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Article

# Social learning in active labor market policy in Denmark: the possibility of policy experimentalism and political development

Stephen Amberg\*

Political Science and Geography, University of Texas at San Antonio, San Antonio TX 78249-0648, USA

\*Correspondence: [stephen.amberg@utsa.edu](mailto:stephen.amberg@utsa.edu)

## Abstract

This article examines the experience of employment policy in Denmark as a case of how one country deployed an experimental design to shape the evolution of its political economy. This article distinguishes social learning from interest and authority-based arguments in theories of institutional change and development. The argument of this article is that learning processes contributed to incremental developments that both Liberal and Social Democrat officials have made in employment policy since the Great Recession. Institutional structure and market-oriented interests are important, but the discovery of new knowledge about employment problems through a recursive policy planning process contributed to the reconfiguration of the networks of policy agents. The experimental accumulation of practical knowledge brought the government to a major reassessment of its employment strategy.

**Key words:** constructivism, Scandinavia, governance, institutional change, labor market institutions, public sector reforms

**JEL classification:** D02 Institutions, P10 Capitalist Systems

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## 1. Introduction

Three explanations for how nations restructure the governance of capitalist economies that draw from theories of institutional change have been widely debated. One links institutional changes to private agents' calculations of market-based interests. Another conceives institutional agents as having positional interests in the context of public authority that both create incentives for central control and leave gaps in that authority for contestation. A third proposes that agents in the field and state are engaged in a simultaneous learning process about how to act effectively (Crouch, 2005; Berk and Galvan, 2009; Campbell, 2010; Berk *et al.*, 2013). This article considers the experience of employment policy in

Denmark during the Great Recession to show how one country deployed learning methods in employment policy to shape the evolution of its political economy. Proponents of the three explanations have taken account of the others, but learning processes have received less analytical attention than interest- and authority-based arguments in political economy and, therefore, I propose to demonstrate how policy experimentalism is a distinctive mode of institutional change.

Many consider Denmark a critical case for the analysis of institutional theories of political economy because of its success combining labor market flexibility and robust social security. Analysts have closely examined Danish practice from market-based and authority perspectives (Bredgaard, 2011; Martin and Swank, 2012). Early in the Great Recession, the Liberal-led government announced a dramatic decentralization and privatization initiative in Denmark's active labor market policy. Some conceived the reform as exemplary of neo-liberal market-based policy making, while others conceived the reform as new techniques of central control. When a Social Democrat-led government took over in late 2011, the reforms were continued. To some observers, this continuity supported a conclusion that market structure imposes solutions regardless of ideology, whereas to institutionalists, continuity was a reflection of the path dependency of Denmark's strong state. The argument of this article is that learning processes contributed to incremental developments in employment policy that both Liberal and Social Democrat officials have made. Institutional and market interests are important, but the discovery of new knowledge about employment problems through recursive planning and experimentation contributed to developments in programs and policy networks. The accumulation of practical knowledge brought the government to a major renegotiation of its employment strategy in 2014.

The next section presents an argument in the debate about institutional change about the ways that developed countries have responded to the employment problems of their citizens. Contributors to the debate have moved from concepts that describe the constraining authority of national institutions and/or the interest-based calculations that motivate social classes toward concepts of rules as frames for action and of actors as historically constructed, but I argue that experimental policy making is a feature of institutional reconstruction. I draw on pragmatist concepts to highlight the experimental dimension and to identify the ways in which Danish employment policy evinces experimental policy making.

The following section describes the development of Danish employment policy. Danish governments began a series of reforms in the 1980s that led to an active labor market policy (ALMP) in 1993 that mobilized an individual duty to work. In 2004, a Liberal government began a 'work first' ALMP strategy that de-emphasized training, and in 2009, it decentralized and concentrated labor market and social welfare program responsibilities in municipal governments. Municipalization also created a new local policy planning process to devise programs and mobilize resources to achieve national goals. The question to investigate is whether and in what ways the municipal planning process became a basis for experimental governance (cf. Sabel and Zeitlin, 2010).

The article then provides a detailed account of employment policy developments. The policy learning processes inevitably took time to emerge because the state reconfigured existing policy-making relationships, changing the roles of traditional social partners and creating new roles for municipal authorities and private contractors, and framed new relations between municipalities and the state. By 2012, policy networks had formed around the process and program innovation had occurred. Employment policy achieved gains for youth and

hard-to-employ adults and made public administration more cost efficient, but one of the outstanding challenges became whether the state could foster business development.

The conclusion returns to the possibility of social learning in democratic capitalist countries. Policy learning competes with traditional representative democracy and the regulatory state and with certain forms of market-based decision making, including corporatist bargaining. The possibilities of experimentalism depend on the ability of local agents to generate knowledge and put it into circulation among policy actors in ways that create the political support needed to authorize the mobilization of resources. This requires central authorities to enable these actors to flexibly configure institutions while monitoring the development of institutional performance.

