

Changing boundaries in labour market policy

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This paper focuses on changes in labour market policies that were provided for unemployed recipients of social assistance. This change is described as a process in which the municipalities gradually take greater responsibility for the labour market policies while the state retreats. This process marks a departure from one of the foundations of the Swedish welfare state and the Swedish model of labour market policy. Sweden has been presented, for example by Esping-Andersson (1990), as the archetype of a welfare state with a high level of universal ambition. The decentralisation of the labour market policy has taken place without any noticeable legislative change or policy decisions and is contrary to the directives that the government has given to the Swedish Public Employment Services. In this process, responsibility has “trickled” through to the municipalities.

The Swedish model

The welfare state found its forms in the post war period in Sweden. Means-tested systems were replaced, from the late 1940's and in the 1950's, by basic pensions, general child allowances and health insurance (Olsson 1993:117). Sweden had an active labour market policy in the 1940's (van Berkel & Hornemann Möller 2002; Cochrane et al 2001). During the 1960's and 1970's the welfare system expanded and included more people and more generous benefits. The unemployment insurance, first solely financed by its members, was receiving state funding in the mid 1930's. In the post-war period the insurance increased, including the lowering of entitlement thresholds and extensions of the period of eligibility for support. In this welfare expansion, the keyword for the organization and administration were centralisation. A strong welfare state, with an emphasis on the state, was seen as a guarantor for equal rights between different groups and

geographical areas. This was a reaction, especially for the social democratic party and the labour movement, against the poor relief logic and its local and arbitrary way of organization of support systems. The need of a central government labour market policy was emphasized, during this time, in both the Unemployment Commission from 1935 (SOU 1935:6) and the Rationalisation Committee from 1939 (SOU 1939:13). Other factors that were emphasized were the geographical mobility of the work force, where the Committee questioned the municipalities' reasons for facilitating taxpayers to move, even if unemployed. Furthermore the Committee questioned the varying conditions in the municipalities (mainly of a financial nature) that were described as a problem resulting in considerable variation between the municipalities. The municipal inability to attend to aspects of labour market policies before their own interests was also emphasized by the committee.

This was not the only reason for the centralistic organization of the labour market policy. The link between labour market policy and economic policy was probably even more important. During the period in question, financial policies were strongly influenced by Keynesian ideas (Lindwall 2004). The Swedish labour market policy became a part of this economic doctrine as well of the economic policy. The Keynesian ideas were put in a concrete form through the Rehn - Mediner model in the 1950's. The aim of the model was to stabilize unemployment and inflation at low levels. This is a pre-condition for the welfare system or more precisely for financing the ambitious welfare goals. A part of this model was the active labour market policy (Esping-Andersen 1990; Olsson 1993). The active part, which is preferable to passive support, according to the model, is to re-educate and to re-locate the work force. The unemployed are to gain skills that there are demands for and are to be re-located to areas of growth. Another important part of the active labour market policy was to keep the "bottleneck" to a minimum by matching employees and employers.

It is difficult to discuss changes in the welfare state (Pierson 2001). One reason is because it is almost impossible to agree on what the outcome from the welfare state is. Another reason is that the welfare state consists of different levels and different areas of politics. It is also quite difficult to change the welfare systems. "The welfare state remains the most resilient aspect of the post-war political economy." (Pierson 1996:159). This is especially true in Sweden where the welfare state, with both high ambitions and the need for high levels of taxation, receive strong support from the Swedish population (Svallfors 1996). The welfare state also has a broad political support among political parties in the parliament. On the other hand there is an equally broad political support among political parties for constraining the public expenditure on the welfare system.

Sweden was hit by an economic recession in the mid 1990's. Labour market policies changed during this crisis but without any major shifts in the basic principles or changes in the law. The exception to this is an amendment to the Social Services Act in 1998 that gave the municipalities greater opportunities to activate unemployed recipients of social assistance. However the amendment was an adaptation to a local practice already evolved in the municipalities (Johansson 2001; Ulmestig 2006).

