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Readjusting the social democratic welfare state in Denmark. 1973 – 2003.

Claudia Bogedan

No. 40

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Readjusting the social democratic welfare state in Denmark 1973 – 2003

ABSTRACT

As a social democratic welfare state, Denmark has offered universal and generous benefits promoting equality and diminishing stigmatisation; provision is almost entirely tax-financed and public services play an important role. Consequently, welfare state spending has been traditionally high. Thus, one would expect that globalisation and low economic growth will threaten this welfare state arrangement. However, the example of Denmark shows that high public expenditure on the welfare state could be conserved. Albeit, in the last decade this small country in the North of Europe has gained much attention as role model for successful welfare state restructuring. The question is thus, how did Denmark readjust its welfare state to the changed environment? Therefore the present paper focuses on policy developments in four major welfare programmes: health care, labour market, old-age pensions and family since the 1970s. By comparatively contrasting these developments the paper is furthermore able to identify patterns in the process of readjusting the Danish welfare state.

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Readjusting the social democratic welfare state in Denmark 1973 – 2003

1. INTRODUCTION

Globalisation, low economic growth, unemployment, ageing of society and state debt – most scholars agree that western welfare states have come under heavy constraints in financing their welfare programmes. However, the example of Denmark illustrates that high public expenditure on the welfare state could be conserved (public social expenditure in 1980 equals 29,1 per cent of GDP, in 2001 29,2 per cent). All the indicators employed show a remarkable stability of spending efforts. Moreover, in certain programmes spending has rather increased (this applies mainly for social services for children and the elderly, family cash benefits and active labour market programmes; OECD 2002). Even though taking into account that increased needs might have led to an overall increase and consequently looking at data per dependent (see figure 1; Appendix) the resilient picture is confirmed. The question is therefore, whether Denmark continued business as usual.

This small country has managed to overcome the economic crisis of the 1970s and 1980s and preserved a society with low inequality and a style of politics that seeks consensus rather than conflict (Knudsen/Rothstein 1994; Jørgensen 2002; Schmidt-Hansen/Kaspersen 2004). Today, Denmark has a low unemployment rate, decreasing state debt due to an annual budget surplus, high participation in the labour market and comprehensive public social services for children and the elderly. Therefore, Denmark is regarded as a model for successful welfare state restructuring (Bertelsmann Stiftung 2004; Schwartz 2001) and most scholars (Kvist 2000; Andersen 2000b; Green-Pedersen/Klitgaard/Nørgaard 2004) agree that “despite the ‘colder climate’, the Nordic welfare states seemed to stand relatively strong and they were supported by a clear majority of the population in the mid-1990s” (Heikkilä et al. 1999: 271). Thus, how did Denmark readjust its welfare state to a changed and in many ways more hostile environment after the ‘Golden Age’ (Flora 1986)?

The following analysis therefore concentrates on the changes in the structural setting of the Danish welfare state looking at the four core welfare programmes: health care, labour market, old-age pensions and family policy. Taking a long-term perspective on the developments, it is possible to see how incremental changes may add to bigger

changes answering the question whether the observed process of readjusting the Danish welfare state did depart it from the core of the ‘Social Democratic model’ (Esping-Andersen 1990). By describing the adjustments special attention is given to the four dimensions of the way the programmes are financed, the conditions of benefits receipt and the group of beneficiaries, the type of delivery and the regulation objective of the programme, i.e. the goal which is intended by the policy. In a nutshell, the overall structural setting of the Danish welfare state in the ‘Golden Age’ can be summarised as shown in table 1.

***Table 1**: Basic structural characteristics of the Danish welfare model*

Financing	Benefits	Delivery	Regulation Objective
tax-financed	universal + generous social rights based on citizenship	state monopoly in social policy provision high quality services	wide-ranging state intervention income redistribution + equality as policy goal

Source: own compilation

The starting point for the analysis is 1973 when both an external as well as an internal event changed the frame of reference for the Danish welfare state: the oil crisis and the so called earthquake elections. As a result of the first economic growth stagnated, unemployment jumped up and public social expenditure proliferated. The second event marks the end of the former ‘frozen’ party-system (Rokkan 1994) when the election result doubled the parties in parliament from five to ten which made it difficult for the government to find majorities for their policies[1]. In order to identify the changes in the four programmes literature has been studied as well as primary documents on legislation and parliamentary debates. In order to identify important changes and to add the literature view with the point of view of political practitioners expert interviews were conducted with people from parties, interest groups or the administration.

In addition, by comparatively contrasting the reform patterns in the four programmes over time it is possible to identify factors explaining the observed pattern. Most prominent in explaining welfare state restructuring has been the theory of institutional legacies (Pierson 2000, Rothstein 1998, Torfing 2001). Thus, it is interesting what causes change despite this “stickiness” of welfare institutions. As Green-Pedersen (2003) argues party politics in conjunction with the party system affected the reform

[1] Consequently, between 1973 and 1982 five (minority) governments held office. On proposal of the Prime Minister elections were thus held almost every second year . The parliament is officially elected every fourth year.

process and allowed for policy change in Denmark. In addition the role of the social partners is investigated as well. As Esping-Andersen (1990) has shown the power resources of left wing parties and the labour unions have shaped the type of welfare which emerged in the golden age. “The encompassing Scandinavian interest organizations wield their influence in corporatist exchanges with the state; i.e. through their integration in the process of formulating and implementing public policy.“ (Blom-Hansen 2000: 157). The question thus is, did they preserve their influence on welfare state development?

With regard to the theory of institutional legacies the paper starts with a historical review on the long tradition of welfare policies in Denmark showing that the social democratic welfare state for which Denmark is known today has only developed in the 20th century (chapter 2). The following sections focus on the developments since 1973. *Chapter 3* gives an overview over the broader lines of conflict between the parties and their economic policies. This should put the policy developments described in *chapter 4* in a broader frame which points out the broader lines of (party) politics and general policy development. The concluding section (*chapter 5*) brings together the various developments showing that despite path dependency the Danish welfare state is far from a logjam. Rather, by adjusting the welfare state in a slow and incremental manner Denmark has shown a high ability of being flexible and innovative.

2. DANISH WELFARE STATE HISTORY

The evolution of the Danish welfare state can best be described in three waves with regard to the four dimensions of financing, benefits, delivery and regulation of social security. The continuous expansion can be clustered in three steps when government initiatives caused qualitative changes in the overall structure of the programmes. On the one hand this historical description helps to see the dynamic, speed and scope in the development of the Danish welfare state. It shows that the static description of the social democratic welfare state is only a snapshot of history leaving the long tradition of social insurances and private associations unseen. On the other hand it shows that – as described by Esping-Andersen (1990) – the social democratic party together with the unions played a decisive role in the development of the Danish welfare state.

2.1 First wave: Associating and unionising

The first wave is characterised by the beginning industrialisation when workers united themselves in order to fight for better working conditions. After the passing of the Constitutional Act in 1849 a number of loose political groupings emerged in the newly-established parliament, the Rigsdag. During the 1870s and 1880s mass membership parties were formed with their own organisations, and soon after the turn of the century the basis for a party system were laid, which remained largely intact until the 1960s (Rokkan 1994): *Højre*, from 1915 called ***Det Konservative Folkeparti*** (The Conservative People's Party), supported by townspeople, independent tradesmen, and larger farmers, ***Venstre*** (The Liberal Party), with its roots in *Det forenede Venstre* (The United Left) from 1870, with its main support in the farming community, ***Det Radikale Venstre*** (The Social Liberal Party, formed 1905), supported by smallholders, radical intellectuals in the cities, and ***Socialdemokratiet*** (The Social Democratic Party) (founded 1871), the workers' party. Noteworthy no Christian party was established in Denmark. Similar to the party building process economic interest groups developed in the late 19th century. 1898 the Danish national labour umbrella organisation (*Landsorganisationen i Danmark*, **LO** until 1967 *De samvirkende Fagforbund*, DsF) was founded. 1899 the umbrella organisation of the employer's association (*Dansk Arbejdsgiverforeningen*, **DA**) was set up. In the same year with the "Great Lockout" and its ending in the "*septemberforliget*" – the September agreement – they mutually acknowledged each other. The basis for a system of industrial relations was laid, which is important for the formation and development of the Danish welfare state.

It is this time of industrialisation, when the first voluntary insurance associations (*kasser*) were founded around the middle of the 19th century. These *kasser* were tied to the labour unions and thus, membership was centred on a certain professional group. Additionally, with the constitution of 1849 the right of social assistance was fixed on a statutory level[2]. Responsible for this kind of social assistance were the counties and boroughs. At the end of the 19th century several bills were passed increasing state responsibility: 1891 Poor Law (*fattiglov*) and old age pension (*lov om alderdomsunderstøttelse*),

[2] § 89 GL 1849 "Den, som ikke kan ernære sig eller Sine, og hvis Forsørgelse ikke paaligger nogen anden, er berettigt, til at erholde Hjælp af det Offentlige, dog mod at undekaste sig de Forpligtelser, som Lovene herom paabyde." (Those who are not able to support themselves or their families are entitled to public assistance, but have to accomplish the consequences and duties determined by law; own translation).

1892 Health Insurance Law (*sygekasselov*), 1899 Industrial Injuries Benefit Law (*lov om arbejdernes ulykkesforsikring*) and 1907 Social Benefit and Unemployment Benefit Law (*lov om hjælpekasser og lov om anerkendte arbejdsløshedskasser*), which all meant a public acknowledgement of the private associations and extended state subsidies.

2.2 Second wave: Nationalisation and Social Democratisation

The second wave is the time when social security was nationalised and in many ways extended. After their 1924 election success the social democratic led government established social policy as an own policy field. In 1918 social assistance and labour market policies were taken from the ministry of interior and put under an own department headed by the social democratic leader Thorvald Stauning. In 1924 the Ministry of Social Affairs was set up, which demonstrates the new role of social policy as an integral part of national politics. When 1929 K.K. Steincke became Minister of Social Affairs he enforced the legal status of social policy, although helping people to help themselves still was an important principle in the recognition of the voluntary unemployment and health care organisations. In 1933 the previous different laws and regulations were integrated into four laws: the unemployment insurance act, the accident insurance act, the national insurance act (*lov om folkeforsikring*), which also included health insurance as disability insurance and old-age pensions, and last, but not least the social assistance act which had to cover all the instances which were not covered by the other three laws. Nevertheless, during this period social policy remained addressed towards the needy, although the group of beneficiaries was widened. Old age pensions and health insurance were made mandatory for people with income under a certain limit. Both systems are financed by contributions and increasingly public subsidies. Additionally, new activities were started like a demographic motivated family policy. Due to the fact that from the 1930s on the birth rate decreased, politicians feared negative consequences for economy and society. Different transfer payments and social services were established in this time: aid for mothers (1939), public support for kindergartens, day nursery and after-school centres, cash benefits for children, free medical examinations for children and pregnant women, milk for mothers, settlement loan and support for clothes. In sum, the described changes open the former social assistance addressed towards the needy to a broader group of people.

