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The Dutch and Danish Miracles Revisited: A Critical Discussion of Activation Policies in Two Small Welfare States

Wim van Oorschot and Peter Abrahamson

Abstract

Denmark and the Netherlands are usually considered to belong to two different families of welfare states: the Scandinavian and the Continental model respectively. Yet, in both states active labour market policies, or activation, have increased during the 1990s and are currently prominent. Both in Denmark and in the Netherlands activation has been viewed as an important reason for the low unemployment rates which both states have experienced since the early to mid-1990s, hence explaining the so-called Dutch and Danish jobs miracles. The paper examines critically the activation measures taken in both countries and their alleged positive effect upon (un)employment. It further examines their effect on rights and obligations from a citizenship perspective. The paper concludes that in both cases the positive development of labour market performance cannot primarily be attributed to activation measures. Furthermore, activation has reduced the entitlements and increased the obligations affiliated with social citizenship.

Keywords

Social policy; Labour market policy; Activation; Citizenship; Welfare state

Introduction

During the last quarter of the twentieth century high rates of unemployment plagued most Western democracies. Many international policy institutions as well as national governments have for some time recommended, and latterly also implemented, active labour market policies or so-called activation measures as a remedy for ridding countries of the unemployment problem (UN 1993; OECD 1994; EU 1994). Recent developments, especially within a number of smaller countries of the European Union such as Denmark, Ireland and the Netherlands, have been viewed as success stories in so far as they have managed to reduce unemployment substantially during the 1990s. In

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the Danish and Dutch cases it is believed that a series of activation measures have contributed substantially to this. The aim of this paper is to review this thesis critically and to assess changes in the character of social citizenship that have followed from moving from passive support to active measures.

The Danish and the Dutch Welfare States

Within the regime perspective, Denmark is said to belong to the Scandinavian or social-democratic cluster, while the Netherlands is seen by most commentators as a hybrid case sharing characteristics of the Scandinavian social-democratic and the continental corporatist cluster. The different clusters are viewed as having implemented very different strategies when it comes to employment and labour market policy. Problems of unemployment were solved by means of active labour market policy in Scandinavia, while exit options (early retirement) were seen as the answer on the continent, and traditionally employment rates have been high in the former and low in the latter (Esping-Andersen 1990). We are well aware that cluster classifications have been challenged. There seems to be consensus now about the hybrid character of the Dutch welfare state, but scholars have pointed to the liberal traits of the Danish welfare state, placing Denmark closer to the Atlantic (liberal) experience (see e.g. Castles 2001; Knudsen and Rothstein 1994; Korpi and Palme 1998). Notwithstanding regime classification, we find it justified to maintain that, although equally elaborate and encompassing, the Dutch and the Danish welfare states followed different trajectories from the 1950s to the 1990s. Also, employment rates were considerably higher in the former than was the case in the latter, especially among women; and while the Danish welfare state basically was financed out of general taxation the Dutch relied mostly on contributions. On the other hand, Denmark and the Netherlands have in common that they are smaller, highly developed north-western European countries with a similar culture of tolerance and flexibility and with a strong commitment to social citizenship rights. More recently both countries have adopted a substantial emphasis on active labour market policies.

Welfare commitments occupied between 29 and 34 per cent of gross domestic products with a slightly declining tendency in both countries, and in 1998 they spent an almost equal 29 and 30 per cent respectively. But while there has been hardly any real expansion in the Netherlands (social protection expenditure per capita only rose by 3 per cent from 1990 to 1998) the Danish welfare state grew by 22 per cent in real terms during this period. By these crude measures the situation was very similar by the end of the 1990s: Denmark spent €7,100 per capita while the Netherlands spent 6,700 (Amerini 2000). Yet, differences remain regarding the way in which social commitments are financed. In Denmark in 1998 the public sector picked up the lion's share of about two-thirds, employees paid some, and employers hardly contributed at all. In the Netherlands, on the contrary, about two-thirds, were paid by employers and employees (Amerini 2000).

