

# **THE FUTURE OF THE DANISH WELFARE STATE**

**Current discussions in Denmark -**

**some shortcomings of the predominant  
pessimism in supply side economists' approach**

European Modules, Social Policy 5

by

**VIGGO JONASEN**

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#### **Preface - abstract**

In this paper I first present a scheme for analysis of relations between individual and his/her environment, with respect to analysing effects of social political decisions. The concepts welfare functions and welfare mix are hereby presented. Then comes a telegram-short presentation of welfare state development in Denmark since World War Two (can be supplemented by the historical table in the end of the text). A bit more detailed is a chapter 2 on the Population Question and its influence in the building of the Danish Welfare State, and a chapter 3 on headlines of the most recent discussions about the challenges of the welfare state. Then follows a chapter 4 with a critique of the anthropology of the supply side economists who by now seem to dominate the discussions about the future of the welfare state, and a chapter 5 with discussion of some welfare state mechanisms which deserve more attention. Conclusion 6 is that more options are available than those debated on the agenda of the supply side economists.

Internationalisation and the problems connected to the rights of migrant workers have been left untreated in this paper.

Viggo Jonasen

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For questions contact:

Viggo Jonasen tlf. 0045 - 86276622 [vj@dsh-aa.dk](mailto:vj@dsh-aa.dk)

## 0 The Individual, Welfare, Welfare Functions and State in Society

The concept WELFARE can be seen as referring to the individual's 'faring well' in his/her travel through life in society. The concept WELFARE STATE<sup>1</sup> implies a STATE, intervening with a welfare orientation in the ways *production*, *distribution* and *consumption* of goods and services function in a society, which is mainly - but not only - organised in a MARKET way.

The four *welfare functions* in which the *welfare state* are intervening, are:

1. **provision** (maintenance) of persons, who a) cannot themselves sell (or should not sell) their work-power, and b) are not by law provided for by wife/husband or children/parents,
2. **care** in case of disease, and **compensation** in case of disablement, and **shelter/asylum** for those in need thereof
3. **education - socialisation** for all (children), including childcare, and including socialisation of adolescents and rehabilitation of criminal offenders.
4. **housing**. Mostly people buy/rent housing, but in Denmark quite some state intervention takes place with regards to quality and price of housing.

The following presentation is built on a view that the individual's position in society can be analysed by her relations to four SECTORS: 1 STATE, 2 MARKET, 3 ORGANISATIONS, 4 FAMILY (mod. I). These 'sectors' can also be understood as modes of organising society, subject to changes both in borders and internal organisation. Social Policy deals with change and maintenance of the welfare functions in and between the respective sectors, sometimes also with development of new sectors.

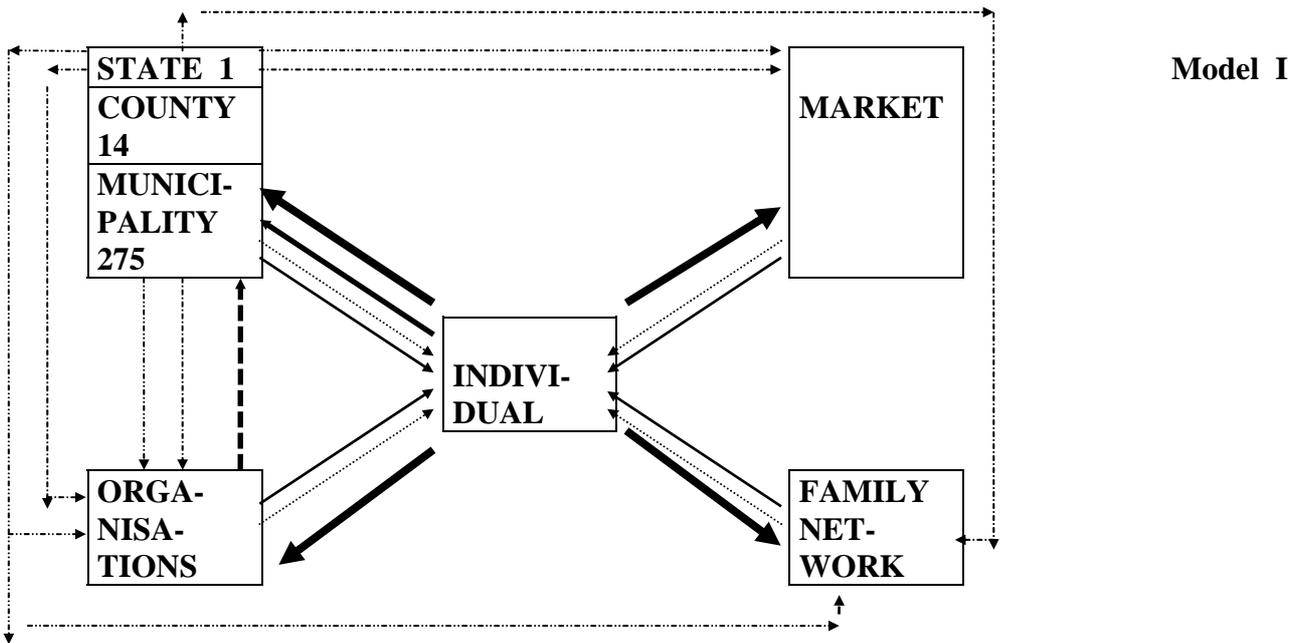
A glance on the history of Danish *economic development* and *social policy* shows a large and varied interplay between public and private actors about different types of production and distribution of goods and services, including transfers, care and education:

- ordinary **consumer goods** are produced and distributed largely in and by the private sector and on market conditions. Since 1857 Danish industrial policy has been ultra liberalistic (except for war periods). Yet, the state in many ways law-regulates the functioning of the market: on-the-job safety, work conditions, 'proper marketing behaviour', Road Traffic Act, building construction law, etc.
- **income transfer** have been carried out by STATE institutions: poor relief, old age pensions (state/municipality); by ORGANISATIONS: unemployment insurance (unemployment benefits), health insurance (sickness benefits, medicine cost subsidy); and in FAMILY: mutual support duty between spouses, and between parents and children <18, support of youngsters in education. The organisations' income transfer activity has been regulated by STATE, by contributions and control, and in the 1970'es social reform sickness benefit and (part of) medicine cost subsidies have been reorganised from an ORGANISATION-function to a STATE-function. As a speciality should be mentioned a set of formally 'private' old age insurance (saving) schemes, formally organised as private saving (MARKET) but regulated by law and with tax reduction as a main source of finance (STATE).
- **care** in case of disease during the 1800- and 1900 years has been **produced** and **delivered** partly by general practitioners and pharmacists, and to a very limited extent by private hospitals (MARKET), partly by municipal- and county-run hospitals (STATE). **Financing** has been mixed private/ organisation/state organised, with a growing part being financed from tax.

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<sup>1</sup> This text draws on - and supplements - my preceding papers: 'The main agents in the Danish welfare state' 1999, 'The history of the Danish welfare state' 2004, 'Welfare state - social work - the individual and her autonomy' 2001.

- **care** also includes handicap compensating services, which in the same period have been **produced** and **delivered** by MARKET, ORGANISATIONS, FAMILY (especially women), and STATE. These services have been **financed** by STATE, ORGANISATION, and to a very little extent by the individual client.
- during the 1800- and 1900 years **basic education** and **professional training** in Denmark has mainly been **provided** by local authorities, organisations and state, and **financed** mainly through tax. **Socialisation** mainly is carried out in the family but since World War II also to a growing extent in public institutions (kindergartens), and in financially tax-supported leisure organisations, with limited local authority control.



