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Introduction

Two important aspects distinguish the 'activation' strategy of the Nordic countries from their European counterparts: first, by the role the state should adopt and; second, in their understanding of activation. The state is seen has having an *extensive* role in getting the broadest possible cross-section of the population into work or other activities, and and *intensive* role in that all its policies contribute to this goal, which often involves intervening in the lives and autonomy of citizens. Activation, broadly understood, means participation in some sort of activity. Obviously, participation in ordinary paid work is the optimal goal, but when this proves impossible for certain groups, the aim in the Nordic countries is still to provide people with some sort of daily activity. In this way the Nordic experience may provide an alternative 'third way' to both the strategy of wage flexibility and tax credits prevailing in some Anglo-Saxon countries and the labour shedding strategy that has to some extent been followed in Continental Europe.

Perhaps the most salient characteristic of the Nordic approach is the emphasis given to individual self-determination in realising their own capacities. The idea is that this will increase individual resourcefulness and benefit society when they find paid work. Although the employment situation of men does not differ markedly between the Nordic and other European countries, there are noticeable differences in the situation of women. The employmnent rate of women is generally higher in the Nordic countries than in, for example, either Britain or the Netherlands. The proportion of Nordic women employed in part-time jobs is also significantly lower. Today, more than 70 per cent of the working aged population in the Nordic countries (except Finland) is in employment, which meets the EU strategy goal set out at the Lisbon Summit in March 2000. This article presents and discusses some of the recent Nordic activation policies.

Change of discourse

Recent Danish developments illustrate the shift in Nordic thinking about (un)employment. During the late 1970s and 1980s there was in Denmark a widespread belief that there were insufficient jobs for everyone. Sharing jobs and 'protecting' the unemployed were widely seen as the answers to the problem of unemployment. Many policy measures, such as the early retirement scheme (*efterlon*) of 1979 and other leave-of-absence schemes were intended to distribute employment from the 'work rich' to the 'work poor'. However, all evaluations showed that these programmes had limited effect (see, for example, Maerkedahl, Rosdahl and Thaulow 1992; and Pedersen, 1996). This idea of distributing employment and unemployment has largely been abandoned. Instead, it is now generally believed that social and employment policies may help to lower the structural rate of unemployment and reduce not only the economic, but also the social, costs of unemployment.

The political focus in the Nordic countries is on how to strengthen the position of particularly vulnerable groups in the labour market by improving their qualifications. Moreover, the rationale for extending activation was to introduce some non-financial incentives to seeking work when employment prospects improve. A broad coalition of political parties who favour the 'activation wave' in Denmark, Norway and latterly Finland and Sweden, thought it better to enforce obligations to work and to take up activation measures rather than to lower benefit rates (and wages). Obtaining a more equal distribution of higher level qualifications through activation is seen as a better policy than attempting to reduce the wages and benefits of the less qualified, which will lead to a more unequal wage distribution. Generally, improving the qualification levels of individuals is seen as a key way of strengthening the potential for economic growth and, in consequence, welfare in society at large.

Qualification strategies

The idea of continuously improving the qualifications of the unemployed (and employed) in order to meet the changing demands for labour has a dual character in the sense that such measures may be said to serve two different sets of objectives and target groups:

1. The short-term unemployed, who are offered education and training to combat bottle necks in the labour market and to improve their qualifications.

2. The long-term unemployed, where the activation measures have a broader long-term aim including measures to improve the well-being and self-esteem of the individuals.

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To achieve this adult education and labour market measures have been greatly expanded and changes have been made to the tax/benefit system (see below). However, there have been important intra-Nordic differences during the 1990s. In the first half of the decade both Sweden and (to an even greater extent) Finland experienced severe economic difficulties with steep rises in unemployment and a decline in the labour force. As a result, the proportion of the activated unemployed in the labour force increased. In contrast, the favourable economic climate in Norway, and since 1994, Denmark led to a reduction in the numbers unemployed and led to an expansion in the labour force (Torp, 1999). In the following section, the emphasis will be on the innovative parts of the Nordic experiences in relation to activation rather than with the cuts. Broad cuts were introduced, primarily in Sweden and Finland, but these have now been scaled back.

