Democracy and Modern Governance
Exemplified by the Danish
Labour Market Steering System
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Department of Economics, Politics and Public Administration
Aalborg University
Fibigers traede 1
9220 Aalborg · Denmark

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BY

Graduate Research Fellow
Charlotte Hansen
Department of Economics, Politics and Public Administration
Aalborg University
Fibigerstraede 1
9220 Aalborg
email: charloth@socsci.auc.dk

Graduate Research Fellow
Anders Hansen
Department of Economics, Politics and Public Administration
Aalborg University
Fibigerstraede 1
9220 Aalborg
email: aph@socsci.auc.dk

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Abstract

This paper will tell the story of some relatively unknown Danish Councils, i.e., LAR - the central Labour Market Council, and 14 Regional Labour Market Councils - RAR. These councils have a major influence on Danish labour market policy, and in 1999 they controlled the allocation of 7.3 billion Danish Kr. It is necessary to understand these councils, both in relation to the Danish tradition of corporatism, and in relation to the debate on democracy and governance. This raises a number of democratic and political problems, which will be dealt with in the following sections.

1. Governance and Democratic Control

The debates over the governing of society and democracy stretches at least more than two thousand years back in time. And although there always have been, and continues to be debates over the questions of what exactly democracy means, and which significance it carries, it seems that we, at least most of the time, generally can agree, that democracy means something like the peoples, or the communities rule of society. Political theory does thus not stumble totally randomised though time and space (Bevir 1999:313-314). However, it is sometimes, successfully argued, that this understanding of democracy does not tell us very much, the reason for this being: 1) That it is unclear whom the people are, and if there is a difference between the people and the community. 2) That the rule of the people can take place in an infinity of historical variations. 3) That it is hard, if not impossible, to agree on any real standards in order to determine when a mode of governance ceases to be a democracy. Or, in other words, to determine the degree of control the people supposedly shall have in order to make a given mode of governance democratic. As it seems hard to give any final a-historical answer to these objections, we intend to handle the problems at hand a little differently. We intend to look at a concrete empirical case, and draw our conclusions from that in relation to the electoral chain of command.

Our approach to the problems at hand thus touches on several discussions that have been established within the field of political science. At least since Rousseau political democratic scientists have in various forms been concerned with the fact, that the governing of modern society necessarily must include some sort of representation (Bien 1997: 698), and at least since Mill it has generally been agreed, that the authorities who represent the people cannot be totally bound by the mandate they were given by the people (Ten 1998: 382). For if they were, so the argument goes,
they would not be able to include new types of information in their decision making process, and if they tried anyway, they would have continuously to go back and reaffirm their mandate given by the people. Most have thus agreed, and most continue to agree, that modern political democratic policy making must include authorities, and these authorities cannot be bound in any strict sense by any given mandate by the people.

This leaves the problem of handling the peoples interactions with the political authorities in an appropriate manner, and although a vast number of different models have been suggested in order to deal with these problems, it is most likely correct, that in general terms the official model of the chain of steering can be presented in the following manner:

Figure 1: The Electoral Chain of Command or the “Constitutional Model”

The very simple presentation still captures one of the central figures within the political discourse. It states that the sovereign people, through free elections, elect their representatives who form the
parliament. The parliament determines the basic rules of society and appoints a government. The government, which is the highest administrative authority, supervises the bureaucracy. The bureaucracy neutrally carries out the implementation and administration of the laws given by the government, and in the bureaucracy, administrators supposedly have a life long career and are appointed according to their qualifications.

As a general orientating concept (and that is how we use it), this discursive figure may indeed still hold a great deal of significance. But it has been known for a long time in the political literature that there are certain processes within the political process that complicates any clear-cut pictures of steering. It can be said, that if indeed it is a secret that political leadership and power games actually do make a difference in the articulation of politics, then it is, at the very least, a very public secret (March & Olsen 1989:78).

It can be claimed that throughout political history, political theory has in some way been occupied with the origin and existence of the political systems. There have been numerous attempts of describing how these systems actually influence actors' possibilities for action. Some have made this description because they felt, that active participation in, and design of the political systems was the only way to solve fundamental problems within their society. Some have because they felt that a rejection and destruction of the political system were inevitable if the very same problems were to be solved (Easton 1965a, 1965b). However, no matter why or how, this description was given, all seem to look at these systems as central elements in the political life. In modern west European political literature\(^2\), it has become commonplace to speak of 'governance' as the metaprinciple of modern political co-ordination (Kickert 1997, Rhodes 1997, Hay 1998, Jessop 1998 and others). It has to be said, that although the reasons for dealing with 'governance' are diverse, and although the focuses within the various approaches to governance are equally diverse; they all seem to acknowledge that some sort of network that goes in-between or across the mentioned official chain of steering, is necessary if modern political decision making are to take place. This is also our approach to the problem at hand. This still leaves us with the problem of finding an appropriate mix between authorities, networks, and ordinary people. Most of the time it probably is