The multiplicity of the roles of the states is being illustrated by the ‘arrows’ from the STATE to the individual and from the STATE to the other three corners of the model:

- provision, care —————→
- socialisation, education .....→
- regulation, control - - - - -→
- contributions .....→
- political claims - - - - -→
- tax payment —————→
- work, effort —————→

The concept **welfare mix** is often being used in discussions about how to organize the efforts in the ‘WELFARE SQUARE’:

1. from which of the 4 sectors should **provision** be delivered? What level of sustenance should be provided, to which groups? And: who should be responsible and be paying?
2. from which of the 4 sectors should **care** be delivered? What level of care should be provided, to which groups? And: who should be responsible and be paying?
3. from which of the 4 sectors should **education** and **socialisation** be yielded? What level of **education** and **socialisation** should be provided, to which groups? And: who should be responsible and be paying?

## THE FUTURE OF THE DANISH WELFARE STATE SYSTEM.

Current discussions – shortcomings of the predominant pessimism in the Supply Side Economists’ approach.

## **1 RECENT DEVELOPMENT OF AND IN THE DANISH WELFARE STATE**

Below I give some ultra short notes on aspects of the development of the Danish Welfare State since World War II, and the ideological settings of that development.

### **1.1 The 1950'es and 1960'es: DEVELOPMENT OF THE DANISH WELFARE STATE – the Keynesian revolution**

Economy: Rapid Economic Growth in the 1950'es- and 1960'es:

- private sector growth (production, employment) extensive => intensified growth
- public sector growth (production, employment) extensive growth
- change of women's market relations
- from growth + mild inflation to stagflation

Politics: the state can and shall manage economy onto full employment (keynesianism - all parties!)

Economic growth and growth in education shall promote equality. Though the word citizenship was seldom used, a Marshall'ian trend to emphasise the rights of the individuals is predominant, exemplified in the People's Pensions (PP) reform in the 1950'es and the Disabled's Pensions (DP) in 1964: social rights, especially the right to a collectively provided decent level of living, are important. Individuals' dependence on the benevolence of others should be reduced.

Welfare state:

- growth in municipal childcare and elder-care are tools to set women free to join the labour market
- growth in elder-care gives more options for less able elderly
- growth in public education should make for mobilisation of the "intelligence reserve" and thus promote productivity
- the state should support the unemployed or temporarily disabled so as to prevent social deroute and should support the unemployed or disabled in his / her effort to re-enter job
- preparing a Social Reform with the objectives: prevention – rehabilitation – safety – well-being. The reform came into legislation 1969-1973, with municipalities as main agents, and with relatively generous income securing as integrated means for persons in sickness, unemployment, divorce- or widow-situations. A predominant discourse is: professionalism in social work will be effective in solving social problems and will lead to non-stigmatisation of the client.

### **1.2 The 1970'es and 1980'es ECONOMIC CHANGES – the monetarist ascendance**

Economy: Oil-crises. Retarding Economic growth from 1973 and in the 1980'es

- years of negative and years of positive growth in private sector – productivity still growing
- continued public sector growth: extensive => intensified growth
- unemployment grows through the 1980'es
- state attempts to improve employment

Politics: stagflation gives a severe blow to Keynesian economic theory from 1977 and onwards. Monetarist economists gain influence. Right wing populism breaks through in parliament 1973. Beginning xenophobic trend in right wing populism. OECD criticises the "generous" Danish social transfers.

Welfare state:

- the reforms, prepared in the 1960'es, is being completed
- continued growth in demand (and municipal supply) for public care institutions, though at a reduced rate
- unemployment is being considered a temporary phenomenon until 1977. From 1977 special support is given to young unemployed and long-term unemployed ("job-offer").
- post employment wage ("efterloen", PEW) established, to reduce unemployment figures and to facilitate retirement for elderly workers in stressed job situations

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- beginning economic cutbacks on educational and social institutions, being called "making effective"
- from 1980 beginning cutbacks on income transfers, notably unemployment- and sickness money and social security grants
- from 1983 rising political (and economical) support to 3<sup>rd</sup> sector organisations
- from 1983 (app.) rising voices about future "old aged bomb" or "pension bomb")
- 1989 sickness benefits only 52 weeks – longer sickness: social security (means tested)

### **1.3 The 1990'es: THE NEOLIBERAL AGENDA GAINS MOMENTUM**

Economy: The "Lykketoft" upsurge, 1993-1998 (a Keynesian kick-start of Danish economy)

- private sector growing - intensification of work
- public sector stagnated - intensification of work
- employment growing and unemployment declining, statistical "make-up" on figures

Politics: common "understanding" between Social Democrats and bourgeois parties: the public sector should be allowed to grow (only) more slowly than the private. Xenophobic trend spreading into Social Democratic and other bourgeois parties (no more only Right Wing populists), including lower social benefits to immigrants and refugees, and hindering immigration. "incentives" considered a universal tool in doing away with the individuals' unemployment

Welfare state:

- intensified social control ("aktivering"), lowered transfers, and shorter entitlement to insured unemployed and social security recipients
- transfers lowered relatively to wages year by year by 0,3-0,5% (1990 agreement in Folketinget), including parenthood benefits, pensions, unemployment insurance and social security benefits etc.
- strong growth in labour market agreed, tax levitated pension savings schemes
- "marketisation" of some services and institutions
- "economic incentives" accepted by most parties as the main instrument in social policy towards unemployed, handicapped, retiring elderly, ... ..
- a pre-dominant discourse is: public support leads to dependency and stigma for clients – voluntary social work must be supported as supplement to public (municipal) responsibility for clients.

### **1.4 The 2000'es: NEOLIBERAL CONSOLIDATION**

Economy: the "Lykketoft" upsurge comes to an end – growing unemployment and early retirement

- private sector slowly growing in production but not in employment (intensification, automation)
- public sector slowly growing and intensifying

Politics: several parties argue in favour of increasing "private responsibility" and reducing "public responsibility, favouring private (tax levied) pensions saving schemes. A feared "old age bomb" should be dismantled by reducing early age retirement schemes and by pushing students faster through the educations system.

Welfare state:

- the 1990 relative reduction of level of transfers is carried on – the “generous” Danish transfers system is lesser generous (see below) and is intended to grow ever lesser so, compared with wage level
- lowered ceiling on social security benefits, impacting especially tenant families with many children (read: immigrants)
- a parliament majority has agreed in 2004 – but not yet implemented – to rearrange the whole public service system, almost doing away with the regional level (the counties), with consequences yet unknown.

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## 2 The POPULATION QUESTION and the WELFARE STATE

The POPULATION QUESTION resembles good old Nessie, the Loch Ness Monster: it turns up with changing – often big – intervals. And it causes much public debate.

In 1934 the Swedes Myrdal published the book *Crisis in the population question*, stating that "Child-birth has to growing extent come under the control of reason". Arguing that reason-full young people would chose to have children only if they had confidence in the future: confidence in their ability to give their children a good childhood in a healthy home and environment, expecting their children to have access to education and job. Alva & Gunnar Myrdal considered knowledge about and use of contraception an asset for a people ever more educated. A few years later the end-of-war generations made the pessimism of the early thirties void.

In the 1960'es and 1970'es Scandinavian birth-rates again fell, and pessimism grew. Young women had adopted the pill and the lust for (among other things) education and job. Present birth-rates for Scandinavian women indicates that they chose the mother-role quite consciously, and that they are in that choice quite aware of the social and economic setting of that choice. I almost dare say that this higher birth-rate in the Scandinavian countries is influenced by the fact that we have arranged for childcare and education possibilities and have arranged some child family allowance. Whereas e.g. the young Italian woman faces a choice between job and motherhood, since her state has not arranged much childcare (well - she may have a benevolent mother-in-law, but not all young women want to depend on such!)