Both countries' welfare states have distinct labour markets. The Netherlands have relatively low rates of labour market involvement compared with

Denmark, which is reflected both in the development of the full-time equivalent employment rates and the activity rates. Full-time equivalent employment rates rose by 3 to 4 percentage points in both countries from 1985 to 1999 and were standing at 56 and 69 per cent respectively. These differences are nearly exclusively due to the different pattern of labour market affiliation between men and women. In 1985 only 46 per cent of Dutch women, compared to 76 per cent of Danish women, were in the labour market; in 1999 the former had increased their share to 65 per cent while the latter stayed at the same level, indicating a strong convergence in this respect. But when we examine the degree of part-time work the development is one of divergence. During the 15-year period Danish women reduced their share from 44 to 34 per cent, while Dutch women increased their share from 58 to 69 per cent; i.e. one out of three women work part-time in Denmark, but two out of three in the Netherlands. In both countries the registered unemployment rates have dropped from around 7 per cent to 3 and 5 per cent respectively; and these decreases started only after 1994 (European Commission 2000).

The Active Turn

Denmark and the Netherlands represent different types of welfare states, but a clear pattern of convergence is apparent in the emphasis on activation policies which was adopted as a reaction to earlier high unemployment figures. We shall discuss in some detail the activation measures taken.

Sticks and carrots: the Dutch case

In the Netherlands it was only with the improvement of the global economy from 1985 onwards that the ranks of the unemployed started to shrink. This process was markedly gradual, however, and the problem of long-term unemployment persisted. This gave rise to the idea that the unemployment problem was not only based on a lack of jobs, but also had to do with the characteristics and behaviour of the unemployed and of employers themselves. Therefore, the government's attention shifted towards a micro-focused approach of sticks and carrots, aimed at influencing the choices and behaviour of employers and unemployed. In particular at the beginning of the 1990s, activating sticks and carrots were introduced into unemployment, sickness and disability insurance, as well as in social assistance.

A distinction can be made between activation measures proper and work-related benefit criteria. The first can be defined as measures that are directly and explicitly aimed at the (paid or unpaid) labour participation of unemployed people or at preventing employed people from becoming unemployed. Introducing and tightening work-related criteria for benefit entitlements (access, level and duration) have an indirect but mostly not unintended activation effect: they make unemployment less attractive for workers and result in higher pressures on unemployed people to find work. Measures aimed at the (re-)integration of disabled workers are discussed separately: Dutch disabled workers have no formal obligation to find work, but their labour market participation has become a major concern.

Dutch activation measures Since the second half of the 1980s, there has been an “explosion” of activation measures (see Van Oorschot and Engelfriet 1999, for a detailed review of measures). Prior to this period, the *Loonsuppletie* scheme offered a temporary wage supplement to all categories of unemployed people willing to accept a job with a wage below their previous wage level. The newly added measures were specifically aimed at the young and the (very) long-term unemployed, who by then formed a large segment of total unemployment. However, three groups with notoriously bad labour market chances—the older unemployed, women and ethnic minorities—have been absent as explicit target groups for activation measures. No public statements on the reasons for this can be found, but it could have to do with a fear of (further) stigmatizing unemployed women and people from ethnic minorities in the eyes of employers, and with the government’s sensitivity to public opinion, which is not in favour of positive discrimination for ethnic minorities and women (van Oorschot 1998). With respect to the older unemployed, the situation is different. It was among the first reactions to the economic and budgetary crisis of the early 1980s to exempt the unemployed of 57.5 years of age or older from the obligation to seek work, as a means of creating more opportunities for younger cohorts.

Only a few activation measures are solely aimed at the unemployed individuals themselves. Most schemes require the cooperation of employers, and try to encourage them to employ the long-term unemployed mainly by means of temporary or permanent wage subsidies and reduction of taxes and social security contributions. Apparently, the perceptions and attitudes of employers, and their related selection behaviour, are seen as more of a concern than the motivations and qualifications of the unemployed. Studies have indeed shown that by far the largest proportion of all unemployed individuals are very eager to find a job (e.g. Hoff and Jehoel-Gijsbers 1998) and that employers are prejudiced against the (long-term) unemployed (e.g. van Beek 1994; Zwinkels and Besseling 1997).

There is a mix of measures aimed at employment in additional and in regular jobs in both profit and non-profit organizations. Paid, additional jobs are mainly created for the very long-term unemployed, when such jobs are the only way of avoiding the strong barriers for this group. In the case of the young unemployed, additional jobs under the Youth Work Guarantee scheme have replaced the right to social assistance benefit.

By the end of the 1990s most of the various measures had been integrated into two framework laws. Government reasons for integration are various: there was overlap between some of the measures, and at some points even competition; clients and administrations had difficulties in distinguishing between the various conditions and target groups; and there was lack of overall coordination.