Active labour market policies

Sweden has a long history of activation measures. What is new is that other Nordic countries, in particular Denmark and, more gradually, Finland are now pursuing such policies much more vehemently than previously. The increased emphasis on activation following the Danish Labour Market Reform of 1994 coupled with the reduction of unemployment led to an increase in the proportion of unemployed people engaged in activation programmes. At the same time, one of the effects of the oil revenues in Norway was a further increase in employment levels, particularly amongst women, and a consequent fall in unemployment. Partly as a consequence of this, the current emphasis on activation for the unemployed in Norway primarily relates to enforcing mobility requirements and on providing job and training offers for groups with multiple needs such as people with disabilities (Dropping *et al*, 2000).

Linking welfare with work

All the Nordic countries, except Norway, have voluntary unemployment insurance schemes, which require a certain number of months of paid work in order to establish benefit eligibility. In the early 1990s, participation in active measures could be counted towards (re)eligibility to benefits. Thus, high and rising unemployment in Sweden during the first half of the 1990s led to activation offers being used to some extent to enable the unemployed to requalify for new benefit periods. However, in what was a remarkable policy shift, the same practice was changed in Denmark and Finland. Since 1994 in Denmark (and 1997 in Finland) only 'ordinary' (non-subsidised) employment is acceptable for establishing eligibility for unemployment benefit. In short, changes to unemployment insurance as well as social assistance and disability benefit schemes, have resulted in a firmer link between cash benefits and activation, between welfare and work.

Redesigning activation

Parallel to this, Denmark and Finland increased and redesigned their activation measures by decentralising the planning and implementation of such programmes to the regional level by means of collaboration between the social partners and the municipalities. Individual activation plans have been introduced which stipulate that unemployed people have both the *right* and the *duty* to accept activation offers.

In Denmark this was done by stipulating a maximum unemployment benefit period of seven years divided into a so-called contact period of four years and an active period of three years. During the active period, the unemployed person has both a right and an obligation, to accept, activation. Young people and vulnerable groups enter the activation period earlier, typically after six months. Activation measures include education, wage subsidies, adult apprenticeships, IT schemes, language courses (for ethnic minorities), and, for the long-term unemployed, public sector job training, service jobs (sheltered employment), and personal resource courses. Similar rules and measures now apply in Finland.

"Penalties for not accepting activation offers have been increased in Denmark and the other Nordic countries".

Since 1994 the maximum benefit periods in Denmark have been shortened to four years and the activation period now begins after one year of unemployment. Schemes have been lengthened, the drawing up and review of individual action plans have been strengthened, the scope of the measures has been expanded, new schemes have been introduced, and more efforts have been made to identify vulnerable groups and their needs (see also Arbejdsministeriet, 1999). Hence, more people in an increasing number of situations and even earlier in the unemployment spell are participating in activation measures for longer and longer periods. At the same time, however, penalties for not accepting activation offers have been increased in Denmark and the other Nordic countries for claimants of both unemployment insurance and social assistance.

New schemes and goals

Since the turn of the new century, Nordic policy makers continue to experiment with activation in order to ensure that its coverage encompasses the whole unemployed population. In addition to reforms along Danish lines, Finland has introduced a group job search scheme (job clubs) and strengthened the development of local and regional partnerships for innovative forms of job creation. Sweden has just introduced a wage subsidy of 50 per cent for those unemployed for longer than six months and 75 per cent for those who have been unemployed for longer than 24 months (which the employer is able to deduct from company taxes). Sweden is also testing an activation guarantee which means that the long-term unemployed are not activated on a full-time basis until they find work or enter ordinary education. Norway has extended this right to educational grants and permitted employment agencies to hire out unemployed people as temporary staff.