A predominant tune of current discussions is variations of the theme "Challenges to the welfare state"<sup>2</sup> or "Can the welfare state survive?"

The terms "crisis" and "challenge" indicates drama, danger, threat. "Challenge" is a way of winning headlines and (perhaps) influencing political decisions. Doubtlessly the Myrdal book-title intended to influence public debate and political decisions: the authors held the opinion that introduction of tax financed arrangements such as child family allowances, child family housing support, free medicare for child families, daycare institutions, free school meals for children etc. would constitute a better society for children and their parents than a more market dominated society.

Any Welfare State is a historical composition: government / parliament and local governing bodies in each country has during years decided: which welfare functions (see p. 4-5) should be assumed as public tasks, and which should remain dependent on the individuals' or her parents' or children's will or capacity to pay? How should the welfare goods be supplied / delivered? Which categories of inhabitants should be included in public welfare arrangements, and which not? How should public welfare arrangements be financed? Which obligations should be connected to enjoying old age support? Unemployment insurance benefits? Public or Sickness Insurance Agency benefits?

Any Welfare State arrangement can be regarded as an agent for influencing the behaviour of (some or all of) its citizens. "Panem et circenses" intended to make Roman citizens loyal to the emperor. Rules about job seeking of ensured unemployed intend to both discipline the unemployed to want to work and to reduce the total expenses on unemployment insurance. Rules about industrial accident insurance intend to influence the behaviour of employer and employee, as well as they intend to insure the worker in case of accident.

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<sup>2</sup> Niels Ploug (2002): *Velfærd i Europa* The National Danish Institute of Social Research

Challenge	Examples
Globalisation	Undermining national, political tools Tax dumping Social dumping Brain drain
Europe-isation	Social tourism Political integration Social dumping
Labour market under change	Growing female Labour Market participation Declining Labour Market participation of young and old work force Growing claims (from employers) to workers' flexibility and qualifications Uncertain (low wage) jobs Traps of marginalisation
Family under change	Growth in number of a-typical families (one-parent families, cohabitation)
Population composition under change	Longer living, fewer young people More elderly Fewer engaged in active employment More members of ethnic minorities
Old and new social problems	Social inheritance Expulsion – exclusion Marginalisation
The popularity of the Welfare State	Growing claims for more and better social yields Politicians' promises Today's policy of Welfare

To me it seems rational rather than use phrases such as "crisis" and "challenge" to put the question: which changes in social and economic setting indicate reconsidering which welfare arrangements? Or: which changes in the *Welfare Mix* could be argued with which arguments?

Above some changes ("challenges") have been mentioned – but changes can be a much wider range:

- growing or decreasing unemployment
- growing or decreasing sickness rates in sections of or in the whole population – sickness in general, or specific types of sickness
- change in the pattern and frequency of traffic injury
- change in the education level of sections of or in the whole population
- development of new techniques in handicap rehabilitation and handicap support

To make for a more qualified discussion it seems reasonable to ask:

Which change in whose behaviour indicates the growth of which problem?

- Is it a problem of growing need (more traffic accidents / drunk driving)?
- Is it a problem of declining taxable income (transfer pricing on the part of companies)?
- Is it a problem of intensified job exclusion (employers' intensified economising with labour)?
- Is it a problem of stress initiated sickness in child families? in older workers?
- Is it a problem of childbirth strike among Italian? Dutch? Danish? fertile women?

By which means can the respective behaviour be influenced / rectified?

- improving road construction? speed restrictions or intensified speed control? Alcohol-control?
- improved tax legislation and transfer control?

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- improved industrial environment protection?
- changed rules about working hours for child parents, hour-reduction schemes for older workers?
- improved child family allowances? improved access to housing for child families? campaign from the pope? ?

This list can be prolonged very much. Some other topics will be discussed below.

### **3 ECONOMIST'S FORECASTS and THE TREND TO PESSIMISM**

Danish bourgeois governments have established commissions in 1991-1993: Socialkommissionen ("The Social Commission") and in 2004 Velfærdskommissionen ("The Welfare Commission"). The commissions have had population prognoses as bases for their reports. The commissions forward the message that a change in people's behaviours will challenge the Danish Welfare State:

- survival – longer living age – will make for a growing number of elderly: (prognosis)
- low birth-rates have made for a lower number of persons in productive ages
- bad habits such as longer education and earlier retirement has reduced the number of persons in the workforce

Hence: if such development runs unchanged, the public expenses to pensions and sickness care will grow tremendously and the taxable (work-)income will be reduced. Which means that unless there be cuts on expenditures, a raise in taxation will be necessary – and since it will be politically unacceptable, the prognosis is one of some sort of break-down for the Danish Welfare State.

This type of pessimistic forecast is common, in differing degrees, for different countries in the European Union: populations are ageing. A major reason for this is the egoistic young women (our wives) who preferred career rather than motherhood. So: a huge number of elderly (like us herearound) will be a growing burden on the shoulders of our children.

The prognosis from The Welfare Commission (WC) supposes almost unchanged frequencies of labour market participation, unemployment, early retirement and ordinary retirement in a scenario onto 2080. Thus in 2040 there will be 1.2 mill. 65+ persons against 0.8 mill. in 2001, and 3.1m. in the 15-64 years against 3.6m in 2001. The workforce is expected to be reduced with 0.3m in that period. The number of persons aged 0-14 is expected to fall from app. 1.0m to 0.8m. The commission also calculates the possible effect of slightly changed fertility rates and immigration rates. The commission assumes economic growth of 1,7% p.a. (productivity 2%, workforce -0,3% p.a.) and real interest rate 3% p.a. In the calculation of the weight of the (financial) pressure the commission assumes the age-distributed propensity to claim health services to remain unchanged, with the consequence that longer living age adds to the (financial) burden. Interesting to note that the commission in this assumes unchanged techniques of demand and supply (meaning: public responsibility for supply) of these services. In 2001 the income replacement recipients aged 18-66 made up 32% relatively to the employed persons 18-66 years. The prognosis tells that share to be constant.

The main remedy proposed by the commissions is to motivate/force elderly people to stay in the labour force rather than retire, and to motivate/force young people to hurry through the educational system out into job(seeking): make more manpower available!

In the political discussions around the WC one of the Commission members argues that the "claimant's attitude" in the population makes for a (growing) problem: the very fact that citizens regard support, e.g. social security during (temporary) lack of income, as a right, will put (financial) pressure on the

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Welfare State<sup>3</sup>. And the very fact of the propensity to regard (public) pension and service as a right likewise puts (political and financial) pressure on the welfare state. The remedy: influence people to assume a more humble attitude towards receiving pensions or grants (or stigmatise the recipients) is not being proposed in that text! It may be appropriate to view such arguments in a context of newer liberalist philosophy: the present Danish prime minister<sup>4</sup> in 1993, in his book "From Social State to Minimal State", claims that the very existence of schemes of supply (State Unemployment Insurance, State Sickness Insurance, Social Security, State Pensions Schemes) create "slave souls".

#### 4 WHICH ANTHROPOLOGY? WHICH EXPLANATIONS OF (UN)EMPLOYMENT?

The Anthropology behind the worries is that of economic (wo)man, the rationalist egoist who wants the fruit of labour and wants to avoid its sweat: he/she is assumed to want as much as possible of leisure and of income, as much as possible of consumption possibilities: cars, living sqm<sup>2</sup>, stereo equipment, holidays, healthcare, public service (physiotherapy, home-service, root-treatment, kidney transplants etc.). Especially the propensity to early retirement and shorter working hours is considered a source of financial stress on the welfare state.

But: is it so that state support for unemployed persons producing laziness among the unemployed?