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1 Special thanks to Karl Løfgren for drawing this figure.
2 Although we consider David Easton to be writing about governance problems, it seems that it has taken a while for this discussion to reach the US, but people like James Rosenau, Tracy B. Strong, James Fishkin and John G. Gunnell are now dealing with these problems.
the case that these governance networks simply evolve, and are not controlled efficiently by anyone. However, that still leaves the problems of understanding these problems in terms of democracy, and most of the time we seem to draw a blank when we try to describe this.

In our empirical case the governance networks did not evolve “out of the blue”. There is an about 100 years old tradition of networking and co-ordination within Danish labour market which is rooted in the corporatist tradition. This fact makes our case interesting in a governance discussion. In the following section we will thus tell the story about a corporatist steering arrangement in which battles between the administration, the political system and interest organisations are persistent. We will tell how this influences the institutional set-up of the steering arrangement and pay specific attention to the problems this poses in relation to the chain of command.

2. The Labour Market Steering System in Denmark

Danish labour market policy has been undergoing a dynamic development. It is an extremely important policy field in proportion to implementation of welfare policies and distribution of public goods. The importance of labour market policy is also revealed in the relation between labour and capital, i.e., in the way labour supply is procured for the companies (through allocation, education etc.), in order to assurance the development of human and welfare potential. Labour market policy is generally accepted as one of the pillars of welfare policies, and it is within this policy field that important welfare questions (such as the level of unemployment benefit, “distribution” of opportunities according to jobs) are resolved. These are some of the most important reasons why we have chosen this policy field.

Labour market policy is furthermore interesting because it operates in a cross field of strong societal interests and institutional influence on the policy. Within this field there is a struggle to dominate the political agenda, and we have consequently seen major shifts in the policy over time. However, because of the strong institutions which operate in this field, labour market policy paradoxically also seems robust to changes.

Developments in this policy field have in some ways resisted international tendencies. The traditional strong Danish interest organisations have experienced a strengthening of influence and
responsibility, which was especially visible in the reform from 1994 (F. Larsen et. al. 1996a, F. Larsen et. al. 1996b; S. Winter et. al. 1995 & 1996; C. Hansen et al. 1997). This reform gave the labour market interests a very influential role. This role, facilitated the labour market interests’ possibility to influence the content in the policy and responsibility. A Central Labour Market Council (LAR: Landsarbejdsrådet), and 14 Regional Labour Market Councils (RAR: Regionale Arbejdsmarkedsråd) were established. In these councils the labour market interests occupy two-thirds of the seats. Furthermore, the decentralisation of the steering arrangement in labour market policy, devolved central authority, and allocated funds to the regional labour market councils.

However, the corporative arrangement within the labour market is not something new, and the persistence of these structures, must be seen in light of the fact that labour market interests have been institutionalised over nearly a century. The September 1899 compromise and the subsequent ratification by Parliament were the first formal steps towards the central authorities acceptance of the right for labour market interests to play a major part in the regulation of working conditions and wage rates (O.K. Petersen, 1985). Later on, with the establishment of the Conciliation Board (Forligsmandsinsitutionen), and the Labour Court (Arbejdsretten) in 1910, the organisations gained more influence over the regulation of interest conflicts in the labour market. In this way the Danish labour market interests have not only had an institutionalised influence for several decades, but have also influenced the political agenda setting in a more expressive/discursive manner.

The involvement of interest organisations has been effective for policy implementation, and it has also been obvious that the interest organisations have been powerful. If they are not taken into account in a given decision-making process, they can effectively boycott the implementation process. Therefore, if authorities want to implement a given labour market policy, the involvement of the interest organisations in the policy process is unavoidable for two major reasons: A) In order to ensure support and legitimacy in the policy process. B) in order to use the information these organisations have available, it is necessary to incorporate them in an information feedback loop.

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3 Asbjørn Sonne Nørgaard is of the opinion that corporatism was institutionalised in 1898 with The Workers Insurance Council. We will not take part in this discussion but only refer to the paper in which Sonne Nørgaard discusses this: see Asbjørn Sonne Nørgaard 1999.

4 See Schmitter & Lembruch 1979 for a deeper discussion concerning advantages and disadvantages in corporatism and parliamentarism.
The importance of the interest organisations meant, that the political drift toward the Right in the 1980s did not succeed in this policy field, because the interest organisations were influential, not only in policy formulation, but especially in policy implementation. Bureaucrats in public administration have to some extent developed similar conducts and views according to the steering signals given by interest organisations (C. Hansen, 1999).