## 2. Theories of institutional change and development

The challenge to the developed democratic capitalist countries is to grow economies under new conditions of international market integration and to do so in ways that sustain the egalitarian prosperity achieved from the 1940s to the 1980s. The financial crisis that led to the Great Recession exacerbated shortcomings already perceived in economic performance since the 1980s, as most developed countries have experienced growing inequality along with economic change (Zeitlin and Trubek, 2003; Iversen, 2005; Pontusson *et al.*, 2011). Globally competitive ‘lean’ firms are the core organizations of the new economy, but their relationship to national society poses special problems. In one broadly accepted image, ‘lean production’ changed how firms organize work and thus the labor market policies that supported them (Womack *et al.*, 1990; Giguere, 2003). The institutions that coordinated the national internal and external labor markets could no longer reliably produce stable careers and support successful firms. Theorists of institutional political economy were challenged to discover the means of institutional change and development (Campbell, 2010).

Denmark became a pivot of the debate because it did not fit well in the widely deployed binary schema of liberal versus coordinated market economies (Whitley, 1999; Hall and Soskice, 2001; cf. Streeck, 2001; Martin, 2004; Crouch, 2005; Kenworthy, 2006). The Danish economy achieved a comparatively impressive record before the Great Recession: it had reached full employment with a high degree of equality, it was globally competitive, there was low public debt, and it ranked first in the OECD’s 2009 survey of self-reported ‘life satisfaction’. A common answer for Danish good fortune was that Denmark has what the EU labeled ‘flexicurity’, a system that combines employer flexibility to hire and fire with income security generosity (Madsen, 2006; Viebrock and Clasen, 2009; cf. Campbell and Hall, 2010). Yet Pedersen pointed out that flexicurity is not a Danish model—it may be a good description—and it is not a system in the sense of a locked-in rule of complementary historical institutions that characterized coordinated market economies (Pedersen, 2006).<sup>1</sup> In this connection, it is worth pointing out that the 2009 municipal decentralization of Denmark’s ALMP, although rooted in changes introduced by the Social Democrats and Liberals in previous years, was imposed by the Liberal government over the objections of the social partners and, thus, was not an instance of institutional reproduction. Rather, I argue that for Denmark’s labor market to perform well, Danes work to make it so and

1 Campbell and Pedersen (2007) argue that hybrid systems with heterogeneous institutional structures are a third type. Compare to Campbell and Hall (2010) and Meseguer and Escriba-Folch (2011).

that includes changing their institutions. The 2009 reform, on the other hand, was not written on a blank slate (as discussed in detail below), and it, too, evolved in its implementation. How Danish institutions have changed to sustain an enviable degree of competitiveness and solidarity remains a puzzle debated by three kinds of explanation of institutional change.

These explanations overlap in some dimensions, but they make distinctive claims about the nature of constraints and choices in the governance of the political economy that direct analysis toward different kinds of empirical evidence. One explanation conceives institutional agents as having positional interests in the context of public authority either for central control or local discretion. Another explanation links institutional changes to private agents' calculations of market-based interests, albeit a market shaped by institutional context. A third proposes that agents in the field and state are engaged in a simultaneous learning process about how to act effectively. Each of these perspectives highlights how dynamic environments are the condition for individual and social action. The first two commonly present changing background conditions of state and economy as directly connected to innovative modes of action (Huber and Stephens, 2001; Martin and Thelen, 2007; Mahoney and Thelen, 2009). The third is less about predictable behavior than about the ways in which institutions are used by agents to adjust their relationships in a pragmatist fashion. How individuals manage unpredictability is a process that might go unappreciated if not attended to and yet it may be precisely the condition of change under observation (Sabel, 1993, 1994; Joas 1996; Jackson, 2005; cf. Thelen, 2010).

Some scholars who focus on the institutional structure of state authority analyze the gaps between central state authority and local and societal actors. Observers have long emphasized the prominent role of the state in Scandinavian countries (Esping-Andersen, 1990; Huber and Stephens, 2001; Kaspersen, 2006). Consider that Campbell and Pedersen (2007) argue that the Danish state deliberately exposed market agents to market instability by removing certain institutional protections, apparently in the context of consensus, while Martin and Thelen (2007) note the compulsion of state direction in the context of strenuous social conflict. These disparate observations about the relationship between state and society may be better perceived in relation to a third mode of state action characterized by social learning. What matters is not the binary choice to remove protections or impose solutions, but the ability to design an institutional process in which actors will collaborate on solving the problems.

Thus, some observers of the 2009 municipalization of Danish employment policy have focused on how the central state controls local agents who are responsible for carrying out policies in interactions with clients (Bredgaard and Larsen, 2006; Jørgensen, 2010; Weishaupt, 2010; Bredgaard, 2011; Hielmcrone, 2010). Such analyses document the new rules that are used to compel local actors to comply with neo-liberal goals. 'New public management' techniques are deployed to discipline and redirect public employees, including the use of Tayloristic techniques of electronic monitoring of local employees' computer usage and contracting with private service-providing organizations (cf. Christiansen and Klitgaard, 2010). These studies often either disregard the strategic context of state action or simply conceive policies as a function of market-based interests. If the former, then we have returned to the conception of an all-powerful central authority that a long line of implementation research has demonstrated is exaggerated; 'street level bureaucrats' always have space to make decisions. If it is the latter, then the explanation of institutional change shifts from state to society and economy.