Is it true that the work-age population will not accept to feed at growing number of elderly? (this question seems to assume that public pension systems will be more unacceptable than an "old-age-burden" financed by savings).

If one assumes a slightly different anthropology: that of satisfising rather than maximising (wo)man, the foreseen financial problems for the welfare state might change or be reduced. And more revolutionarily: one may assume that (wo)man likes to work, if conditions are reasonable.

A major shortcoming of the liberal anthropology, and therefore of its forecasts, is the assumption that the existence of a supply scheme (PEW, unemployment insurance, social security) is the main factor in the individuals' decision about job(seeking): propensity to (early) retirement is primarily determined by the existence of Post Employment Wage (PEW) schemes – applying for Social security is determined by the existence of a social security system. The "ceteribus paribus" is of course a truism: if no PEW- and no social security schemes, no expenditure on these schemes. And since no such expenditure, the PEW- and social security persons would not eat or be housed(!). The implicit assumption is: if no public supply, the individuals have (to have found) a job, and so are productive, even if it be at a very low wage ("Working poor"). The logical short circuit the regarding non-retirement as synonymous to being in job, thus disregarding the employers' economising with labour. This assumption was discussed by Keynes in the *General Theory* and ascribed little explanatory value. The assumption: the individual's motive are to be found in the relation between state and individual - the "North-West" corner (NW) of the analysis scheme.

Which other mechanisms (than support schemes) can explain lack of employment of employable (wo)men. E.g. mechanisms expelling or excluding from employment.

The first and foremost such mechanism is Unemployment itself. The monetarist have inspired a policy of maintaining a certain "natural unemployment" of some 5-8%, in order to curb (a possible) inflation. As long as such a level of unemployment prevails, somebody have to be unemployed. Who is to be (the) unemployed is decided by competition between job applicants. The competition has the em-

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<sup>3</sup> Jørn Henrik Petersen (2004), p..

<sup>4</sup> Anders Fogh Rasmussen (1993): *Fra socialstat til minimalstat*

ployer(s) as judge. The main motive on the part of the employer expectably is: efficiency - so the least effective worker will loose in the competition. When he/she has done so for long enough time, the word is: excluded.

Another aspect of the "fight inflation" ideology is that employers do not compete about workers: the employers' associations induce their members to refrain from bidding up wage. A consequence of that policy is reducing labour's propensity to move: clever workers prefer to stay in what they assume is a safe job, rather than moving to a perhaps more interesting but less safe job. This is different from the mechanism in the 1960'es development: workers moved upwards in an effectiveness chain, pulled by employers who tempted them to quit a good job to get a better (paid) job. An so their position could be filled up with a new and perhaps a little less clever (wo)man. That by itself led to increasing effectiveness in production, by carrot, not than stick.

Today Danish private employers mostly try to induce employees to run faster by threatening to move the machinery to low-wage countries. And public employers tell their employees to do the job on 2% lesser wage budget next year. And next year alike - and next ... Such making effective has the one side which is raising profit and sometimes real wage, and the other side which is ruling out workers with less capacity or talent or qualification. Sometimes we speak of "technological unemployment". The competition between employers to keep down (wage) expenses induces them to do "creaming" when engaging workers. And the workers who are not "creamed", sink in the soup. European politicians both urge the firms to struggle for effectiveness and urge the firms to show "social responsibility" and employ some less-than-fit-for-fight workers. It is probable the employers choosing between these two political urges will quite often choose the first one. Some tax financed resources are allocated to supported employment, bringing a very limited part of the unemployed into "normal" employment.

Historically we have experienced different reactions. During the 1960'es demand for labour grew. Unemployment fell. Women and handicapped were invited into jobs, and accepted the invitation. In that period Danish Social Policy became based on the "Solidarity Principle": Society/State made for full employment - persons who were deprived, by disease or inability or short time unemployment, of the chance to earn in a job, were being compensated for their loss, provided of course that they were willing to (try to regain their capacity to) work. Income compensation was considered a right for the individual. Unemployment again grew from 1973, but rights for unemployed by and large were upheld. From 1977 to 1990 a person who had been unemployed for 2½ years was entitled to a "job-offer", a job at ordinary wage for 7-12 months. If he/she did not accept the "job-offer", he/she lost the right to unemployment insurance. From 1990 onwards the rights of the unemployed have been drastically reduced: when unemployment prevails, control the unemployed!

An illustration of motivation can be found in a "social experiment". In 1979 a law of "Post Employment Wage" was passed, motivated by the fact that employers had a tendency to fire older workers first. The law entitled insured workers 60-66 years of age to PEW on unemployment insurance level. From 1979 to 2000 the law of PEW permitted the PEW recipient to work up to 200 hours per year without reduction in his/her PEW. Though not universal, the scheme comprised almost all organised workers, so it largely resembles a Minimum Income Scheme for 60-66 years old persons (67+ have their PP). Quite many retired workers did supply a number of paid work hours under that §. It was a quite un-bureaucratic arrangement: as PEW recipient and worker you only had to count the hours - if you had more than 200, you would lose the right to PEW. By 2000 a compromise between Lib & Lab did away the "200 hours" §, now allowing PEW recipients to deliver unlimited workhours but against corresponding cut in the PEW. The new law intended to expand the hours supplied from retired workers -

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the result was a reduction of hours supplied. Why? Because the marginal income on one delivered hour sank to a Euro or two. On the other hand: the 2000 reform lowered the PEW for recipients 60-61 years of age and put a premium on those who take their PEW when they are 62, which reduced the number of claimants 60-61 years old.

Does the PEW "experiment" not confirm that economic motivation is the only or at least the most effective one to influence the attitude and behaviour of (wo)man regarding job(seeking)? Probably: NO. First: for the unemployed, in part the least educated and lowest paid PEW claimants, there is no choice. Their chance of finding an employer demanding them for an ordinary job is quite low. Second: for persons in job, with stressing and burdened job, there is a bit more of a choice, and they have responded with a slightly lowered propensity to claim PEW from 60 years age. Third: for persons in less burdened job, there is more of a choice, and they on beforehand had a lower propensity to claim PEW from 60 years age. In fact, the Danes aged 69-69 have the highest job frequency in Europe! So: we still see both a high percentage of income-compensation dependants (32% relative to employed) and a high labour market participation among women and elderly.

This leads to my main point: if the primary motives of the claimants is to be found in their relation to the labour market: the "North-East" (NE) corner, there is a heavy argument to consider more in detail which societal arrangements can make labour market participation attractive and/or possible: which political instruments are relevant in trying to affect the individuals' behaviour in relation to yonder market?

## **5 A MORE OPTIMISTIC APPROACH: ANALYSIS OF OPTIONS**

If one admits that ceteribus paribus will a future higher percentage elderly relatively to persons in their working years constitute a question of distribution and a task of financing for the Welfare State, than answers should be sought to the question and solutions to the task. Different remedies of (future) financial problems for the Welfare State may be thought of: Cut state expenses on selected welfare functions, and leave them to the market? Find relevant tax objectives? Increase employment and thus distributable welfare, and reduce unemployment, by which measures can that be done?

It should also be asked: which type of society will be developed by which measures?

A number of instruments may be thought of. Some can be located in the NW corner, some - of the more interesting ones - can be seen upon as belonging more to the NE corner<sup>5</sup>:

- 1 lower grants in PEW or dismantling of that system
- 2 raise in access age for PP scheme
- 3 postponement premium in the PP scheme
- 4 basic income scheme(s), either for the whole population or for elderly
- 5 raising private sector demand for labour
- 6 raising public sector demand for labour
- 7 improve work conditions
- 8 differentiate working conditions
- 9 lowering public expenses on welfare functions, leaving it to the individual to buy healthcare, education, old age pension(insurance), ..

