

Partnership for Social Development  
: Denmark

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# Partnership for Social Development: Denmark

The Danish social model is in transition. The classic, and well reputed, model is exhausted due to a number of different but mutually reinforcing causes:

- The economic and social transition from an industrial society to a knowledge intensive, post-industrial society
- The economic as well as social and political internationalization
- The demographic changes, foremost the aging of the population

The new model that develops in Denmark, in the Scandinavian countries as well as in many other advanced industrial countries around the world can be characterized as a "partnership model". At present, only vague contours of the new model is visible. The actual shape will vary from one country to another reflecting its particular history, political compromises, and the ability of each country to position itself economically and politically in the new global order. Nevertheless, the main characteristics are the same:

- A new social role for Business where business extend its social responsibility in its own interest and as the essential strategy for increasing productivity
- A professionalization of the third sector (voluntary organizations) including an upgrading of the human resources employed
- An improved productivity of the public sector including new partnerships with business in relation to the production of social services

A new strategy for the renewal of the Danish, and other, social model can be developed along these lines. Operational elements are:

- Formation of a Social Strategy Development Group
- Social chapters to be included in the collective bargaining of the private labour market
- Establishment of Social Experimentariums
- Founding of Social Strategic Networks
- Campaigns for Business' Social Responsibility, sheltered employment, etc.
- Voluntary social initiatives by Business

This paper deals with the background of these new features of a social model in Denmark. The paper is structured in four sections: the development of the contemporary welfare state and its challenges, a new welfare mix, some examples of how the Danish model works and finally considerations of elements which could be transferred to other countries.

## 1. The history: the State as Social Caretaker

The present social model in Denmark has developed through five different phases:

- 1890s: National social security and insurance
- 1930s: Economic crisis and administrative restructuring
- 1940 to 1960: Post war, economic boom and gradual welfare reforms
- 1970s: New Administrative reforms and welfare service
- 1980s: Modernisation of the welfare administration

### 1.1. 1890s: Social Security and Insurance

Until the 1890s social policy in Denmark was either non existing or depending on local decisions. The year 1891 marks the start of the *Welfare State*. By this year the first nationwide law on old age pensions was introduced. The same year local rules and norms on poverty relief were collected and harmonized into one single law.

In the following years other welfare related laws were passed. Most notably are the laws of 1892 on sickness benefits and the 1898 law on protection against unemployment. Both these laws were based on insurance principles. To some extent it was voluntary to join the schemes. The inspiration to these laws came from the contemporary Bismarckian system of Germany, the so-called socialist-laws. In Germany these laws were intended to undermine the social basis of the rapidly growing social democratic party. It thus points to the social background of the first wave of social reform: namely the first real period of industrialisation in Denmark. The emergence of a new class of relatively poor wage earners created both a political and a social need for protective legislation.

### 1.2. 1930s: Economic Crisis and Public Welfare

The above mentioned complex of laws existed almost unchanged until the 1930s. It was still the core of the social model, but had been supplemented by several other laws. Under supervision of the social democratic minister of social affairs K.K. Steincke the welfare complex was overhauled in 1933. The social reform gathered the single laws (more than fifty) into four groups:

- Care
- Insurance schemes for sickness, disability and old age
- Insurance against accidents
- Unemployment

These arrangements were passed by the Parliament in a coalition between the social democratic party (the workers) and two liberal parties (representing farmers and to a certain extent the professionals in urban occupations). It thus reflected a will among the lower classes to push their policies through in opposition to the upper classes. In a sense this was the most distinctive expression of the political features of the emerging industrial society.

### 1.3. Post War: Towards the Universal Model

After the end of the war in Europe in 1945 the core of the above mentioned model remained intact. It was not until the end of the 1950s that new reforms took place. The most important was the 1956 change from need tested age and disability pensions to universal schemes. Towards the end of the 1960s the insurance principle was removed from unemployment security. Although a users contribution to the schemes remained, the state accepted the overall responsibility for the

functioning of the system. All in all the post war development took the Danish welfare system in a more universal direction. One could say that social rights were seen in the same way as political rights: each citizen had the same rights.

