



# RESEARCH PAPERS

from the Department of Social Sciences

*Institut for Samfundsvidenskab og Erhvervsøkonomi*

**Research Paper no. 4/03**

**WELFARE REFORMS LOCAL  
GOVERNMENT AND THE POLITICS OF  
SOCIAL INCLUSION:**

**LESSONS FROM DENMARK'S LABOUR  
MARKET AND AREA REGENERATION  
PROGRAMMES**

**David Etherington**

**Roskilde University, Denmark**

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**Research Papers from the Department of Social Sciences, Roskilde University, Denmark.**

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ISSN 1399-1396

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### **Abstract**

This paper presented at Department of Social Science, Dec. 2002, focuses on the impact of the Welfare reforms on local government in the UK and Denmark. The paper considers two aspects of 'social inclusion'( or the politics of inclusion) – welfare to work and area regeneration initiatives which have been prominent features of social policy in both countries. The paper contrasts the two approaches – the UK which has tended to marginalise local government with the focus on partnerships and the community sector. In Denmark, the reforms have essentially involved expanded competence for local government as well as stimulating a reform agenda which engages local councils with local communities around a new 'politics of inclusion'. Whilst the Danish model contains problems, tensions and limitations to its reforms, nevertheless there are guiding principles which offer lessons for the UK.

**Keywords: New Labour, governance, urban policy, welfare, local socialism.**

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## Introduction

There are a number of contradictions and problems with New Labour's approach to social inclusion (cf Levitas 2000). However, one important barrier and constraint which will be explored in this paper lies with the current thinking about the role of local government. The Government's politics of social inclusion involves two key areas; the promotion of paid work and employability, and the systematic targeting of groups and areas experiencing poverty and social exclusion through 'joined up' government. However, this strategy involves a process of exclusion and disempowerment of local government – the local council is seen as enabler rather than leader, a 'partner' in localities where many partners are competing for limited funds. Many aspects of local regeneration are forged out of a contract and market culture established under the conservatives replacing the traditional role of local government as provider and lead actor in economic and social regeneration.

During the 1980s, as many labour controlled councils resisted conservative centralisation and privatisation strategies, there emerged some vision about how local government could be. For example, David Blunkett, former leader of Sheffield City Council set out his vision of the potential role of local government:

*The idea that legislative paternalism is going to be successful has been discredited so many times that it is amazing that anyone in Parliament still believes it... Developing social provision, whether in an immediate sense to prevent the collapse of our society because of mass unemployment or, in the longer term, to provide better services because of their own worth –community health services, social services, decent education for the kids –this all generates demand...We've got to get over to people the value of this sort of public expenditure, so they can contrast this with the junk which is produced in the private sector without any debate on how resources as a whole should be used (Blunkett 1984).*

The paper argues that New Labour's restructuring of local government is contra to the vision and traditions of 1980s thinking as highlighted above.

There are two particular programmes which lie at the heart of what I will term 'the politics of inclusion.' That is the National Strategy for Neighbourhood Renewal (or New Deal for Communities) and the Welfare to Work Initiative (New Deal for the Unemployed).

Taking the welfare to work programme first, there is no set down framework, which will *guarantee* that the interests of specific groups -- particularly those excluded from the labour market -- are represented on local forums. The New Deal does not in anyway highlight the need for local government and the trade unions to be involved in local partnerships. In fact despite local government often being one of the largest employers in localities, there is not a proscribed role as a manager of programmes. Instead, it underlies a *laissez-faire* approach, set by previous Conservative governments and continued in the framework of Labour's Third Way, which provides the basis for subordinating the interests of capital over labour and its social partners within the formulation and implementation of employment agendas (Jones and Ward 2002).

In the case of the New Deal for Communities, it is still in its infancy but there are concerns that its potential for ‘capacity building’ is limited by the power dynamics of partnerships and the general lack of representative democracy within the decision-making process. Local government has sub-contracted its service delivery functions to a local board of disparate partners (Diamond 2001).

To sum up, as Snape (2000) argues, there is little evidence to suggest that local government is being put back into the driving seat at the local level, with respect to economic and social renewal. Instead, local government appears to have been constructed as the ‘ill’ actor within the local state and consequently in need of surgery. “Quangocrats still outnumber councillors and many new quangos have been created over the last three years” (2000: 125) and the pattern of central-local relations underway since the 1980s is unlikely to change.