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<sup>5</sup> Such instruments of course should be considered in a more comprehensive setting: what type of society, which kinds of relations, should prevail. See below.

10 raise tax revenue from known or yet unknown tax objects or change the composition of taxes

No's 1-4 can be regarded as immediately influencing the suppliers' (the workers') motivation, on the old liberal line: income is more attractive than not income - more income is more attractive than less income.

No's 1-3 belong to the NW corner but are intended to affect the attitude of the individual towards the NE corner. No's 1-3 are a bit coercive: however lousy or lusty the job, stick to it - or you will become slim. On the other hand: if you stick to it, you will be better off (now:1-2/future:3). In other terms: 1-3 conform to a market approach, leave to worker and employer to handle the NE relations.

No. 4 belongs to the NW corner, in so far as it immediately influences only the relation between individual and state. However, it greatly influences the terms on which the labour market bargain takes place: if the individual is de-commodified<sup>6</sup>, by being not forced by imminent starvation to sell his work power, he/she is much more free to decide whether the conditions of work offered by an employer are good enough.

No's 5-8 are policies intending to make labour market participation possible by raising demand for labour: selling your work-power is possible only if someone will demand it. That someone can be a private employer or a public employer -there is no one else. For Keynes inspired economists this is not much of a surprise.

No 9 can be done by imposing fees covering some or all costs of the respective welfare function, or reducing standards or both.

No 10 tax-composition can be chosen according to probable behaviour-responses on the part of employers and employees and consumers and ... ..

Any of the instruments 1-10 has consequences in other fields the immediate impact on the individuals' motives. One of the important fields of consequences is that of economic distribution between groups.

## **5.1 Labour demand and work condition strategies**

Accepting the population prognosis of the WC, also in 2040 there will be some 32% persons in their working years living on income compensation transfers. That ought to be considered under the heading: how turn that burden – or part of it - into a resource? Raise employment and thus reduce unemployment will make idle resources produce welfare and save transfers. Improve working conditions and thus reduce sickness absence from work will make for more welfare and save transfers.

Instrument 5, raising private demand for labour and thus employment can be attempted in different ways. Since ours is not a command-economy, it has to be made indirectly: motivate demanders to demand. A traditional Keynesian way is to lower income tax and thereby (hope to) make people demand more commodities, which in turn is expected to raise employers' demand for workers to produce those commodities. The present Danish government has lowered income tax a bit, in order to achieve the effect mentioned. The result may be under way. Theoretically it has been argued that such lowering tax percentage may result in greater tax revenue because of increasing employment, production and earning (e.g. the "Laffer curve"). Lowering taxes have to be financed, either by cutting government expenses or

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<sup>6</sup> see Gøsta Esping Andersen (1990): *The three worlds of welfare capitalism*

by government borrowing. A Japanese experience was that cutting taxes resulted in growth in citizens saving, resulting not in growing employment but in growing public debt. A quite recent Danish experience is that financing tax cuts by saving public expenditure on service results in both growing unemployment among hitherto public employees and deterioration of working environment for public employees.

Instrument 5 also can be used selectively, giving tax reduction or direct subsidies to specific types of consumption. A Danish experience from the 1970'es was subsidies to improvement of housing: it affected the NE relations very much, inducing house-owners to negative saving buying work of bricklayers and carpenters and electricians and.. and .., thus raising employment remarkably and raising the revenue of VAT and income-tax and lowering (the government expenses on) unemployment considerably. Another example is tax-freedom for (smaller) shareholders of wind energy machines, which has contributed to demand for windmills and hence to employment in that branch. And to relieving the environment-burden of energy production.

Instrument 6, raising public sector demand for labour, normally will be connected to decision on which welfare function is to be improved and/or expanded. A 1960-1970'es experience is that municipal employment of women in childcare and elderly-care resulted in additional women available for the labour-demanding private sector: municipalising those welfare functions set married women free to meet the demand of private employers. This mechanism of course must be seen on the background of other economic development: half-prepared food and electrical machinery for households (NE corner) eased the house-wife's job (SE corner), so that the women would find it easier to have both the role as housewife/mother and that as working wage-earner.

The wage to persons yielding public service is being paid by us taxpayers. Transfer to unemployed persons is being paid by us taxpayers. So: what if an analysis of public spending concluded that it is cheaper for us taxpayers to employ 20.000 persons to deliver public service than to pay unemployment money to 20.000? State transfers to unemployed formally is organised in Unemployment Insurance Associations, and municipal Social Security service. Municipalities pay wage to teachers and eldercarers. Thus: if unemployed persons are hired by a municipal council to deliver elder-care, the municipality pays the wage. The saved unemployment insurance cost benefits the state. And his or her additional spending as consequence of the slight raise in income benefits the state in additional VAT revenue. In short: the way public expenditure is organised makes it "economically rational" to pay public unemployment insurance benefits rather than employ the unemployed in the public service sector. There is a good case for analysis whether or not public spending could give more welfare for money!

The labour demand strategies must be seen in connection with the work-conditions. The growing propensity to early retirement of the latest 20 years has been explained by two factors: unemployment and worsening work conditions, especially augmented feeling of stress on the job. This holds both for PEW earners and for disablement pensioners. Likewise the rise in sickness among employed is to a large extent being explained by stressing work situations. Thus: if work environment could be bettered, the number of 18-66 years aged income-compensation dependants may be reduced with persons who are not stressed into sickness or out into PEW, and if demand for labour be raised, the number of unemployed can be reduced correspondingly. I can not here give exact figure on the reduction. It is noticeable that the WC has not considered this complex of relations. On the contrary: one of the foremost commission members has advocated longer work-hours for the employed, a device which will probably allow employers more economising with labour: a certain production can be delivered by fewer workers if they work more hours.

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The labour demand strategy is advantageous from a welfare point of view: if an additional number of persons are hired to work in elder-care, 1) it is almost fiscally neutral: the wage cost is almost neutralised by the saved unemployment benefit plus additional income tax plus add. VAT, 2) the improvement of work conditions by the availability of more manpower to carry out the work may reduce sickness absence and thus produce more welfare, 3) reduce the propensity to stress-induced early retirement.

A reservation must be made concerning the labour demand strategy: especially in the commodity producing field, higher demand for material consumption may lead to environmental strain. But that problem should be handled by critical consumers' environmentalism, influenced as it could be by politics.

Above I have mentioned the "improve work conditions" in more general terms. A special variant of that option: by differentiating employment conditions and work environment for specific groups: handicapped, elderly, child-parents probably some labour may be mobilised. As long as jobs are largely in firms and institutions, producing under the condition of competition, such differentiations normally presupposes state compensation to at least the private employers but also to a rising share of public employers: the budget tightening around municipal and state institutions during the late 25 years have made them quite sensitive to labour costs. In Denmark that has led to some discussions about the theme of "sector-responsibility", notably in the education sector: should the university shoulder the costs of making its buildings and libraries and teaching rooms accessible for disabled students/teachers, or should such cost be shouldered by the municipal social authorities? Legislation allows for municipal payment of adaptation of the job station of a handicapped person, so that the employer does not have to pay.