In this period a large proportion of the rural population moved to the cities. This urbanization destroyed many local social networks and gave thus rise to new social demands in the cities. In the same period female occupation rates began to increase. This further boosted the need for welfare services. These new needs had to be met and the rise in state-provided welfare service dates from these years.

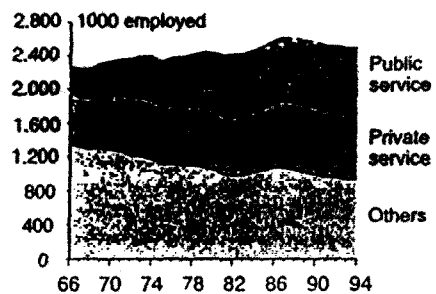
#### 1.4. 1970s: Administrative Reforms and Welfare Service

In 1974 a new administrative reform took place. As in the 1930s an attempt was made to simplify the welfare system. Now the administration of most of the social services and benefits were concentrated in one type of agency: the social administration of local municipalities

During the seventies a boom in welfare services took place, e.g. child care. As a whole the Danish society was in a transition period from the industrial to the service society as it is indicated in the bystanding figure.

Figure 1: Patterns of employment in Denmark

Employment divided into subgroups



Source: ADAMs Databank

#### 1.5. 1980s: Modernisation of the Welfare Administration

In the beginning of the 1980s the traditional social democratic strategy in Denmark seemed exhausted. A conservative/liberal government took over state power in 1982. One of its main target was to down size the public sector. Due to heavy resistance from the electorate and the public employees this project was turned into a less ambitious project of renewal. The so-called modernisation programme aimed at preserving the welfare features of the Danish society while at the same time make the public sector more efficient and open and responsive to the citizens. This project has worked to some extent, but as a whole the approximately ten years under a conservative prime minister was less of a reform period than other decades in the recent Danish history. It has been argued that attitudes have changed towards greater acceptance of the need to restructure the welfare system, but still patterns of behaviour and the welfare institutions have remained more or less as they were.

## 2. Shortcomings of the Prevailing Social Model

Today the Danish social model is exhausted due to three different but mutually reinforcing causes.

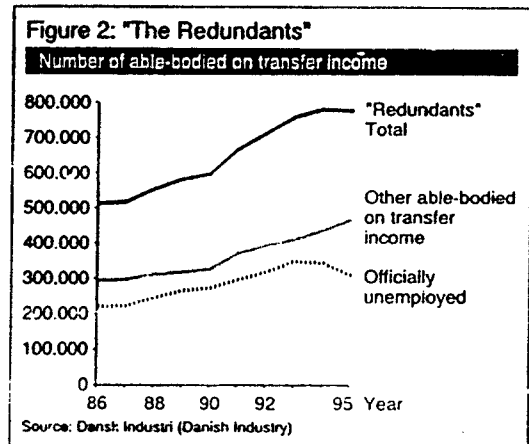
- The economic and social transition from an industrial society to a knowledge intensive, post-industrial society
- The economic as well as social and political internationalization
- The demographic changes, foremost the aging of the population

These developments express themselves in:

- Mass unemployment and growth in the number of state dependents which pressure the state budget
- New social needs and limited financial means
- Stalemate in the reform process

## 2.1. Mass Unemployment and Growth in the Number of State Dependents

Since the middle of the 1970s unemployment has been a major problem in Denmark. Yet, the unemployed are only one kind of state dependents. As the bystanding figure shows the total number of state dependents are of about 800.000 (app. 30 per cent of those in work). This number does not include the app. 750,000 old age pensioners (representing more than a quarter of those in work). Including the latter group the total share of adult Danes who are supported by public means adds up to 1.55 millions (or app. 55 per cent of the 2.8 millions in work). It can be feared that the total number of dependents will continue to rise if actions are not taken to fight exclusion, permanent sick leave, etc



## 2.2. New Needs and Limited Means

Some trends in the Danish society are threatening to worsen the contemporary problems in the future. The demographic development indicates that the share of elderly people in Denmark will rise in the years to come. The new elderly generations will be demanding in the sense that they are used to high living standards. They will also need more care as they will live longer which presumably will be more expensive than today due to progress in health care and treatment. All in all the ageing of the population will put an extra pressure on the expenses of the welfare state. Further, the potential growth in refugees from surrounding areas will also - given the high standards of living with which refugees are met in Denmark - increase expenditures.