Both Denmark and Norway have reformed their disability pension schemes and have tried to reduce the level of long-term sickness. In the new Danish labour training scheme participants start a training programme with an employer for a short period during which employers help to identify the individual's need for further training, education and so forth. Subsequently, the participants undertake training outside the workplace as well as work with an employer. This signals a new way of involving individual employers directly in the planning and implementation of activation programmes. It is hoped that the closer link between participants and employers and the identification of specific needs will increase the effectiveness of these schemes.

"A more 'social' perspective is now being undertaken which involves long-term investment to improve self-esteem".

During the 1990s the goal of activation has expanded. Instead of concentrating on economic issues such as deterring the able-bodied from benefit take-up and improving skill levels to avoid mismatches and bottlenecks, a more 'social' perspective is now being undertaken which involves long-term investment to improve self-esteem and so on. The Danish Activation Law of 1998 for social assistance claimants gave further impetus to this development. However, the prospect of including more groups in activtion is unlikely at present. Instead efforts are being made to create a more encompassing labour market.

The encompassing labour market

As the 'qualification' strategy has now run its course, Nordic policy makers have become aware that this cannot help all unemployed and marginalised people to get an ordinary job. This has led to the idea of an encompassing labour market. Initiatives include campaigns for increasing the social responsibility of companies, establishing 'social chapters' in collective agreements (ie. jobs on other conditions than normally stipulated), and wage subsidies for those with reduced work capacities. However, developments in this field have been slow and not too promising. Although employers have accepted some responsibility for their current employees they have been less willing to help the long-term unemployed or those with a partial disability. Trade unions and core workers have feared that the social chapter would reduce wage levels and working conditions. The Federation of Industry has warned against wage subsidies being used to favour some firms over others.

Most importantly, such measures may further weaken the link between vulnerable groups and the ordinary labour market. Policy-makers have tried to overcome some of these problems by establishing special companies like the *Samhall AB* in Sweden, or by creating sheltered jobs in areas not exposed to market competition such as third sector activities and certain areas of the public sector.

Effects of activation

Most unemployed people, as well as the professionals working with them, have endorsed this shift in policy. Four-fifths of all participants have reported that participation in such programmes increased their self-esteem, whilst half stated that their vocational qualifications had improved with consequent enhancement of their employment prospects. However, within the context of a general reduction of structural unemployment, the employment effect of activation varies between socio-economic groups and between the activation instruments (Arbejdsministeriet, 2000). Briefly job training and education offers have been shown to have a significant positive effect whereas education leave does not reduce unemployment. The employment effects are generally strongest for those between 30 and 50 years of age. The general effects are to a large extent dependent on personal characteristics, including the initial motivation of participants and their age (the younger, the better) on the one hand, and programme-specific features such as the length of programmes (the longer, the better) and the type of activation measure on the other.

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"Today 90 per cent of Danish children aged from 3 to 6 are in childcare".

Reduced benefit generosity

While the strategy of reducing benefits in order to increase work incentives might be regarded as alien to the dominant philosophy in the Nordic countries, a number of changes to the tax/benefit systems in the 1990s have led to a de facto reduction in benefit levels. For example, the net replacement rate for a single average production worker has decreased from 69.8 per cent (1990) to 62.6 per cent (1999) in Denmark, from 64 per cent to 60.2 per cent in Finland and from 88.1 per cent to 70.2 per cent in Sweden (Hansen, various years). Only Norway has retained a stable net replacement rate at around 66 per cent. In short, unemployed people, and particularly the young, have not only been targeted for activation, but have also seen their living standards deteriorate relative to the working population.

Caring and female employment

Whereas activation policies have come to be seen as synonymous with welfare-to-work schemes or active labour market policies in the international context, such a focus is too narrow in the case of the Nordic countries. The high female labour force participation in the Nordic countries can to a large extent be accredited to the Nordic welfare state model that promotes the employment opportunities of women both as an employer and provider of care. About 30 per cent of all people in employment work in the public sector, which is twice the OECD average, and about two-thirds of all those employed in social, health and education are women (see also Kohlberg, 1991). Secondly, by providing extensive care services for the elderly and, in particular, children, women are able to 'opt out' of the family (during working hours) and participate in the labour market (see also Esping-Andersen, 1999).

