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**The implementation
of active labour market
policy in Denmark**

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The implementation of active labour market policy in Denmark

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The implementation of active labour market policy in Denmark

This contribution takes its point of departure in the new active Danish labour market policy which since 1994 has been in effect on the Danish labour market. The reform of Danish labour market policy in 1994, with its subsequent revision in 1995, indicated a clear shift toward a more active approach. The reform can be characterized as an increased degree of needs orientation, decentralization, providing the unemployed both the right and obligation to (re)training or placement, what in the Danish context is called "activation" (Danish: *aktivering*) and an earlier effort to mobilize the unemployed person.

The reform was the response to the difficult and increasing unemployment problems in the early 1990s which nearly all Western nations experienced, and with which most of them are still struggling. By 1994, Danish unemployment had reached a record high of more than 350,000 full-time unemployed, corresponding to nearly 12% of the labour force. Unemployment was especially characterized by a large and up to 1994 increasing number of long-term unemployed. During 1993 there was widespread anxiety among politicians and economists in Denmark over this development, which came to be manifested in a consensus about slowing this development via an expansive finance policy. The rising unemployment curve had to be broken. The political economic exercise, however, consisted partly in increased demand via the easing of finance policy, in that the structural unemployment problem at the same time had to be combated with labour market policy measures to hinder increasing inflation problems. Thus, a combination of general and selective measures was needed. The law on active labour market policy which took effect on January 1st 1994 was intended to ensure this, and the strategy for solving the Danish unemployment problem can thus be described as an interaction between macro- and structural policies.

Apparently, the policy combination has been in a success, for in 1997 unemployment declined to about 220,000 full-time unemployed, corresponding to less than 8% of the labour force. Moreover, the marginalization problems which could be observed in 1994

due to the increase in long-term unemployment are apparently also starting to resolve themselves, in that the number in this group has fallen significantly since 1994. The marked fall in the Danish unemployment level has occurred without there having appeared significant inflation problems. This is remarkable. Price and wage rises in 1997 were 2.3% and 4.0%, respectively, which is clearly less than, for example, the rate of inflation in Denmark's most important trading partner, Germany.

There is no doubt that developments on the Danish labour market have been unique compared to the rest of the EU. The marked fall in unemployment, the strong level of job creation and low inflation should arouse curiosity in terms of the possibilities to copy elements of the Danish labour market policy, a development which has also already been observed. Hence, EU general secretary Allan Larsson has called the Danish labour market policy the most progressive and successful in Europe and given it credit for successful Danish labour market development since 1995. But what precisely is the path which Denmark has taken?

The labour market reform of 1994

In 1993 the OECD criticized Danish labour market policy for its great emphasis on passive income supports, which the OECD maintained contributed to unemployment problems because of low incentive effects rather than the reverse (OECD 1993a). The active measures were described as disappointing due to the lax requirements for availability and institutional stiffness in the administration of allocation of job placements and job training. Major reductions in the unemployment payments, reducing the length of the unemployment payment period and reduction in access to unemployment compensation have therefore been a major part of the OECD's recommendations to the Danish government.

Despite these recommendations, the passive part of the labour market policy was retained as very generous in an international perspective, as a major policy shift was launched with the labour market reform in 1994. Significant changes as limitation of duration of unemployment benefit, no retaining of unemployment insurance from participation in job training and a tightening of the criteria for job availability was implemented, however, but the large scale measures concerned an earlier effort directed toward potential long term unemployed and generally more tailored measures toward

the individual unemployed person and toward the regional labour market. For this purpose a new institutional setup was created by regionalizing the steering system. Against all international trends to de-corporatizing, the Danish reform actually strengthened the role of the social partners especially at the regional level.

Increased influence by the labour market organizations (of employees and employers), decentralization and a more flexible and responsive administration would therefore form the main instruments of the reform.

Even though Denmark has thus gone against, or beyond, the primary economically grounded rationalities which are also signaled in the aforementioned OECD critique, it is paradoxical that it is precisely these rationalities which often create the basis for the evaluation of the policy. One searches for the explanation of how in general to secure succes of labour market measures in how Denmark has "policy designed" the effort. The formulation of the program, choice of instruments and following assessments of empirical effects are in focus when the labour market policy developments are to be evaluated. Hence, there lies an implicit understanding which assumes that policies can be designed in close association between intentions and results.