But as we will see in the following section, this policy field is also characterised by conflict and changes. Given competence and influence is not fixed, but can be withdrawn if they if the actors do not perform well, or if the "political winds" change for different reasons. Furthermore the institutions and organisations can give up their influence. This happened in Sweden (1991/1992) where Swedish Employer Association, for several reasons, pulled back its representatives from central, official government and administration (See B. Rothstein and J. Bergström 1999). This story tells us that we cannot take a system for granted.

2.1. The institutional history and setting of LAR and RAR
The strengthening of the corporatist steering system in 1994 must be understood in the light of its history. If we intend to make statements about the quality and relevance of the steering system as a unified whole, we consequently have to look back and recall the history of the corporatist steering system. We will therefore briefly outline the most important shifts since the 1960s, and tell the story about the genesis of the corporatist steering system and its development. This flashback tells the story about the clash of interests, and that power and competence are something one constantly has to fight about.

In the 1960s different commissions were set up (The Commission of Structure 1962 and the Wechselman Commission, 1969). These commissions were entrusted to look at the labour allocation system; and to recommend a connection between the employers and employees on the one hand, and the public employment service on the other. This resulted in the establishment of a Central Labour Market Board (LAN: Landsarbejdsnævnet) and 14 Regional Labour Market Boards (AMN: Arbejdsmarkedsnævn). LAN had to assist the director of (the former) Directorate of Labour, and took up a co-ordinating position. Furthermore LAN had the initiative according to AMN. Finally LAN had the right to make recommendations about The Public Employment Service (about organisation, size and means) to the Minister of Labour. The regional boards had an advisory
position in proportion to the manager of the regional Public Employment Service office concerning the assignments and follow developments. In AMN representatives from the Trade Union Confederation occupied five seats, The Employers Association occupied five seats and the County occupied five seats. Neither LAN nor AMN had any competence concerning the budget of The Public Employment Service. Therefore, the total amount of competence was very limited. However the important point is that the birth of the corporatist steering arrangement in active labour market policy had become a reality!

In the 1970s two important changes took place. In 1975 the competence of the budget of the Public Employment Service was assigned to LAN and AMN. Furthermore, LAN and the director of Directory of Labour had to implement the labour market policy in co-ordination with each other, and AMN and the manager of the regional Public Employment Service office had to implement the policy at the regional level. These changes meant a strengthening of the corporatist steering system and at the same time a weakening of the administrative system. At this time an incipient regionalisation took place.

Two years later - in 1977 - the initial steps towards "the two-stringed system" were taken. The councils and local authorities were assigned a large part of the job creation initiatives/programmes. At the same time the local authorities were obliged to spend a certain amount of money on the fight against youth unemployment. This established two different kinds of procedures concerning the job creation projects. Projects should either be approved by or presented to AMN. At this time, the counties and local authorities became very important actors in the active labour market policy, and this was the reason why the National Association of Local Authorities put pressure on the central authorities, in order to make the local authorities occupy seats in AMN. This happened in 1978 and the local authorities took two seats from the counties\(^5\).

The pressure continued, and in 1981 the National Association of Local Authorities and the Association of County Councils were appointed to LAN. They had no vote but at least they got the opportunity to influence the political agenda setting. This change must be seen as a strengthening of the local authorities but still they had no competence at the central level.

\(^5\) De-k is divided into 14 counties, which are divided into 275 municipalities.
In 1982 the job creation law was adopted. Now, some of the lost competence was given back to AMN. The board had to approve all job creation projects including those fully funded by local authorities. Furthermore the boards became the administrative Court. The long and the short of it is, that the counties and local authorities lost influence. This was later changed in 1985, by giving the local authorities and counties authority and competence back. The projects fully or partly funded by the counties or the local authorities had to be under administration by the very same. Furthermore the local authorities were strengthened in 1990 in proportion to the job creation projects. The local authorities were now obliged to grant projects, put up conditions and finally check that the conditions put up were fulfilled. In this period the changing governments by non-socialist parties tried to de-couple the corporatist steering system thus strengthening the local authorities and the parliamentary system. The idea was that the politicians should recapture/regain the power. Several commissions were entrusted to look intensively at the steering system and the unemployment insurance system (The White Book about structural problems in the labour market from 1989, the Zeuthen Commission 1993 and the Social Commission 1993).

Acting on information received, the government decided to do an experiment in Ribe County trying out some of the recommendations of the commissions. A need-oriented labour market policy and redesigning of the steering arrangement were established in this region. The experiment should bring information in the policy making process and make a solid basis for decision making. The experiment was supposed to run for nine months. But in the meantime, a new government "was born" and labour market policy became one of the flagships. This must be understood in light of the fact, that it was a government lead by the Social Democratic Party, and at this time the unemployment rate was high. Before the evaluation of the experiment was completed, the government passed the reform of the labour market in 1993 and it should be implemented by the beginning of 1994. A hasty decision according to both scientists and practicians.