Regardless of the number or age of their children, all working age citizens are expected to be engaged in paid work in the Nordic countries. Studies confirm that having children has little or no negative effect on female labour supply - but positive effects on male labour supply - (eg. Socialkommissionen, 1992). The proportion of children in childcare is very high in the Nordic countries and has grown further during the past decade. Today 90 per cent of Danish children aged from 3 to 6 are in childcare. In Sweden it is 80 per cent, with 70 per cent in Norway and Finland. The provision of subsidised, full-time childcare may be an important factor behind the high and increasing trend for employment among women and also their relative low and decreasing share of part-time employment. Balancing paid work and family life in the Nordic countries is quite simply much easier than in countries where childcare is either scarce, expensive or designed in such a way that parents have to care for their children during lunchtime and/or the afternoon. Childcare thus permits more women to participate in the labour market in ways which they find most appropriate.

Concluding remarks

During the 1990s the Nordic countries have advanced their activation efforts by the use of both 'carrots' and 'sticks', ie. by providing longer and better activation measures and more childcare places on the one hand, and stronger obligations, tougher penalties, and reductions in benefit levels on the other. Both strategies have contributed to higher employment and lower unemployment levels than would have been the case in a laissez-faire market economy. In broad terms, activating welfare states such as the Nordic countries enable more people to take up work and also encourage risk-taking endeavours such as changing one's job or starting a family than is possible with non-interventionist approaches which lack a safety net. In this sense, activating welfare states can be seen as delivering the best kind of social security for the achievement of labour market flexibility.

The discussion so far might lead one to the view that Nordic countries have neglected demand-side policies and concentrated exclusively on supply-side policies. To some extent, this is true. Even in the social democratic stronghold of Scandinavia, Keynesian demand-management is no longer regarded as an appropriate policy strategy. The 1990s, however, did provide examples of demand-side policies. For example, the Danish labour market reform of 1994 was accompanied by an important (albeit under financed) tax reform which aimed, successfully, to kick-start the economy. It is unclear what the level of economic development would have been in Denmark without this stimulus, but clearly the employment situation would not have been as favourable without a booming economy.

The economic crises in Sweden and Finland during the first half of the 1990s were not caused by their activating welfare states, but by the liberalisation of capital markets, tax reforms, overheating economies, the housing sector, and, in the Finnish case, by the ending of a favourable trade agreement with the former Soviet Union. It is safe to assume, however, that these two countries would not have recovered as fast as they did if it had not been for their activating welfare states. This helped prevent widespread poverty, labour market marginalisation and the erosion of human capital.

Another important lesson to come out of the Nordic experience is that the implementation and success of activation policies depends to a large extent on the economic cycle. Job training and education may be important during a recession with high and rising unemployment in order to retain a certain level of human capital, but their employment effects are not positive. By contrast, when unemployment is declining there may be good reason to intensify activation and target those who cannot by themselves find jobs and to enforce 'job willingness' criteria for the more resourceful groups. If work obligations and penalties are tightened in an economic downturn they can hardly be seen as enabling mechanisms which expand the quality of social rights. Instead, they will be seen as discipinary measures, which curb the social rights of unemployed people.

At the same time, evaluation studies have shown that the effects of activation policies vary according to the socio-economic status of the unemployed. In general, the Nordic countries have fared better in promoting the employment prospects of young and middle-aged men and women, both skilled and unskilled. It has been less successful in integrating the ethnic minorities or those above 55 years of age. It can be seen, then, that passing judgement on activation policies requires not only a review of the complex package of 'carrots and sticks' in diverse policy programmes (spanning family policies, unemployment policies, and employment policies). It is also necessary to take the general economic situation amongst specific socio-economic groups and regional areas into account.

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The Nordic activation strategy demonstrates that activation should not be related solely to economic factors such as increasing ordinary employment *per se*. It should also be linked to the broader goal of providing people with a meaning to their life through participation in daily activities. The 1990s have shown that the third way of the Nordic countries is still viable and 'social'. As such it provides an alternative to the dominant thinking on social security and economic incentives from elsewhere in the world.

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