One problem with many state-centric explanations is that they discount the discursive dimension of political power. Institutions embody not only the formal authority of state actors, but a field of operations with a purpose (Douglas, 1986; Bourdieu, 1990). Effective implementation requires an effort to convince or convert local actors to the mission. The state has a narrative about what it is doing; there is a place for local actors in that story which makes sense of what their role is in creating the future. Studies by Møller and Stone (2013) and Waldorff (2010) demonstrate how this occurs in Danish disability and health policy reforms. Another dimension often overlooked is effort over time as a situation emerges. The state's policy project unfolds as it is implemented and, since it cannot control everything, the state is a player in a game that it wants to win if only it knew exactly what it wanted. The ambiguity and uncertainties of the situation mean that rules cannot cover every contingency and that collaboration to tap widely dispersed knowledge is more likely.

What is true of state actors is true of the social actors who search for effective means to achieved desired purposes: the rules of the policy game are defined by playing rather than the rules structure a fixed set of moves that leaves 'gaps' of control to contest over. (Herrigel, 2008, 2010; Zeitlin, 2011; Berk *et al.*, 2013). Hence, many observers point to the social groups that form political coalitions to establish policies and manage their subsequent operations (Rueda, 2007; Iversen and Stephens, 2008; Jørgensen and Schulze, 2012). Coalition members—largely defined by their place in the division of labor—calculate their interests and act to fulfill them within institutional boundaries; when markets change, so do the calculations and the political alliances that govern institutions. For example, Thelen (2014) analyzes how Danish employer and labor interests became factionalized during the 1980s and recombined in ways that contributed to the reforms of industrial relations and employment policy that emerged in the 1990s. But if the specific market context that agents face is fundamentally unstable or unknowable, as might be the case with a complex global economy, then interest calculation will be inexact and ambiguous. Inevitably agents consult their commitments (goals) and seek allies with whom to pursue new projects to achieve them (Kristensen and Zeitlin, 2005; Egholm and Lotz, 2010; Jackson, 2010). This view of calculation means that institutions are political, but they are not contingent on markets; they have a discursive dimension—a narrative of interests in a desirable future—toward which allies (and opponents) orient themselves as they use rules to re-create their roles. Their actions create the positions in the division of labor rather than the reverse. Ibsen's (2011) study of Danish industrial relations in the Great Recession concludes that union action was not contingent but constituted by the actors' assessments of the situation, which led to a variety of novel responses at the firm level (cf. Kristensen and Lilja, 2011).

An experimental learning process is intertwined with groups and institutional authority. Experimental learning consists in deliberately sharing ideas about the nature of the problems to solve and how to solve them, namely, what the relevant facts are about the problematic performance of individuals and organizations and then how to put this knowledge into circulation to mobilize authority and physical resources (including groups and voters) to solve them. Policy experiments are political and the results do not speak for themselves (Preuss, 2006; Dobbin *et al.*, 2007; Berk and Galvan, 2009; Ansell, 2011; Torfing *et al.*, 2012). Policy experiments can lead to social learning when the institutional design enables actors to engage in experiments and the knowledge gained is the subject matter of discussions of how to govern—results are compared against propositions in order to confirm or challenge them, there is a process for the circulation of the data for discussion for replication and

review, and the results convince people to ally for subsequent policy (Sabel, 1994; Latour, 1999; Avritzer, 2001).

My claim is that Danish state officials were aware of these dimensions of policy development and implementation (Damgaard and Torfing, 2010; Kristensen and Morgan, 2012; cf. Sorensen and Torfing, 2005). The municipalization of 2009 included scope for experimentation and learning. Peter Bogason and Mette Zolner argue that the Danish government practiced ‘metagovernance’, in which it orchestrates a process with local and private actors that accepts that ‘some of the actors may improvise within an overall framework rather than playing the tune exactly as found in the score’ (Giguere, 2005; Bogason and Zolner, 2007 p. 6; cf. Campbell and Pedersen, 2007; Gilardi, 2010). The disruption of work by global economic forces was a challenge to reflect on habits of action and to reform practice to achieve goals. The Danish state harnessed this ongoing process to a new institutional design for employment policy making that depended on a narrative of needs in new economic, political and social conditions, which was a version of the standard ‘lean’ story of how changes in the global economy required functionally appropriate changes in policy (Denmark Government, 2006). It explained how the economy could work *if the policy experiment is carried out successfully*. In principle, however, the experiment might have other results, feedback from which could extend the experimental process by creating new perceptions and new ideas to test. Employment policy was not simply technocratic: the reform placed elected municipal officials directly in the path of employment planning. They were expected to learn lessons not only about what works in the technical sense but also about the policy network’s capacities that would emerge from experience with employment programming. The question to investigate is the extent to which experimental policy making drove policy developments in Denmark rather than central elite direction and/or interest group calculation.