## **5.2 Reducing public expenses on welfare functions - privatisation of welfare**

A number of recent Danish examples of changing public expenses onto private:

- 1) reduce public expenses on education by imposing fees and by making students pay for hitherto institution paid services.
- 2) reduce public expenses on sickness benefit by writing out a bill to the person causing the traffic accident or industrial accident (or more precisely: billing his insurance).
- 3) reduce public expenses on food in municipal kindergartens by claiming that parents deliver food (or pay for food prepared in the institution)
- 4) reduce public expenses on pharmaceuticals, making the patients pay a larger share
- 5) reduce public expenses on support to hired housing – making the tenant pay a larger share of the rent.
- 6) reduce public spending on unemployment benefits

Such decisions can be seen as NW and NE relations. They may affect both SW and SE relations: when the function of making food for (and together with) children in kindergarten is cut, and the parents are to supply, it affects relation in the family: time has to be used to buy the food and pack the lunch, the child may have priorities for food which can be exchanged with other children. And the relation between pedagogues and children may be affected, since the possibility of engaging the children in the kindergarten's food preparation is diminished. A very old debate in Denmark is the food supply for schoolchildren and its significance for the health and nutrition consciousness of the schoolchildren.

Such decisions have considerable distributive consequences. The burden of school-fee lies more heavily on children and students from poor families than on children and students from rich families. One of

the politically desired consequences of the universal Danish health care system is that it gives equal service to rich and poor, free of charge. The same does not hold true for medicine, prescribed by the doctor in the universal health care system: the patient has to pay an often quite big share of the price – which of course burdens the sick poor more than the sick rich. Some means tested schemes partly compensate for that inequality.

A special case of reducing (future) public expenses on pensions is the Labour Market Pension Savings Schemes (LMPSS), decided by the labour market partners especially from 1989 and onwards. Most organised labour – which is app. 2/3 of the wage earners – are under such a pension savings scheme. The schemes are supported by non-taxation of the contributions. So one may say: my future pension is partly being paid by today's taxpayers, or: by the lack of service caused by the lack of tax revenue today. This mechanism has led one of the foremost Danish social-policy writers to label those schemes "the great theft of generations".<sup>7</sup> The LMPSS are interesting as far as distribution is concerned: the schemes have been agreed between trade unions and employers associations, and so each worker is under his branch saving. The savings are proportional on wage, and so high wage and low unemployment makes for high pension, whereas low wage and high unemployment makes for low pension. In addition: since disabled-pension is within the scheme, low wage and high unemployment workers also have higher frequency of industrial accident and disablement, that makes for even lower old age pension. So: whereas the flat rate Peoples' Pensions scheme can be said to promote equality, the LMPSS promotes inequality. As different from the German system, where every employed worker is with the Sozialversicherung, the LMPSS only includes trade union members working in companies which are under group contract.

The universal Danish Health Care system has during many years been kept on low raise in grants. That has led the hospitals to economise via queuing and waiting lists. That in turn has led to some insurance companies supplying health insurance with the aim of having the insured operated out-of-queue, often in private hospitals.

Which labour market behaviour can be influenced by change or cuts in public welfare expenses?

1 Lower grants to unemployed can be analysed for "incitement" effects and for "resource" effects: it may induce the unemployed to compete more vigorously for (the available) jobs. However, sick or disabled persons can hardly be expected to react with much more effective job-searching. And it may reduce the recipients' social and vocational resources, by strengthening a feeling of poverty. A recent Danish survey<sup>8</sup> indicates that economic shortage tends to make unemployed more marginalised.

2 Raise in access age for the PP-scheme: several times in the history of Danish social policy change in the access age has been motivated by labour market aims: when unemployment high, the access age was lowered – when unemployment was low, it was raised. Latest (1998) it was lowered from 67 to 65 years, in order to cut expenses on early age pensions which is at a higher level than PP and cut expenses on PEW, which were to become PP from the age of 65. So: raise in access age is no longer a useful means to influence retirement.

3) By now some political interest is concentrated on the idea of granting a "postponement premium" to people who wait to demand their Peoples' Pension until age later than 65. The argument is: if a person knows that his pension will be higher if he takes it later, that may induce him to work for an extra year or more, thus reducing lack of labour and earning wage longer and higher pension. My prognosis is that such legislation will yield higher pensions to those who would all the same continue working and lower

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<sup>7</sup> Bent Rold Andersen ( ):

<sup>8</sup> Jørgen Goul Andersen (ed.)(2004): *Marginalisering og velfærdspolitik*

pension to those who – by bad health, unemployment, harsh work conditions – feel they have to quit earlier. From a "reduced spending" viewpoint there is a saved pension effect and a taxable income effect in the years, the person works longer. And if he dies at "scheduled time", the total pensions spending is the same, bringing to the treasury the extra tax in work-years and in pension years, provided tax is progressive.

Distribution: the options 1-3 in common have the effect of giving less to the poor.

### **5.3 Raise tax revenue from hitherto known and/or new tax objects.**

One of the important themes in the welfare discussions in OECD and in Denmark is the "tax burden". The supply side economists in the WC tend to regard tax increase as a non-option in efforts to meet the challenges to the Welfare State. A number of arguments support that viewpoint:

- the marginal income tax is considered demotivating for persons work-willingness
- the VAT and automobile tax and gasoline tax are prohibitively high and induce smuggling and other undesirable behaviour
- the income tax induce brain drain - the brighter Danes flee to UK (well: not the WC members!) and "moonlight working"
- the globalisation prevents effective taxing the international companies

If tax financing public welfare costs is impossible or undesired, a possible solution is to leave it to private initiative to buy - health service, - education, - childcare, - elder-care, - - -

But: is tax financing impossible? Undesired? In 1970 a reform of the health insurance system was being debated. At that time every Dane was legally obliged to be member of a Sickness Insurance Association (SIA), which paid for his hospital treatment and GP consultation and dental treatment and (part of) medicine expenses and spectacles. Part of expenses were covered by contributions, part was refunded by state tax. An opinion poll was made, and a majority of SIA members preferred to include the SIA system into a comprehensive municipal system: paying in one place is easier than paying in two! So: the principle of tax financed healthcare will ceteribus paribus be cheaper than the principle of insurance financed healthcare, especially if insurance companies must yield a profit to shareholders and the public sector must not. Does the population accept such arrangement, or do they prefer insurance?

Jørgen Goul Andersen in his opinion polls has found quite stable support for tax financed welfare systems in Denmark. Such opinions of course may change. But such change seems not imminent.

There could still be good reason to debate the composition of the tax system. Company taxation: the fact that international companies as Coca Cola and Standard Oil and others pay no tax in Denmark could be a solid argument for revision of the tax system. Income tax: the stimulus effect of the income tax system in fact is interesting, both regarding "moonlight work" and work incentives. Real estate taxation: there can be good reason to debate, if increase of real estate taxation and reduction of work income taxation may have desirable work incentive effects.

One of the holy cows in the Danish tax system is the protection of house-owners and farmers and other owners of real estate against taxation. Though OECD and other mainstream economists have pointed to the possibility of taxing immobile resources, such as real estate, rather than taxing income, that seems to be a "no-go" area to recent politicians. Among economists it is generally accepted wisdom that current taxation of real estate has the (positive) effect of reducing or entirely avoiding inflationary price

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increases on property. Such price increases have been very big in Denmark. One of the effects of these price increases is that we middle age villa owners have large workless added value, on which we can borrow money. That makes for great freedom to decide whether or not to work! Thus the lack of real estate taxation is another (chosen) binding, another challenge to a welfare state in case the challenge is lack of finance and/or supplied labour.

It must be mentioned that the Danish North Sea oil has been donated – or given on impressively friendly terms – to international extractors. Opposite to the Norwegian model, where Statoil puts the profit into the Norwegian treasury!

## **6 CONCLUSION – POLITICS and POLICY MAY MATTER**

The supply side economists to my opinion focus too narrowly, focusing on the "economic incitement" question, meaning: lower benefits will push a supply - then the market mechanism will establish (assumed full) employment. It is both desirable and practical for economists, supported by psychologists, sociologists and political scientists, to investigate which social and economical and political mechanisms will make the supplying worker feel that he/she is being demanded by some employer. The WC does not put that question.