If the Danish social model is to develop further - or avoid phasing out - new social investments are necessary. For the time being the most important are:

- Investments related to the environmental problems created by the industrial society in Denmark and elsewhere. Securing healthy environments in Denmark takes up an increasing part of GNP.
- Investments related to the change from industrial to knowledge society. The need for investments in basic and further education plus on the job training are increasing. To this adds the need for investment in infrastructure and basic hardware in schools, companies and homes, etc.

Apart from financing the increasing expenses to maintain the present welfare level it is essential that additional financial resources are generated to meet the future investments. This challenge calls for reforms.

### **2.3. Stalemate in the Reform Process**

Unfortunately the reform process has not been as quick or stable as one could wish. Among the most important reasons the following should be mentioned:

- *Lack of recognition of the problems.* In beginning of the so-called "oil crises" in the 1970s un-employment was thought of as a temporary problem that should be met by traditional Keynesian means. It was not acknowledged that more serious troubles were emerging. Today many of the symptoms of the present crises are conceptualized as "normal" features of society. Nevertheless, the imbalances still haunt the public expenditures and decrease the economic possibilities for social reforms.
- *Faith in future.* Even when the serious structural problems were perceived some continued to believe that the problems would solve themselves given the right help. Some believed in recoveries from the international markets, others believed that the creation of the single market in Europe would solve the problems. Now it is obvious that international recoveries and free markets work in two ways: more activity as well as competition are created.
- *Vested interests.* Danes, and especially Danish organizations, do not easily relinquish old victories. Like in the 1980s, both business and employee organizations now struggle to hinder government efforts to restructure and deregulate the Danish society.
- *Ideological contradictions and political distrust.* In Denmark the neo-liberal crusade of the 1980s still plays a major role among some critics of the welfare state. The presence of this threat has created some hostility - especially in the trade unions - against market orientated reforms such as privatisation, contracting out, etc. In a number of cases this mainly ideological conflict has turned out to be sufficient to obstruct reform projects.

Altogether the various obstacles to change have so far been enough to prevent a genuine renewal of the Danish social model. Therefore, a reform model that can overcome these barriers is needed. Such a model must be based on new and realistic notions, yet developed from the old model's ideological foundations. Some steps taken in that direction during the last couple of years are very promising. Especially since they express both new ideas and are supported by new political networks. The below sketch of a new welfare mix is based on already existing proposals and initiatives.

### **3. A Blueprint for the Future Model: the Balanced Welfare Mix**

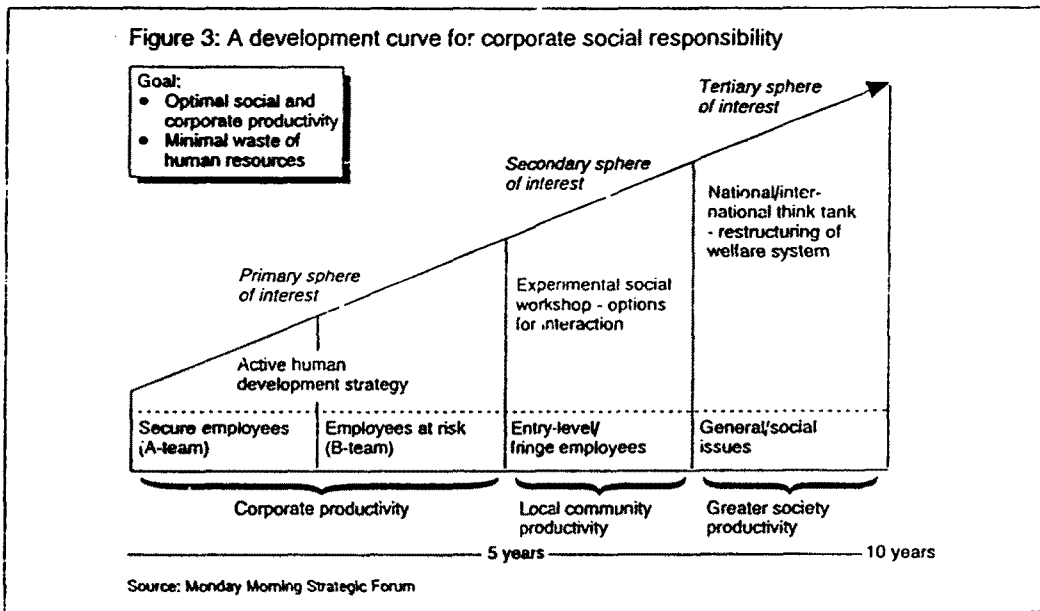
As described above the contemporary Danish social system is being challenged today. According to survey analyses the Danish population is at large in favour of an advanced social system. Further, apart from some reservations the Danish population is also willing to finance the extended welfare services through taxes. If taxes are to increase, though, in order to finance the system in the future public support might crumble. Reforms are therefore necessary if the overall support is to be maintained in the future.