To assess Danish experimental labor market policy, we need measures that are appropriate for this action format. They are qualitative measures of the degree to which local experiments achieved goals and contributed to the revision of goals (did local agents find solutions, and did the state learn from its own process through monitoring and diffusion?), the quality of interaction between local and state agents (was it command and control or discursive?), and the extent to which the process added state capacity to solve problems through flexible institutions and broader citizen participation. The research method consisted of document-based investigation and semi-structured interviews with policy actors and policy experts. The initial actors interviewed were individuals who were responsible for implementing the policy on a daily basis—job center directors from a small, medium and large urban center—followed by a widening network of municipal staff, local elected officials, advisory council members, social partners, central state actors and policy experts. In all, 25 people were interviewed. The logic of studying places of different sizes is that the 2009 reform established a territorial mandate, but the potential for a learning network might vary by the density of the organizational ecology. The interviews were closely focused on how policy actors carried out their work.

### 3. Experimental design in Danish employment policy

In the 1980s, policy leaders in Denmark became convinced that something fundamental was changing in the structure of the economy that made it harder to achieve historical commitments to a full employment welfare state. They became oriented to a new narrative that the

costs of social welfare and the lagging productivity in the context of international capital mobility was an unsustainable model (Green-Pedersen and Lindbom, 2005; Martin and Thelen, 2007; Martin and Swank, 2012; Copenhagen Post, 2013a; Denmark Government, 2013). ALMP was initiated by the Social Democrats in 1993 to fulfill the new discourse embodied in the report of the Liberal Zeuthen Commission (Torfing, 1999). ALMP drew on the historical practices pioneered by unions of unskilled workers to raise their skills to compete for new types of jobs (Sabel and Kristensen, 1997). The old welfare state narrative had been that free labor markets reproduced class inequality and that regulation could raise labor standards and productivity, in part by cooperation between social partners and in part by removing excess workers from the labor pool with income subsidies. The new narrative encompassed propositions about what globally competitive firms needed and how to adapt worker qualifications, social welfare and industrial relations. ALMP aimed to reduce the unemployed pool and social overhead costs by mobilizing a duty to work. All insured unemployed and all able-bodied individuals receiving social benefits were required to accept an 'active offer' of education or training after a certain period of 'passive' benefits. Subsequent amendments extended the rule to those out of work for other reasons, such as sick leave and disability. The concept of 'activation' became 'hegemonic' by the end of the 1990s, and the two fields of welfare and labor market policy 'were gradually merged into a new policy area, named "employment policy", which got its own ministry in 2001' (Damgaard and Torfing, 2010).

The Liberal-led government in 2004 adopted a 'work first' strategy and accompanying administrative reforms.<sup>2</sup> The goal was to make public agencies that managed welfare and labor market policies more responsive to an imagined 'workplace of the future' (Denmark Government, 2006; Madsen, 2006) by making them financially lean and more capable of moving individuals into work. Individuals receiving benefits were recast as 'not employed' (the slogan became 'a labor market for everyone'); many fewer qualified as non-employable; and benefits became conditional on stricter adherence to stiffer program requirements. The concepts of 'work first' and 'employability' were deployed to make a priority of getting to work over other goals such as care-taking, skill upgrading, education, and job creation (Larsen and Van Berkel, 2009). Employability was attractive because it could accommodate greater equality in gender roles and family responsibility, increase acceptance of part-time and flex-time work, expand the availability of childcare and focus on employment opportunities for immigrants (Westergaard-Nielsen, 2008; Martin and Knudsen, 2010). The Danish economy seemed to respond well to Liberal reform as it achieved a comparatively high growth rate and low unemployment rate. In 2007, the Liberals deepened their commitment to work first when the government began experiments in 14 cities that reassigned the Public Employment Service and employment policy administration to municipal governments. In November 2008, the government announced that the experiment would be extended throughout the country in August 2009 (Christiansen and Klitgaard, 2010).

2 Work first refers to 'faster offers of jobs or the fastest possible route back into employment (any job is considered better than no job), less focus on training and educational offers, work-ability testing, tougher availability criteria and tests, stronger sanctions for breaching obligations, shorter duration of the right to receive benefits, economic incentives for being in work (in other words "making work pay" through tax-credits or welfare benefits/services when employed), the inclusion of ever more subgroups of people not participating in the labor market into the activation regime (older people, single parents, the sick and disabled)' (Larsen and Van Berkel, 2009, p. 9).

The exertion of central control to get the new employment policy process started may have misled observers about the evolutionary potential of its experimentalist elements. The reform subordinated two historical techniques and relied more heavily on two others. The state exerted greater control over decision making about welfare by limiting community standards for social benefits and it took labor market policy authority from unions and employers who worked with the Public Employment Service (PES) when it reassigned PES employees to municipal governments. The social partners were invited to new advisory councils at the national, regional and local levels. The state assigned local government officials new roles in employment policy planning and implementation, which would operate through local job centers, and it mandated increased contractual services.