Within political science this rationally oriented and linear phase understanding is being increasingly replaced by new frames of understanding in order to enable political ideas and intentions to connect with policy results which can be analyzed and predicted. It has become evident that political-administrative interventions are not only produced with reference to the control ambitions of central actors, and that performances can seldom exhibit the degree of agreement with the intentions implied by optimistic policy models. The question, therefore, concerns the degree to which degree political administrative interventions and their processual and institutional preconditions can in fact be designed and steered. It does not lie within the scope of this paper to carry out an exhaustive discussion of this (see instead Jørgensen and Larsen 1997), but it signals a need to examine more closely the more concrete experiences of implementation when evaluating the apparent success of Danish active labour market policy. It is thus not only a question of the choice of policy-instruments, steering resources and causal theory, but also basically one of actor interests, exercise of power, discursive activities, narrow-minded actor-horizons and the actions of the parties involved. In this context, there is a clear need to examine more closely the implementation-related conditions as an explanatory variable in the success of Danish labour market policy. This is the goal of

the paper.

In general, earlier labour market policy measures lacked a larger responsiveness toward both the regional and individual problems around job-matching and requalification. In relation to the latter there were problems with the motivation and active participation of the unemployed clients. The effort was rule-governed and the unemployed person received help only after a mandatory waiting periods and specific deadlines in the legislation. Generally, experience in the sphere of labour market policy has shown it to be difficult to formulate and design policies which could meet the needs for flexibility, responsiveness and hence, also the use of the right measures for each observed problem. Politically and administratively it has thus been extremely difficult to formulate precise laws and regulations centrally which would achieve the desired effect, unless it was meant to be purely symbolic and pseudo policies (Gustafsson 1983).

Several explanations can be provided for this state of affairs (Rothstein 1994). First, the labour market policy area is highly politicized, with many stakeholders involved both in the domain of policy formulation and implementation (where the labour market organizations in Denmark, seen in an international context, have very strong positions in both phases, see below). The degree of politicization entails that clear unambiguous political decision-making efforts which can be implemented without a "content effect" in the implementation process, seem difficult to achieve. This is true even though there could be established causal knowledge as to the grounds for this. Second, the labour market area is characterized by a high degree of dynamics and change, such that a rule-governed effort could not take into account the varying needs and developments. Third, the goal of a general requalification and re-entry into the labour market for the unemployed is of such a character that state intervention must as a precondition stimulate a "behavioural change" in the unemployed individual. This means that the effort must take into consideration the fact that the problems, needs and preconditions vary from one unemployed person to the next, and that the behavioural change element requires a degree of active participation (and motivation) on the part of the individual unemployed. The last two factors imply that the program must have a high level of responsiveness to a dynamic labour market with changing conjunctures and labour market needs, as well as responsiveness to the jobless individuals needs and qualifications in intervening to create a behavioural change. In this respect implementation is also to be understood as communicative action (J. Grin and Van de Graaf 1996).

The 1994 labour market reform thus reveals itself to be a breakthrough in Danish labour market policy, both in content and in the new steering arrangements. With structural unemployment as the "main enemy", the policy includes restrictions on rules of availability to work and the period of compensation, a more prompt effort to involve the potentially long-term unemployed and especially a generally more tailored effort toward the individual unemployed and the regional-local labour market.

In substantive terms, the formerly rule-governed activation effort has been replaced by a need-oriented approach. Hence, where certain types of activation measures were offered at specific points in the individual's unemployment period, diverse activation offers can now be made at all points in the unemployment period according to the needs of the jobless person and of the labour market. The basis for this form of activation is the elaboration of a personal "action plan" (*handlingsplan*) which operates as a "contract" between the unemployed individual and the public employment service (Arbejdsformidlingen or "AF").¹ The effort is thus sought to be tailor made to the unemployed person with the individual as active cooperating partner. In order to increase the incentive and motivation among the unemployed to requalify themselves the right to a new unemployment period via the activation sequence is removed. Hence, where activation was formerly used as a means of earning a renewed right to receive additional unemployment compensation, the activation process now offers only the possibility of requalification. After five years in the unemployment compensation system, the unemployed are transferred to the municipal social system, where payments are significantly lower. Besides a more flexible effort in accord with the needs of the local labour market, one of the intentions behind the reorganization is the prevention of long-