In order to meet the above described challenges the Ministry of Social Affairs has launched a process to reinvent social responsibility in Denmark. The ambition is to create a new concept of social responsibility and in the long run to create a new social consensus. So far the main parole has been "It concerns us all", meaning that social responsibility is not only an issue for the professional public welfare workers, and that everybody during a life span needs some kind of social service. The features of a new welfare mix can be outlined, even though it is not generally agreed upon yet. Parts of this have substantial support from important decision makers

representing different sectors of society, e.g. business and the public sector. The new welfare mix takes business, the third sector as well as the public sector into consideration. It presupposes that major actors are willing to redefine their roles in relation to the social challenges. The principles can be described as follows:

### 3.1. A new social role for business

Business accepts an extended social responsibility. Like environmental pollution, which is best controlled at the source, social problems arising from exclusion, unhealthy work conditions, redundant qualifications etc. are best fought down in the companies. The social responsibility ranges from the most narrow concern of the well-being of the core staff to the concern for society as a whole. This range is indicated in the below figure.



### 3.2. Self-interest of Business

Voluntary social responsibility will allow the companies to adjust to the new tasks on their own conditions. They can maintain and even broaden their autonomy by taking steps to create socially responsible working environments for their employees. That will improve the upgrading, the flexibility and the innovation of employees as well as of local communities and societies. If, on the other hand, the companies do not voluntarily engage themselves in the social problems of society it is most likely that they will be forced to do so by political actions. This was the case with the emerging environmental challenge in the 1970s where regulations and duties were later implemented. Like then, enforced responsibility tends to be inflexible for the companies. Yet, in the long run it will be in the self-interest of the companies to take their share in the renewal of the social model. Further, front running companies will be able to define social corporate image strategies gaining direct as well as indirect benefits from being first-movers.

Unless the model is renewed the over all functioning of the Danish society is likely to be less business friendly. The companies will be forced to contribute either by taxation or through imposed welfare schemes (rigid schemes of protected work places for instance).

### 3.3. Productivity

The overall result of a greater social responsibility is increased productivity. The companies will be able to keep their employees and the investment made in their competences since they develop new skills. Employees become adequately flexible to adjust to ever changing environments and innovative enough to cope with the new global competition's short product circles. An active social responsibility of business linked to company strategies for development of the human resources can thus bridge the gap between social and economic challenges. Further, companies could turn this challenge into a chance. If social responsibility and investment in human resources could be integrated in the companies it could be a strong advantage in the new patterns of international competition.

### 3.4. Professionalization of the Third Sector

The volunteers of the third sector have for long been considered to be out of reach of professional influence. It has been accepted that their contribution to social welfare were made on their own conditions. Today, however, it seems to be possible to advise and inspire the third sector organizations in such a way that professionalization (and rationalization) through knowledge intensive work becomes an attractive aim in itself. The productivity of the voluntary organizations depends like that of the companies on the development of the human resources. The third sector in Denmark has traditionally been somewhat ignored in social policies. It has been expected that the voluntary organizations took care of minor social problems and worked on a small scale. However, recent studies have shown that there are potentials in the voluntary work which are not yet fulfilled.