The structure of employment planning comprises annual national goals or targets, global budgets, regional superintending, municipal plans and testing, monitoring, benchmarking, and diffusion. The state stipulates employment goals, but when the goals are not met, it is able to shift political responsibility, and thus it can focus on improving local performance. The Labor Market Authority is the central clearinghouse for information about job center performance and the workforce, and it reinforces local accountability. The link between the performance standard (rule) and practice (role) is flexible. ‘The point of the system is not that you should do this [or that], but that you should have sort of a free movement of good ideas and basic practices, and a kind of coordination of labor market initiatives’.<sup>3</sup> There are multiple units—the municipalities—that can ‘compete’ with one another to generate solutions to problems based on local practices, values, perceptions, opportunities and resources and political preferences. The government retained the initiative about budgets and targets, thus placing some bounds on local innovation—yes to innovation of technique, not necessarily of standards and strategy—but performance is linked to strategy. The state controls the metrics (administrative targets, benefit levels), and it had preferences for techniques (it favored contractors), but the state plays its part when it both leads and follows: it leads by following (encouraging local experiments), and it follows when it leads (diffusing local successes).

The annual municipal employment policy planning cycle invites a wide array of people to contribute perspectives and make proposals that could lead to funded experiments. The program outcomes are tracked in a concurrent assessment cycle. See Figure 1. At the beginning of the year the Employment Minister announces her employment targets for the following year (e.g. 2012 targets were announced in January 2011). The targets are political decisions about the government’s priorities. For 2012 these were to activate those unemployed for more than three months, people on public support, people under the age of 30 on public support, and immigrants and their descendants on public support. The Ministry sets targets for each of the Ministry’s Employment Regions, which then superintend the experimental policy planning process. The regional staff meets with the Regional Advisory Council (RBR) and they conclude a contract to achieve the Ministry’s goals. In the spring, the region holds ‘an inspiration and dialogue’ conference to introduce the participants—the municipal officials, job center staff, and members of the RBR and municipal advisory council (LBR)—to the Region’s draft plan and its numerical targets and to encourage local ‘ownership’.<sup>4</sup> Experts from the universities make presentations and there is discussion about what is possible and what the various municipal job centers have actually accomplished.

3 Author interviews with job center staff (May 13, 2011).

4 Author interview with a regional director (May 6, 2011).





**Figure 1** Employment policy planning cycle.

Regional officials then meet individually with each municipal job center to detail the forecast for its area and to discuss how the job center staff intends to meet the targets in the new plan. The Region seeks a dialogic relationship with the job centers in which the mode of discussion takes the form of soliciting local views about whether the plan ‘seems understandable and sensible and compliant with your intentions’.<sup>5</sup> The Region uses its statistical analysis to identify anomalies in local performance, such as an occupational group that is less employed than in another municipality that is part of its benchmark cluster of municipalities, and to ask how the center will improve.

The local plan must include the Minister’s goals and conform to the regional plan, but it can include unique approaches to the goals and whatever else the local actors want to do with their own resources. Copenhagen holds a series of seminars for staff, city council members, and the public that may involve hundreds of people who are asked to build from the Region’s core plan. ‘The one way to generate new ideas is quite simply [to point out that] we have rules and problems; we know it’s not the same’.<sup>6</sup> Copenhagen’s ‘mayor for employment’, who chairs the city’s Employment Committee and the LBR, probes the employment policy network about what works and how to address emerging problems.<sup>7</sup> By July the Employment Committee adopts the local plan. From August to October the local plan is

5 Author interview, *ibid*.

6 Author interview with Copenhagen employment policy staff (May 13, 2011).

7 Personal communication from Anna Mee Allerslev, Mayor of the Employment and Integration Administration (June 16, 2011).

reviewed by the Region and RBR. The social partners and others may add formal comments to the final document in October to emphasize key points or clarify assumptions and disagreements. The final plan for the coming year is published with a budget in January. Then the planning cycle begins again.

Copenhagen's 2011 plan was adopted by unanimous vote of the political parties (Kobenhavn, 2010). The plan underlines the experimental quality of its programs when it points out that not every program that has been tested has had the desired 'quality and efficacy'. 'Where there are no tools that work, the employment effort will develop and test new methods and efforts . . . to obtain knowledge about which interventions work' (Jobcenter Kobenhavn, 2011a).

Concurrently, everyone is assessing the current year's plan implementation, based on quarterly audits of the job centers by the Region. Job centers must follow process and reporting rules that are exacting, but the nature of the performance evaluation is an opportunity to learn more about the municipality's abilities to mobilize institutional resources rather than a feared punitive accounting. When a municipality has not reached the target, the Region consults with the local actors to determine the cause and develop remedies. Perhaps the job center has ineffective procedures for contacting the unemployed or poorly trained social workers; perhaps there are characteristics of a certain group of the unemployed that proved particularly recalcitrant to the programmed remedy. Sometimes the Region arranges meetings among job centers to exchange know-how. 'It's very much a constant learning process'.<sup>8</sup> Contractors are another resource for finding solutions. In Copenhagen, some 80% of service expenditures in 2011 were run through private contractors. The city staff monitors its contractors, but it does so through a contractor. Rather than conceive contractors as private 'market' players in opposition to the state, local government officials and social partners considered them a useful technique for innovation in public service provision. In other cases, however, a program may have an obvious provider, such as a union training center, but the state's tender rule requires bidding, which slows down implementation. In any case, the performance evaluation data are used to inform the dialogue with the Employment Committee, social partners and region.