The reform gave the corporatist steering system a large "vitamin injection". To symbolise this shift LAN and AMN got new names: LAR and RAR. Not only the traditional labour markets interests were strengthened - the regional and local authorities became valid members of LAR. The hope was that these authorities would feel more obligated in relation to the new active labour market policy.

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See Henning Jørgensen et. al. 1994 for further information about the experiment.
Furthermore, two different sets of regulations were drawn up - one for the insured unemployed and one for the non-insured. Hereby strengthening the two-stringed system.

As a unified whole, this story tells us of the ongoing battle between the corporatist steering system, the administrative system and the counties and local authorities. Two separate systems have become a reality - "the two-stringed system", in which the corporatist system and Public Employment Service handles the insured unemployed, and the local authorities and the county takes care of the others (in some co-ordination with the Public Employment Service). Two different sets of regulations have seen its light - although many similarities can be found. This tells the story of the variable competence the different institutions, organisations and authorities have had during this period. It illustrates, as previously mentioned, that power is not something one has at all times, but must be conquered constantly. It further illustrates, that the labour market policies are very dynamic and changeable which results in a complex, and constantly changing set of rules. Ordinary people have difficulties in following these changes - even professionals have at some times. Although all the institutions and actors dealing with labour market policy wish for stability, this has not happened yet.

Looking at this story from a democratic point of view one could argue that it is problematic, or at least paradoxical that we make specific rules for the people who are insured, and other rules for those people who are not, and thus have created two different systems. The unemployment insurance system is of course something special in Denmark with a public involvement, but if we discuss this according to equal possibilities it might be undemocratic because not everybody have the same opportunities to become members of an unemployment fund. This is a discussion which has to be understood in the light of the history of the unemployment system. The A-team is the insured unemployed, the B-team is the uninsured. This is, of course, a very crude postulate, but we cannot ignore the fact that it provides different possibilities for the unemployed, and the question is if this is fair when it is obvious that there are different possibilities for entering the insured system.

In the following section we will pay closer attention to the steering system and look at competence, capabilities and resources. This information is crucial in order to understand the systems performance, responsibility, representativeness and accessibility.
2.2. Who governs?
If we take a closer look at the political steering system in Danish labour market policy, we find that the formal competence, responsibilities and assignments between labour market councils, and the parliamentary and administrative system, can be illustrated in the following manner (figure 2).

Figure 2: The Steering System in Danish Labour Market Policy

The figure shows that the system consists of a parliamentary/administrative system in which the Minister of Labour, the Labour Market Authority (AMS: Arbejdsmarkedsstyrelsen) and The Public Employment Service (AF: Arbejdsmarkedsstyrelsen) operates. The other system is the corporatist steering arrangement which consists of LAR\textsuperscript{7} and 14 Regional Labour Market Councils\textsuperscript{8}. The

\textsuperscript{7} LAR is composed of these representatives: 8 from the Employer Association (DA), 8 from the Trade Union Confederation (LO), 1 from The Confederation of Employers' Associations in Agriculture (SALA), 1 from the Salaried Employees' and Civil Servants' Confederation (FTF), 1 from The Danish Confederation of Professional Associations (AC), 1 from The Central Organisation of Executives and The Technical Salaried Employees' Organisation in common (FR-Fællesrepræsentationen), 1 from

\textsuperscript{8}
dotted line to the last rectangle illustrates that these actors/institutions are important implementors but not necessarily members of the councils. They are essential in the implementation process but they do not have/feel the same obligations.

The system is characterised by network co-ordination combined with management by objectives and results. The intention was to implement a concept based on a change from a rule-oriented to a need-oriented activation of the unemployed. The activation of the unemployed should correspond with regional needs, wishes and problems, i.e., a match between the wishes and qualifications of the unemployed and the need of the local/regional labour market. An important instrument in this matching process is an individual action plan, which is a contract between AF and the unemployed and must be made before any activation programme is started. The labour market interests were thus given big influence and many assignments. Furthermore the central political authorities decided, that the councils should commit themselves to work out strategic policies - the members of the councils thus occupy a new role as politicians.