By the early 2000's we have a labour market policy that is differentiated in two parts; a national one for those supported by unemployment funds or other nationally-based systems and a municipal one for the unemployed receiving social benefits. The financial support given to the unemployed was put in to practice as a sorting instrument that defines which labour market programme is offered. The municipalities in Sweden had also begun to organize their own labour market programmes, which did not occur in the late 1980's. In 1995 two out of ten municipalities had their own labour market organization, in 1998 the same number is seven out of ten (The Swedish Association of Local Authorities and Regions 1999).

This is a research problem with relevance beyond the Swedish case. This paper focuses on how policy changes occur in a very stable institutional setting, such as the Swedish labour market policy, changing the very foundations of this policy area without any considerable changes in the law or other regulations. This change occurs even without the formal demand or approval of the central actors such as the state and the municipalities or, for that matter, any other powerful actors.

How does it come about that we see changing boundaries between the state and the municipalities? The state, through the Employment office, wants to keep the control over the labour market policy and the municipalities do not want to take responsibility for a policy field that has been the state's responsibility since the Second World War. Irrespective of this, the municipalities became an important actor within the labour market policy, especially for the recipients of social assistance. The aim of this paper is to understand how these boundaries came to change and what consequences this change has on the labour market policy.

Continuity and change in the labour market policy

The boundaries between the state and the municipalities was rewritten in the dynamic process between continuity and change or in other words between traditions and new ideas. However "As elsewhere in human affairs, we often fail to realize that our ideas and actions have been thought and done by others, long ago; we should be conscious of our roots." (Hall, 1993a). This fits well with the development in Swedish labour market policy.

The term path dependency describes a policy change that has much in common with past policy (Pierson 2001; 2003). The path dependence will appear irrespective of the primary cause for choosing a past policy. Even if the original causes are not relevant any longer, policy makers tend to stick to old decisions or policy paths. The consequence is that policy will change by a path dependent logic. This is, in many ways, a rational technique of policymaking. It minimises the risks for both the organization and for individual policymakers. The costs for changes, both political and economical, are lower. The political costs are often lower because the “new” policy is in harmony with the old. The economic costs are lower when the need for restructuring the systems are minimised. However, path dependency does not exclude changes: ”Changes continues, but it is bounded change” (Pierson, sid 414, 2001).

Pierson (2003) emphasizes the value of information and knowledge in policy making. Policy makers that are able to influence knowledge about the policy change get more freedom of action. Policy makers use this power to make changes less visible. For example, those politicians that are able to cut costs without being subject for the voters discontent are more likely to be successful in carrying out their political agenda. Pierson’s (1996) example is that it can take many years before cuts in expenditure on housing policies are visible to the public. To control the knowledge is to control how legitimate changes can be presented. For public organizations, legitimacy is crucial, in many cases more crucial than efficiency (Scott 1991; Meyer & Rowan 1977). Legitimacy is discussed in order to show how the municipal and national actors in the labour market legitimize their work. A system gains legitimacy through its ability to solve the problems that it has been given to solve. Legitimacy is essential for an organization that is financed through taxes and greatly dependent on other organizations. The welfare systems have a very high degree of legitimacy in Sweden (Kautto 2000; Heikkilä et al 2001)

This paper is about change and how changes occur and how legitimacy is upheld even if it is in direct contravention of the paths of present policy within the labour market policy.

Turbulent times

Sweden was hit by an economic crisis and unemployment rose dramatically in the early and mid 1990’s. This crisis had its roots in the 1980’s (Kautto 2000). Overheating of the economy caused by liberalisation and market deregulation increased household debts and decreased savings. The GDP dropped from 1991 to 1993 because of the economic crisis. The highest unemployment since the depression in the 1930`s hit Sweden (SOU 2000:3). From 1990 to 1996 the number of employed decreased from 83 percent to 72 percent (Statistics Sweden 2008). The previously so

successful labour market policies were questioned by, for example economists, politicians and employer's associations.