This paper argues that looking towards European models may stimulate a debate about alternative scenarios and strategies or guiding principles which could inform critical discussion of current policies. In this respect the paper focuses on the role of local government in the Danish welfare reforms. Denmark’s previous Social Democratic Government has undertaken major reforms of the welfare state since 1994 with similar aims as New Labour focusing on ‘social integration’ and ‘capacity building’ in terms of strategies of inclusion. These reforms involve a welfare to work programme involving three main elements. First, social partnerships have been strengthened in policy formulation and implementation at all levels of governance. The public sector and local government are allocated major functions in both the delivery of programmes and in the policy making process. Second, financial planning and decision-making has been decentralised to regional and local based institutions. Third, the unemployed have been given rights to counselling, an individual action plan, and more importantly access to a comprehensive package of job training, job-rotation, education and childcare leave schemes.

*The second important aspect of the reforms is the Urban Strategy involving a number of housing, urban renewal and area-based programmes. I will focus on its recent area regeneration programme – kvarterloeft (‘lifting the quarter’) – as it compares with the NSNR. The Kvarterloeft primarily involves an experiment in developing new approaches to community involvement in planning, prioritising and delivering local authority services in targeted areas. In this context it is largely experimental (rather than offered as a ‘solution’) in terms of trying new ways in which ‘weaker’ communities can articulate their needs and participate in the policy making process. It is thus seen primarily as a vehicle for re-orientating local government services as a way of making them more effective and relevant to meeting needs in disadvantaged communities.*

## **The welfare model and danish system of local government**

The Danish welfare state needs to be understood in relation to the form of ‘social partnership’ and corporatism (and modes of negotiation and decision-making) between labour and capital which arise from the power configurations between the various class interests. The trade union and labour movement organisations play a pivotal role in economic and social policy making - a role which emerged from national social struggles at the turn of the century, when the current Danish ‘model’ its guiding principles were born (see Etherington, 1997, 1998). In this context the widespread public support for the Danish ‘universalist’ model, along with



continued strong interest representation from powerful labour and closely linked social movement organisations (such as feminist movements, local government associations and specific local government user organisations), operate to defend the continuation of comprehensive social policies (Goul Andersen, 1997; Siim, 1998).

The administration and delivery of welfare also needs to be located in the traditions and culture of local self governance which were prominent features of a radical farmers movement of the 19<sup>th</sup> century which through religious organisations created network of poor relief, education and political organisation (Christiansen 1994).

A highly decentralised system of local government developed charged with major welfare functions. Today, there are 275 local councils which carry out planning, social services, care for the elderly, childcare, social security provision, primary education, and utilities (water, energy, waste). There are 14 county councils which provide regional planning, transport, secondary education, environmental policy and health. It is important to understand the local government system in terms of interest articulation and political struggle. There are three aspects to this. First, there is a highly developed system of service user groups which act as 'watch dogs' in relation to how services are delivered. Second, the public sector trade unions politically lean to the left and are more organised in resisting any reforms which will undermine the collective and social solidarity principles of welfare provision (Scheur, 1998). Third, the local government organisations (such as the Kommunernes Landsforeningen (KL) –National Association of Local Government) are represented in the corporatist networks and are important pressure groups around local government issues (Etherington 1996). There is also another additional and important factor and that is the gender dimension of welfare provision. Women have individual status in terms of eligibility to benefits, and through comprehensive child care provision have access to the labour market. There is also an active women's movement, closely connected to the Danish labour movement and which possesses a powerful voice in shaping welfare debates. This movement has played a significant role in defending the social and universal rights commonly associated with the Danish welfare settlement (Siim 1998).

## **The danish welfare to work programme; local government as a social partner**

### *Background*

Until the 1980s, local government did not really play any pro active role in relation to intervening in their local economies. This changed during the global down turn and consequent unemployment crisis and major economic restructuring which took place in the cities and rural areas (Jensen- Butler 1992). Interestingly, a Conservative-Liberal Government (1985-1993) responded to pressure from the local government organisations and trade unions for more local powers to tackle local unemployment. Local authorities were given legal powers to provide work related training for those unemployed claiming social assistance. Furthermore, the local and county councils in the peripheral regions developed local economic and technology policies framed by EU structural fund programmes (Etherington 1995).