There are no clear strategy of how to improve the contribution to welfare from the private organizations. On the other hand it is possible to find inspiration from the general debate on human resource management. It has been proposed to professionalize the organizations by turning them into "learning organizations". This means that they should systematically perform their tasks in such a way that the voluntary organizations gain new competences through experiences from the work situation. This would both increase the output of voluntary organizations, and give "the voluntary" new skills.

### 3.5. Public authorities

Like the private and the third sector the public sector must improve its productivity in the following years. At the core of this strategy lies the recognition that the development of the human resources, skills and competences of the employees is the key to success. In the central government there has already been made strong efforts to introduce this line of action. The managers and employees of the public sector must also improve their capacities to work in networks with the other sectors. Partnerships across formal borders will be increasingly important in order to make a new social strategy work.

A new strategy for renewal of the Danish and other social models can be developed along these lines. As the following examples indicate the work has already begun in Denmark:

- *Campaigns.* The Danish Ministry of Social Affairs has launched a campaign concerning the social responsibility of companies. The campaign has generally been considered successful. Lately, though, researches have claimed that some results have been superficial, especially concerning the companies willingness to take in employees with less than full ability to work.
- The Ministry of Social Affairs has established a so-called "Social Strategy Development



*Group*” which is composed of heads of departments of central Danish ministries, top business executives and prominent researchers. One of its tasks has been to prepare new social policies.

- In collective bargaining in the private labour market, unions and employers have agreed on so-called “*Social Chapters*”.
- A “*social experimentarium*” in one of the fourteen counties in Denmark has been established as a frame in which new ways of collaboration between companies and public authorities can be tested.
- The Ministry of Labour is campaigning for more departments with “*sheltered employment*” in the companies.
- Danish companies are today more receptive to the idea of a corporate responsibility than just a few years ago. They also initiate new projects such as *healthy food services*, *psychological advice*, *child care for night shift workers* and the likes. These projects serve to ease the daily life of the employees in order to increase the job satisfaction on the one hand and on the other to increase the hours of effective work, the flexibility and the innovativeness. Thus, they promote productivity and image of the companies.
- The Ministry of Social Affairs has promoted so-called “*Social Strategic Networks*” of major Danish companies. The aim is to develop ideas and to share experiences regarding social responsibility.

Therefore, it seems that there are potentials in the new ideas concerning a renewal of the social model. It remains to be proved that a full scale reform is on the way. On the other hand there is an understanding in the political elites and public employees of the idea that things cannot proceed as they do today. This tendency has been called a “readiness to restructuring”. Maybe this is the most promising feature of the model today.

## 4. Examples from the Danish Model

Social policies in Denmark are allocative as well as productive. Among the allocative policies old age pensions and social security benefits will be described in further details. Child care is chosen among the productive public services. Each of the three mentioned policies will be dealt with in terms of origins, administrative history, present administration and levels, problems and proposed solutions.

Social policies in Denmark - Examples					
	Origin	The development of administration	Contemporary administration	Problems	Reform proposals
Old age pensions	1890s	A three-string system developed by legislation and collective bargaining	Provided by the state, private companies and quangos	None today. Yet fear of future levels of expenses	1. More private pensions 2. Later withdrawal
Social security benefits	1890s	Centralisation and bureaucratization	Provided by local authorities	Perverted incentives by authorities and individuals	No general proposals, but intensified focus on young receivers of benefits
Public day care	1960s - in its present form	No remarkably developments	Provided by local authorities	Political tensions concerning service level	Sabbatical leave for parents

### 4.1. Social Welfare Policy and the Administration

It has been argued that the handling of old age pensions has been one of the undisputed success' of the Scandinavian welfare states. On the other hand the handling of social security benefits have been a subject to continuing debate. The two policies thus highlights different dimensions of transfer-income policies in the Danish social model.