Even before the economic crisis in the 1990's, there was a concern for the rise in public spending. The government was especially worried about the municipalities (Ds 1990:20). They were imposed new tasks and the development of the welfare increased their public spending. At the same time, there was a lot of criticism of the state for being bureaucratic and that the decision-making took place too far away from the citizens. Decentralization was presented, even if not within the labour market policy, by the state, as a solution to these problems. Within the labour market policy, all official reports dismiss the municipalities as a potential actor within this policy area. This dismissal can be described as a mantra "Labour market policy is a state responsibility". The municipalities are, however, presented in the reports as a potential actor that can both deal with those unemployed with the highest threshold to enter the labour market and can supply the Public Employment office with local activation schemes and other forms of activity for the unemployed.

The municipalities were given new responsibilities for example in health and school issues while at the same time were given the economic responsibility for these issues. Decentralization was thus a way for the state to impose self restraint on municipal budgets. This domestic trend was affecting the labour market policy simultaneously with the European trend that suggested that activation was most efficient when organized in different levels of governance and that emphasized the importance of the local level (Geldorf 1999; Finn 2000).

Both the economic crises and the trend towards decentralisation were important contextual factors in the changing boundaries within the labour market policy.

New and old boundaries – the case

The term "boundaries" facilitates an analysis of the relationship between the government and the municipalities within the labour market policy sphere by illustrating how the relationship has changed since late 1980's. Different factors have influenced and changed the boundary between the government and the municipalities within the labour market policies that are provided for unemployed recipients of social assistance. The analysis of the "redrawing" of the boundaries between municipalities and the state in the labour market policy will focus on pull and push mechanisms. There is a process where mechanisms are pushing the responsibility for labour market policy from the state and pulling them towards the municipalities. The empirical data is from Ulmestig (2007). On a state level there are mainly statistics on participants in the Public Employment office's programmes, interviews with influential officials and public servants, and an

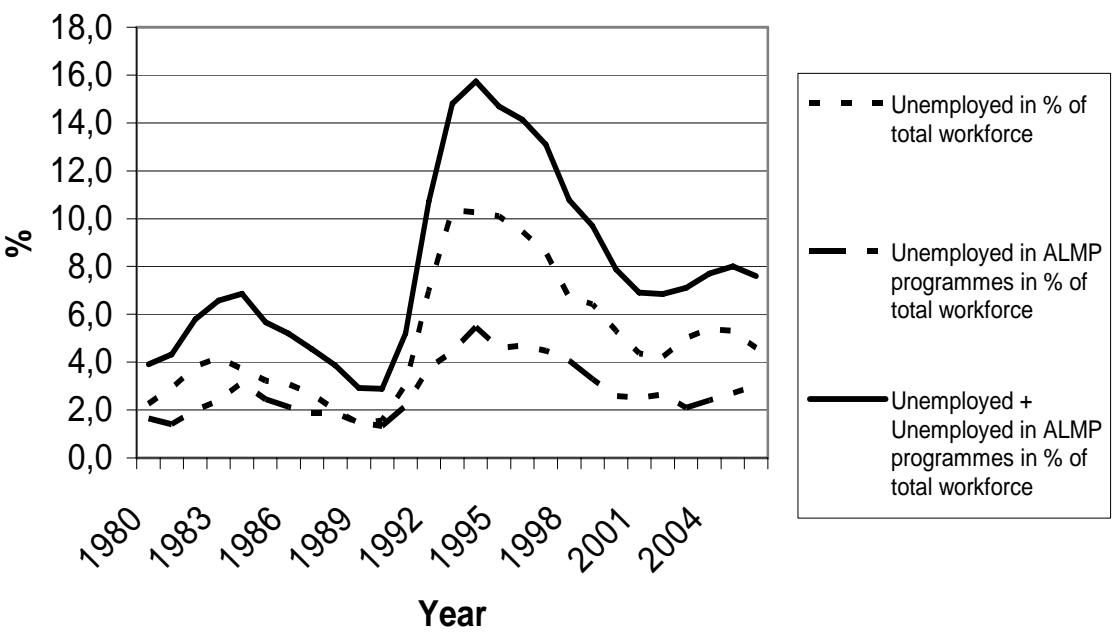
analysis of public reports. On a municipal level there are mainly statistical data on unemployed social assistance recipients and the activation schemes they are placed in, interviews with officials and managers dealing with social assistance and labour market policy and an analysis of records of political decisions and the reports on which these decisions are based on.