*Labour market reforms: decentralisation and increasing local government responsibilities*

Building on this legacy, and increasing pressures to tackle rising unemployment, the 1993 Social Democratic Government implemented wide ranging reforms of the welfare state including a comprehensive welfare to work programme. For the first time, in 1994, 'workfare' policies were introduced in that access to benefits were conditioned by acceptance of various offers in terms of educational leave/employment training. A training and job placement package was introduced including paid leave schemes comprising educational, sabbatical and child care. The educational leave scheme provides opportunities for unemployed aged 25 years and over that are members of the Unemployment Insurance system to participate in educational and training programmes for a maximum of 12 months. They receive an income to the equivalent of the maximum unemployment benefit. The educational leave scheme is available for those in employment and is often used to implement job rotation whereby those undertaking leave will be replaced by unemployed who are then provided employment training and vocational education. Local government provides employment training for those unemployed claiming social assistance from the local authority. The government's Employment Service organises job placement and training for those claiming unemployment insurance. Eligibility to unemployment insurance system (UI) is tied to previous employment. Many people in the insurance system, however, find work placements in local government (Etherington 1998 Goal Andersen 2002).

The 1999 Social Policy Act placed increasing responsibilities on local government for the most vulnerable groups in the labour market – i.e those claiming social assistance. More and more people are dropping out of the UI system and claiming social assistance because of the tightening of rules of eligibility for membership of the UI, and the increasing barriers for certain groups such as young people, immigrants and minority ethnics gaining access to employment. As a consequence an increasing proportion of the unemployed are claiming social assistance. Individual job training schemes are offered to those who cannot be placed in ordinary job placements and require special training and supervision. In addition to job training, 'flex jobs' have been created for people who have a 'reduced capacity' for employment. These are special employment schemes geared to people with health and social problems. Both the public and private sectors can employ people in the so-called 'flex' jobs but in cases where people are experiencing severe social problems, local government will be the employer. In addition to the employment programme, local councils will draw up Individual Action Plans for those on Social Assistance and the unemployed in principle have a choice from a menu of job training and other vocational orientated training. The more recent reforms have promoted a 'campaign' around the social inclusive' labour market policy where local authorities are legally required to coordinate social inclusive programmes with the other social partners, including the establishment of local coordinating committees (see below)(Rosdahl and Weise 2001).

It is also important here to emphasise four additional areas of local government responsibility, which has contributed to activation and access to work. One is transport, whilst subject to privatisation and outsourcing in recent years still is primarily under local government control in terms of planning and subsidy. Second, the availability of subsidised child-care has important consequences in relation to women's and men's access to the labour market (Pedersen et al 2000: 179). The

third aspect is in the sphere of education where special initiatives have taken place to promote high school take up and encourage post 16 school education. The fourth aspect is the system of financial compensation established during the 1930s whereby richer local authorities subsidise poorer authorities via a system of financial transfers (including additional transfers from central government to pay for social assistance and subsidise child care) is still in operation. Hansen and Butler Jensen (1996) argue that this has been crucial in combating uneven development and economic restructuring in urban areas. Furthermore the retention of public sector employment levels throughout the 1990s has been an important dimension of sustaining labour demand in urban areas (KL 2001).

*The Reforms as the Re-Regulation of Interest Representation and Local Governance*

The administration of labour market programmes is undertaken by the 14 regional Labour Market Councils (boundaries are co-terminus with the County Council boundaries). The LMCs comprise corporatist institutions with planning and implementation undertaken by the 'social partners' – local government, trade unions and the employers. The executive boards are supervised by the central government Labour Market Authority, and policies and plans from the regional boards are subject to approval by central government. Labour market policy reflects the geographies of local labour markets in Denmark and a trend towards selective decentralisation and intervention in local and regional economies by the state. The increasing role and power allocated to the LMCs in terms of labour market policy decision-making is an important feature of rescaling of the Danish state. In many respects the regionalisation of politics through the LMC and associated networks is a defining feature of the welfare reforms.