#### **4. To what extent did experimentalism contribute to policy development?**

Denmark's economic performance since the Great Recession began has been good compared with most other EU countries, but nonetheless it experienced a severe employment slump and rising poverty. Unemployment doubled from 2008 to 2010; it stayed high during the feeble recovery. The Great Recession overlapped with a longer-run restructuring of the Danish economy. For example, textile manufacturing and transport equipment production had faltered during the national economic upswing before the recession, while electrical equipment at first increased with the expanding economy and then fell, and it had still not recovered two years later. Macroeconomic policy strategy favored budget austerity, which reinforced attention to structural adjustments through employment policy and industrial relations. There was some counter-cyclical expansion of public spending as the national budget increased while taxes remained capped, which led to modestly increased public indebtedness. Local government employment, which had declined through mid-2007, began to grow by 0.5% in the third

8 Author interview with a regional director (May 6, 2011).

quarter of 2007 and by 1.1% in late 2008, only to decline again beginning in late 2010.<sup>9</sup> The economy fell into a second recession in spring 2011 ([Danmarks Statistik](#)).

The job centers were mightily challenged to meet activation goals during the recession, but the Employment Ministry's specific targets had the form of minimization rules rather than specific numerical goals, which made implementation more cooperative, such as 'minimizing' the cost of sickness benefits, 'limiting' the number of unemployed people with more than three months of continuous public benefits, and 'limiting' the number of people in specific categories of benefit help. The national goals did target specific sub-groups (such as under-30 youth), and these in turn were subject to more detailed local activation goals and experiments. Consider the following policy developments as instances of experimental learning.

Procedural reforms led to significant savings. National sickness payouts were dramatically reduced after a local experiment to devote resources to accelerated reviews of new cases showed results. Also, staffing the intake process with employees specifically trained to preferentially assign the unemployed to activation rather than cash benefits increased labor market participation.<sup>10</sup> In other instances, the learning process was extended. The assignment of the unemployed to three groups initially led job centers to focus on Group 2 because those assigned to Group 3 were considered mostly unemployable, and because those in Group 1, who had the best work credentials, could take care of their own job searches through traditional networks of unions and firms. However, this sorting technique did not prove to be useful in the evolving labor market conditions, which contributed to rethinking labor market operations. Both Liberal and Social Democrat governments increasingly demanded that job centers activate Group 3. The placement process operated at the level of local program administration, including creation of individual plans, counting certain kinds of individuals in certain kinds of programs, and tracking individuals through activation, but job centers also had to improvise. One simple experiment showed positive results: give slow learners extra time to take job-readiness tests; more people passed and were assigned to Category 2 ([Jobcenter København, 2010](#)). Yet, when the date neared for a dramatic reduction of the length of unemployment benefits in late 2012, it was apparent that as many as 30 000 Group 1 workers would not find jobs. The Employment Ministry tasked the job centers to find new subsidized jobs for them and extended emergency benefits to those who remained unemployed ([Copenhagen Post, 2013b](#)). The combination of new techniques of activation and the problems of the highly qualified made the underlying structure of assignments to categories based on job readiness unhelpful, and the categories were abolished.

Program developments emerged as new information about the unemployed was analyzed and targeted tests and programs were created to put this information to work ([Jobcenter København, 2011b](#)). The local advisory councils were a source of new knowledge. In mid-2010, the Copenhagen council was sponsoring 32 funded experiments ([Copenhagen LBR, 2010](#)). 'The overall theme for the project is that it must be meant to give us new knowledge'.<sup>11</sup> For example, youth in families who received cash benefits might get internships in public housing offices to learn office skills. Counseling was begun for youth who lost jobs

9 National cuts reduced funding for municipal labor market programs in 2011. Communication from the Mayor of the Employment and Integration Administration (June 16, 2011).

10 Author interview with a job center director (April 23, 2010).

11 Communication from employment administration staff (June 9, 2011). Author interview with an LBR member (May 10, 2011).

and had not finished their education to link new career prospects with a return to school. This included workers laid off from IT positions and clerical jobs for which they had not earned formal credentials, but whose skills would be more portable if activation policy was flexible enough to support upgrading. The unions in these job markets developed experiments that combined short qualification programs and job rotation through VEU centers (Voksen og Efter Uddannelse).<sup>12</sup> Another experiment counseled men with manufacturing skills who were unlikely to find a job in the same trade to move into the retail sector. Other projects focused on encouraging employers to embrace ‘social responsibility’ for the hard to employ; creating ‘enterprise centers’ in firms where individuals with weak job records are evaluated on the job; and helping young felons to return to work and school.