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The *personal action plan* is a contract between the public employment service and the unemployed person. The personal action plan forms the basis of activities to be taken by the unemployed person as well as an evaluation of the consequences if the individual refuses activation (i.e., loss of unemployment benefits). The action plan is formulated before being used by the active labour market policy instruments. The following instruments can be used in relation to elaboration of a personal action plan: Information and guidance, subsidized employment (jobtraining) which may be offered with public or private employers, individual (specialized) jobtraining for those unemployed persons who cannot be placed in job training in ordinary workplaces, Pool jobs (subsidized employment for unemployed persons who are qualified for unemployment benefits) which are jobs in the public sector of up to three years duration for long-term unemployed, education/training in the ordinary education/training system or as part of a specially organised activity adapted to the background of the unemployed persons concerned, jobrotation where the leave taken by an employed person is combined with the recruitment of an unemployed person for job training, special tailor-made training activities and a combination of the above mentioned instruments.

-term unemployment. The goal is to give those who have the highest probability of becoming long-term unemployed an activation offer early in their unemployment period.

In the domain of steering, the Danish tradition of corporatist arrangements has been strengthened, simultaneously with a significant regionalization of competence in designing the activation effort directed to the unemployed. Hence, 14 regional labour market councils have been established in which the labour market organizations (of employees and employers) occupy two-thirds of the seats and the regional/local authorities (county and municipalities) the remaining one-third. Private interests are institutionalized as part of public authority.

These labour market councils establish priorities and plan their activities in accordance with regional needs. That is, within certain relatively broad centrally established frameworks, they set priorities as to who should have the offer of activation, and what types of activation options will be made available (e.g., job training, education, etc.). Hence, it is a case of setting a regional strategy. The public employment service (AF) services the councils and assumes the function of "main executor" of the effort, and with the reform The AF has received a fundamentally altered role in connection with basing the measures for the unemployed person and the labour market on a more concrete assessment rather than automatic rules. With the regionalization and reorganization of the content of the effort, however, the implementation and thereby the organization of the activation sequence can occur only in co-ordination with regional enterprises, regional authorities (counties), local authorities (municipalities), unemployment offices (the social insurance system) and the educational institutions. In terms of steering, the labour market policy effort has thus become increasingly based on network co-ordination (Larsen et al. 1996, Jørgensen and Larsen 1997).

Experiences from the implementation of Danish labour market policy

As part of the general evaluation of the new Danish labour market policy, the Center for Labour Market Research (CARMA) has conducted two evaluations for the Danish Ministry of Labour. In a previous evaluation, the principles behind the labour market reform were tested in a single region in Denmark (Jørgensen et al. 1994), while a larger evaluation was carried out concerning the regional implementation of the effort (Larsen

et al. 1996a, 1996b). The latter consisted of a comprehensive country-wide survey with participation of all involved regional labour market policy actors. This was followed by process-oriented in-depth qualitative studies of three selected regions using a comprehensive database consisting of interviews, documentary studies and observation. It is primarily on the basis of these assessments that we in the following will discuss some of the most important implementation experiences from the regionalized and need-oriented activation efforts.

Experience shows that the reorganization to a regional and need-oriented activation effort has created a new dynamic, where the individual's activity plan, as originally conceptualized, has in fact become the basis of the effort. A more flexible activation effort has been created, which better fulfills regional and local as well as individual needs. A greater degree of responsiveness has thus emerged in the effort. The balancing of the policy design between regional network steering with the incorporation of the relevant actors and a new substantive dimension in the activation policy has shown itself to be generally effective. As mentioned earlier, despite a marked decline in unemployment, no significant bottleneck problems have appeared; the moderate wage and price rises and the decline in the rate of unemployment are apparently spread over several different groups of unemployed. This new active labour market policy thus seems to be able to fulfill many of its original intentions.

Nevertheless, the reform has been subject to considerable criticism in its short lifetime, and important adjustments are already being made. In addition, we are now confronted by a major change of the effort such that negotiations between the state and the labour market organizations are taking place centering around a major shift of direction in the policy. Implementation of the policy has thus not been problem-free. It demands a closer delimitation of the concrete experiences in implementation of the active labour market policy.