Work-related benefit criteria From the mid-1980s, work-related benefit rules and conditions have been introduced and tightened (see Clasen *et al.* 2001 for details). Initially, they mainly served the purpose of cutting back on social expenditures; later they were explicitly used by the government for their activating effects. Work-related benefit rules and conditions made unemployment

less attractive for workers and resulted in higher pressures on unemployed people to find work.

With regard to unemployment insurance, two changes were made. Firstly, the 1996 Law on Penalties and Measures (*Wet Boeten en Maatregelen*) intensified the sanctioning policies of social security administrations in order to activate the unwilling unemployed more vigorously. Secondly, during the 1980s and 1990s, the work-relatedness of eligibility and entitlement criteria increased significantly, mainly through linking (more closely) to a person's work record, and to the effect that currently only about 45 to 50 per cent of workers are still entitled to the standard wage-related benefit if they become unemployed. Those with an insufficient work record are entitled to a short-term benefit of 70 per cent of the minimum wage or will have to rely on means-tested social assistance. On average, being unemployed now means lower benefits, for shorter periods. As a result, keeping or finding paid work has become more important and compelling for workers.

As it is the safety net of the Dutch social security system, the means-tested social assistance scheme has no work-related requirements regarding benefit eligibility, but non-compliance with job search obligations may result in penalties or a withdrawal of the full benefit. Such obligations have not changed in recent decades, but the previously-mentioned Law on Penalties and Measures (applied to assistance since 1997) has resulted in a more rigid and systematic implementation. Other changes are that the entitlement to benefit for those under 21 was replaced by a job entitlement through the Youth Work Guarantee scheme (JWG); single parents with children became subjected to work obligations once the children were over 5 years of age (this was previously 12); beneficiaries are expected to accept work well below their educational and former job level; and for each client with a reasonable labour market chance the municipal social service, which administers social assistance, has to design and implement an individual reinsertion plan.

(Partially) disabled workers Traditionally, the (re)insertion of incapacitated workers has been given low priority in Dutch social policy. There were (and still are) sheltered workplaces for a limited number of handicapped people, and the disability benefit scheme previously offered some possibilities for adjusting workplaces to handicaps, but structural and effective measures were not taken. This all changed, however, when the number of disability claimants grew to, and remained at very high levels, even after the economic recovery of the late 1980s. A variety of measures were taken to try and stimulate labour market participation of (partially) disabled workers (see van Oorschot and Boos 2000 for details), including a replacement of full with partial disability benefits for partially disabled people (1987); a restriction of the concept of "disability", tightening access to the disability benefit scheme (1993); a re-examination of the disability status of 400,000 disabled workers over 50 years of age according to the new concept, resulting in 28 per cent of them losing benefit (1993); and an introduction of risk-related contribution differentiation in the disability benefit contribution (1998). With regard to short-term disability benefit, or sickness pay, the measures have been far more drastic. In a series of steps, the sickness insurance scheme has been

(almost) fully privatized. The scheme still exists, since it still covers the sickness risk of specified categories (estimated at 15 per cent of the previously covered population, including e.g. pregnant women). But for the greater number of Dutch workers, it has been replaced by the employer's duty to keep on paying wages during sickness leave. Either employers now pay wages for sick employees directly or, as most of them have done, reinsure the risk with private insurance companies. Reducing sickness absenteeism is now in the employer's interest.

In sum, the previous tendency to clear the Dutch labour market by facilitating exit measures has been reversed into activation. This has changed substantial parts of Dutch social citizenship from passive support to active participation placing a stronger emphasis on citizens' obligations.

"Something for something": the Danish case

In Denmark two different systems exist which both aim at the integration of excluded people of working age. On the one hand, there is the work record-related insurance system for people who have qualified for membership of an unemployment fund. They have access to labour market initiatives such as the Job Offer Scheme, which benefits the 25- to 49-year-olds, and the Voluntary Early Retirement Pension Scheme (VERPS), which offers an exit opportunity for the 60- to 66-year-olds. Since the preconditions for access to this system are rather restrictive, there exist a large number of unemployed people excluded from it. For them, there is a social assistance system. From the outset the Social Assistance Act of 1976 was meant to provide efficient relief in cases of short-term lack of income, rehabilitation, and counselling. However, overwhelmed by the volume of people excluded from the labour market in the wake of the first oil crisis in the early 1970s, this system has gradually developed into a system of transfer payments to unemployed and other non-working people. In recent years changes took place in both systems.