If, however, (the supply side) economists presuppose that a certain level of unemployment must be maintained in order to prevent inflation, such question will remain irrelevant and un-asked. And the public & private employers will maintain their practices of selecting among available workers, leaving the least effective unemployed.

To qualify discussions about the future of the welfare state it is necessary that political options are not on beforehand ruled out, e.g. "I assume that raising the tax level is irrelevant"<sup>9</sup>.

It will be reasonable to investigate if rules of finance of municipal service and of unemployment insurance benefits interplay to make it economically reasonable for the municipality to cut down service and fire employees and thereby charge the state expenses. And investigate whether a co-financing would make the taxpayers save money by employing that elder-care employee and so improve life quality for the elderly and work conditions for elder-carers.

It will be reasonable to analyse the effect of (a) Basic Income scheme(s) on labour supply in relevant branches. Aspects of that have been discussed above (p. 12). To me there is no doubt that a Basic Income scheme will considerably influence the relations between employers and employees, notably in the DDD sectors (Dirty, Difficult, Dangerous). The existence of such scheme will force employers to pay much better for such work or to improve working conditions. Such scheme can be a general one or a partial one, e.g. persons aged 55 or 60 or .. The Danish PP scheme for quite some years resembled a Basic Income scheme for persons 67+. The PEW scheme during many of the same years resembled a Basic Income scheme for 60-66 years persons. Which composition indicates that different schemes for different groups of persons can exist at the same time.

It will be reasonable to analyse which attitudes on the part of individuals could and should with which purposes be influenced by politics. A personal-political experience: the municipality of Aarhus succeeded in influencing the behaviour of consumers of electricity, water and central heating in Aarhus to

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<sup>9</sup> Jørn Henrik Petersen (2004) p. ...

economise with those resources by a combination of economic incitements and information campaigns. The motive was growing awareness of the environmental importance of such changed behaviour.

It will be reasonable to analyse the short- and long-term effects of already established facts: will the existence of LMPSS reduce the (better off) satisficing workers' propensity to supply labour? Will the existence of large work-less real estate inflated ready-to-borrow-on values influence the (better off) satisficing workers' propensity to supply labour? Note: quite a large share of possibly soon retiring wage-earners live in paid-down houses and thus have considerable economic freedom of choice. This NE-relation may in the near becoming years show up as critical to politicians' possibilities of influencing labour supply

My conclusion is that the supply side economists' pessimism about the threatening burden of future elderly is somewhat exaggerated. And more important: there is quite a number of economic and political mechanisms which ought to be analysed with regards to options as to arrange the Future of the Danish Welfare State.

It is both desirable and possible to reduce unemployment, improve work-conditions and deliver better welfare services to the Danes (and Germans, Swedes, Norwegians, French, Dutchmen, ..... ) if the relevant mechanisms are being used by politicians.

It is both desirable and possible to tax-finance welfare services - especially if the taxpaying population is kept well informed about the rationale behind taxes and if the tax-system is arranged so that the taxpayer sees that his neighbour and Coca Cola also pay their share.

It is both desirable and possible to analyse in which contexts market mechanisms are practical and useful in allocating resources to purposes aimed at, and in which contexts market mechanisms are unpractical or even detrimental to achieving the purpose.

I acknowledge that the present and the former governments have done much to make the Danish Welfare State more market-like and have deteriorated many welfare services and the living and working conditions of many people, especially those in the present outskirts of the labour market. I do not acknowledge the economic necessity of those options, those deteriorations. As I have tried to show above, other options especially in the labour demand strategy are available. They have not yet been thoroughly analyses, neither have they been chosen.

Politics matters - Policy matters: competition is not the only and necessary way. A number of other - more social, less stressing, less competitive and oppressive ways of organising society can be chosen.



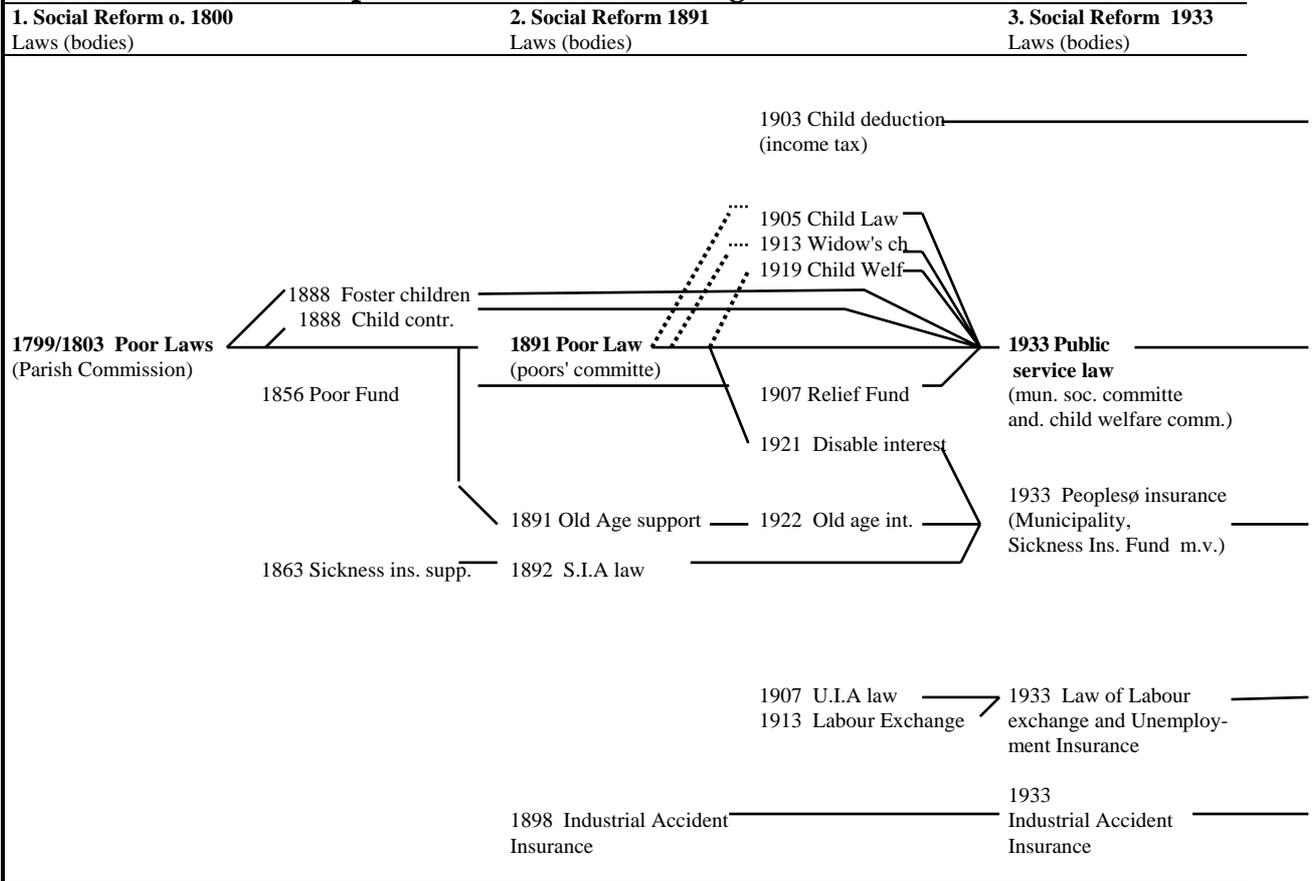
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<b>History and Social Policy - world and Denmark</b>																			
	1776	1789	1790	1800	1810	1820	1830	1840	1850	1860	1870								
<b>OUTER WORLD</b>	1776 Wealth of nations	1789 Revolution in France		Napoleonic wars Denmark remains neutral	1814 End of Napoleonic wars		1830 July-revolution in France	1848 February revolution in France	1859 Darwin: origin of species	1866 Prussian-Austrian war	1870 German-French war Paris-Comune								
<b>DANISH POLITICS</b>	1776 The Great Commission on Agriculture	1788 Law of Adscription abolished	1789 The Great Commission on Basic Schools	1807 English bombardment on Copenhagen. Denmark allies with France	1809 Law on the 'Learned Schools' - grammar schools	1813 State bankruptcy	1814 Law on Common Basic Schools (municipal)	1834 Assemblies of the States of the Realm	1834 'The Native Country' (Newspaper)	1837 Law of municipality of the towns	1834-1856 Liberalism growing	1848 'March-days' Constitution	1841 Law of rural parishes	1848-1851 first war of Slesvig	1848 Rødding højskole (highschool)	1857 Law of freedom of trade	1864 Second war of Slesvig	1866 Revision of Constitution	1870 Parties: Venstre (lib.) 1870 Social Democrats
<b>DANSK ECO-NOMY</b>	.. Flourishing international trade .. copyhold changes to freehold			1807-1826 Depression. Freehold-development retarded			ca 1828 - 1856 Grain esport period, Freehold growing			1835-1855 Handicraft and small industry growing		ca. 1845 ... considerable growth in domestic and international trade		1860.. Railway-expansion Steamship expansion Sailship expansion					
<b>DANISH SOCIAL POLICY</b>	<b>1. Social Reform</b> 1799, 1803 Poor laws			1809 'Poor stamp'		1824 Poor law: right to marriage denied to Poor relief recipients		1849 Constitution: Poor relief recipients have no voting right nor eligibility	1856 Law of 'The poor's fund' (voluntary contributions)	Sickness Insurance Associations growing		1864 Law: cities and counties are urged to deliver hospital treatment on reduced fare to members of Sickness Insurance Associations		1873 Law of Factory Inspection					
<b>Organisations</b>			1810 Saving Bank	Sickness Insurance Associations est.	1811 'Royal Institute for the Deaf'	1827, 1830, 1833 Poor Childrens' Upbringing Homes	1828 Childrens' Asylums	1837 Association to the 'Salvation of Neglected Children'		1867 Association of Fosterhomes in Island Langeland	1876 Danish Red Cross								