Problems of control

When the political competence to design the effort is applied regionally, there emerges (vertically) a field of tension between the central and regional political levels. A visible result of this tension is that the employment service (the state "AF" system), as main executors of the effort, tends to retain its traditional bureaucratic form with relatively

strong central control. A key central steering potential is thereby maintained. This has created a field of tension between the regional labour market council, which formulates the policy effort at the regional level, and the state AF system's administrative implementation work. The regional labour market council lacks full control over implementation because the AF system "serves two masters". This leads to an attenuation of the regional council's policy formulating role, which has given significant frustrations and led to conflicts between central and regional level as well as between the regional council and the AF system at the regional level.

A second result of the tension between the central and regional level is due to a certain central fear of whether the regional labour market council are able to formulate policies which can support the country wide intentions, just as there from central circles has been greater attention to the larger regional differences. Consideration must be given to the superordinate central formulation frameworks, the superordinate program considerations. At the same time, because of the high level of politicization of this sector, there has been a large political need to legitimate the new effort and the labour market system's capacity. The central level has reacted by formulating goals (and result demands) which in their character resemble the goal demands formed under the earlier very rule-bound effort. Thereby both the formulation of goal and results demands and their monitoring become primarily focused on effectiveness and efficiency. Some of the intentions around the policy's responsiveness and appropriateness, which in fact helped to justify the reform, thereby come to fill very little in the political evaluation of the capacity of the system and of the program and thereby also come to occupy little in the concrete planning and implementation of the effort (see Dunn 1994 on evaluation criteria). Instead of focusing on an improved qualitative effort, it comes more to concern the quantity in the system, where what counts is only what can be counted. It has a contagious effect on the entire system's thinking and mode of action. An important schism here, which has also maintained the restrictive steering of the administrative system, consists of a desire for a certain volume in the system, even though, with the need-oriented activations, the effort is of course becoming more resource demanding. A not unimportant factor here is the mode of calculating unemployment; jobless individuals during their activation offer are not counted in the statistics. When unemployment thus increased slightly in the start phase, due in part to a relatively low number of approved personal "action plans", and thereby fewer in activation, this led immediately to political intervention resulting in greater routinization and less need-orientation in the activation work.

The central level's fear of ungovernable regions which might undermine the country-wide policy considerations plus the need to legitimate the effort have resulted in a continuing centralization in the reform's first four years. The regional labour market councils have seen themselves losing competence in terms of both the prioritization of the target group and in choosing the activation tools to be used. At the same time, as mentioned, a relatively tight control of the administrative system has been maintained where mostly quantitative goal demands have had a central role. It is thus a case of a partial "roll back" in relation to the regionalized and need-oriented activation measures. The increasing centralization has in reality entailed less regionalization and less need-orientation. The need to legitimate the effort politically, in combination with a belief in political-administrative reorganization overnight, are the most important causal factors in this development. This is true even though in relation to the latter there is a growing recognition in policy and implementation research that the implementation process must be evaluated over a longer time perspective of up to 10-15 years (Sabatier and Jenkins-Smith 1993).

On the basis of the above, one can say that a precondition for implementation of the new active labour market policy is a belief at the central level in the regional authorities' ability to formulate political decision initiatives and the administrative capacity to operate decentrally in a need-oriented way. Up to now this has been difficult. Conversely, the regional and decentral abilities must of course also be present. This is discussed below.

Regional policy formulation

A decisive precondition for the success of the need-oriented activation policy is the regional capacity to formulate strategic policies and guide-lines. Seen in retrospect, we must conclude that the regional labour market councils after their new status, having gone from being committees which primarily oversaw investigative and complaint cases, to becoming policy formulating council, have found it difficult to execute the task immediately after the realization of the reform. Hence, the first planning of the regional effort by all the councils was rejected by the central political administrative level (even though there was no legal basis for this), and the councils were asked to formulate more specific priorities.