The Regional Labour Market Councils comprise equal representation from local government, employers and trade unions, and at the national level (National Labour Market Council, local government (together with the trade unions, private employers and relevant government departments) is represented by the KL (National Local Government Association). The LMCs are allocated responsibilities to produce labour market plans and submit to the national council. These plans set targets and identify priorities for the respective region (or county council) for the development of labour market policy. The LMCs are allocated substantial budgets for priority labour market measures (Hansen and Hansen 1999, Goal Andersen 2002).

The second area of significant development in relation to the governance of labour market policy is the introduction of legislation to promote a social inclusive labour market via the Active Social Policy Act 1999 and the establishment of local coordination committees (koordineringudvalg) for each (or a group of) local authority area (such committees have been established informally as a result of the 1994 reforms by some local authorities). The fact that there is a legal compulsion forces local authorities to establish these committees and ensure relevant representation from the social partners (trade unions, employers and local authorities as well as from the health and social sectors). These committees are allocated a budget in order to establish projects and initiatives, which facilitate labour market integration.

Evaluation research on the first phase of this programme (see Kommunernes Landsforeningen 2001 and Andersen and Torfing 2002) suggests that in most

cases the Committees have achieved better coordination between the various 'actors' in the local labour market policy arena, and strengthened political involvement from local politicians and senior managers in the social inclusive labour market. Andersen and Torfing (2002:17) argue that the committees have contributed to building local democracy because of the 'bottom up' orientation of much of the work, and the development of labour market politics and policy at a smaller geographical scale. Another key area, and perhaps the main stimulus for the reforms is to develop closer involvement from the private sector in the various programmes which will integrate those on social assistance into longer term employment.

The welfare reforms are not without their tensions and conflicts. The shift from a rights based to a workfare based benefits system has been controversial in the context of the social solidarity and universal traditions of welfare politics. They represent a retreat by the Centre-Left Parties from full employment policies, controlling capital and confronting dominant neoliberal explanations of unemployment, skill shortages and employment problems ( see Coates 2000: 120). The shifting political dynamics that shape dominant discourses towards a more neoliberal workfare strategy and a more polarised class conflict/offensive regime are embodied in the recently elected Liberal Conservative Government (November 2001). Privatisation and outsourcing of local government services which has been actively pursued by the former 'third way' Social Democratic government is now centre stage of the new governments' political agenda. There is more emphasis now on the 'duties' within activation measures which has given rise to a more 'disciplinary' mode of policy implementation within local government (Goul Andersen 2002 Larsen et al 2001). At the time of writing, the government has launched a discussion document with the slogan 'Flere I Arbejde' (More in Work) with the intention of rationalising the organisation of labour market policy, adjusting access to unemployment insurance, and making education and training initiatives more work specific (see Regeringen 2002).

This said, how the new governments' strategy will unfold is hard to predict and will depend upon the balance of social and political forces – including those around local government. If the experience of the last Conservative Liberal Government is anything to go by, resistance to fundamental policy changes could be fierce from both within and outside the Danish Parliament, and the gap between the rhetoric and reality of this strategy could be wide. There is wide support for redistribution and a consensus around defending the most durable and socially progressive aspects of the welfare system (Goal Andersen 2002).

## **Local government and area renewal: The 'kvarterløft' programme**

### *Background*

In the 1980s as a response to increasing problems in a number of the social housing estates area renewal programmes were implemented with some success. However, it was evident that these programmes (geared to building renovation, environmental upgrading and improvements to social facilities) were not impacting on increasing

social segregation. A comprehensive urban strategy was introduced by the previous Social Democratic Government in 1993 geared to revitalisation of Danish cities.

Like the UK, there has been a trend for those in work to move into owner occupation and estates to become areas with concentrations of social exclusion and marginalisation (Kristensen 2002)). As the Urban Policy embodied a strong social integration approach (as many of the estates also became popular with asylum seekers and minority ethnic population because of availability of units of family size and access to rent subsidies as in migrants tend to be unemployed or on low incomes), two major initiatives were established. The first relates to area regeneration of 500 'troubled social housing estates' between 1994-1998. This involved building local networks and closer relationships between the estates and public services, making the estates competitive in the housing market through rent reductions and improving social facilities, and reduced segregation by limiting the concentration of immigrants in specific estates. Evaluation research (Skifter Andersen 2002) suggests that the strategy has been successful in stemming the decline of the estates. It has built the self confidence of local community representation and has improved the coordination of public services within the estates. To some extent this programme has influenced the development of the *kvarterloeft*.