Social insurance: sorting out the core group In 1979 the then existing Social Democratic government inaugurated a *Job Offer Scheme* which guaranteed a job of at least seven months' duration to all long-term unemployed people. The idea was to try and re-include people into the labour market by offering private sector employers a wage supplement. The scheme was not a big success in terms of reintegration, since the employment effect in the longer run only amounts to about 30 per cent. A major problem was insufficiency of jobs in the private sector, while jobs in the public sector had to be temporary. Generally, the job offer scheme circulated the long-term unemployed between employment and unemployment (Madsen 1992a).

As from 1985 the Conservative government changed the scheme so that the job offer could only be given twice. The second time one might also choose to receive a so-called *training offer* which gave entitlement to benefits for two years while following an education. However, relatively few long-term unemployed chose this option (about 14 per cent of the potential pool: Mærkedahl and Rosdahl 1987).

The unemployment insurance and early retirement schemes were restructured in the second half of the 1990s, leading to more difficult access and shorter duration (Hansen 1998: 46, 53). For instance, in 1996 the duration of unemployment benefit was shortened from seven to five years and active labour market measures will no longer prolong the benefit period; unemployed young persons with no or only little formal education were from then on offered education after six months of unemployment; and the temporary schemes for early retirement from the labour market were closed for new entrants. Then, in 1997, the work record requirement for unemployment benefit was doubled from 26 weeks to 52 weeks within the last three years.

In Denmark, *leave schemes* play an important role in labour market policies and partly aim at increasing the circulation in the labour market between unemployment and employment. In 1994, a couple of experimental leave schemes were made permanent. However, as the schemes became increasingly popular the government feared that they might create bottlenecks by reducing unemployment too much and they were therefore made less attractive.

Education leave is a scheme enabling insured workers to take time out, at least one week, at the most one year, to participate in some kind of recognized education while receiving benefits equivalent to unemployment benefits. The *child care leave* allows parents with children up to eight years of age to take time out to care for their children up to one year and at least for 13 weeks. Because of its popularity the benefits have been reduced by 30 per cent and from 2001 the scheme has been changed so that parents are now only entitled to at least 8 and at the most 13 weeks of leave if their children are more than one year old. For children less than one year parents are allowed between 8 and 26 weeks of leave. Finally, the *sabbatical leave* was a time-limited experiment running till 1999, allowing employed insured people aged 25 and over to take up to one year out from the labour market provided they could find a substitute for them, to fill their spot, during the period of time. Of course, leave schemes are not activation measures, but they are very important when explaining the development of registered unemployment.

Social assistance: sorting out the marginal During the first years of the 1990s the main objective has been to turn passive financial supports into compulsory paid activities. It started out with 18- and 19-year-olds, and in 1992 the affected group has been enlarged to all those 18 to 24 years old. With the revision of the Social Assistance Act in 1997/8 the over-24-year-olds must also meet the obligation to accept an offer to be "active" in some way determined by the municipal social worker. What began with only the young, now applies to everybody under what is called the "Active Social Policy Act".

In 1996, the National Institute of Social Research SFI carried out a thorough evaluation of the new compulsory active labour market policy within social assistance, studying a representative group of claimants receiving an offer of either job training, education or sheltered employment (Brogaard and Weise 1997; Weise and Brogaard 1997). It showed that the sorting of claimants places those with the best overall qualifications in job training; those in sheltered employment have lesser qualifications, and those in

educational schemes have the least. Only a minority of participants in job training actually achieved regular employment (14 per cent). The studies showed that both the condition of the claimants and the kinds of offers received had an influence on outcomes. An analysis of the probability of being in employment or education half a year after having been activated showed that the youngest, those with the best educational skills, and those with the best health did better than others.

In sum, the active turn features more prominently within the contemporary Danish welfare state. But activation is not only a right, it is certainly also an obligation within both the social insurance system, as well as within the municipal safety net system. If citizens fail to live up to the obligations their livelihood is threatened.

Small Welfare State Miracles?