The idea was to make the actors and institutions involved in the labour market responsible for ensuring a successful implementation. LAR was strengthened by given it a position as referring directly to the Minister of Labour. Therefore, the Council has an influential and important role in the policy making process. LAR has to put forward demands for goals and results for the efforts in the labour market and the ordinary activities in the Public Employment Service. LAR also has to elaborate proposals for the budget, in regards to the efforts in the labour market, the ordinary activities in the Public Employment Service, and propose criteria for a fair division of the money between the regions. Finally LAR has to contribute in the following-up on the regional efforts

Association of County Councils in Denmark (ARF), 3 from The National Association of Local Authorities in Denmark (KL) and 1 from the Cities of Copenhagen and Frederiksberg in common. In addition to these 25 members 3 representatives from the Ministry of Labour, 1 from the Ministry of Finance and 1 from the Ministry of Education are appointed, which means they have no vote.

RAR is composed like this: 5 from LO, 1 from FTF, 1 from AC, 5 from DA, 1 from SALA, 1 from FR-Fellesreprentationen, 3 from the county and 4 from the local authorities.

The word 'contract' is used directly in the law, but it is unclear if the unemployed can sue AF if the contract is not realized. This has not been given much attention yet and never tried as a test case.

Before 1994 the Council had to cooperate with the director of the Labour Market Authority. The director of the Labour Market Authority is now appointed from the Ministry of Labour in LAR, but as pointed out before they have no vote. In practice LAR and the director of the Labour Market Authority co-operates, but still it is an important shift.
It is within these frames the regional councils have to operate. They must establish priorities according to targets groups and have to define which groups have a special risk of being long-term unemployed. RAR must set priorities in relation to the kind of activation options that will be available to the unemployed (e.g. education, job training, job rotation projects etc.). Furthermore RAR must contribute in designing and establishing priorities according to the ordinary activities of the Public Employment Service (AF). Finally RAR has the responsibility of the co-ordination of the activities in AF, and the local authorities and the co-ordination of important labour market interests.

As a whole, this steering system builds on a high level of acceptance of each other’s roles and functions/duties. LAR is formally an independent council and has no legal authority to intervene in the regions. The Minister is authorised to put up guidelines for LAR and also intervene in the regions if they do not fulfil their duties (C. Hansen et. al. 1997). But according to existing law, this can only take place in case of an essential deviation from the requirements of goals and results. The influence of the Minister is thus primarily the right to appoint the members of LAR and RAR, and the Minister is not responsible for the day-to-day activities in the councils (Jørgensen et. al. 1999). In practice the regional councils interpret themselves as subordinate to LAR. As a consequence of this, there are rules within this system which are not written in the law. These are rather the result of the traditions of co-operating. This is also what makes the system fit for the big responsibility because this policy field is hard to regulate in details if you want success at the regional and local level. Co-ordination and co-operation is essential in fulfilling the given goals — more essential or at least just as essential than formal rules.

The real significance of the regional councils as important implementors in the active labour market policy, can be illustrated in several ways, one is to take a look at the allocation of funds. See table 1.
Table 1: Appropriation and consumption of Activation-money 1994-99

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Appropriation</td>
<td>5.457,3</td>
<td>5.810,0</td>
<td>5.163,7</td>
<td>6.417,5</td>
<td>7.015,0</td>
<td>7.313,1</td>
</tr>
<tr>
<td>Consumption</td>
<td>1730,7</td>
<td>4313,8</td>
<td>5.917,7</td>
<td>6.696,6</td>
<td>6.739,1</td>
<td>9.490,5</td>
</tr>
</tbody>
</table>

Added up in million Danish kr. Source: The Ministry of Labour.

As the table shows, a substantial amount of money is put in the hands of the regional councils. It also shows that the local and regional system the first year had problems spending the money available. One important explanation is that this was the first year of the reform and the implementation process had been carried out so fast, that the staff at the Public Employment Service had difficulties to keep up with the situation. Furthermore, there was a disproportion between the money for activation and the day-to-day administration costs and finally job training was not used as much as expected. (C. Hansen et. al. 1997).

Seen from a democratic point of view we can find 3 major points of critic of the system:

1) Responsibility.

The minister does not have any responsibility for the day-to-day activities in the councils. A chairman is appointed, and the representatives are appointed by the organisations and finally by the minister. The members of the councils can not be held economic responsible as in a municipal council. Furthermore it is unclear who is responsible in case of governance failure. The minister is only authorised to intervene in the regions if the regions break the law or does not fulfil their duties. But in the case of bad co-ordination, resulting in bad results according to the policy rationale no authority can be held legally responsible, there simply are not any sanctions. The system is in general measured by quantitative measurements, and therefore the participants in the system are generally concerned with fulfilling these goals. But no authority is particularly occupied by measuring if the efforts are fulfilling the intentions behind the declared goals in the law. It can be very reasonable to give the regional level great responsibility and liberty of action, but it might also be very reasonable to make also the political implementors responsible for their efforts.
2) Transparency.
It is hard for the public to intervene in the policy processes in these councils. We can to a great extent talk about closed policy arenas, where the public is not permitted entrance. Again, if we compare the system with the municipal councils the public has no possibilities to meet the people making the decisions. The public cannot enter an arena and tell the members of the councils what they mean about the policy. It is not announced in the press when the councils have to make important decisions, and there are only formal procedures in relation to the administrators according to which publication of the decisions are made. The possibility of entering the policy arena is dependent of a membership of the represented organisations. The question is here if it might be reasonable to have the same principles on these policy arenas as the municipal councils. The argument for this being, that it is important decisions which concerns a lot of people, and we are talking about a distribution of a large amount of public means.