State labour market policy – on the retreat.

How can we understand that the state, after years of full control over the labour market policy, are implicated in re-establishing the municipalities as an important actor in this policy area? What push mechanisms are visible?

When the economic crisis hit Sweden in the early and mid 1990's it was almost impossible to maintain the active approach. The figure below points out both the extremely high unemployment numbers and how the active (Unemployed in programmes) part of the total unemployment drops from half in the shift from the 1980's to the 1990's.

Fig 1: Unemployment rates and participants in ALMP programmes



Source: AMS 2005

The state could not uphold its' high level of ambitions for an active labour market policy, there were too many unemployed and at the same time it lacked resources due to the crisis. Fewer unemployed were able to enter into the programmes. If the municipalities wanted the unemployed receiving social assistance to be active they were pushed to create their own activation schemes.

However, this figure only reveals a part of the change in this period of time. The character of the programmes also changes. More low-budget programmes with a maintaining aim, for example public relief work, and less expensive programmes such as vocational training are offered the unemployed. This trend is especially distinct for those unemployed that not are members of the unemployment insurance schemes. So when social assistance recipients were offered active programmes from the Employment office they were often low-budget, giving few opportunities on the open labour market.

During this period, the criteria for membership in the unemployment insurance schemes were also strengthened. People had to work more hours and under a longer period in order to be eligible. This meant that for those trying to establish themselves in the labour market, for example young people and immigrants, it was harder to get entitlement to the insurance and as a consequence they were referred to the means-tested social assistance in the municipalities.

In conclusion the labour market policy since the beginning of the 1990's was characterized by less activity and when there was activity it consisted more of low-budget programmes. There was also a differentiation between those unemployed with unemployment insurance and those with social assistance, where the latter receive more of the low-budget programmes. The municipalities often organize these programmes and the state, through the employment office, purchase these services. When there was a great need for low-budget activity that would only cause moderate displacement effects on the open labour market, there were few alternatives than turning to the municipalities. There were no other actors that could offer this kind of activity and in the quantity demanded by the state, who themselves had closed down their own operation of public relief work in 1984, depending solely on other actors.

There was also a general trend in Sweden and in Europe, where decentralization (Geldorf 1999) is introduced as a solution to several problems, including high public expenditure. However, this tribute to decentralization was never aimed at the labour market policy, or at least there was never any intention to give any real power to the municipalities in this policy field. There was a demand from the state towards the municipalities to offer low-budget programmes and public relief work. This meant that the municipalities built up new organizational structures to meet this demand and of course to receive the funding the state was offering. When the structures were in place in the municipalities, they started to fill empty places with unemployed social assistance recipients.

Even if there are no direct decisions to involve the municipalities, there is a distinct change in terms of which categories the labour market policy is supposed to support. During this labour market crisis, there were a large number of official reports focusing on how to change the policy.

These reports changed during the period from the late 1980's and the period during and after the crisis. They were, before the crisis all focusing on the unemployed and how to deal with them with different measures. These descriptions of what labour market policy is and what it is supposed to do could in these early years be described as including all the unemployed.

This changes when different categories are singled out as being particularly difficult to deal with using the same policy as for other unemployed. These categories are young people, immigrants and long-term unemployed. There is a need for special programmes for these categories according to the official reports. All the programmes that are actually designed and launched towards these categories are low-budget programmes organized by the municipalities. For these groups the municipalities are not only an organizer of programmes. They are also foreseen, in the official reports, as an actor to co-operate with in motivating and controlling the unemployed individuals in these categories.