We can conclude from the previous section that both in Denmark and the Netherlands there has been a shift in emphasis from welfare to work, and that the obligations on unemployed (and disabled) citizens to undertake activation measures in order to qualify for benefits, as well as their obligations to find and accept jobs, have been sharpened. This took place in a context in which the political and economic rhetoric pointed to activation as a solution to the employment crisis. But what exactly has been the contribution of the Dutch and Danish activation measures to solving these countries' problems of large-scale unemployment? What is their relation to the Dutch and Danish job miracles?

The Dutch case

The "Dutch miracle" of strong job growth and steadily decreasing unemployment figures of recent years gets admiring attention from academics and policy-makers alike. However, the Dutch success story needs to be put into perspective.

Firstly, regarding employment growth, it is true that in terms of the number of individuals employed, the second half of the 1990s witnessed an explosive increase: the working labour force grew by nearly 900,000 people from 1994 to 1999. However, in terms of the total of hours worked annually in the Dutch economy, the growth was much less impressive. From 1970 (indexed at 100), the number of hours worked decreased steadily to 90.6 in 1985, at which point it started to increase, but did not again reach the level of 100 before 1994. Until 1999, it increased to only 109.8 (SCP 2000: 280). In other words, the Dutch miracle comes down to an increase in the total of available work of just 10 per cent, compared with 1970. Clearly, the discrepancy between the large growth in the number of individuals with a job and the much smaller growth in hours worked annually can be explained by the fact that the largest number of new jobs (65 per cent) are part-time. Most of these part-time jobs are occupied by women, who entered the Dutch labour market *en masse* in the 1990s. One could conclude that the Dutch job machine mainly consisted of a giant redistribution of the work available.

Grossly stated: full-time jobs held by men in an industrial economy have been replaced by service economy part-time jobs held by women.

Secondly, with unemployment very low, at about 3 per cent, it looks as if a situation of full employment, as in the early 1970s, is near. However, the 3 per cent is registered unemployment, that is, people without a job who have registered at the Labour Office, who want to work for at least 12 hours a week, and who are directly available for work. This is a very strict definition of unemployment, compared both to the ILO standardized unemployment definition (which counts all individuals seeking any hours of work) and the number of registered job seekers as such. In 1998, there were about 300,000 registered unemployed people in the Netherlands, about 425,000 people who were unemployed according to the ILO standard, and about 700,000 registered job seekers (SZW 2000: 28). Clearly, there is more real unemployment within the “Dutch miracle” than the official figure suggests.

Thus, the “Dutch miracle” contains less employment growth than suggested by the number of people in paid work, and it conceals a high degree of hidden unemployment. From a European perspective, the Dutch picture is summarized by Becker (2000: 235) accordingly as one of “only medium employment, low labour volume and high non-employment”.

Regarding the effectiveness of activation policies and their contribution to the miracle a reserved position is necessary too. First, it cannot be denied that many individuals have found a job with the help of activation measures. For instance, about 60,000 have been employed in additional jobs (SCP 2000: 288), and the “SPAK-measure” that reduces employers’ taxes and premiums on low wages is estimated to have created between 44,000 and 76,000 extra jobs (van Polanen Petel *et al.* 1999). However, while the number of jobs grew from 1994 to 1999 by about 900,000, the total number of beneficiaries under 65 years of age decreased in that period by only 225,000, of which 60,000 were through additional jobs.

Second, in a recently published report, in which various types of Dutch and foreign activation measures were compared, the conclusion was drawn that (easy to administer, fiscal) measures aimed at reducing wage costs for employers (like SPAK) are most successful in terms of redeploying the unemployed on the regular market of paid labour (NEI 1999). Concerning measures which create additional labour, however, it is concluded that they mostly result in a very few participants flowing into regular jobs. Once in an additional job, there seems to be a lack of possibilities and motivation to move on, since it was found that the flow from subsidized to regular jobs is smaller when the subsidy period lasts longer, and when the subsidized jobs are in the public sector. The NEI report, which is as critical on the effectiveness of most activation measures as two comparative OECD studies (OECD 1996; Martin 2000), shows finally that redeployment of the elderly and less-educated is least successful, despite measures focusing explicitly on these groups. Another review of activation evaluation studies concludes that it is standard practice that administrations that want to show impressive success rates tend to “cream” their clientele, that is, concentrate their efforts on those with the highest labour market chances, among which there are many who would have found a job without the assistance of a specific measure. In many cases

Table 1

Outflow probability of Dutch unemployed people and disability claimants

	1992	1993	1994	1995	1996	1997	1998	1999
Unemployment insurance	35.8	32.6	31.9	35.2	33.7	36.1	36.5	35.4
Unemployment assistance	—	—	—	—	—	16.0	15.2	—
Disability insurance	4.4	4.4	5.8	6.1	3.7	3.2	3.5	—

Outflow probability = terminated benefits due to resumption of work, as a proportion of the number of benefits at the end of year $y-1$ and the number of new benefits in year y .