Programs for youth emerged from the discovery that many under-30 Danes without job experience had health and psychological problems. A multi-party Youth Job Pact was initiated in Copenhagen in 2010 to integrate social and education services with activation. Its goals were adapted into a national youth initiative passed through parliament to target those under 30 and especially 15- to 24-year-olds. A National Task Force was created to encourage diffusion of the programs. Job centers, educators, training centers and the social partners collaborated on rapid action after contact with a job center, to provide mentoring, basic skills testing and credentialing, health services, special help for jail-leavers, new training places, internships and flex jobs, and experiments that combined primary and vocational courses. Another national target, non-Western immigrants, also attracted several experiments with different kinds of help. Many longtime resident, immigrant Arabic-speaking women were given a combination of language and task training for health and food service jobs. Others who were judged unlikely to learn Danish well enough to take customer service jobs might become economically active with help to develop handicraft products for sale.

The municipal employment plans increasingly added discussions of business firms’ needs, while the national employers’ association (DA) sought to play a greater part in employment policy<sup>13</sup> (Mortensen, 2010). Copenhagen created a job center dedicated to employers (Jobcenter Kobenhavn, 2011a). A new perception emerged that many small and medium-sized enterprises (SMEs) were not engaged in employment policy and were less innovative in their product markets. Policy experts argued that the two performance issues might be linked.<sup>14</sup> Surveys of municipal employment planning showed that Danish universities had been the least likely institutions to collaborate with job centers and the broader employment networks (OECD, 2011 p. 93). An early step to link these results programmatically was a request by municipalities to change the national rule that college graduates’ activation should be contracted to private specialty providers. The Labor Market Authority exempted university cities, such as Copenhagen and Aarhus, to experiment with their own programs. These experiments became one element in the developing strategy to link college graduates with SMEs. The local experiments work both ways: to engage universities and their graduates with the new realities of businesses’ competitive needs and to engage traditional business owners with the cultural capital that is produced in the universities that may be turned to market value. In 2013, the national government announced a new strategy to more closely align university programs with entrepreneurial needs (Denmark Government, 2013).

12 Author interview with an LBR member (May 11, 2011).

13 Author interview with the director of the Confederation of Danish Employers (November 11, 2009).

14 Author interview with an LBR member (May 10, 2011).

In sum, in these instances and many others, local experiments discovered new knowledge about individuals who were unemployed and how the operation of labor market institutions could be improved. This knowledge was put to work to achieve and modify national strategy by collaboratively schooling labor market experts on the emerging realities that specific groups of workers faced that could be demonstrated by results from tests and programs. The policy process cannot be reduced to a model of hierarchical public management, nor can it be ascribed to liberal market behavior in which groups recalculate their market interests to press for advantage. While the state overrode historical benefit and procedural norms, the government's commitment to local responsibility also enabled the experimental planning process to contribute to new norms for activation. It is telling that the municipal reform authorized the state to penalize a job center for performance failures by contracting-out its services, but it never did so.<sup>15</sup> It could not measure performance by conformity to rules. At the same time, policy development was slow partly because the Liberals' policy design sidelined the social partners and assigned municipal officials a new role that required time to define practically.

It also became clear that only so much could be done by the job centers alone *as initially conceived*. Job centers needed to become part of a broader network of institutional agents who were addressing problems of job quality and growth, but their capacity to do so was not evenly distributed across municipalities. Smaller cities with fewer community resources were disadvantaged. The job center directors had tools such as private wage subsidies, public wage subsidies, company internship programs, community service and job rotation for worker activation, but employment opportunities did not line up with municipal boundaries and job centers lacked funding for services for firms.<sup>16</sup> The Liberal propositions that firms would respond spontaneously to global pressures and that the state's role was to supply labor and reduce social overhead costs were not supported by the evidence. Did the government limit the budget and activate more people? Yes, but growth was quite modest. Did the stiffened monitoring of the job centers lower welfare costs? Yes, but this did not much improve economic performance. As faltering job growth exposed the SMEs' competitive problems and lagging productivity (linked to education performance) (Callesen, 2013), a new narrative emerged. Policy agents re-imagined links between the historical institutions concerned with qualifications and the problems of business firms that constituted a new orientation toward an innovation economy (cf. Kristensen and Lilja, 2011).

In the broadest sense of deliberative policy making, Danish voters made a strategic decision in September 2011 when they elected the Social Democrats. The Social Democrats' coalition included a significant measure of continuity with the outgoing government because the Social Liberals played a major role in both coalitions in employment policy. The Social Democrats expected (wrongly as it turned out) that their initial growth strategy would re-create the virtuous cycle of flexicurity. But by late 2012, it was becoming apparent that the weak link in employment policy was not the job centers, but the state that had not monitored the competitive strategies of the SMEs or the capacity of the qualification institutions to produce appropriately skilled workers and place them in industry. In spring 2013 the government outlined its ambition 'to fundamentally change the employment policy' (Denmark Government, 2013).

15 Author interview with a city manager (January 26, 2010). If the state's controls are too strict, they may boomerang because local officials do not have interesting decisions to make and staff turnover is thus high.