2.3 The third wave: Universality and generosity

It is the third wave by which “the welfare project” was established. The economic upswing shortly after the Second World War helped to push the idea of ‘*welfare for the people*’ – the name of a famous party programme of the Social Democrats at this time. In comparative welfare state analysis this period is known as the golden age of the welfare state. “All in all this period can be characterized as a period of a rapid expansion of the Danish Welfare State. Public expenditure in social policy grew from around 10 % of GDP in the late 1940’s and to around 17-18 % of GDP by the end of the 1960’s.” (Greve 1999: 45). At the end of the 1970s public social expenditure has reached almost 30 per cent of GDP (OECD 2002).

However, not only has the public spending increased but also the group of beneficiaries was widened, the level of benefits raised and the scope of public tasks extended. Three events were most important in building a universal and generous welfare regime. First, in 1956, the universal, flat-rate basic pension, *folkepension*, was implemented. Second, in the early 1960s the conditions of benefit receipt as well as benefits were improved in case of disability (*invalidelov*), illness (*sygekasselov*) and the need for social assistance (*forsorgslov*). Third, in 1964 an additional pension (ATP) was implemented through an agreement between the social partners. Additionally, in the 1960s child care institutions were expanded basically as a mean to serve the increased demand for female labour forces. All theses initiatives were pushed forward by the social democratic party which wished for a comprehensive and generous compensation for income losses as well as public responsibility for the overall well-being of the people.

On initiative by the liberal and conservative party a commission (*socialreformkommissionen*) was appointed in 1964, which should deal with the question of a comprehensive reform of the financing, organisation and administration of the social security system in Denmark (Jonasen 1998). The commission published two reports which formed the basis for numerous laws in the early 1970s. One important aspect was the restructuring of competencies between national, regional and local levels in welfare policies and the financing of their tasks which affected mostly health care, family policy and social assistance[3].

[3] Although Denmark is a unitary state, public tasks are very decentralised and the local authorities are warranted autonomy by the constitution. In the 1970s, by means of a reform, local authority was divided into 275 municipalities and 14 counties. Copenhagen and Frederiksberg are unitary authorities enjoying a special status being

2.4 Status-quo ante: The social-democratic welfare regime

At the beginning of the 1970s political debate over the future developments of the Danish welfare state were vital. While Social Democrats and the unions pushed for further social rights, the liberal, conservative, social-liberal coalition government presented in March 1970 a report which advised against the problematic development of public expenditures if welfare state expansion continued as before (*Perspektivplanlægning 1970 – 1985*; Friisberg 1978). Aside from this, the bone of contention was the Social Democrats' and labour unions' plan for 'economic democracy' (*Økonomisk Demokrati*, ØD)[4] which remained a vital point of conflict in the following 10 – 20 years. Thus, ØD is important in explaining the reform pattern and institutional setting of unemployment policies as well as old-age pensions.

In 1973 when the first oil crisis hit all Western welfare states the Danish welfare project was not yet the 'social democratic welfare state regime' as described by Esping-Andersen (1990). This welfare state regime which is found in the Scandinavian countries is characterised by universal, tax financed transfer payments and comprehensive, high-quality social services caring for children, elderly people and others in need. In order to maximise independence from the market ('decommodification') and the family and to include the middle-class, benefits are generous and based on citizenship rights predominantly (Kvist 1999, Arter 1999, Green-Pedersen/Klitgaard/Nørgaard 2004). Moreover, the 'Social Democratic model' regards "full employment as an integral part of their welfare-state commitment" (Esping-Andersen 1990: 28). Thus, the participation of women in the labour market is almost as high as men's. "The social democratic welfare state regime presumably creates a multiplier effect on women's employment through a large female labour market in the public sector, and the provision of social services which relieve women of their care responsibilities." (Ellingsæter 1998: 59).

municipality and county at the same time. Welfare tasks are both financed via local taxes and state subsidies, which are agreed upon in the annual "budget co-operation arrangements". In order to do so, both municipalities and counties are represented by centralised interest groups: Local Government Denmark (Kommunernes Landsforeningen, KL) and Danish Regions (Amtsrådsforeningen, ARF).

[4] ØD is a form of 'market socialism' consisting of two key ideas: 1. Democratic management of each productive enterprise by the workers and 2. Democratic management of capital investment by a public fund. Although the Social Democrats held office from 1971 to 1973 they were not able to put ØD through because they could not find a majority in Parliament. But they stuck to the proposal far into the 1980s which hindered a compromise on economic policies in parliament. "However, the Social democrats had invested too much prestige in the ØD-issue to be able just to drop it." (Nannestad 1991: 141).

The alliance of strong unions and a dominant Social Democratic Party has paved the way for this comprehensive system of social security, where “the principles of universalism and decommodification of social rights were extended also to the new middle classes” (Esping-Andersen 1990: 27).

In fact, in Denmark in the 1970s the four programmes are arranged as follows. In *health care* transition from the insurance system (*kasser*) to the universal, National Health Service was only implemented during the 1970s. By this the system became fully tax-financed with only minor co-payments for special treatments. With regard to *unemployment benefit* during the 1970s benefit level was improved but the unemployment insurance remained voluntary. Thus, in the strict sense the unemployment was not a universal scheme[5]. With the employment service and with the unemployment insurance law in 1970 benefit level and benefit duration was considered as generous. In addition, tax financed state subsidies formed the biggest part of revenues. As part of the structural reform *social assistance* was moved to the municipalities and benefits were improved in 1976 (*bistandsloven*), a tax financed universal scheme with generous benefits. In 1970 the basic *old age pension* was fully implemented as a universal, flat-rate scheme but discussion remained about further income compensation. *Family allowances* were universal and flat-rate and coverage of places in kindergartens was already 90 per cent. However, already in 1975 cost containment was agreed upon for child care institution (Petersen 1998).

3. A BRIEF HISTORY OF THE POLITICAL AND ECONOMIC ENVIRONMENT

3.1 The Anker Jørgensen Reign 1972 – 1982

In general, the 1970s had been politically hard times for numerous reasons. First, parliamentary power was weakened due to the earthquake election of 1973. Second, in the aftermath of the oil crisis all four macro-economic indicators reveal the crisis: growth became negative, unemployment and inflation soared, the balance of payment increased deficit and the former Keynesian politics seemed to be of no avail. Third, becoming a member of the European Community Denmark was not only bound to a supranational institution but rejection on membership remained and in sum six referenda have been held on European issues (see Appendix, table 10). In consequence, the Danes do not

[5] In 1970 there were 63 voluntary unemployment insurances with together around 800.000 members. Today, there are 35 insurances with together 2.4 million members.

participate in the Single European Currency, the EURO and in certain areas of EU judicial cooperation.

After a successful referendum on accession to the EC the Social Democratic Prime Minister Jens Otto Krag handed over his post to Anker Jørgensen on 10th October 1972. With the earthquake elections in December 1973 due to their lost of seats the Social Democrats were not able to find support in parliament to continue in government. Thus, the liberals formed a minority government. With only 22 seats out of 179 their power was limited and after 13 months in office, the Liberals were forced to call for another election in January 1975. Although the Liberals gained at the ballots and the Liberal Prime Minister Poul Hartling attempted to continue to govern, after weeks of positioning and bargaining, Anker Jørgensen was back in office with a Social Democratic minority government supported by the Social Liberals and the Socialist Peoples Party. From 1975 to 1981 four elections were held which led in three cases to a single party minority government[6] of the Social Democrats. These single party minority governments can be seen as weak governments because they were dependent on the support of more than one party outside government. Consequently, the Social Democrats had a hard time in finding majorities for their economic policy. In contrast, they had much popular support for their policies[7], increasing their seats in parliament with almost every election from 1973 on.

From mid-1976 a twist in economic policies can be observed. “Fiscal and budgetary policy increasingly aimed at replacing ‘import heavy’ consumption by labor intensive consumption. In practice this meant curbing private consumption (which is import intensive) in favour of expanding public employment and consumption (which is labor intensive)” (Nannestad 1991: 169). By this the social democratic government wished to reduce the continuously increasing unemployment rate.

In sum, no real improvements in economic indicators could be reached during the 1970s. This started to weaken the social democratic government and they called for new elections in December 1981 because there was no support in parliament for their budget

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[6] Throughout the three decades under investigation minority governments were the norm, which forstered a certain policy, because “[i]t is hard to overemphasize how significant it is that the many minority governments in Denmark have prioritized cooperation in and outside parliament.” (Jørgensen 2002: 243). Neverthless, governments during the 1970s and 1980s were often lamed by a lack of majorities.

[7] For example, they managed to put through an early retirement scheme, allowing every person from the age of 55 to retire from the labour market.

plan for 1982. It is parliamentary tradition to reach broad consensus on the annual budget. Thus, the budget negotiations in autumn are very often a critical juncture for a minority government. With the 1981 election the Social Democrats lost ten seats which made governance almost impossible and when in 1982 Poul Schlüter from the Conservative Party managed to form a bourgeois coalition government, the Social Democrats had to retreat.

3.2 The Poul Schlüter Reign 1982 – 1993

When Poul Schlüter came to power in 1982 the people believed that Denmark was standing “on the brink of the abyss” (Nannestad 1991), a picture used by several politicians of that time. Additionally, “throughout the 1980s, Denmark was governed by different coalitions of bourgeois parties and most of the time these minority governments could not rely on stable support from other parties in all policy areas.” (Binderkrantz 2003: 288)[8]. Therefore government’s proposals were often overruled (especially in foreign policy). For example, in December 1987 the Social Democrats managed to achieve a ten per cent increase in the transfer incomes during the budget negotiations. Nevertheless, in the early 1980s the “Four Cloverleaf” – government, consisting of the Conservative Party, the Liberals, the Centre Democrats and the Christian Party, started numerous initiatives to cope with the changed economic situation, which in retrospective paved the way for the sound economic development during the 1990s.