Source: SCP (2000: 341).

of additional labour, furthermore, the jobs that are created are in effect substituting for other people's regular jobs (SCP 1992).

Third, had the total of Dutch activation measures had a significant effect, then one would expect that the "outflow probability" of unemployed people would have increased rather dramatically a few years after the mid-1980s, when the number of measures increased to a significant degree. Table 1 illustrates that this is hardly the case. In the early 1990s, the outflow chance of unemployed people even decreased, most possibly because of the second recession of the early 1990s, and at present the chances are at the same level as in the early 1990s. It is not without reason that in 1994 the Dutch government declared that "work, work, work" would be its banner, since it started from the assumption that existing measures were not proving effective enough.

Fourth, despite the measures taken, there is still a large amount of long-term unemployment. With the favourable developments in the labour market, the contours of a relatively large group of people who are seen as very difficult to integrate, if at all, become visible. According to the Social and Cultural Planning Office (SCP), this accounts for as much as two-thirds ($N = 1,100,000$) of all people on unemployment insurance, unemployment assistance and disability benefits ($N = 1,600,000$) on the basis of legal criteria (SCP 2000). These criteria excuse people from the legal work obligation on such grounds as age, medical and social circumstances, or care burdens. However, many of the reintegration measures are intended to promote the labour market participation of precisely this group of people. The SCP study concludes that there is a "stagnation of reintegration" in the wider context of job growth and decreasing overall unemployment, and it is therefore critical of the effectiveness of reintegration measures. It considers the process of reintegration to be "very laborious" (SCP 2000: 288). The study mentions several factors that can explain this stagnation for the long-term unemployed, social assistance clients and the disabled. One is that employers prefer younger, healthy, Dutch-born people, who are not stigmatized by a (long) period of benefit dependency, another that the rapid increase in female labour participation prevented long-term unemployed individuals filling the many jobs that have become vacant in recent years. The fact that most of

the new jobs are part-time plays a role here, as well: part-time wages are mostly too low for beneficiaries to leave the poverty trap, while they are attractive as a second household income for women.

In the case of (partially) disabled workers, the conclusion that measures taken are ineffective and even counterproductive can be drawn without much reservation. The privatization of sickness benefits and premium differentiation in the disability insurance scheme have created a remarkable tension between the intended activation impact of these measures and their actual effects, as the incentives for employers are set so that they profit from having a workforce with a minimal disability and sickness risk. A number of evaluation studies (CTSV 1996: 199; Schellekens *et al.* 1999; Van der Giezen and Jehoe-Gijsbers 1999) have shown that chronically ill people and (partially) disabled people are currently encountering even greater difficulties in (re-)entering jobs. This is because employers screen new employees more stringently on their health status; the likelihood of being fired has increased for workers with a worse health status; the number of temporary labour contracts, as a means of prolonging the period of screening employees on their “sickness leave behaviour”, nearly doubled from 1993 to 1995, from 11 per cent to 20 per cent of all labour contracts; hiring workers via employment agencies, in order to reduce the risk of sickness pay, rose in the same period from 4 to 9 per cent; and, while in 1991 some 20 per cent of disabled people’s job applications led to an interview, this decreased to 11 per cent in 1998. On the grounds of these findings, one would expect that the “outflow probability” of disabled people would have gone down in the second half of the 1990s, after the introduction of privatization and premium differentiation. This is precisely what is shown in table 1.

In conclusion, although many thousands of people found (additional) work through activation measures, the aggregate effect of such measures on the labour market participation of Dutch unemployed people does not appear to be very great. In the second half of the 1990s, the decrease in the number of beneficiaries was much lower than the explosive growth in the number of jobs, the outflow chances of unemployed people have not improved and those of disabled people have even worsened. The reintegration of the most vulnerable groups is “stagnating”. Overall, it seems that, on aggregate, activation measures have, at best, further facilitated the labour market participation of those who might have got jobs anyway in a period of strong job growth.