The parties in the labour market and the regional and local authorities represented in the councils, although their motivation was high, were not geared to executing the new task. In part, the selection of representatives did not reflect the councils' new status in relation to the very great resources and tasks which they were to administer and resolve. The councils' new status thus did not significantly change the actors' behaviour. Moreover, on the background of the relatively uncontroversial processes in the old labour market tribunals (before the 94-reform), there existed a widespread culture of consensus. In order to avoid potential conflict, important priority discussions were therefore prevented.

It is in this light that one also must see the above mentioned central reaction with continued attenuation of competence and strict administrative control of the implementation aspect. Yet if one assesses the centralization which has taken place over the last four years, it does not stand in a reasonable relation to the problems which have been in the councils' work. Thus, one could observe a positive development in the regional labour market councils' work, where the labour market organizations and the regional and local authorities have upgraded the professionalization of their council work, having established their own secretariat services, fixed pre-meetings and trained council members. The central level's trust in the regional level's policy-formulation capacity, however, has never been restored. From the central authorities one can speak of a somewhat naive belief that these labour market councils should immediately be able to work according to intention.

Regional co-operation and co-ordination

As mentioned earlier, the regionalization and need-orientation of the effort entails that implementation to an even high degree becomes based on network processes. The state AF system, as stated, is the main executor of the effort, but also regional and local authorities (municipalities), unemployment funds (the social insurance system), educational institutions and enterprises play an essential role in the organization and elaboration of personal "action plans", educational activities, job training and job rotation (where the unemployed replace wage earners who attend in-service training). The regional and local authorities (county and municipalities) have main responsibility for the uninsured jobless, but have traditionally also occupied an important role in procuring activation offers for insured jobs in the form of public job training. The

educational institutions occupy a central position in relation to providing relevant educational offers for the activation program. With the reform of new laws in the domain of education, the public educational institutions have attained a role as market actors where they must compete on market-like terms to sell education to organs such as the labour market council and the public employment service (AF). The unemployment funds (insurance system) have been closely linked to the trade union movement and are responsible for control over and payment of unemployment compensation. Furthermore, the unemployment funds have a legal function to inform the unemployed of their rights and obligations. Typically the unemployment funds, in collaboration with the employment service (AF), also enter into the process of preparatory guidance prior to the personal action plan.

Experiences from the implementation of the Danish labour market reforms show that network cooperation is in reality a condition for successful implementation. Regional processes clearly show that in network arrangements, successful policy results can be produced which are accord with both program intentions and regional/local needs.

However, the experiences just as clearly show that network cooperation does not automatically ensure such a successful policy development! A general problem has been that the state AF system's role, where reorganization problems and central production pressure (to which we shall return in the next section), have led to difficulty in assuming a network coordinating role. Instead, it has especially been the educational institutions' offer of training which has steered the purchase of training for the activation effort, while the unemployment funds' guidance and monitoring of the jobless has had an essential influence on who receives activation offerings and the content of these. It has frequently been the case that network coalitions consisting of educational institutions have prepared a complete educational program, while the unemployment funds can provide the jobless clients for them. The employment service has received the offers graciously, in that they have thereby received some easy "points" on the production scale. The need-orientation is easily threatened however, just as there has been a strong tendency to take the less problematic jobless first, i.e., those who come of their own initiative, something directly contradictory to the intentions about preventing long-term unemployment.

It is clear that regionalization, in combination with network arrangements, takes account of potential implementation barriers by the relevant implementation actors being given

the possibilities for active participation. The policy is thereby legitimized, just as the actors are obligated and made responsible to the program. Successful implementation thus depends also on the actors' ability and willingness toward self-coordination. It is just as obvious, however, that those implementation authorities responsible for the program must stand as guarantors that these network processes do not get out of control, i.e. that the actors' special interests do not come to undermine the original intentions of the program. The existing network processes, with examples of regional special interests as the dominant driving force, have thus been a contributory factor in the aforementioned centralization, as well as the existing political wishes for a clearly legislative distribution of responsibility and tasks between the regional implementation actors. However, this will entail less flexibility and make it even more difficult to practice the original need-oriented activation effort and, as such, comprise yet another element in the "rollback" of the effort.

The public employment service's transformation (from rules to judgment)

One of the most important preconditions for the implementation of the need-oriented activation effort is the AF system's conversion from a bureaucratic to a learning organization, where instead of rules it operates after informed assessments or judgments. The delegation of competence to the line level, common attitudes and values among staff members and ongoing evaluation of the effort become some of the most important organizational prerequisites for this change.