In October 1982, they introduced eleven bills in parliament which among others introduced a deferred period of one day in case of illness. Besides this, another change was more important in a macroeconomic perspective: the abandoning of the guaranteed *dyrtidsregulering* which meant that price development and wages were no longer tied together. Social Democrats and the unions were strongly opposing the government’s economic policies. This culminated in the spring of 1985 when the collective bargaining between the social partners ended without result. The compromise offered by the unions for a five per cent wage increase was neglected by the employer’s side and strikes began. The government had to intervene. They proposed wage increases of only two per cent in the first year and one and a half per cent in the second year. At the same time

[8] The Social Liberals played a decisive role when it came to the question of who should govern. With their position in the centre of the political spectrum they sometimes chose to support the Social Democrats (as in the successive government) or the bourgeois government. At this time, Poul Schlüter had a close relationship to the leader of the Social Liberals Niels Helveg Petersen.

they reduced the employers' contribution to the social system with one and a half per cent but increased the corporation tax from 40 to 50 per cent. Furthermore they introduced a mandatory pension saving for all employees with an income above 150.000 DKK[9]. With that policy they wanted to stop the overheating of the economy and force the Danes to save instead. In line with this, in March 1986 the government introduced another part of its consolidation package: *påskepakken* – the Easter package. With that the government increased taxes on a lot of luxury consumption products which let to protest from the conservative clientele. In October the same year *kartoffel-kuren* – the potato cure – was introduced, which was meant to reduce private credits. This especially had consequences for people buying their own houses, which is by definition a more bourgeois clientele.

In sum, during Schlüter's term in office all economic indicators were improved – besides unemployment. Therefore, the *Wall Street Journal* in November 1991 stated that "Nothing is rotten in the state of Denmark." But a scandal about refugees from Sri Lanka[10] ended the success story of the conservative party and made Poul Schlüter retreat in January 1993.

3.3 The Poul Nyrup Rasmussen Reign 1993 – 2001

The leader of the Social Democratic Party Poul Nyrup Rasmussen started his term in office like his predecessor not with an election but with the retreat of the former government and a parliamentary castling. He formed a majority coalition government together with the Social Liberals, the Centre Democrats (*Centrumsdemokraterne*, CD) and the Christian Party (*Kristeligt Folkeparti*, KrF) in 1993. This unusual coalition had in many ways difficulties to agree on common policies, but they introduced the labour market reform of 1994. This reform package had been prepared by a commission appointed by the bourgeois government in 1992. The social partners were represented in the commission and this helped later when introducing the reform. For this reform Poul Nyrup Rasmussen gained European popularity because unemployment was reduced in combination with a sound economic development. Thus, Denmark became a role model

9 100 DKK = 13,41 €/ 1 € = 7,460 DKK (central exchange rate), 150.000 DKK = 20.115 €.

10 The reunion of families from Sri Lanka was put on hold at the end of the 1980s and refugees who had been living in Denmark for no longer than two years were sent home. Known as "Tamilen-Scandal" this violation of the Aliens Act by the Minister of Justice Erik Ninn-Hansen and his protection by Poul Schlüter caused the first impeachment proceedings in Denmark in 80 years.

for successful welfare state restructuring and reformers in other countries refer to the Danish activation policies introduced in the mid-1990s.

Due to the differences in the previous bourgeois coalition the Social Liberals signalled that they would participate in a coming coalition in the prelude of the election in 1994. This was possible because their former chairman Niels Helveg Pedersen, who has been a friend of Poul Schlüter, retreated. With his retreat he opened the way for Marianne Jelved who became a strong partner of Poul Nyrup Rasmussen and his fugleman Mogens Lykketoft (Holstein 2003). Although the Social Democrats lost seats in the 1994 election they formed a minority government together with the Social Liberals and the Centre Party (CD).

While at the beginning of their term in office the Social Democrats had favoured a classical Keynesian economic policy, from 1995 a turn towards a policy of austerity was made, which was in the interest of the Social Liberals. Thus, the labour market reform of 1994 was accompanied by an expansive fiscal policy and an increase in indirect taxes, accepting an increase in state debt. When in the mid-1990s an economic upswing fostered a more friendly economic environment and unemployment started to decrease, a tax reform was made in conjunction with a reduction in public spending that should enable a balance of budgets and a reduction in state debt.

As the coalition could not agree on the annual budget for 1997 the CD left the coalition and the Social Democrats continued with the Social Liberals trying to increase cooperation with the Liberal Party. With the 1998 election the coalition remained unaltered although the Liberals gained seats. Meanwhile unemployment had dropped to only five per cent and the budget was balanced achieving a slight surplus. Thus, Denmark was fulfilling all criteria to access the third step of the EMU and Poul Nyrup Rasmussen would have liked to, but the referendum on it in 2000 was a defeat for the government because the Danes neglected to join the Euro. The main reason for this was the fear that the comprehensive welfare state could suffer under a common currency. This economically irrational argument could not be refuted.

Shortly after the events of 9/11 Poul Nyrup Rasmussen called for elections hoping to be confirmed in office. But the election campaign of the right-wing Danish National Party (*Dansk Folkeparti*, DF) was successful giving them a boost in votes. The Liberals gained seats, too. Thus, they superseded the Social Democrats in office and as strongest parliamentary group under the leadership of Anders Fogh Rasmussen.

3.4 The Anders Fogh Rasmussen Reign 2001 – 2005

Anders Fogh Rasmussen in contrast to his predecessors came into office with a major election success. With the 2001 election the Liberal Party managed to become the biggest parliamentary group – for the first time since 1920 the Social Democrats do no longer have this role. There is a lot of speculation about this election success but two reasons seem to be most likely.

The first is the early retirement benefits scheme. Poul Nyrup Rasmussen promised in his 1998 election campaign not to touch upon the early retirement scheme which is especially favoured by the unions but has broad public support as well. In 1999, the social democratic government together with the Liberal Party passed a law which altered some aspects of the scheme in order to make it more attractive to stay longer within the labour market. The public disregarded Poul Nyrup Rasmussen for breaking promises. The second reason is the widespread xenophobic attitude in the Danish population which culminated in almost a doubling of the seats of the Danish Peoples Party (DF) which became the parliamentary supporter of the liberal government (Andersen 2003). This support is politically controversial because the DF on the one side follows a xenophobic policy and on the other side favours welfare expansion especially for elderly people. Thus, the “early retirement” scheme which is according to many experts a too costly welfare benefit that gives wrong incentives still exists.

Anders Fogh Rasmussen has been a neo-liberal thinker and known for writing the book ‘From social state to minimal state’ (*Fra socialstat til minimalstat*), where he advocates an extensive reform of the Danish welfare system, along classic liberal lines, i.e. lower taxes, less government interference in corporate and individual matters, etc. Rasmussen has, however, since then moved quite a bit away from the extreme liberal views expressed in the book. In the election campaign of 2001 he promised a pro-welfare state policy. And in fact, under his reign more money was spent for health care and no major cut backs on social benefits were made.

More in line with liberal thinking is the “tax freeze” the liberal-conservative government has enacted. From 2002 onwards no tax, i.e. no rate fixed in percent or in DKK can be increased. This tax stop has been under heavy fire from the parties on the left, allegedly for being “antisocial” and “only for the rich”. From 2004 onwards, relatively large tax cuts got into effect, on two accounts. First, people with jobs get a three per

cent tax reduction on the 5.5 per cent “bottom tax” (*Bundskat*)[11]. This initiative is supposed to encourage people to return to the labour market. Second, the bottom limit of the “middle tax” (*Mellemskat*) of six per cent is raised in order to benefit families with middle income. So far no changes on the value added tax (VAT) of 25 per cent have been made.

However, albeit their intention to reduce public spending and several measures to stop a further increase[12], public spending has continued to rise by approximately one per cent above inflation per year. Nevertheless, the liberal government has introduced several changes in welfare policies aiming at more choice for the citizens and more competition between the providers of welfare services. These changes may alter the state-run social democratic welfare state in the future.

4. POLICY ADJUSTMENTS 1973 - 2003

4.1 Health care

The Danish health care system received its present structure in 1973 when the former insurance system was abolished and a National Health Care Service was introduced. The main goals of the reform were an administrative simplification and a more integrative system. The National Health Service is a fully tax financed and universal scheme allowing access to all citizens. In general, health care in Denmark is free of charge.

The 14 counties as well as the area of Greater Copenhagen are responsible for the financing and provision of the National Health Service[13]. They have to run the hospitals, thus, doctors and nurses in the hospitals are public employees. Already in 1970 the somatic hospitals had been transferred to the authority of the counties. In 1976 the psychi-

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[11] According to the Danish tax system, any private person is liable to pay state, county and municipal income tax. Members of the Danish National Church must pay church tax, and enterprises pay corporate tax. Denmark has a graduated taxation. The income tax collected by the state is divided into a basic tax rate (*bundskat*) a medium (*mellemskat*) and a higher tax rate (*topskat*) depending on the personal income. There is a tax ceiling of 59 per cent of ones income to state, county and municipality. In contrast, corporate taxation plays only a minor role and tax rates remained low over the last three decades (Ganghof 2005).

[12] Additionally, they are aiming to maintain a budget surplus averaging 1.5 – 2.5 per cent of GDP up to 2010 (Ministry of Social Affairs 2002).

[13] The number of counties (in future: regions) and their competencies will be altered in 2007, when a new structural reform will be fully implemented. Additionally, the financing and organisation of the municipalities will be changed. Thereby the reform effects not only health care but also the employment service, social assisstance and care for the elderly and family services.

atric hospitals followed. General practitioners act as private enterprises in accordance with agreements between their professional organisations and the Health Insurance Negotiating Committee, receiving fixed prices for their services. The administration of the health insurance required more responsibility from the counties for the payment of fees for services delivered by general practitioners (GPs), dentists etc, the payment of public subsidies on medicine and planning arrangement to ensure that the public is guaranteed access to medical care and other services. Therefore the counties raise there own taxes and receive annually negotiated state subsidies. In 2001 hospitals accounted for about 49 per cent of the counties' expenditure. Health insurance expenditures represented 16 per cent of their total spending (Danish Regions 2001). Co-payments exist on pharmaceuticals and on dentists as well as on some special treatment like glasses or special therapies. Even though these co-payments are traditionally high in international comparison, co-payments have not played a major role in the political debate in the last 30 years. Although the counties are responsible for financing and delivery, the parliament has the overall legislative responsibility for the otherwise decentralised health sector. It is national law that gives the frame for decentralised activities. The law regulates for example who is entitled to services.