The Danish case

The Danish unemployment rate has come down from 10–12 per cent in the first half of the 1990s to around 5 per cent in 2000. The Ministry of Labour defines the marginalized as those who have been unemployed, activated or on educational leave for 80 per cent of the time during the last three years. Calculated this way, the development within this group has decreased by nearly half, from 127,000 in 1994 to 69,000 in 1998 (Hansen 2000).

This development seems impressive, but, unfortunately, is less so when seen in the perspective of table 2, where it has been decomposed into the various groups of citizens living on some kind of public support measure.

Table 2

Number of people receiving public transfers calculated as full year persons in Denmark
1994–1998 (1000s)

	1994	1996	1998
Early retirement pension	264	272	273
Voluntary early retirement pension	119	167	175
Sickness benefits	39	48	48
Unemployment benefits	343	246	183
Social assistance (not unemployed)	117	101	97
Rehabilitation	31	31	36
Activation	84	75	78
Leave scheme	49	63	44
Total	1,046	1,003	934
Percent of all 18- to 66-year-olds	29.1	27.7	25.7

Table 3

Employment rate in Denmark 1990–2000 (%)

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
73.6	72.7	71.7	71.1	70.3	71	71.5	71.9	72.8	74	74.4

Source: Statistics Denmark (2001).

From table 2 we learn that the share of Danes dependent upon public support decreased from 29 to 26 per cent of all those of working age between 1994 and 1998; but we also learn that about a third of the decline in unemployment and social assistance has probably been picked up by early retirement. So, apparently, many have completely left the labour market and taken early retirement. This is supported by the evidence presented in table 3 showing the employment rate in Denmark during the 1990s.

Taken over the ten-year period of 1990 to 2000 employment decreased and only in 2000 was it back to where it was in 1990.

To give an idea of the overall extension of active labour market policy in Denmark we can state that about 4 per cent of people in the workforce at any given time will be in some kind of activation measure, and about 11 per cent of the younger cohorts (16–24-year-olds) (NOSOSCO 1998). Taking into account what has been demonstrated thus far, we suggest that one should be a bit sceptical about the positive and optimistic conclusions reached in the latest government investigation into the effects of activation (Ministry of Labour 2000), where, for example, it is said that: the combined right and obligation to activation enhances the motivation of the unemployed

to seek employment, and thus (!) contributes to more people finding employment before starting an activation activity; activation enhances the qualifications of unemployed people, thus (!) enhancing the probability of employment; the large financial resources invested in active labour market policy have led to an improvement in public finances in the short and long run because of its effect on structural unemployment; and the activation strategy has reduced the marginal group to half its size since 1993 (Ministry of Labour 2000: 3). However, although most measures upgrade skills, and therefore participants afterwards have a better position in the competitive labour market, the report does not take into account the question of substitution. It is aware of that, but simply states that “. . . the extent of substitution, which the report does not deal with . . .” may reduce the effect of decreased public expenditure (2000: 14). Furthermore, it is claimed to be a financially sound operation, but the argument is not very precise: “The active labour market policy has played an outstanding role in the labour market policy since 1993 and *it is therefore reasonable to assume* that the overall effect on public finances has been positive since 1993” (2000: 12; italics added). Because we want it to work, we think it works, seems to be the argument. And finally, it is claimed that the reduction in the number of marginalized people is due to activation, but as we demonstrated above, most of the people who have left unemployment and activation have gone to permanent support; i.e. they have been totally *excluded* from the labour market. This is more like the opposite conclusion to the one stated by the Ministry of Labour.

A study following a cohort of people in activation in 1995, both municipal and within the unemployment insurance system, and checking their situation in 1998, made it possible to identify the changes in people's positions. Of the unemployed in the insurance system about 60 per cent were in regular employment three years later, 28 per cent still had problems finding employment, and the rest had taken early retirement or similar permanent schemes. With respect to municipally activated people, the social assistance clients, 40 to 50 per cent were either in employment or in education three years later; about 10 per cent had regular employment but are now dependent upon unemployment benefits, while 35 to 40 per cent received either social assistance or find themselves in a new activation situation (Hansen 1999). This confirms previous studies showing that the better success rates appear in the social insurance system compared to the municipal one, and that some offers are more successful than others. Job training in the private sector promises the best chance of being integrated into the labour market, while municipal sheltered employment gives fewer results in this respect. Regarding education, regular and long-term yielded better results than short-term vocational training courses.