1880	1890	1900	1910	1920	1930	1940	1950	1960	1970	1980	1990	2000
	German navy armament and imperialism		1914-1918 World War	1929 Economic world crisis	1933 Hitlers election victory	1939-1945 World War	1951-52 West European economic depression		1973 Oil crisis	1989 Berlin wall falling	1990 Germany united	2001 Saudis bomb New York
			1918 Russian revolution		1937 München agreement	1947 Cold war	1950 Korean War				1992 Iraq-war	1993 US at war in Afghanistan
ca. 1880..		1901	1910 Court of labour relations	1920 North Slesvig incorporated into Denmark	1933 Kanslergade-political deal - devaluation, social reform	1940 German occupation	1950 Elect. V govvn.		1971 Elect. S-govvn.	1990 Elect. VC		
Conflict about constitution		Parliamentarianism:	1914 Radical liberal Government	1920 'Eater Crisis' V-govvn.	1933 Kanslergade-political deal - devaluation, social reform	1940 German occupation	1953 Constitution		1972 EEC-vote	1992 EU-vote: NO		
1883.. Copenhagen fortified		Deuntzer		1920 V-govvn.	1933 Kanslergade-political deal - devaluation, social reform	1940 German occupation	1953 Elect. S-regering		1973 Elect. V-govvn. div. crisis-deals	1993 Tamil-gate ends.		
1885 Social Democrats in parliament		1905 RV (Radical liberals)		1924-26 S-govvn.	1933 Kanslergade-political deal - devaluation, social reform	1940 German occupation	1957 Elect. S+R+Rf Govvn.		1976 S quits Keynes	1993 S govvn.		
Labour Movement growing slowly				1926-29 V-govvn.	1933 Kanslergade-political deal - devaluation, social reform	1940 German occupation			1978 Elect. SV	1993 EU-vote: Yes		
	1890 S wins a MP in the countryside			1929- SR-govvn.	1933 Kanslergade-political deal - devaluation, social reform	1940 German occupation			1979 Elect. S	1994, 1998 Elect. S-govvn. cont.		
	1891 V-C deal, including constitution and 2. social reform				1933 Kanslergade-political deal - devaluation, social reform	1940 German occupation						
	1899 September-agreement on labour relations				1933 Kanslergade-political deal - devaluation, social reform	1940 German occupation						
ca. 1875-1995	Depression, re-structuring of farming from grain-export to butter- and bacon export production		1914-18 War economy	1920- De-regulation	1931- Crisis-economy	1940-45 War-economy	1950-57 Uneven growth. Weak butter and bacon export caused by protectionism		1973.. Economic crisis.	1985-87 Economic recovery	ca 1994.. moderate economic boom.	2000-02 Moderate growth cont.
	ca. 1895 – strong industrial growth		Scarcity 'Gullasch-expansion'	Uneven growth. Deflation	Valutacentral. High unemployment	Regulation, rationing	1954-55Crisis deals		Employment in private sector declines.	1988-93 Economic slump	Moderate growth in employment	Unemployment stable 4-7%
						Law of labour market peace	1957-- Industrial growth, growth in house construction, growth in public sector (teaching, health)		Growth in public sector			
1888 Law of Child contribution.	<b>2. Social Reform</b>		1913 Law of Labour Exchange		<b>3 Social Reform</b>		1950 Deaf Peoples' Old Age Pension, Disability Pension		<b>4. Social Reform</b>		1990 'Youth Un-employed package'	
Law of Foster Children	1891 Poor law				Unemployment Insurance, 'People's Insurance law' (SIA, oldage, disabled)		1956 Blind		1970 Municipal Organisation Reform		1992 'Aktivation Law'	
	1892 Law of Sickness Insurance Associations		1919 Law of Preventive Child Welfare (allowing municipal grants to association managed Kindergardens)		Industrial Accident Ins.		1956 Partially disabled		1973 Law of Public Health Insurance		1993-94 Labour Market Reform (UA daymoney reduced, Workfare)	
	1892 Old Age support law				Public Relief Law		1959 Widows' Pension		1976 Social Service Law		1998 Social Service Law reorganised	
	1894 Association of Foster Homes.				1933 Young Unempl.		1956 Danish Refugee Aid		1979 Law of Early Retirement Wage			
	1899 Law of Industrial Accident Insurance				1938 Pregnancy health							
1884 'Society and home for disabled' 1889 Froebel-association	1890 Christian Childcare Organisations growing	1905 Child-law	1907 Law of Relief Funds	1921 Disabled Insurance Law		1948 Danish Youth Organisations' Common Council		1960 Rehabilitation	1970 Municipal Organisation Reform	1980 Law: Care for Mentally and other handicapped is municipalised	2002 Lower relief for unemployed immigrants	
	1907 Unemployment Assurance Funds law							1961 rev. Public Relief Law	1973 Law of Public Sickness benefits	1980, 1986 Changes / reductions in Social Relief grants		
	1907 Unemployment Assurance Funds law							1961 Law of Child & Youngsters Welfare	1976 Social Service Law	Government support to 3 <sup>rd</sup> Sector in general		
	1901 Association of Peoples' Kindergardens							1964 Social Reform Commission	1979 Law of Early Retirement Wage			
								Grassroot organisations growing				

## Main features of development of Danish Social Legislation I



## Main Features .. II

### 4. Social Reform 1970- Laws (bodies)