All citizens and all EU-citizens staying in the country longer than six weeks have access to health care free of charge. There is a "group A" and a "group B" membership. People who are insured in group B have the right of direct access to specialists and hospitals and free choice of GP. But they have to pay an extra fee. Most people are A-members, only two to three per cent are B-members and the trend is decreasing. GPs act as gatekeepers to the system. Every citizen (group A–members) has to choose his or her GP within a radius of five kilometres from home. First, it was allowed to change the GP only once every six months but this was abolished in 2003, now allowing changing the GP without limit. It is the GP who gives referral on specialists or hospitals.

In sum, the National Health Service has maintained its basic characteristics since its introduction in 1973. Nevertheless, the system has not been static and several changes took place. These policy developments are not easy to trace back because a lot of developments start at the county level. Thus, services differ marginally between the regions. During the 1980s (1980 – 1986) the question of cost containment was high on the agenda. Local and national government tried to keep expenditure down. This of course caused some problems in the health sector. Waiting times for hospital treatments increased and health care became a public interest. This "waiting time – problem" was

high on the agenda and was an important topic in the election campaign in 2001 – resulting in a government initiative soon after election. As health care has entered the public agenda and since media attention rose, the interest of national politicians is not only to get the blame but also to decide what happens in the health system. Consequently, the national government has become more interested in influencing the decentralised health policy (Hansen/Jensen 2004). Therefore, they used the annual budget cooperation arrangements (*økonomiaftaler*) between ARF/KL and the national actors (basically the Minister of Finance and the Minister of Health) to agree on policy goals. The main field of policy activity has been the hospital sector. Therefore the following section will concentrate on the developments there.

Two periods can be distinguished in the development of the last three decades (Vrangbæk 2005). The *first period*, from 1973 to 1991 was a time of consolidation for the counties' responsibility of the hospitals, and the counties' tasks were broadened. From 1969 to 1985 the counties were obliged to write a plan for their hospital-developments which needed to be accepted by the Minister of Health. Since then the minister can only ask for a new plan in some cases. The focus of these plans has changed very much in this time. In the beginning the hospitals respectively the counties focused on detailed plans how to fulfil the different tasks in the hospitals in a very technocratic sense but throughout the 1980s economic developments became more and more the centre of interest (Vrangbæk 1999; Vrangbæk/Christiansen 2005). The goal of these plans was to secure low expenditure.

The *second period*, from 1991 to 2003, can be characterised as a time when state actors started to intervene in the counties affairs. The initial event is the 1992 free hospital choice initiative. Additionally, a change in policy making can be traced in the annual budget agreement where the government tried more and more to influence the events at the decentralised level (Hansen/Jensen 2004). Two topics influenced the developments: freedom of choice for the patients and organisational changes following the ideas of New Public Management[14]. Before 1991 the counties permitted patients to choose a hospital within the home county and some counties let patients living in specific areas close to the county borders choose a hospital in a neighbouring county. This option was relevant to few patients, and hospitals' economic incentive to accept these patients were

[14] New Public Management approach tries to reach a more efficient public administration by introducing business like principles.

small. This very limited access to choice of hospital reflected a strong emphasis on controlling expenditures by rationing health care through limits to supply services. Since 1991 patients are allowed to choose among publicly funded hospitals within their county. On 1st October 1992 the counties introduced freedom of choice throughout Denmark. One can assume that they want to forestall legislation on the subject and maintain control over the design of freedom of choice (Vrangbæk/Østergren 2004). Though, this has weakened their planning options. Before, they could calculate very clearly what they needed to expect on the basis of the inhabitants in the county and the social structure, but this link was loosened by the free hospital choice. However, their plan did not work out and on 1st January 1993 freedom of choice was introduced by law. It allows the patients to choose among public hospitals at the lowest sufficient level of specialisation, if the receiving hospital was willing to accept the patient. The broad majority in the Folketing supporting this bill is assumed to be acting with different objectives in mind. Some of them – belonging to the market liberal wing of the Venstre – pursuing marketisation and in the long run a privatisation in health care, others - as the Social Democrats – are guided by the wish to strengthen patient's rights but within the system. 'Free choice' was extended throughout the 1990s. Subsequently, patients were given the right to choose providers outside their county of residence and their home county is obliged to pay for the treatment at DRG rates[15] which are often higher than the fixed rates used to compensate for the within-county providers.

In 1994 the hospital law has been modified in order to cope with the waiting time problem. In consequence a guarantee was given, which should limit patients' waiting times to a maximum of three month. This guarantee was further expanded in 1999 for life threatening illnesses and in 2002 it was expanded to a two month guarantee combined with an extended free choice allowing access to private hospitals and hospitals in other countries (like Germany and Sweden). Alongside with this changes they altered the financing of the hospitals towards an activity-based funding (money follows patient). Additionally the freedom of choice should lower waiting times as well. With this freedom of choice an element of competition between the counties was introduced be-

[15] The Diagnosis Related Group is a method of funding hospitals, which classifies groups of patients who have similar diagnosis and/or Treatment. Thus a harmonisation across hospitals is possible. In 2000 the ARF and the national government agreed upon the introduction of DRG rates as basis for the prices of treatment of non-county patients. And even though the agreement allows for a decentralised adaptation and modification of the DRG rates almost all counties are using the central figures.

cause it can be profitable if hospitals attract patients from “foreign” counties. But also in a more psychological sense the introduction of freedom of choice meant that hospitals felt it as being in a competitive situation (Vrangbæk 1999). Although it is only a minority of the patients[16] which exercises their right of “free choice”, its extension leads to a kind of “marketisation” in the hospital sector, despite the fact that the financial incentives for hospitals and/or counties to accept patients from other counties are to be evaluated differently. Nevertheless, one still has to conclude that the overall picture does not point towards a real marketisation in the Danish hospital sector. The introduction of free choice of hospitals can only be assessed as a type of quasi-market, which is publicly made and integrated into the public system (Vrangbæk 1999). The described developments weakened the position of the counties to set their own priorities to certain kinds of treatment. But the initiatives have been successful and the policy goal – to reduce waiting times – was reached. This is also connected with the additional money (1.5 billion DKK which equals one to two percent of the annual budget) that the Ministry of Health gave to the counties in 2003 if they proved that waiting times were reduced or they at least started some initiative to do so.

These developments might mark a turning point in Danish health care because it will open the possibility for more private initiatives and bears therefore the potential to undermine the universal and publicly funded character of the health care system. But from today’s point of view this is guesswork. Up until now, it has neither changed nor challenged the system (Vrangbæk 1999). In sum, the Danish health sector has kept its overall characteristics as a decentralised, tax financed and universal scheme with only minor co-payments. The changes have been more incremental and evolutionary than big reforms. Thus, the annual budget agreements, which have changed content over the three decades showing an increasing interference of the national government, have been an important arena of policy adjustment. It is characteristic of the decentralised National Health Service that policy making has taken this more indirect way.

4.2 Labour market policy

The unemployment benefit schemes are – in contrast to the health insurance – still voluntary and administered by approximately 35 different state-recognised unemployment

[16] In 2002, 11.00 per cent of the non-acute patients were treated in a hospital outside their home county (Lassen/Kjellberg 2004).

insurance funds. These funds are associated with the trade unions and therefore differentiated according to different branches. There is a universal, flat-rate social benefit which is administered by the municipalities[17]. Both systems have been harmonised in the last years. The following section will, nevertheless, focus on the developments in the unemployment insurances only.

Today, these unemployment funds are quasi-national because the biggest revenues come from tax-financed state subsidies (Arbejdsdirektoratet 2003). Consequently, the financing is a mix between contributions, tax-financed state grants and subsidies from the labour market fund, to which employers as well as employees contribute. The contributions for the employees are low. They vary between different *a-kasser* from 100 and 200 EUR per year. The benefits from the unemployment insurance are still generous. Replacement ratio is 90 per cent of the former income up until 1.700,00 EUR (in 2004). Benefit duration used to be long and eligibility criteria low. To become a member one needs a vocational training that has lasted longer than 18 months. Self-employed or young people during their military service are allowed to membership, too. In consequence, membership grew fast and today, more than 85 per cent of the labour force is member of an unemployment benefit scheme. Thus the scheme was regarded to fit in the social democratic welfare regime of a generous, universal and tax financed benefits.

In order to understand the policy development two features of the Danish labour market need to be explained: The Danish Model of social partnership and flexicurity. The first describes the system of tripartite cooperation. The *Danish Model* describes the attempt to maintain an equilibrium between state and social partners meaning that the state will only intervene in case the social partners are not able to find a solution themselves. Up until today, labour union membership is high in Denmark (around 80 per cent, Ebbinghaus 2000; ETUI 1987). Due to this, the negotiated agreements have a high coverage, which in turn strengthens the role of the social partners. The Danish Model is important for the understanding of Danish labour market policy because the social partners do not only intervene in labour market regulation but play a major role when it comes to social security systems. Although the climate has changed throughout the

[17] In 1976, the Social Assistance Act, which has already been passed in 1974, came into force. It was basically an administrative reform but with an important effect for the recipients of benefits. Social assistance was consolidated under the municipal social administration and transfer benefits were paid discretionary but without regarding the former economic situation of the recipient.

1980s, “[t]he collective bargaining system exerts a decisive, overarching influence on Danish society. […] It constitutes part of a broader, welfare-state oriented, institutionalised political system” (Due/Madsen et al 1994: 12). That means that the social partners are involved both in policy formulation for example via commissions and other forms of consulting etc. and in implementation as executive organs. “This tradition of the Danish labour market is further the main reason behind the way in which unemployment benefit has been administered and funded in Denmark - closely related to trade unions.” (Greve 1999: 33). From an unofficial point of view those unemployment insurance schemes can be seen as a reason for the high union density, because unions are not very active in avoiding the impression that union membership is a pre-condition for becoming member of the unemployment fund (*a-kasse*). Furthermore, those unemployment funds have not been criticised by the employer’s organisation because it stabilises the system of collective agreement, which is as important for the employers as for the workers. In addition, the Danish Model had a decisive influence on the structure of the old-age pension as will be explained in the following chapter. The second feature, *flexicurity*, describes the balance between a flexible labour market with only diminutive regulations on the one side and high social security on the other. Dismissal protection is very low which allows for a high fluctuation in the labour market. Thus, in international comparison the Danish labour market belongs to the group of least regulated and most flexible similar to those in the United States of America or in Great Britain (Auer/Cazes 2003). Noteworthy, part time work plays only a subordinated role and in contrast to the overall European trend part-time work decreases. This correlates strongly with the development of women’s integration into the labour market, which boomed already in the 1970s and was never attached to part-time employment (Ellingsæter 1998).