The active turn in social policy can, then, be viewed as making a significant difference for the individual unemployed citizen. What should also be considered are the societal consequences, and in this perspective the effects are much more moderate. The issue here is that of substitution. Every time somebody finds a job through these systems it will not be filled through the “normal” ways of market clearance. Colleagues at the National Institute of Social Research SFI have calculated what they call the reduction in gross

unemployment with respect to different activation measures. They found that gross unemployment was reduced by between 5 to 15 per cent because of activation, which is a modest result (Langager 1997; Weise and Brogaard 1997). Regarding social assistance activation, most recent results confirm previous findings, showing that the overall employment increase of activation measures is very modest indeed, even before taking on board the question of substitution (Bach 2002).

In sum, the increase in Danish activation measures has contributed to the reduction in registered unemployment of some groups of people, but it has not functioned as an employment machine, mostly because the measures have increased the sorting out of the workforce, hence referring substantial numbers of people to early retirement and other positions totally outside of the labour market.

Discussion

The European Commission (EU 1994) sees activation as indicative of a convergence towards a European Social Model, with its emphasis on the trampoline effect of interventions towards the marginalized. The Danish and the Dutch cases, which we have examined here, are seen as prime examples of the trend. In a previous comparison of the active turn in Denmark and the Netherlands, Cox (1998) argued that it concerns a profound change in welfare state structuring, notably a change from a socio-liberal welfare state where citizens are being looked after but where the state is neutral to whether the citizens work or not, towards a situation where this neutrality has disappeared; now the state demands activation. We certainly agree with Cox that changes are profound, but we disagree with the assumption of previous neutrality. A willingness to work has always been a condition for receiving help in case of unemployment, and work records have traditionally been important for access to (insurance) schemes. It is the circumstances prevailing both during the “golden years” of full employment, and during the years of mass unemployment which to some extent may have concealed this fact. The activation trend is thus not a change in character, but in strength and strictness of the attachment of obligations and duties to social rights.

Looking at citizenship as a set of legal rights, it can be observed that from the mid-1980s onwards in Denmark and the Netherlands there has been a clear development towards both a decline of social rights—in terms of limiting access to benefits, and decreasing levels and duration of benefits—and a more “active” approach towards beneficiaries, emphasizing their work obligations more strongly. With it, the overall level of citizens’ social protection has declined, especially for those with weaker ties to the regular market of paid labour. From this perspective, of declining rights and increasing obligations, the implications of activation policies for citizenship are negative. Hence, in a comparison of seven European countries including Denmark and the Netherlands, Kvist (2002) confirms the trend of convergence towards more emphasis on obligations. Where administrations use activation measures to discipline the marginalized, activation even becomes a punitive measure, which may deter people from seeking help.

However, from another perspective one could point to the fact that the different types of labour market policies and activation measures create rights and opportunities. Although it might be rather difficult to single out the effectiveness of single measures, evaluation studies do indicate that both in the Netherlands and in Denmark they have had little effect on the labour market chances of the long-term and older unemployed, and that in the case of the Dutch disabled unemployed there is even a counterproductive effect. The ineffectiveness of activation measures stems from several sources. Partly it is due to the creaming-off effect, where social workers pick what they consider to be the best-equipped and most highly motivated clients to join the programmes. As a result, the success rates often drop dramatically over time for a number of projects. Furthermore, some programmes are stigmatizing, and only offer dead-end jobs. Certainly in Denmark a problem is that people oscillate in and out of various forms of measures, unemployment and temporary employment. But perhaps the most severe problem with the implementation of active labour market policies and activation is the process of displacement of workers, what in the Danish context has been labelled the cuckoo effect (Madsen 1992b). The fact seems to be accepted that activation measures do not create extra employment.

Are they all worth the effort, then? Maybe yes, seen from the point of view of any individual making use of activation measures, and for whom an active life within society seems preferable to being passively “parked” on public benefits outside mainstream society. The point is, however, whether activities done in the longer run lead to what is regarded as a normal position on the labour market, or whether people stay dependent upon artificial and supported employment. In the latter case a new group of excluded people will arise, occupied by activities parallel to the “real” labour markets, but equally stigmatized as the former passive benefits.

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