New organizational structures, obligatory inservice training and method-development projects therefore obtain a place on the agenda in order to adapt the employment service (AF) to the new type of efforts. However, the conditions for integrating the measures into a general organizational development are made much more difficult because of the previously described central need to legitimate the system in terms of productivity and effectiveness. By this is meant immediately measurable productivity and efficiency effects without a genuine reflection around the less measurable and often more long-term effects of a more qualitative activation. In the process, the system has therefore been under a strong pressure from central quarters with quantitatively oriented goal and result demands, as well as a quite comprehensive (equally quantitatively oriented) demand for documentation imposed on the regional AF units generally.

The process of transformation into a learning organization must therefore also be said not to have culminated. The production pressure and general conversion problems have led to a partial retention or reversion to bureaucratic features, where the effort in the production link is routinized. A further rather serious implementation consequence of the great focus on the AF system's productivity and efficiency criteria is the "creaming" of the unemployed by the AF system in the name of productivity. Those jobless who are most active and resourceful (those who themselves come with already made up "action plans") obtain the best activation offers first, while those who are unclear and have fewer resources often receive mandatory activation, typically in the form of standardized solutions independent of the individual's prerequisites and needs. The "weak" unemployed are, so to speak, too resource-demanding of the system. Instead the unemployed person's resources are to a high degree decisive for the character of activation (training) given (Olesen 1997). This goes directly against the original intentions of a need-oriented effort. Hence, successful implementation thus requires also a responsive, non-bureaucratic administration.

Conclusions

Despite its relatively short lifetime, the Danish active labour market policy has managed to show very good results. The principles of a greater target-directed and tailored effort to provide activation offerings adjusted to both the labour market and to the individual needs of the unemployed person have up to now shown themselves to be effective in allocation and qualification of labour. In addition, an implementation strategy greatly influenced by the labour market organizations, decentralization and a more individualized administrative evaluation of each case (with the introduction of personal action plans) has shown itself to be effective in the sense that the effort has become essentially more flexible and responsive toward the various problem types, just as the incentives and motivation for active participation in the activation measures have increased regionally, locally and among the unemployed themselves. Our analyses have shown that a decentral policy regime has been created around the attempts to redesign the activation efforts in Denmark. The activation regime is decentral, cooperative, network based and need-oriented. It is process-oriented rather than program-strategic, and as a consequence the choice of strategy and instruments is not to be understood as a professional or management-determined design issue. Incentives in a policy programme might be highly overvalued these days! We must also be able to explain why and how

there occur changes of preferences and priorities and in the use of policy instruments. Practically Denmark seem to have found workable policy parameters. Both evaluations and economic indicators speak of positive results. The lesson is that a policy must be both economically reasonable and political and institutional feasible.

There are, however, continued growing implementation problems, which means that a movement away from the original intentions behind the policy has already begun in Denmark. This is due to problems in finding the right balance in the relations of competence between central and regional levels, problems in legitimating the policy's "need-oriented" results, insufficient regional policy formation capacity, lack of coordination in network cooperation at the regional level, conversion problems in the state AF system in relation to working in a subjective judgmental fashion, and finally, general resource problems in operational level in relation to the cost-demanding need-orientation.

If one views the implementation problems in isolated fashion, none of them seem unsolvable. The problem, however, is the very short run up time given before it is expected that the system will operate according to its intention, which can also be attributed to the high level of politicization of labour market policy. The result has been one political intervention after the other, which in reality has led to greater and greater distance from the original principles for the effort, as well as new demands on the system for a "output" equal to that prior to the transition to the regionalized and need-oriented activation effort, where focus had been on quantity rather than quality.

Despite the positive results, on the background of the noticeable policy shift in 1994 towards a more active labour market policy in Denmark, there has been a "roll-back" to earlier bastions in the labour market policy. This happened despite the fact that these appear too weak to generate the same positive results as indicated so far by the experiences from the labour market reform. There is much evidence that the new active Danish labour market policy contains elements to be imitated, but at the same time the experiences also contain several examples of how special features regarding labour market policy processes can create implementation problems and thereby ultimately work against the success of an active labour market policy.

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