Labour market policy in Denmark, especially measures for the unemployed, recently received much attention, because the social democratic government during the 1990s was successful in implementing new and innovative labour market policies (Egger/Sengenberger 2003). The Danish ‘miracle’ (Schwartz 2001) gained prominence as a counter strategy to neo-liberal cut back-rhetoric even though some researchers criticise the reforms’ outcomes (van Oorschot/Abrahamson 2003). Throughout the period under investigation the fight against unemployment and the corresponding high cost for the unemployment benefit schemes guided policy making. Nevertheless, during the 1970s and early 1980s active labour market policies played only a minor role. “In sum, the Danish job strategy was rather passive and based on the commitment to the provi-

sion of welfare. Denmark never adopted an extensive Swedish system of active labour-market policy, and the right to receive unemployment benefit or cash assistance was never really linked to an obligation to take a job or to be trained or educated.“ (Torfing 1999: 13). Rather, the cushioning of times of unemployment through generous financial benefits as well as measures to decrease the work force are the dominating policies. Thus, in 1979 an early retirement scheme (*efterlønsordning*) was introduced in 1979, which allowed people over 60 to leave the labour market and receive a benefit of the same amount as unemployment benefits. In the same year a job-offer-programme (*arbejdstilbudsordning*) was introduced, which was meant to offer unemployed people public jobs or subsidised work. “However, the main motivation was to prevent the long-termed unemployed from dropping out of the unemployment insurance system due to the rule that all benefit claimants must have at least 26 weeks of labour within the last 3 years.“ (Torfing 1999: 13). Therefore, some called these job-offers the “unemployment benefit generator", because it allowed for almost never-ending benefit receipt.

With increasing unemployment the problem of long-term-unemployment grew likewise. Thus, new policies needed to be introduced which help the long-term unemployed back into the labour market. In 1991 a commission was appointed to address these problems. Thus, attention of the commission was given to qualification offers and a better use of activation measures (Udredningsudvalget Sekretariatet 1992). The commission presented its report in June 2002 “As such, they all claim that the challenges and pressures to the Danish welfare model, which can be summarized under the headings of structural unemployment and structural competitiveness, force us to make a shift from the safety-net model to a trampoline model.” (Torfing 1999: 15). The aims of the proposals were activation of the unemployed and thus further education and qualification formed the core of the proposals. Furthermore, these offers helped to secure the support of the trade unions for the tightening of the benefit conditions. The proposals of the commission were transformed to bills when in January 1993 the Centre-Left majority government came into office. The first reforms were enacted on 1st January 1994.

With the reforms of 1994 a number of new instruments which followed the principle of entitlement and obligation came along. The individual recipient has the obligation to participate in training schemes and other measures. And he has the right to choose his “individual action plan”. In order to achieve activation the benefit period was split into a passive period and an active period. “The stipulation of a seven year maximum benefit period, including time spent in activation offers, was not only an incre-

mental step and an end to a virtual infinite benefit period for a small number of people, but represented a revolutionary change in policy thinking.” (Kvist 2000: 21). It marks a change in goals of unemployment policies from compensating the income loss to a more demanding policy of bringing people back into the labour market. In line with this, the government coined the slogan „rights and duties" for the reforms, because the unemployed had the right to receive an activation offer, but at the same time they had the duty to accept the offer. Furthermore, the activation offer did no longer re-qualify for the benefits. The maximum benefit period was further reduced in 1996 to five years and in 1999 to four years, of which ¾ should be spent in activation. In sum, duration of unemployment benefit receipt was shortened in the reform era from up to ten years in 1994 to four years in 1999. Rules for young people under 25 were further tightened trying to increase qualification and education of this group. For them activation had to start already after six month and unemployment benefit was reduced to the level of the “education benefit” (*Statens Uddannelsesstøtte*, SU), a universal benefit given to everybody over 18 years for the time of their education or vocational training.

These limitations on the social security side were balanced by an expansion in the activation offers and the possibility for the unemployed to decide on their activation measures. In an “individual action plan” (IHP), an agreement made between the unemployed and the employment agency, qualification or subsidised employment were agreed upon. Furthermore the unemployed were given the opportunity to work as a substitute. This was connected with three leave schemes that were introduced alongside with the reforms. These allowed people in the labour market to step out for a certain period in order to spend time for childcare, for further training or for a sabbatical. But with the economic upswing the fear of a shortage of labour force grew and thus, the latter two leave schemes were stopped as soon as the demand for manpower grew in the late 1990s. The first was replaced by new parental leave legislation in 2002 (see below).

Summing up, the principle of “rights and duties” had a motivating as well as disciplining effect, helping the unemployed to find regular work and increased the incentives to search actively. In general the measures taken need to be regarded as a cutback of welfare benefits. The present liberal-conservative government continued the activation course in labour market policies. As outlined in their 2003 action plan “More people in Work” they introduced measures to harmonise and simplify the rules governing municipal action to improve the reintegration of the unemployed into the labour market. With the same argumentation they transferred social assistance to the responsibility of

the Ministry of Employment, emphasising the obligation to work. Shortening of benefit duration, rising obligations and work requirements for benefit receipt is the overall trend in labour market policy in the period between 1975 and 2004. However, benefits are still generous in a comparative perspective.

4.3 Old age pensions

The field of old age pension is very unique in Denmark showing again the strong influence of the social partners. Similar as in health policy the fundament for the system of old age pension was laid in the golden age of the welfare state with the introduction of a tax financed basic pension, *Folkepensionen* (1954). In order to cope with the increased needs already in 1964 a compulsory supplementing pension savings scheme (ATP = the labour market supplement pension) was introduced and in the 1980s extended with a special pension saving scheme (SP). Due to the fact that both saving schemes are mandatory and almost universal as well as publicly administered they are positioned between pillar one and two. In the years to follow, with the growth in wealth people wished for a higher income when they retire and gradually labour market pensions and individual pensions savings were extended. Therefore the Danish old age pensions can be considered as a three pillar system today (see table 2).

Table 2: *The Danish old-age pensions system*

<table>
<tr><th>Pillar 1</th><th>Pillar 2</th><th>Pillar 3</th></tr>
<tr><td>Public old-age pension</td><td>Labour market pensions</td><td rowspan="4">Individual pensions savings</td></tr>
<tr><td colspan="2">ATP</td></tr>
<tr><td colspan="2">Civil service pension</td></tr>
<tr><td colspan="2">SP</td></tr>
</table>

Source: own compilation

The *public old-age pension* is tax-financed through general taxes and every Danish citizen at the age of 65 (67 for people born before 1st July 1939) with a certain amount of years residing in Denmark is entitled to benefits. For the full amount 40 years of residence in Denmark are necessary. If the time of residence is shorter, the pension will be reduced proportionately. Although the public old age pension is independent of the previous labour market attachment, the total sum of the public old age pension depends on the pensioner’s present income and marital or non-marital status, because the public old-age pension consists of two elements: an earnings-unrelated basic amount and an earnings-related supplement. Since 1970 all public old age pensioners are entitled to the

fixed basic amount independently of their previous labour market attachment. In 1982 and 1993, the rules concerning the basic amount have been changed in the way that it today phases out if pensioners have income from work which reaches a certain amount (DKK 223.200; EUR 30.040 in 2002). The earnings related supplement, which is today almost as high as the basic amount, in contrast is reduced regardless of what kind the earnings besides the pension are.

Public old-age pension is annually adjusted on the basis of the wage development in the private sector but with a limitation saying that adjustment is reduced by up to 0.3 per cent if the wage increase exceeds 2.0 per cent. Public old-age pensions are paid on a pay-as-you-go-basis (PAYG), meaning that current tax payers finance current pensions. This of course increases the burden if the population is ageing and labour force is diminishing. Yet, politicians have to find solutions to serve the demands of future generations. One answer has been the establishment of *Labour Market Pensions*, which form pillar two of the pension system.

The introduction of *Labour Market Pension Schemes (LMP)* is a crucial case, because even though the picture is one of high path dependence, in a long-term perspective these changes can be regarded as path breaking (Andersen/Larsen 2002). Labour market pensions as we can find them for almost 82 per cent of the labour force in Denmark (Ministry of Social Affairs 2002) are furthermore an interesting case, because they are private pension schemes that are agreed upon by the social partners. No legislation has been passed in parliament until today. Nevertheless, due to their high coverage they are a strong pillar in the pension system. The labour market pensions are a defined contribution scheme which means that no guarantees are made regarding the disbursement. They are financed by contributions of which two thirds are paid by the employer and one third by the employee. The contributions are part of the collective agreements which means that an increase in contributions to the labour market pension scheme could be and is used as equivalent to wage increases. At the beginning contributions started with 0.9 per cent of the wage and an increase to 9.0 per cent until 2004 has been agreed upon. The funds are non-profit and organised by the social partners. Thus, the labour market pension schemes are a collective insurance scheme, which allows the individual employee to secure benefits at a price that is often independent of individual risks associated with death and disablement. Therefore, the labour market pension schemes are based on a solidarity principle. The benefits will be paid off at the age of 65 and can be split into a life long pension, pensions in instalments and capital pension.

Additionally, parts of the contributions are used as insurance to be rewarded in the case of disability, critical illnesses or death.

There are three additional schemes which are neither pillar one nor pillar two types and which are therefore situated between the two pillars. Firstly, the *Labour Market Supplementary Pension Fund (ATP)* is a statutory labour market pension scheme set up in 1964 in order to provide a supplementary pension for all wage earners. ATP is contribution-defined and fully saving-based financed. All employees in Denmark aged between 16 and 64 who are employed for more than nine hours a week pay contributions to ATP together with their employers. Since 1993, recipients of transfer payments (unemployment, maternity and sickness benefits) are also part of the ATP. And from 1997 on, also recipients of social assistance and rehabilitation benefits as well as recipients of anticipatory pension and early retirement benefits were enabled to pay voluntary contributions. Secondly, the *Special Pension Savings Scheme (SP)* is personal pension saving which was introduced in 1999 in order to curb consumption. Every wage earner pays one per cent of his or her gross wage sum. The personal savings are administered by the ATP and paid off at the age of 65 either as monthly instalments over a period of ten years or as lump sum. In the beginning SP was redistributive because the money paid in was based on the personal wage whereas the payoffs were based on the scope of employment. This was changed by amendment in 2002 with effects for contributions paid from 2001 onwards. Today, the individual person’s contributions will be added in full to that person’s savings in the scheme. Consequently, redistribution no longer takes place. Finally, the *Civil service pension* is a special pension paid to civil servants.