#### 4.1.1. Old Age Pensions

Today one could distinguish between three forms of policies and administration:

- State administration and basic old age pensions.
- Semipublic administration of The Danish Labour Market Supplementary Pension
- Private administration of individual pensions.

None of these pose special administrative problems today. The problems of the pensions are related to the contemporary levels seen in relation to the number of future old age pensioners. It is expected that the number will rise consi-

#### Origins

The old age pension act of 1891 stated that people over 60 years of age were entitled to a special social benefit.

#### Administrative history

In 1956 a new act on old age pensions was passed with broad support. It assured that every Danish citizen had a right to a basic old age pension unregarding of previous occupation or present income.

In 1964 a reform was introduced covering wage earners by an insurance-like pension (the so-called ATP - or The Danish Labour Market Supplementary Pension).

Especially during the last decades private pension schemes have been spreading among well-paid wage earners and professionals.

derably (compare remarks in previous chapter). For the time being different initiatives to meet this challenge are under consideration.

- It is hoped that the private pension schemes will ease the demands for public means. The government wants to encourage such private schemes.
- Furthermore it will encourage people to stay in work for longer time.
- Finally it will reduce costs through rationalisation in the supply of service to the elderly in order finance some of the growth in expenses to pensions.

#### 4.1.2. Social security benefits

By the social security act of 1974 all benefits of non-lasting character became administered by the local councils. The social security benefits thus became an issue for the local councils. This institutional order remains intact today.

It was the intension of the social security act that each person applying for social benefits should be treated individually. This has been a source of considerable difficulties, since the number of persons applying for support has been growing steadily during the last two decades.

##### Origins

Social security benefits 1891. Common national rules of relief for the poor were introduced. Citizens under this programme risked loosing their political rights

##### Administrative history

The social benefits have traditionally been administered by local authorities. During the period from the late 1890s and to the 1960s a number of acts complicated the system considerable until a major reform took place in 1970. Since then 14 regional counties and 275 local municipalities have exercised most non-state public affairs.

It has been argued that the law perverts incentive structures. Firstly, citizens are tempted to choose social security benefits in stead of jobs. Secondly, social workers are tempted to pay clients of, which is easy, instead of helping them to education or new job possibilities, which is difficult. Thirdly, because local authorities are tempted to declare receivers of social security benefits unable to work, which triggers state benefits instead of social security benefits that the local authorities have to finance themselves.

There are no generally accepted reform proposals aiming at solving the problems created by the social security act and the institutional/administrative problems connected to it. However one major step has been taken as the rules have been altered for younger people (up till 25 years of age) who according to recent proposals should be given new offers of education or job training. Another recent feature is the growing co-operation between private companies and social authorities in job training.

#### 4.2. Social Service Delivery Systems: Day Care in Denmark

Public day care for children has been administered by local municipalities. The system has been two-sided: 1. A system where local municipalities set up public owned centres and 2. a system where private boards run centres with essential support from the local authorities and under common national rules. Lately so-called business day care centres have been established, but generally they work as a "mutation" of the second type of day care centre.

Generally speaking public day care poses no problems for the welfare administration. On the other hand it has provoked tension between parents with small children who cannot get a public day care centre to take care of their child due to waiting lists and the local authorities. Thus, it has created problems politically speaking.

In order to make the system more flexible day care has been offered to private homes. Also an act of parental leave has been passed. Both have been very successful.

Today there is a growing discussion in Denmark whether day care should be more privatized. Private companies providing day care on business terms are waiting on the thresholds of the market, and have already got a foot hold in the Scandinavian neighbour Sweden. For the moment privatization of welfare services is politically very difficult in Denmark and it will take some time before private companies will get into the market.

#### Origins

Public day care was originally based on asylums for children. Later (1960s) the inspiration came from private kindergartens.

#### Administrative history

Since the middle of this century public day care have grown rapidly. Originally day care was thought of as a help to single mothers (or mothers from weak families) or private centres for advanced liberal families. Today day care is used by virtually all families with children in Denmark. The centres are financed through contributions from the local municipalities and the parents (according to income).