#### The *Kvarterloeft* as a Model for Local Government Democratic Renewal?

The government's Urban Committee acknowledged these social changes and established two programmes of *kvarterloeft*. The first involved seven area initiatives in five local authorities (1997-2001) and the second involved five new initiatives in five different local authorities (2001-2007), both outcomes of bidding by local authorities.

The *Kvarterloeft* strategy parallels the New Deal for Communities in respect that it involves mix tenures –social housing, private rented and owner occupation. There are four key elements or components to the *kvarterloeft*. First, there is the notion of expanding democracy and resident/tenant participation. Second, the area (as opposed to specific policy sectors) is the focus of attention and intervention. Third, the approach to renewal is comprehensive in terms of economic, cultural, recreational and social policies. Fourth, the management of change involves a contractual arrangement between organised communities and the local authority (Munk 1998:4). It is also relevant to add that a *kvarterloeft* is intended to play a key role in the 'social integration' of immigrant communities. Thus race or ethnic equality strategies are focused primarily around area regeneration policies.

The organisational model of the area initiative involves a Co-ordinating Committee which co-ordinates the input of various Working Groups set up to tackle specific themes (e.g. environment, employment, crime, etc.). This Committee works closely with a decentralised Committee of the local authority and, in 'partnership', it establishes a plan for the area. The local authority has a key role in shaping up and establishing the relevant funding streams for the plan. In some areas, a Steering Committee is established above the Co-ordinating Committee to approve their plans. Members of the Steering Committee are appointed by the local authority, involving politicians and representatives from community groups.

The Working Groups tend to represent the 'grass roots' of local communities and are involved with different issues and themes as outlined above. Work on these themes is translated into action through specific Project Groups in collaboration with relevant local government departments. Once the tasks of the Working Groups have been completed, these groups tend to fold and cease to be active.

In his evaluation of the *kvarterloft* projects, Jacob Larsen (Larsen 2001) noted that they have experienced many of the same problems as other urban initiatives in developing a strategic, co-ordinated approach. The individual *kvarterloft* schemes have all found it difficult to involve fully local communities in the conception, planning and implementation of the programme. The models of participation are complex and require resources (knowledge and time as well as financial) and obviously the relationship between community organisations and local government and state agency officers is crucial (Larsen 2001)

However, both academic analysis and project evaluations of the *Kvarterloeft* initiative suggest that consensus building has been difficult to attain because interests within communities have tended to be contradictory. Some groups had a more powerful voice in terms of access to decision making. Indeed, the most oppressed and marginalised groups tended to be (unintentionally) excluded by the process which is both performance driven (which means that results have to be realisable in a specific timescale), and 'top down' (in that specific frameworks and principles for developing local projects are usually generated in the first instance by officers and local politicians (Jensen 1998). Whilst redistribution remains a key method of combating social inequalities, the question remains about the extent to which these urban initiatives point to more means-tested and area-based forms of social policy.

The generation of 'social capital,' and community resources in the resolution as well as articulation of problems is becoming a more central dimension of the urban experiments and the philosophy of the 'Urban Strategy.' It is also underpinned ideologically and philosophically by the notion of community and self-governance within cities, facilitating the creation of locally based sustainable communities (By og Bolig Ministeriet 1999).

Larsen (2000) in his study of one *Kvarterloeft* area suggests that the creation of a network of social institutions and networks facilitates some form of representation and solidarity of professional workers with their 'clients'. Informal coalitions are generated between activists, professional workers, local clergy, school principals, tenant activists which are vehicles of interest articulation of marginalised groups. This mobilisation can articulate demands about rights and redistribution and challenge existing power configurations in the area. This point is also reinforced by Jacob Larsen's recent evaluation – that in terms of mechanisms for widening participation the initial experiences have been quite positive and successful.