The Danish pension system has developed towards a three-pillar system as described above even though the reform of the system never passed parliament. The debate over pensions was mainly guided by two opposing facts: first, the wish and need to guarantee a continuously high standard of living in retirement and second, the need to contain future increases in public spending. The widespread introduction of labour market pensions is the main policy change in the field since the end of the golden age. Introduced as an expansive social policy measure giving future pensioners more money in the pocket, it has turned out to be a measure of cost containment for the public revenue as well. But there has been a lot of debate and conflict until its breakthrough. From the very beginning the social partners were involved and consequently the political breakthrough of the labour market pensions can be dated to the collective agreements in 1989 and 1993. Since the 1970s, labour market pensions have been subject to political debate

and there was “a relatively long period of non-decisions” (Schmidt-Hansen/Kaspersen 2004a: 16). The developments emphasize the role of the Danish model in policy-making as well as the meaning of path dependence. Moreover, the introduction and breakthrough of the labour market pensions must be seen in the light of the political debate about ØD in the 1970s and 1980s (Due/Madsen 2003). But it would be rather misleading to see the period between 1970 and 1985 as deadlock. In fact, eleven new pension funds were created in this period and already in 1985 20 per cent of the labour force was covered by labour market pension funds. This led to a situation at the end of the 1980s in which possible policy solutions were limited. Looking at the slow introduction and expansion of labour market pensions the changes took place through an incremental process. “It illustrates a situation where some initial small changes, introduced for various (often short-term) reasons, and not as part of a pre-designed plan, at some point become self-reinforcing and introduce another logic.” (Andersen/Larsen 2002: 18) To put it another way, one can say, that due to the lack of legislation decision making appeared as a “muddling through”, when sometime in the late 1980s a point of no return was passed.

In the course of the budget debates in 1984 the Minister of Finance, Henning Christoffersen, from the liberal party, recommended the introduction of labour market pensions agreed upon between the social partners. His intention was to prevent high wage increases and to commence long-term savings of the employees (Due/Madsen 2003). Gradually the fear of the employers associations (DA) of “ØD through the backdoor” had faded and by this time the LO had appointed a commission in cooperation with the Social Democratic Party. The commission presented its report in 1985 which among others proposed a universal labour market pensions. The DA, in contrast, preferred a private pension system. However, in 1989 an agreement on labour market pensions was made for civil servants in the municipalities. This added to the path of decentralised labour market pensions agreed upon by the social partners. In addition, the government welcomed the decentralised solutions and encouraged the social partners to continue. With the 1991 negotiations two big branches agreed on labour market pensions: the industry sector and the building industry (Due/Madsen 2003).

The Danish three pillar system, thus, differs from the deliberate pension reforms introduced in other countries such as the so called “Riester”-pension in Germany. “It is interesting to note that the international debate on the need for pension reform fuelled by the OECD report *Reforming public pensions* (OECD 1988) and the World Bank re-

port *Averting the old age crisis* (World Bank 1994) had no influence on the debate on pension reform in Denmark. But maybe these organisations could have learned something by studying the Danish reform process already under way in the late 1980s.” (Ploug 2003: 72). Furthermore, the first pillar was made sustainable for future demands by changing the benefit structure in connection with the tax reform of 1994. By this social benefits were made taxable and in order to neutralise effects the specific amount should be added to the public old-age pension. Due to the fact that the public old-age pension is split into a universal and a means-tested part, the social democratic minister of finance Mogens Lykketoft added the amount to the means-tested element. This changed on the one side the relation between universal and means-tested part to almost 50/50. On the other side this will produce future savings when additional incomes grow due to the labour market pensions. This smart move will make the Danish pension system robust for future challenges.

4.4 Family policy

Family policy is not so easy to trace back because family policy as such did not exist for decades. Not until the liberal-conservative government in 2004 established a Ministry for Family and Consumers Affairs family policy received an own status. However, the Danish welfare state has traditionally been characterised as women and family-friendly, providing day-care services for children in order to integrate women into the labour market (Knudsen 2004; Ellingsæter 1998).

This development towards gender equity is accompanied by changes in family structure. Birth quotas decreased from 2.54 in 1960 to 1.81 in 1994 (EUROSTAT 2005) whereas the age of women giving birth to their first child increased to 27 (in 1996). Furthermore, divorces increased and today more than one fourth of the children experience the divorce of their parents during their childhood. “Changes in family structure have an impact on the type of family policy needed, especially in relation to services, but also for income transfers. The changes in labour market participation have also created a need for changes in family policy, especially child care.” (Greve 2000: 93). Thus, family policy has been an expanding policy field and public spending on family policy has constantly increased over the last three decades. Compared to the other three presented policy fields (labour market, health and old-age pensions) the developments can be interpreted as a catch-up process. Admittedly, the increase in public child-care started already in the late 1960s. In consequence, “[t]he increase in the public production of

services involved a new partnership between women and the state” (Ellingsæter 1998: 61). Therefore, in many ways family policy has been regarded as part of labour market policies trying to improve labour market integration of women and a better balance between work and family life. The overall low working hours (37 hours/week), thus, have to be seen as part of this picture as well.

This perspective on family policies is also reflected in the administrative structure. Responsibility for child and family policies was spread among a number of functional ministries. Family allowances are the responsibility of the Ministry of Taxation, and the Ministry of Social Affairs is in charge of childcare, cash maternity benefit as well as other family cash aid. In recent years a coordinating Inter-Ministerial Committee on Children tried to bind the different institutions together. Furthermore family policy is decentralised to the municipalities. Therefore, minor differences exist, for example, in the level of fees for kindergartens and crèches. But as described above the municipalities coordinate their policies among themselves and towards central government via their interest organisation (KL). In principle, day care is paid out of the local tax revenue, but the municipalities also receive a state block grant. Additionally, municipal social services take care of children and youth in trouble or at risk.

Due to the fact that Denmark does not have an explicit family policy an overall family policy statement is hard to find. However, Danish family policy is best described as a triangle of first, universal and flat-rate cash benefits for families with children supplemented with means-tested help for needy families, second, comprehensive supply with state-run day care institutions for children, and third, maternity and parental leave with generous income compensation.

The *family allowance* was introduced in 1952. Apart from a short period from 1977 to 1986 it has always been universal and flat-rate. In order to reduce spending on family allowance the Social Democrats introduced a means test whereas the opposition planned a universal cut back of benefits by ten per cent. In 1987, the centre-right majority in parliament re-introduced universal child allowance. With this reform of the child benefit law (*familieydelseloven*) they differentiated the benefits into four elements: a universal family allowance (*børnefamilieydelse*), an ordinary child benefit (*børnetilskud*), an extra child benefit for single parents (*ekstra børnetilskud*) and an allowance for orphans (*særligt børnetilskud*). In sum, these multiple benefits tend to avoid family poverty resulting in the lowest child poverty in the 26 richest OECD countries (UNICEF 2005).

The *universal family allowance* is granted to all families with children under the age of 18 – regardless of their income or savings. In the beginning, in 1987, the universal family allowance was formed as a tax allowance. Later it was transferred into a tax free cash benefit which is normally paid to the mother (Skatteministeriet 2005). Due to this the family allowances is in the responsibility of the Ministry of Taxation. In other respects, family structure has no significance in the tax system and there are no special family tax deductions. Moreover, Danish taxes focus on the individual. From a gender perspective this tax policy is regarded as important part of "[t]he active use of labour market and family policies to promote a significant change in women's position (Lewis 1995: 18). Since 1990, the level of benefit is dependent on the child's age, the younger the children the higher the benefit. This intended to reflect the fees parents have to pay for day-care facilities for younger children where crèches are more expansive than kindergartens. Since 2004 the family allowance is automatic adjusted to the cost-of-living index. Thus, Denmark has the most generous system of family allowances (Ellingsæter 1998) compared to the other Nordic countries. In contrast to the general policy of cut backs, family allowances were more than doubled (Kvist 1999). While in the 1980s family allowance was the same for all age groups the difference between the age groups grew during the last decade in order to compensate the higher cost families have with young children (i.e. public child care).

In the last years, the dual breadwinner norm became widespread in Denmark. The fact that 85 per cent of the mothers have stayed at home for only six month after birth demonstrates the strong labour market attachment of women in Denmark. Nevertheless, *parental leave* has been gradually prolonged since the 1970s. In 1984, the 14 weeks of maternity leave were extended by another 10 weeks that now either mother or father can take. Leave provision was further increased in 1992. During the period 1992-2002, an additional "childcare leave scheme" was available (see section 4.2). The childcare leave scheme allowed both parents, whether employed or unemployed, to take leave for a period of up to 52 weeks for each child aged less than 9 years. Most parents were entitled to the leave, irrespective of membership in an unemployment insurance fund. This leave aimed at both reducing unemployment and reducing the shortage in day-care supply. The scheme was changed several times and was abolished completely in 2002. From 1999 to 2002, two extra weeks became available exclusively for men. The sitting liberal-conservative government transformed the multiple schemes of maternity, paternity and parental leave into the so called "flexible child leave" in January 2002. This

reform extended maternity leave but cut the original one-year parental leave. Maternity leave was increased from 32 to 52 weeks. In accordance to the new rules, the mother has the right to 14 weeks of maternity leave after the birth. Within the same period the father has the right to two weeks of paternity leave. When the child is 14 weeks old, the remaining 32 weeks may be "shared freely" between the father and the mother, of these 32 weeks eight to thirteen weeks may be used until the child's ninth birthday. Moreover, the father has the possibility to start some of the 32 weeks already within the period of the 14 weeks of maternity leave. The parents have to inform their employer eight weeks after birth about the share of leave they want to claim and when they want to do it. The compensation during maternity leave depends on the sector of employment. In the public sector, there is full-wage compensation. For the privately employed, the compensation depends on collective agreements between the employers and the unions, and some of them have specified a full pay during maternity and parental leave. For the groups, which are not covered by these agreements, the compensation is calculated according to the rules of the unemployment benefit system[18]. Since men tend to have higher earnings than women, and since more than half of the mothers are entitled to a full pay during parental leave, because they are employed in the public sector, most households have a strong economic incentive to let the mother use the parental leave period, which can be shared between the parents. The compensation rate for this extended parental leave period (after the 14 weeks of maternity leave) is only 60 per cent of the unemployment benefit.