3) Representation.
The members of the councils are not elected by the members of the organisations. The members are appointed by the minister after recommendations from the organisations themselves. This means, that the members of the councils are not selected in the light of democratic internal processes in the organisations. The question is if it might be reasonable to put up some democratic standards for this selection.

Since 1994 the system and the policy has been revised several times and in the following section we will pay attention to some of the changes. This is done so we can get the full expression about the relevance of this steering arrangement.

2.3. Policy changes since 1994
Both in terms of the concrete content in the councils, and in terms of their competence, a lot of changes have been carried out since the introduction of the reform in 1994. However, in this paper we will only pay attention to changes of importance in proportion to the competence of the councils.
In 1994 the length of the unemployment benefit period was seven years with a right to extend the period for two years. It was divided into two periods - the first lasted four years, and after the first two years there was a right to activation for one year. The second lasted three years with a duty to accept an offer of activation after one year. In 1995 the principle of rights and duties was given more attention, and people in the second period, were given the right and duty to full time activation. Every year afterwards new changes were introduced, and today the unemployment benefit period is cut down to four years, with a right and duty to activation after one year (this has to be fully implemented in 2001). Furthermore young people under the age of 25 years have a right and duty to participate in an education/training or activation programme before reaching six months of unemployment. These changes constitute a substantial cut in the competence of RAR. Instead the councils must now concentrate on the priorities of the activation offers for unemployed. But this competence is not without restrictions. For instance LAR decides the amount of private job training every region must provide.

RAR has been put under a severe pressure since 1994, and has actually been accused of not fulfilling the role as politicians! The first time the regional councils made priorities of target groups and activation options, the Labour Market Authority and LAR thus overruled the councils. The priorities were too broad and vague. The following years the priorities became more precise. It took time before the regional level could formulate strategic policies. LAR also had to reinterpret the function of the council and become strategic policymakers. Before 1994 LAR was marked by being an arena of conflict and the members did not have an incentive for agreement. Today the councils (central and regional) have to prove them selves fit for making policies. Otherwise, the competence can be taken back.

We have told the story about the “Danish model” and how one of the main principles is the principle of decentralisation. But we have also told, that there has been a large cut in the competence of the councils since 1994. That means that the “accuracy of fire” in proportion to the efforts might have been reduced. This has at least two implications: 1) The regional level has

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11 For instance by taking parental or training leave.


13 See C. Hansen et. al. 1995 for further information.
reduced possibilities to tailor the efforts to the regional and local needs, both according to the labour market and to the unemployed. 2) The possibilities for the unemployed to be in charge of their own future must be limited because of more rules etc.

We have now told one version of this story of the big changes in Danish labour market policy, let us now take a closer look at 'the success of the reforms'.

2.4. The Labour Market Reform(s) - a Success?

If we measure success by looking at performances as bringing the unemployment rate down in general, bringing down youth unemployment and bringing down the long-term unemployment we might want to call it a success. This is exactly what the Ministry of Labour does. According to the Ministry, Denmark has reached following results:14

- Since 1993 there has been a significant fall in standardised unemployment in Denmark; in 1998 it was as low as 5.1 per cent and this is considerably lower than the average level of unemployment in the European Union, which is 10 per cent... Denmark - unlike the EU as a whole - managed to break the unemployment curve as early in 1994... Calculated on the basis of the standardised method, the rate of unemployment in Denmark is among the three lowest in the EU.

- These massive efforts to reduce youth unemployment have led to youth unemployment in Denmark now being among the lowest in the OECD countries and also among the three lowest in the EU. Danish experience... has attracted widespread international experience.

- The OECD also estimates that Ireland, Denmark and the Netherlands are the EU Member States which have been most successful in bringing down structural unemployment since 1990.

- the favourable economic trends and the labour market policy pursued since 1994 have led to the Danish labour market now being among the most flexible and well-functioning labour markets in the European Union.

This really sounds like a success and there is no doubt it is when we measure the performance from an efficiency point of view. So why worry about Danish labour market policy? Apparently everything looks just fine. We worry because the democratic consequences have been a blind spot in many evaluations of the labour market reforms.