The *kvarterloeft* has emerged from a concern of exclusion – including ethnic marginalisation and the need to build 'sustainable communities' within the city. The key question is how local government will meet the 'urban' challenge; or, more pertinently, how the *kvarterloeft* will reshape the relationships between the local state and working class communities in Danish cities.

Larsen's study suggests that area-based policies as embodied in the *kvarterloeft* programme contain contradictions - rather than empowering communities, they can have the opposite effects and lead to greater fracturing and disempowerment.

This is because local projects do not meet everybody's needs – and therefore cannot necessarily fulfil expectations of both professional workers and 'clients'. The mobilising mechanisms and structures can also enhance rather than reduce social divisions, mainly because better off groups do not want to interact or participate with marginal sections of the population. Furthermore, the interactions of wider processes can have contrary impacts to the aims of local area strategies. (Larsen 2000:43-44).

Andersen (2000) asks whether the shift towards the Entrepreneurial city which has comprised a major element of the 'Schumpeterian Transition' of the Danish welfare settlement can coexist with the social cohesion objectives of the area regeneration programmes. Hence the social action and social renewal programmes for the deprived districts live a life of their own with marginal links to the City and regional entrepreneurial growth strategy. (Andersen 2000:15).

There is therefore an evident tension between the two strands of policies, the regeneration of cities involving business-dominated coalitions and resultant processes of gentrification, coupled with a greater reliance on the private market and away from social housing, could mean greater polarisation and increasing segregation.

## **Conclusion: Danish lessons for the UK?**

### *Welfare to Work*

The first, in the sphere of responsibilities and functions, Danish local government has been *proscribed* a central role in the delivery of labour market policies. In relation to schemes for the unemployed local government implements twice as many schemes as the private sector. In 2000, local authorities (local and county councils and this will include the health service) managed 31, 545 (private sector: 9364) in the various unemployment schemes. In 2001 this rose to 32,716 (private sector: 12,002) (Danmarks Statistik 2002). For the UK, 2,144 people were employed or trained through the New Deal by local councils, by 2001 this had fallen to 1,639 (Local Government Employment Digest 2001). Without figures for the health service, direct comparisons are difficult but the figures nevertheless expose startling contrasts between the weightings given to the role of public sectors in welfare to work. Yet the Danish experience does demonstrate that a large public sector involvement will also sustain labour demand in areas where local economies are being restructured. It is no coincidence that regional inequality in Denmark has in fact been reduced in recent years and the core periphery difference which characterise the UK (ie South East versus other regions) does not exist to any significant degree in Denmark (Hansen Butler Jensen 1996). Local government is still the major employer in most urban and rural economies in the UK yet their role in labour market programmes depends upon a contract and bidding process. Given the still innovative way UK local government works, a reorientation ( and the health sector) towards welfare to work could have important implications for 'social inclusion' programmes as well as address some of the deficiencies in labour demand in local labour markets.

The second, and of course related issue is in the organisation of welfare to work. In the UK, the New Deal Venture Partnerships have been dissolved because of their lack of ability to bring forward a coordinated New Deal with other labour market programmes (Finn 2001). The new Local Strategic Partnerships will have to accommodate any new organisation of the new deal at the local level. It is unclear how this will take shape and whether there will be any improvement in coordination or increased fragmentation as we have suggested above.

### *Neighbourhood Renewal*

In contrast with the UK, the centrality of local government in Danish urban policy, and its role in steering area renewal can generate possibilities for progressive change and innovations within the town halls which may lead to strengthened alliances between the political process, policy makers and excluded communities. This will of course depend upon the dynamics of local- decision making and democracy. However, it constitutes a key area of difference with Britain, where the role of local government in neighbourhood renewal is being steadily marginalised.

Whilst there are pitfalls in the Danish model, and some of the key elements of public service provision will be challenged by the current liberal programme of the new government, nevertheless its emphasis upon the central role of local government in 'social inclusion' in terms of labour market policy and area regeneration can stimulate a debate about alternative strategies currently being recommended by organisations and think tanks in the UK (cf Local Government Association 2002, Local Government Information Unit 2002, Education and Employment Committee 2001).



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