In contrast to the described women-friendly policy one can state a “re-familiasation” in the last years breaking with the strong tradition of publicly organised child care. The two weeks of ‘use or lose’ paternal leave for fathers introduced by the social democratic government in 1997 is now integrated into the “flexible child leave”. Additionally, themed ‘free choice’ the newly elected liberal-conservative government agreed with the municipalities that parents of children aged zero to five years who want to look after their children themselves were granted an extra social benefit, but the parent who receives the benefit is not allowed to have any income from labour. In contrast, the expansion of child care has been high on the agenda throughout the research period in order to fulfil the demands of working mothers. Thus, in 1994 152 of the 275 mu-

[18] The compensation is 90 per cent of previous earnings up to a maximum. Thus, on average the compensation rate is 60 to 70 per cent of former earnings.

nicipalities offered a childcare guarantee for the one to five year old. Again the difficulty between national government and local authorities becomes obvious when in the mid-1990s the social democratic government aimed at an overall child care guarantee fulfilled in 2000. In order to fulfil this promise national government had to give more money to the municipalities.

Today, about 92 per cent of all children aged three to five years attend publicly provided *childcare*. These coverage rates belong to the best in the OECD world (OECD 2002). In the age group of zero to two years more than half of the children are in public child care. Furthermore, Danish public child care is also characterised by high quality care measured as educated staff per child ratio (OECD 2002). Public child care is highly subsidised but parents have to pay fees. Due to framework legislation these fees are not allowed to exceed 30 per cent of the variable costs of the child care place. Thus, the municipalities have to pay for all the fixed costs (e.g. rent) plus at least 70 per cent of the variable costs (e.g. staff, food). For low income families a means test exists which reduces the fee. Furthermore, most municipalities offer a reduction if more than one child is in public day care. The monthly costs of a childcare place vary between municipalities.

Family policies in Denmark emphasise the fact, that “In principle, women do better the more institutional and universal the welfare system” (Lewis 1995: 18). Thus, using gender as category in comparative welfare analysis shows that differences between the social democratic welfare states exist (Ellingsæter 1998). In contrast, with respect to child poverty a high correlation exists between government spending on families and child poverty rates (UNICEF 2005) unifying the Scandinavian welfare states in one cluster with the lowest rates. “We can therefore still group the Nordic countries in the same welfare cluster as social democratic, universalistic welfare states, but we need to distinguish between the gender-neutral, family-friendly high-solidarity welfare states Finland and Denmark and the relatively more cash-based solidarity welfare states Sweden and Norway (…)” (Greve 2000).

The policy process over the last three decades further highlights the deviant development of family policies compared to labour market policies for example. Despite economic pressures spending continuously increased and citizens were offered more rights, like child care guarantee, or more cash benefits, like family allowance.

5. CONCLUSION

The description of the four welfare programmes has rather shown a picture of slight and modest change than revolutionary changes in policies. Albeit the labour market reform of 1994 could at least qualify for a more severe change. In sum the overall characteristics of the unemployment benefit scheme remained intact. Spanning the four programmes the level of activity in readjusting the Danish welfare state has increased while expansion of social rights continued during the 1970s, first attempts to cope with the 'welfare crisis' were started in the 1980s. The bourgeois government of that time started an austerity policy of cost containment but they did not alter the overall structure. The universal schemes of health care, social assistance and old-age pensions remained universal giving access to every Danish citizen. Old-age pension supplement, the developing labour market pensions and unemployment benefit were left in the hands of the social partners, although the latter has a dense public regulation. During the 1990s new instruments in policy making were introduced – both by the bourgeois and the social democratic government. Health care was influenced by the ideas of the New Public Management approach, social assistance and unemployment benefit turned to activation, labour market pensions had their break through while public old age pension was cut down (with effects taking place in the future) and in family policy financial compensation was expanded as well as the leave period. The latter indicates a change in the regulation objective from a strong labour market integration of mothers to more time spent with the child which contradicts the activation line of thinking in labour market policy. Nevertheless, in sum, the Danish welfare state preserved its overall characteristics as a social democratic welfare state. The *National Health Service* is still a tax financed scheme based on citizenship rights and the counties are continuously responsible for the financing and provision of health care. Likewise, the *public old age pension* is still universal and fully tax financed. The *unemployment benefit scheme* remained voluntary and closely linked to the trade unions. Membership as well as qualification criteria continue to be easy to fulfil. Furthermore, unemployment benefits remained generous regarding both duration and level of benefit[19]. Transfer payments for *families* even became more generous over the last three decades as well as parental leave schemes.

Throughout the period under investigation additional 'elements' such as new instruments, new schemes or new policy goals were attached (see table 3). Today, Den-

[19] Despite cutbacks benefit duration of four years is high compared to other European welfare states.

mark relies also on elements taken from the liberal or conservative welfare state regime (Esping-Andersen 1990) like “workfare” in labour market policy or the linkage to previous employment in labour market pensions. Yet, these elements are embedded in the Danish welfare tradition (Andersen 1997; Christiansen/Nørgaard 2004; Torfing 1999). As shown by the historical review this welfare tradition is both influenced by the classical alliance between Social Democrats and unions and the strong position of the farmers and their political representative, the Liberal Party, which led to a “[…] stronger position of liberalism in Danish politics, which has continued all the way from the mid nineteenth century to the present.” (Knudsen/Rothstein 1994: 216). However, the appearance of the Danish social democratic welfare state regime is less clear cut than thirty years ago, because ways and instruments of social provision have changed.

Table 3: *Welfare mix in Denmark in the silver age*

Financing	Benefits	Delivery	Regulation Objective
tax-financed	universal + generous social rights based on citizenship	state monopoly in social policy provision high quality services	wide-ranging state intervention income redistribution + equality as policy goal
additional contribution-based schemes	***tightened conditions for benefit receipt***	***more “freedom of choice”*** ***introduction of quasi-markets***	***less statutory governance*** ***equal opportunities instead of equality***

Source: own compilation

The effects of this ‘proliferation’ can only be judged in the future. They are able to change the basic characteristics of the Danish welfare state or may cause an overall retreat of the state. So far, neither has happened. In addition, the upcoming structural reform will affect health care, labour market and family policy. Resistance against the changes is widespread among unions and many of the affected new interest groups like patients’ organisations. In addition, with this reform the right-wing government has left the path of consensual and broad agreement on major reforms in Denmark. When the government presented its proposals in 2004 people expected a long debate and negotiations with the Social Democratic Party but instead the Danish Peoples Party stated right away that they will support the proposal.

While many authors have stressed the consensual style of politics in Denmark (Knudsen/Rothstein 1994; Jørgensen 2002; Schmidt-Hansen/Kaspersen 2004), left and right wing parties disagreed about the future course of the welfare state – albeit the level of conflict decreased since the early 1970s. Although public opinion has pushed the

conservative government during the 1980s as well as the present liberal government to more pro-welfare state policies (e.g. additional spending in the health sector, no further cut backs in unemployment benefit) both Poul Schlüter and Anders Fogh Rasmussen introduced changes which favour individual over collective solutions (e.g. decentralised labour market pensions, more freedom of choice in service provision). Despite changes in party programmes the Social Democrats wanted to preserve the comprehensive welfare state. Nevertheless, or in accordance with, it has been the social democratic government in the 1990s which enforced the labour market reform. In sum, left and right wing parties have moved closer together favouring for example both ‘freedom of choice’ in social services and an extension of activation. However, their intentions behind these policies vary.

The described policy changes show the enduring influence of the trade unions on welfare state policies in Denmark – especially in labour market policy and old age pensions, which has been their ‘playground’ since the early beginnings (see chapter 2.1). With regard to the labour market reform of the 1990s they have been part of the reform preparing commission. Thereby, the corporatist actors “[…] demonstrate a great ability to adapt understandings and actions to changed conditions within the institutional framework as formative element of actor choice.” (Jørgensen 2002: 237). It is this institutionalised cooperation between state and interest organisations which has left its mark on the process of readjusting the Danish welfare state. Not only trade unions and employers organizations but also the interplay between government and ARF (respectively KL) has been important. Three factors have fostered the cooperation between state and interest organisations. First, the historical review has shown that the development of the social democratic welfare model in Denmark is closely connected to the power resources of the labour movement (Esping-Andersen 1990). This established highly institutionalised relationships between state and interest organisations as well as the involvement of the social partners in the implementation and administration of certain schemes (labour market pensions, unemployment insurance). Consequently, actors do not only look at short term advantages but can take long term effects into account.

Second, the parliamentary system and the minority government tradition made interest group involvement necessary in order to minimise parliamentary and extra parliamentary opposition, the government is dependent on the support of the social partners when drafting social policy reforms, because “partierne I Folketinget hyppigt vil dele

anskuelser og holdninger med bestemte organisationer[20]” (Christiansen/Nørgaard/ Sidenius 2004: 291). And third, from the point of view of the interest organisation (especially the trade unions) involvement is attractive – in contrast to pure opposition as in the 1980s – because it is better to be involved in the process of readjusting the welfare state than not to be involved (Christiansen/Nørgaard 2004: 107/108).

Hence, despite the observed incremental reform process, Denmark has shown flexibility in re-adjusting their welfare state. Like Katzenstein (1985) described twenty years ago “the small European states have adopted a flexible political strategy of industrial adjustment” (Katzenstein 1985: 78). The question whether smallness is a virtue in respect to welfare state restructuring will be explored in more detail in future research. Nevertheless, the flexibility is the product of long-term, institutionalised relationships between parties and interest organisations; although it is hard to asset the interplay between interest group involvement and policy developments which also need to be clarified in future research.

[20] … “parties in the parliament will often share views and positions with certain organisations.”(own translation).