## 5. Proposals

No general social model for the future exist today. The present models are all more or less suffering from challenges and are under reconstruction. It is thus not possible to base a future national model on an already existing model. Instead each society need to create social organizational arrangements that allows them to develop new social models. These arrangements must be able to gather information on preferences and possibilities from the important sectors of society. They must also be open to new solutions.

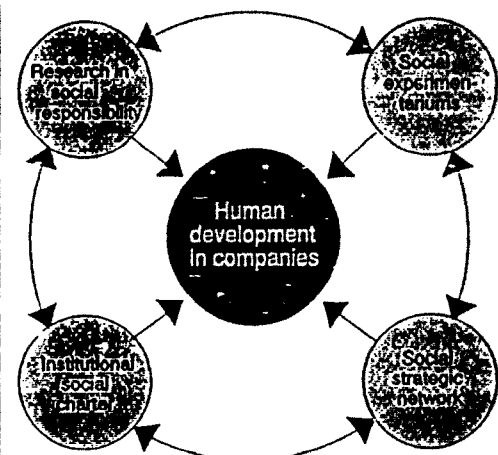
Experiments with social policies and distribution of new knowledge concerning social issues are necessary for each country. It is difficult or even impossible to tell whether a social policy will work in a given country before it has been tested in this country's particular cultural settings. Although the challenges to the social models may look similar, the cultural systems which surrounds them can be very different.

In Europe it is accepted today that no nation can handle social problems alone. Just like the nations must co-operate in order to combat environmental pollution, they must co-operate in order to solve the social question. This calls for more international distribution of experiences with social models.

The existing experiences with social models suggests that it is inflexible to base "welfare" on single institutional bases, e.g. markets, states or families. Instead it is necessary to balance the bases of social responsibility, meaning that social models must be composed by elements from each institutional type.

The companies must be in centre of a new social strategy. However, they need support from the surrounding social actors. Establishing a new integrated partnership for social development thus implies strategic initiatives within five

Figure 4: An Integrated Partnership



Source: Monday Morning Strategic Forum

fields as illustrated in the figure 4. Based on this the following proposals can be outlined:

### Company dimension

- *Human development strategies in single companies:* Business needs to apply a new set of human development strategies which involve an extended, more holistic and yet individual perspective on employees. Human development strategies need to optimize the effectiveness of human resources by applying on-the-job training and career advice to each employee: the highly skilled core-employees as well as the less skilled, potentially endangered and marginalized employees.

### National dimensions

- *Social Experimentariums:* In partnership with local social authorities, unions, educational centres, job centres, working environment centres, health institutions, etc., business needs to develop and apply new and untraditional offensive solutions to social problems. The purpose of this partnership is to secure optimum perfectibility and productivity in local communities. Few guidelines and experiences are presently available to design these types of solutions. Accordingly, it is proposed to develop guidelines and gather experience by defining a number of Social Experimentariums: working social laboratories which for a time period are granted less restrictive regulation in experimenting with new ways of organizing joint social responsibility at the local community level.
- *Social strategic networks:* Local guidelines and experiences need to be transferred to the national level and transformed into genuine and coherent national offensive social strategies. A new partnership between national social authorities, unions, educational institutions, etc. and business needs to be created in order to secure optimum perfectibility and productivity. Accordingly, it is recommended that a number of social strategic networks are established with selected social partners, including business, to broaden and extend local experience to a national level.

### International dimensions

- *International social charter:* Offensive social strategies on a national level need to be coordinated internationally in order to fulfill their total potentials. A new international partnership between governments, international institutions, organizations and, first of all, business needs to be founded for the purpose of creating joint international attitudes to, and efforts toward, confronting the social challenge. Accordingly, it is recommended that a forum for joining common efforts based on national measures be established. It is proposed that a new international, social charter for business based on existing best practices of companies is established.
- *Research programme in social responsibility:* building up the necessary scientific foundation for developing new partnerships is the fifth and final element in an overall strategy. Accordingly, it is proposed that a major research programme is defined and implemented both nationally and internationally in order to establish a new scientific basis for social responsibility.