16 Author interview with a job center director (May 9, 2011).

In spring 2014, it concluded negotiations with political parties and social partners on new agreements for training and employment policies (Mailand, 2014). The Employment Agreement, to be implemented in 2015, will create new Regional Advisory Councils (RARs) for the social partners to coordinate services for employers across job centers, insurance funds, regional growth fora, training agencies, and municipalities (Denmark Government, 2014). The old local and regional advisory councils and the old administrative regions will be abolished; three new administrative regions will be established to work with the RARs. The plan foresees more flexibility for local coordination among agencies and firms, fewer regulations and controls over job center operations, more options for upskilling that tailor training to self-identified individual and firm needs, more emphasis on the individual's initiative to pursue a job plan, and a new link between large companies and the Labor Market Authority.

## 5. Conclusion

If government and market institutions are incorrigible frameworks for action, then explanation logically focuses on public authority and economic interests. If, instead, institutions are not conceived as constraints, but as resources and policies not as repertoires, and as propositions that actors act upon, then a revisable framework of governance may be established in which rules and roles are mutually constituted in the course of identifying problems, devising experiments and learning how institutions can contribute to solving problems. To a significant degree, experimental institutions contributed to employment policy developments in Denmark since the Great Recession.

Employment policy operated on a field populated by other institutions in industrial relations, training and education, and macroeconomic policy, among others, in all of which group interests and public authority figured prominently as competing frames of action. The observation of these competing frames supports alternative explanations of policy changes that shift our focus from how individuals use institutions to actions taken in rotation now by the social partners and other private actors and now by state authorities (e.g. Thelen, 2014; Martin and Swank, 2012, chapter 9). Thus, we have accounts of the labor and employer organizations defending their historical authority from the state to make labor market decisions in the changing market environment even as they change their relationships to each other. And we have state authorities breaching historical boundaries by organizing private actors to participate in the state's new labor market programs that were designed through various means of consensus building by the partners. The initiative passes from the state to the partners and back again. But we could well observe that what looks like self-interest as defined by interest-based and authority-based theories of institutional change is based on a shaky foundation of ambiguity and doubt about what to do in a complex situation and that what we are observing is social learning in which people used institutions to solve their problems.

For example, Martin and Swank (2012) conclude from their close study that historical forms of corporatism were reproduced, but certainly this was in vastly different, decentralized forms to encourage local creative action. Danes had changed industrial relations institutions as they had labor market and welfare institutions by using them in new ways to enable projects in new circumstances. The forms of economic governance in Denmark as they had come to exist by the 1980s were refashioned to establish a learning environment for employment policy whose operations have been fairly effective for the players. In creating the ALMP project,

Danes enabled their state to superintend a new process that encompassed the old partners and yet authorized it to redefine roles and rules of interaction. A new discourse was begun in which a broader array of players could participate and, by participating, contribute knowledge that helped define the evolving project. The municipal employment policy planning process was a deliberative learning process in which knowledge about the labor market was created, programs were tested, job centers were benchmarked, results were evaluated and shared, promising actions were diffused, and new procedures and goals emerged. Unlike the image of the bureaucratic state that coerces adherence to a fixed plan—until it is over-thrown in its rigid resistance to change—Danish officials engaged the social partners in many new ways even as the partners were acting to change their own interactions. And unlike the image of social groups maneuvering to press for advantages, the social partners intensely explored new means to master the changing market environment, which included tapping the resources provided by the ALMP.

Studies of organizational learning and experimental policy making in a variety of fields outside of political science avoid the dichotomy of institutional structure and individual agency. Like this study, the others have identified structural ambiguity and individual creative action in an institutional situation as the starting point (Simpson, 2009; Berk *et al.*, 2013; cf. Parsons, 2013). The experimental mode is most appropriate for relationship-based problem-solving when collaboration may overcome information problems in a complex environment. Thus, I argue that the provisional solutions to employment problems that emerged from the municipal experiments contributed to the resolution of doubts about what to do to secure economic success and propelled the evolution of the project's terms, means and directions. The virtues of experimental policy making compared with representative democracy and corporatism are that it engages a multiplicity of actors and institutions in the field in a way that is public and expansible rather than either private, contractual, and discrete or state-centric and bureaucratic. The individuals who engage the organizational rules create new capabilities as they work. The open-endedness of the recursive planning cycle and the transparency of the policies and outcomes make it compatible with democratic values. The latter was reinforced in this case by placing local elected officials in a leading role.

Experimental policy making can lead to social learning because experiments are the core of a deliberative process of making new results-based associations among actors who work together. Local experimenters mobilize resources in new combinations that are crafted to the problem at hand, which entails a capacity for institutional flexibility that itself must be cultivated. Social learning requires government commitments to fund experiments, provide central monitoring and diffuse best practices. The experimental process and results have to become a theme in the public discourse in order for them to become political in the sense of gaining support for what works rather than for what serves partisan and interest group purposes. Democratic government becomes not only about the representation of specific groups and their problems, but about how society has addressed these problems and what the results have been so far, which inform new experiments for governance. The institutionalization of experimentalism would help link new facts to larger objects of political debate and disturbance, such as the orientation of training and education institutions, priorities of municipal and national budgets, needs of specific industry sectors, changing personnel strategies of firms, contested control of the parliament, and the evolving character of society. The new cognitive and political associations combine to create the political power to apply the new facts to re-create the political economy.

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