørgen & Jacob J. Pedersen (2006) Continuity and change in Danish active labour market policy: 1990-2005. Paper presented at Welfare Architecture conference, St. Restrup, January 2006.
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- Jensen, Per H. & Henrik Bang (2007) Active Citizenship and Governance in Local Social Policy: New modes of regulating age management. Paper fremlagt ved projektgruppemøde 5. 31. maj, Aalborg Universitet.
- Kvist, Jon & Lisbeth Pedersen (2007) "How does activation work? Types and effects of changing activation policies in Denmark". Paper presented at Project Group Meeting no. 5, Aalborg University.
- Kvist, Jon & Niels Ploug (2007) Active labour market policies: when do they work – and where do they fail? Paper presented at Project Group Meeting no. 5, Aalborg University.
- Lyngdahl Christensen, Theresa & Jørgen Goul Andersen (2006) De-standardisation of life courses in Denmark? Paper presented at Project Group Meeting no. 3, Tannishus.
- Lyngdahl Christensen, Theresa. (2007) Life long learning and the mix between care and work. A life course analysis in a cohort approach.
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CCWS Working papers

<i>No.</i>	<i>Author</i>	<i>Title</i>
1-1998	Peter Taylor-Gooby	Risk and Welfare
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7-1999	Per H. Jensen	Activation of the unemployed in Denmark since the early 1990s. Welfare of Workfare?
8-1999	Knut Halvorsen	Unemployment in disguise: The case of Norway
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10-2000	Pernille Drewsgård Sørensen & Jan Bendix Jensen	Væsentligste ændringer i ret og pligt til aktivering i 90'erne. Ikke-forsikrede kontanthjælpsmodtagere
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12-2000	Per H. Jensen	Velfærdens variationer, dynamikker og effekter
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23-2002	Bendix Jensen Jørgen Goul Andersen	Coping with Long-Term Unemployment: Economic security, labour Market Integration and Well-being. Results from a Danish Panel Study, 1994-1999
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50-2007	Trond Beldo Klausen	Klasser, eliter og social stratifikation - En kortfattet oversigt med vægt på nyere klassemodeller
51-2007	Jørgen Goul Andersen	Conceptualizing Welfare State Change. The "dependent variable problem" writ large
52-2007	Anna Meyer Christensen	300 timers reglen – hvordan virker den? Effekter af stærke økonomiske incitamenter på de ledige - og på systemet
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54-2007	Jørgen Goul Andersen & Jacob J. Pedersen	Continuity and change in Danish active labour market policy: 1990-2007. The battlefield between activation and workfare
55-2007	Jørgen Goul Andersen	Affluence and Welfare State Transformations. Social Policy Change in Denmark, 1993-2007