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14 The following 4 points are quoted from The Ministry of Labour: The Labour Market Reforms - A status, pp. 68-76. 1999.
We will therefore focus on these in the following text. No steering arrangement is democratic in itself, it is simply a steering arrangement - and in this case a steering arrangement which has taken over some very important welfare assignments with big influence in many peoples every day lives. There are great potentials in this mode of governance, but there are also obvious dangers. We will deal more thoroughly with this in the rest of the paper.

3. Democratic consequences

"Well, my dear Pangloss," said Candide to him, "when You were hanged, dissected, whipped, and tugging at the oar, did you continue to think that everything in this world happens for the best?"

"I have always abided by my first opinion," answered Pangloss; "for, after all, I am a Philosopher, and it would not become me to retract my sentiments [...]" (Voltaire, Candide Chapter 28).

There are several different types of democratic consequences that have to be drawn in relation to the electoral chain of command (fig. 1). First of all, it has to be stated that there seems to be an immanent paradox in the modern mode of democratic governance, i.e., the fact that in order to cope with the problems of governance, modern democracies apparently needs the help of bodies that not necessarily are organised according to any democratic principles (Olsen 1996:267). The Danish labour market steering system is an example of this. This body did not evolve “out of the blue”, on the contrary it developed out of two things: A) A long historical tradition for co-ordination, which we have dealt extensively with in the previous section. B) An apparent political necessity. If we thus look at the singular political decision it always seems to be appropriate in order to deal with the given political problems at hand. However, if we look at the totality of political decisions taken over time, it becomes problematic to claim that the electoral chain of command has any real reference to reality. It is obvious that our case only focuses on a small part of the total interactions within the political system, so it is of course dangerous to draw to substantial conclusion, but it is our view that this case serves as a good example of some of the problems connected with modern governance. If we thus still believe, that:

"The fundamental idea of democratic, political legitimacy is that the authorisation to exercise state power must arise from the collective decisions of the equal members of a society who is governed by that power" (Cohen 1998:185),

It becomes problematic to claim that the electoral chain of command works fine, or like Pangloss that: “everything in this world happens for the best”. Rather, given the fact that our modes of
governance deviates from the official chain of command, and given that some of the fundamental ideas of democracy are being challenged by governance networks, it seems as if we have to draw some other kind of conclusion. Looking at the literature in the field, several types of conclusions offer themselves. It is thus possible to argue as Robert Dahl, that democracy, at least in terms of the rule of the people simply is not possible in a modern world (Dahl 1999:57), Dahl claims, that there are tendencies within the modern world that sets clear limits for democratisation (Dahl 1989:171). It is indeed possible to conclude as the Danish Professor Ove K. Pedersen that:

“1) Parliamentary democracy can be reconciled with the way politics today is organised - not by altering the politics in order to make it suite the democratic visions, but conversely by making the democratic visions suite the possibilities of democracy.

2) [...] The best of all societies is a utopia, and any utopian demand on reality is a danger to democracy (Pedersen et al 1994:237-241)15.”

What Pedersen and Dahl in effect are saying, is that there are certain problems connected to the governing of modern society, and no matter which democratic ideals we have, we still have to live with the fact that democracy16 simply is impossible within the modern society. In terms of this specific case it is thus seen, that Dahl’s five criteria for a democratic process (Dahl 1989:108-114) is hard or impossible to meet:

1) Effective participation: this requires that citizens are able freely to express their preferences in the process, and this case does not give the ordinary citizens any possibility of voice.

2) Voting equality at the decisive stage: although one can certainly discuss what “a decisive stage” is, it is clear from the case, that any type of voting, involving ordinary people is minimal. However, compared to the system before 1994 we have to conclude that the citizens in terms of users have had an increased influence according to the elaboration of individual action plans.

3) Enlightened understanding: it is again clear from the case, that because of the constant flow of inputs and withinputs, it is very few, if any, that have a clear picture of what is going on - the problem may be (or at least so many would claim) that the complexity and speed of modern

15 Our translation from Danish.

16 At least in terms of rule by the people.
governance problems make it impossible to have any enlightened understanding on the level of the demos.

4) Control of the Agenda: it seems, that nobody really controls the agenda, issues have a tendency to pop up, some of these are of course introduced on the political arena by strategic actors, but some of them seem to grow out as a consequence of the structuration of the structural setting of the governance network itself.

5) Equal opportunity: finally it is clear from the case, that the network structure establishes anything but equal opportunities, if articulation are to take place, one has to be a member of the network.