The state was aware that the municipalities started to build up their own systems for labour market policy parallel to those of the state and those who were organizing programmes for the state. One person that was in the executive group of the Public Employment office in the mid 1990's says that they were aware that the municipalities were establishing these systems and even if they did not approve of losing control, they chose to "look the other way" due to the current labour market situation (Ulmestig 2007).

In order to sum up how the state acted in labour market policy since the late 1980's, the crisis brought change to the agenda in the policy field of labour market policy. Parts of this change impacted the boundaries between the state and the municipalities. When Sweden had exceptionally low unemployment rates, there was almost full support for the policy, including its' centralistic nature. This changed with the crisis. The unemployed on the margins of the labour market were, to a lesser extent offered active measures and if they were receiving these measures, they were often in low-budget programmes. The state, through, AMS¹, were prioritizing the unemployed with low thresholds to re-enter the labour market. This opened a gap in the policy area where many of those unemployed with social assistance did not receive support from the state, but through the employment office. This differentiation of the labour market policy was perceived as reasonable. Those categories that are overrepresented among social assistance recipients, for example young people and immigrants, have been identified with a need for another labour market policy than for other unemployed. When the unemployment of those in these categories were portrayed as being very different from other categories, different solutions than for other unemployed are legitimized. All these mechanisms pushed responsibility towards

¹ The National Labour Market Board.

the municipalities. However, the municipalities were not passively accepting this new responsibility within the labour market policy. There were also pull mechanisms in play.

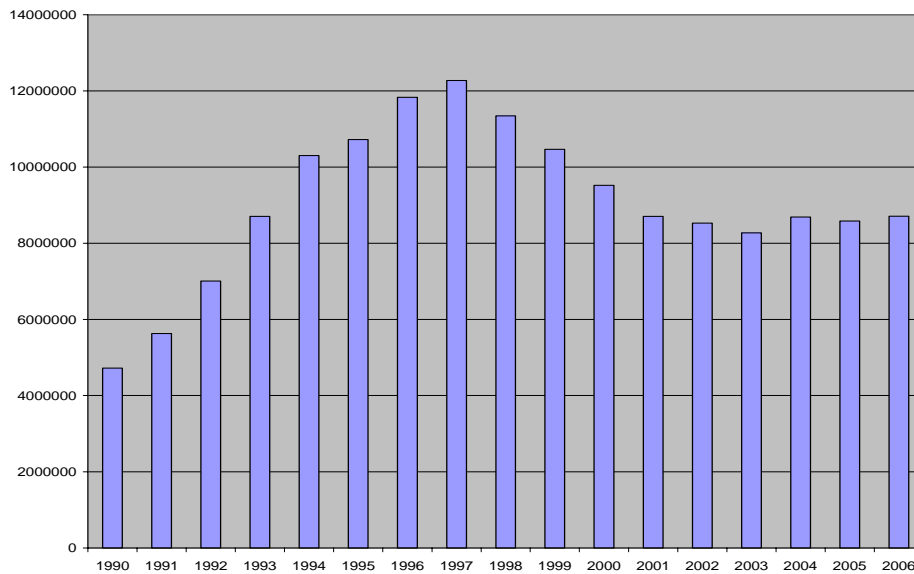
Municipal labour market policy – forced to launch a offensive

The municipalities become an important actor in the area of labour market policy. How can we understand that the municipalities accept, and even embrace, this new responsibility in the middle of an economic crisis when the economic situation is very difficult?. In the municipalities, there were several pull mechanisms. One very important one was the basic belief that if social assistance was included in different activation schemes the unemployed would sooner start to support themselves (Hjertner Thorén 2005). This is in many ways a municipal version of the active labour market policy and its' normative belief that active measures are always to be preferred to passive ones. However this policy takes on a different form in the municipal context.

