

Working Group 4 on “Governance”

Labour Market Reforms - Incorporating the Protagonists at the Various Levels

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Summary

The main message in the paper is the following: Governing a labour market reform process leading to a more flexible labour market is a very complicated challenge. A successful outcome depends on a number of crucial elements. In the paper we attempt to illustrate the role of

- The general macroeconomic conditions and the employment situation – in severe crises the general room for manoeuvre seems to be larger, however some forms of tightening of conditions for the unemployed may be easier to manage during a general economic recovery.
- How the reform process is “prepared” including the role of
 - Experts – Agreement or disagreements among experts about diagnosis and recommendations
 - Social Partners – Their interests, internal dialogue and dialogue with government
 - Public opinion – Presentation of the problem to the general public in mass media etc.
- The Content of reform proposals – the size and political influence of the main target groups and the “give and take” balance of the proposal.
- Type of Government – Social Democratic-Centre or Conservative-Liberal and minority versus majority governments.

We use different Danish reform processes to illustrate our main points and observations:

The structural reform process in the 1980’s (wage control and labour market pension reform).

The Active Social Policy reforms in 1988 and 1998.

The 1994 Labour Market Reform and the follow-up adjustments during the 1990’s.

The Youth Unemployment Reform in 1996.

The Early Retirement Reform in 1999.

The paper will give a very brief description of the Danish Economic development in this period and of the government and labour market structure as a general background.

The general nature of the reform processes have shifted over time – in the 1980's the main emphasis was on wage control and pension reform to restore macroeconomic competitiveness and the savings balance of the economy. Towards the end of the 1980's and in particular during the 1990's active labour market and social policies were developed in an attempt to create a more flexible labour market through measures that enhanced job search and skill upgrading. Increasing labour supply through postponement of retirement came into focus towards the end of the 1990's.