All in all, this illustrates the fact, that if we are to live in a modern world with its specific type of political system, that both organise, facilitates and sets constraints for the mode in which it is possible to interact with each other, we quite simply either have to allow the system to reflect some of our views, or we have to try to change it. It therefore continues to be an obvious danger that political theory might end up consenting to the point of view, that as society is complex and contain a large number of negotiation-games, democracy becomes an impossibility. One of the problems we have to deal with on a continuing basis in political theory is therefore the structuration of the relation between those who are the authorities, and those who are not. This makes the discourse concerning whom these political actors are, and which significance they have, as vital in democratic theory of today as it has ever been. It is thus symptomatic, that a change in government (as described pp.7-10) involves an attempt to re-articulate whom the actors are, and which significance they have.

The Danish society holds several levels, one of these being the Danish labour market steering system. Each of these levels both holds certain regularities, and holds information that both are relevant for meaningful understanding of society. It is one possible solution to our problems to accept that democracy is impossible in the modern world. The theoretical problems we are faced with become much more severe, when we claim to be democrats, while we at the same time acknowledge the pragmatic fact, that it seems to be a condition of the persistence of modern societies, that there are, and continuously will be, actors who have greater power and knowledge than others on certain political areas. However, models that focus only on authorities quickly tend to become faced with a number of problems. It certainly does not seem to be realistic to speak only of the will of the people in a multi centred governed society, where there “is not one but many
centres linking many levels of government” (Rhodes 1997:3). However, nor does it seem realistic to speak of the authorities as the only referential point that has to be described and understood when we deal with a complex modern society. We normally seem to have a certain success with two types of arguments stressing this point: 1) If authorities and their networks only interconnect with other grouping of authorities, they risk losing their ability to communicate their own decisions to society, and therefore ultimately risk losing their own power. 2) It seems that there is a growing awareness of the fact, that society simply has become too complex to be governed from any given level, and that society thus hold several levels stretching from the bottom, to the top of society. Where each of these levels, at the same time, hold certain regularities, and information that both are relevant for meaningful understanding of society, and relevant if society is to persist over time. Dealing with this must involve some kind of information feedback loop between the various layers of society. In some ways, one could argue, that this was what was attempted with the Danish system.

In order to deal with these problems, it is possible to give a different type of answer than those which were presented by Dahl and Pedersen. In the later years especially Paul Hirst has thus gone back and re-articulated the old theories of associationalism. It is indeed one of the funny things about political theory, that these theories are coming back, and is a good example of the fact that the jokes of one scientific generation very well may become the trues for the next (Gunnell 1997:47). The basic assumptions of associative democracy are thus, that interests cannot be adequately represented, and all individuals must be able to participate in all the associations with which she is concerned (Pateman 1989:37). This leads in the direction of a system of functional representation, and the active involvement of individuals though the associations connected to a given societal function.

"Democracy in this sense is about government by information exchange and consent, where organised publics have the means to conduct a dialogue with government and thus hold it to account" (Hirst 2000: 27).

It is thus tempting to claim that this is exactly what has been attempted to achieve with the Danish labour market steering system. However, only few have articulated this. We still seem to hold on to the electoral chain of command in much of our political discourse. We thus have a political system where vast ranges of activities have been delegated, and no appointed official have the responsibility of the daily activities (in the corporative, political institutions). These counsels
control the allocation of a constable amount of money, and the participants in them are even being criticised for not fulfilling their role as politicians and strategic policy makers!

Out of political necessity, it thus seems as if we in our democratic practice are moving back towards a former theoretical model of associative democracy - a theoretical model, which early in the twentieth century was abandoned. Furthermore, it seems: A) As if nobody really does this by any sort of explicit choice. B) That we in our political debate keep hanging on to an official electoral chain of command, which has very little to do with the things that actually take place in the governance networks. C) That very few deal with the questions of which types of democratic consequences this actually will have.

In order to make this work in practice Hirst mentions five criterions that have to be met:

1) The institutions of 'governance' must thus be able to create a sufficient level of solidarity.

2) They must be able to strike an acceptable balance between corporation and competition.

3) They must create a coordinative partnership, with sufficient autonomy for the singular association.

4) They must both be able to handle big powerful and smaller relatively powerless associations without anybody controlling the agenda.

5) They must achieve a satisfactory balance between conflicts and interests representing both individuals and associations (Hirst 1994:99-100).

We can certainly discuss if these criterions are adequate, or if they in any way have been met in the Danish case.

In the end it almost goes without saying that different modes of governance influence the articulation of common interests, goals, and frames of understanding. It is indeed possible that it is necessary to govern the modern world by systems like the Danish labour market system, but we
need detailed studies of the mode in which these system actually function, and we have to debate if this really are the democratic consequences we find attractive. This paper can be seen as an opening statement in this debate.

References


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