6. APPENDIX

Figure 1: *Programme-specific expenditure per dependent [in national currencies at constant 1995 prices]*[21]

Source: OECD 2002

Table 4: *Standardised unemployment in Scandinavia and Germany, 1961 - 2005*

	1961	1965	1970	1975	1980	1985	1990	1993	1995	2000
DAN	**1,9**	**1,2**	**0,7**	**4,9**	**6,9**	**9**	**7,2**	**9,6**	**6,8**	**4,4**
FIN	1,2	1,4	1,9	2,2	4,7	5	3,2	16,4	15,4	9,8
GER	0,7	0,5	0,6	4	3,2	8	4,5	7,5	7,7	7,3
NOR	0,9	0,9	0,8	2,3	1,7	2,6	5,2	6	4,9	3,4
SWE	1,5	1,2	1,5	1,6	2,2	2,8	1,7	8,2	7,7	4,7

Source: OECD 1986, OECD 2004

Table 5: *Political Parties in Denmark*

Classification	Danish Name
liberal party (Liberals)	Venstre, Danmarks liberale parti (V)
social democratic party (Social Democrats)	Socialdemokratiet i Danmark (SD)
populist right-wing party (Danish Peoples Party)	Dansk Folkeparti (DF)
conservative party (Conservatives)	Konservative Folkeparti (KF), former: Højre
socialist party (Socialist Peoples Party)	Socialistisk Folkeparti (SF)
social-liberal party (Social Liberals)	Radikale Venstre (RV)
Christian democratic party (Christian Democrats)	Kristeligt Folkeparti/ Kristendemokraterne(KrF/KD)
centre party (Center Democrats)	Centrumsdemokraterne (CD)

Source: own compilation

[21] The increase in old age pensions in figure 3 is caused by an increase in benefits due to changes in taxation (see section 4.3).

***Table 6:** Governments and Elections 1973-2005*

primeminister	election	term in office	coalition	type of government
Jens Otto Krag IV	21.09.1971	11.10.1971 - 5.10.1972	Socialdemokratiet	Minority
Anker Jørgensen I		5.10.1972 - 19.12.1973	Socialdemokratiet	Minority
Poul Hartling	04.12.1973	19.12.1973 - 13.2.1975	Venstre	Minority
Anker Jørgensen II	09.01.1975	13.2.1975 - 30.8.1978	Socialdemokratiet	Minority
Anker Jørgensen III	15.02.1977	30.8.1978 - 26.10.1979	Socialdemokratiet + Venstre	Minority
Anker Jørgensen IV	23.10.1979	26.10.1979 - 30.12.1981	Socialdemokratiet	Minority
Anker Jørgensen V	08.12.1981	30.12.1981 - 10.9.1982	Socialdemokratiet	Minority
Poul Schlüter I	10.01.1984	10.9.1982 - 10.9.1987	Det Konservative Folkeparti, Venstre, Centrum Demokraterne + Kristeligt Folkeparti	Minority
Poul Schlüter II	08.09.1987	10.9.1987 - 3.6.1988	Det Konservative Folkeparti, Venstre, Centrum Demokraterne + Kristeligt Folkeparti	Minority
Poul Schlüter III	10.05.1988	3.6.1988 - 18.12.1990	Det Konservative Folkeparti, Venstre + Det Radikale Venstre	Minority
Poul Schlüter IV	12.12.1990	18.12.1990 - 25.1.1993	Det Konservative Folkeparti + Venstre	Minority
Poul Nyrup Rasmussen I		25.1.1993 - 27.9.1994	Socialdemokratiet, Det Radikale Venstre, Centrum Demokraterne + Kristeligt Folkeparti	Majority
Poul Nyrup Rasmussen II	21.09.1994	27.9.1994 - 30.12.1996	Socialdemokratiet, Det Radikale Venstre + Centrum Demokraterne	Minority
Poul Nyrup Rasmussen III		30.12.1996 - 23.3.1998	Socialdemokratiet + Det Radikale Venstre	Minority
Poul Nyrup Rasmussen IV	11.03.1998	23.3.1998 - 27.11.2001	Socialdemokratiet + Det Radikale Venstre	Minority
Anders Fogh Rasmussen I	20.11.2001	27.11.2001 – 18.2.2005	Venstre + Det Konservative Folkeparti	Minority
Anders Fogh Rasmussen II	8.2.2005	18.2.2005 - ??	Venstre + Det Konservative Folkeparti	Minority

Source: own compilation

Table 7: *List of Abbreviations*

token	Danish name	English Expression
AF	*Arbejdsformidling*	employment service
a-kasse	*Arbejdsløshedskasse*	unemployment insurance
AMS	*Arbejdsmarkedsstyrelsen*	labour market agency
ARF	Amtsrådsforening	Danish Regions
ATP	*Arbejdsmarkedstillægspension*	Supplementary Pension Fund
DA	*Dansk Arbejdsgiverforening*	Danish Employers’ Organization
DADL	*Lægeforening*	Danish Medical Association
DI	*Dansk Industri*	Danish Industry
DRG		Diagnosis Related Group
DsF	*Den samvirkende Fagforbund*	The Trade Union Cooperative
EC		European Community
EFTA		European Free Trade Area
EMU		European Monetary Union
EU		European Union
GDP		Gross domestic product
IHP	*Individuelle Handlingsplan*	individual action plan
KL	*Kommunernes Landsforening*	Local Government Denmark
LAN	*Landsarbejdsnævn*	National Labour Market Council
LAR	*Landsarbejdsråd*	Labour Market Board
LO	*Landsorganisation i Danmark*	The National Organization
RAR	*Regionalarbejdsråd*	regional labour market boards
SiD	*Specialarbejderforbundet*	trade union of unskilled workers
SP	*Særlig Pensionsopsparing*	Special Pension Savings Scheme
SU	*Statens Uddannelsesstøtte*	education benefit for young people
VAT		Value Added Tax
ØD	*Økonomisk Demokrati*	economic democracy

Source: own compilation

Table 8: *Referenda in Denmark*

Date and year of the refendum	Subject of the referendum	Percentage of total number of persons entitled to vote		Outcome
		YES	NO	
May 28th 1953	Constitutional amendment: Bill on the Constitutional Act of Denmark of May 1953 (age of youngest voters 25)	45.8	12.3	Constitutional amendment passed
May 28th 1953	Lowering of the voting age from 25 to 23 or 21 (age of youngest voters 21)	30.0 for 23	25.0 for 21	Electoral age lowered to 23
May 30th 1961	Bill on altering of the voting age to the Folketing from 23 to 21	20.3	16.6	Electoral age lowered to 21
June 25th 1963	1. Bill on acquisition of agricultural holdings nature	27.7	44.5	"Land laws" became void
	2. Bill on State smallholders	27.9	44.3	
	3. Bill on the pre-emption of the local authorities	28.7	43.6	
	4. Bill on the conservation of nature	30.8	41.5	
June 24th 1969	Bill on the altering of the voting age to the Folketing from 21 to 18	13.6	49.8	Electoral age of 21 retained
September 21st 1971	Bill on the altering of the voting age to the Folketing from 21 to 20	47.4	36.5	Electoral age lowered to 20
October 2nd 1972	Denmark's Accession to the European Economic Communities	56.7	32.9	Denmark accedes to the European Economic Communities on January 1st 1973
September 19th 1978	Bill on the altering of the voting age to the Folketing from 20 to 18	34.2	29.0	Electoral age lowered to 18
February 27th 1986	Denmark's accession to the EC package (European Single Act) (consultative referendum)	42.0	32.7	Denmark's accession to the EC package passed by the Folketing
June 2nd 1992	Denmark's accession to the Maastricht Treaty	40.5	41.7	Denmark did not accede to the Treaty
May 18th 1993	Denmark's accession to the Maastricht Treaty supplemented by the Edinburgh Agreement	48.6	37.0	Denmark acceded to the Treaty supplemented by the Edinburgh Agreement
May 28th 1998	Denmark's accession to the Amsterdam Treaty	41,3 (55,1 % of the valid votes)	33,6 (44,9 % of the valid votes)	Denmark acceded to the Amsterdam Treaty
September 28th, 2000	Denmark and the single currency	40,5	46,1	Denmark did not adopt the single currency

Source: www.folketinget.dk [05.09.2005]

Table 9: *List of Expert Interviews*

Who?	Organization + Function	Date
Jon Kvist and Niels Ploug	senior researcher and research director at the Danish National Institute of Social Research (sfi)	24.08.2004
Stine Pilegaard Jespersen and Jørgen Bang-Petersen	labour market adviser and chief consultant at the employer’s organization “Dansk Arbejdsgiverforening”	25.08.2004
Anders Lynge Madsen	head of department at the Ministry of Social Affairs	24.08.2004
Inge Mærkedahl	member of the Zeuthen commission, former chief of department in the Ministry of Labour	26.08.2004
Carsten Skovgaard Nielsen	principal in the Ministry of Social Affairs	26.08.2004
Michael Jacobsen	consultant at the Danish umbrella organization of trade unions (LO)	30.08.2004
Peter Gorm Hansen	chief executive officer at Local Government Denmark (KL)	31.08.2004
Bo Smith	permanent secretary at the Ministry of Employment	31.08.2004
Torben M. Andersen	professor of Economics at the University of Aarhus	17.09.2004
Louise Gade	mayor of Aarhus city	04.05.2005
Henrik Hauschildt Juhl	vice president of Danish Institute for Health Services Research (DSI)	09.05.2005
Anders Søndergaard Larsen	deputy director at the employer’s organization “Danish Industry” (DI)	10.05.2005
Carsten Koch	former Minister of Health and former Minister of Taxes	10.05.2005
Bente Hyldahl Fogh	director of the Danish Medical Association (DADL)	11.05.2005
Andy Andresen	head of department at the trade union for white collar workers and public employees (FTF)	11.05.2005
Hans Okkels Birk	researcher at the Department of Health, Roskilde County	11.05.2005
Mogens Lykketoft	former Minister if Finance and former chairman of the social democratic party	12.05.2005
Otto Larsen	administrative director of Danish Regions (ARF)	12.05.2005
Søren Bald	chairman of the social liberal party	18.05.2005
Lars Andersen	director of the Danish think tank “aeraadet”	19.05.2005
Karsten Vrangbæk	associate professor at the Institute of Political sciences, Copenhagen University	20.05.2005
Trine Toftgaard Lund	principal in the Ministry of Social Affairs, Center for economy, pensions and international relations	23.05.2005
Michael O. Appel	former manager of project on health care reforms and cost containment, in the Ministry of the Interior and Health	24.05.2005
Johannes Flensted-Jensen	mayor of Aarhus county	25.05.2005
Torben Möger Pedersen	CEO/managing director of “Pension Danmark”, management company for labour market pension	26.05.2005
Svend Auken	former Minister of Labour and former chairman of the social democratic party	26.05.2005

Source: own compilation

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