The economic crisis in the beginning and mid 1990's had a radical effect on the municipalities in Sweden (Sjöberg 2001). On one hand, the revenues declined and on the other hand, the expenses for, for example, social assistance increased. In addition, the municipalities were, during different period and with different methods, prevented by the state from increasing taxation. However, even if the economy for the municipalities was severely affected by the crisis, the economic crisis was not as deep as it was for the state. The municipality can impose tax on the transfer payment, for example, the unemployment insurance, and that reduced the most acute economic effect. Nevertheless, the economic problem is more prolonged in the municipalities. A great share of the expenses for the municipalities is costs for wages and these costs tended to rise when the state of the market turns. In conclusion the economic crisis did not hit the municipalities as severely as the state but the crisis was more persistent.

The rise in costs for social assistance is essential in the understanding off the changing boundaries within the labour market policy. Activation of social assistance recipients was in many ways an answer to this pull mechanism. The development of these costs is evident in this diagram.

Fig. 2: Expenditures on social assistance in Sweden 1990-2006



Source: Statistics Sweden, 2008

The diagram shows how the expenditure for social assistance peaks in 1997, and has almost tripled since 1990. When this coincides with the economic crisis it puts a great strain on the officials in the municipalities to act on this situation. What the diagram does not display, but is crucial in the understanding of the Swedish municipalities, is the considerable variations in respect to labour market policy (Salonen & Ulmestig 2004). These variations concern the organization of, but also how the municipalities perceive their role in, labour market policy. There are, however, clear patterns that will be discussed in this paper.

The municipalities gradually developed organizational structures for municipal labour market programmes to carry out the goals of the governmental labour market policy as described above. For the municipalities there were two aims with these structures.

Firstly it was a way of avoiding that the period of being on the dole expired for those unemployed, who were eligible for funds from the unemployed insurance. If they were to be included in the municipalities' structures for labour market policy, they would continue to be supported by the state. In addition, they would not risk becoming a burden on the social services.

Secondly, being as the Employment office pays for this service for those unemployed placed there by them, the opportunity to sell labour market services to the state was of course positive for the municipalities.

When the municipalities had these structures in place they started to fill them up with unemployed social assistance recipients without any links to the Employment office. For the

social assistance recipients the municipal organizations for labour market policy were a solution for which they were the problem.

This pull mechanism made it possible for the Employment office to back off where those unemployed who were not eligible for unemployment insurance were concerned. It became common that the Employment office determined conditions such as the municipalities financing a period for the unemployed in their own activation scheme before the former started to give support for the individual. The municipalities' organisations become a form of "work-house test". If they had any other means of supporting themselves, for example, on the black-market then they would probably not attend. The municipalities and the Employment office can also test their willingness to work and their ability to function on the labour market. Activation becomes a possibility for the municipalities to mobilize the Employment office both to provide the unemployed social assistance recipients with active measures as well as financial support.

During the economic crisis, when many municipalities found it difficult to balance revenues and expenditures, they reduced staffing levels, which resulted in an adverse effect on the service level in many fields. There were fewer road sweepers, less staff in the day nurseries and the maintenance of municipal property was neglected. However, the municipalities regarded the unemployed social assistance recipients as a possibility to reduce some of the effects of the cut backs. Social assistance recipients were filling these gaps and the municipalities placed the unemployed in public relief work in day nurseries and as caretakers working for municipal housing services. Activation thus became an answer to the economic crisis.

Some categories of unemployed were singled out by the state as particularly difficult to deal with when applying the same policy as for other unemployed persons (see above). These categories are the same as those that are overrepresented in the social assistance scheme. There was a parallel process in the municipalities' political committees.

In the late 1980's and early and mid 1990's the municipal social service committees discussed the issue of unemployed citizens and the social assistance recipients were not singled out. Examples of this are; if those who were unemployed were entitled or not to have a place for their child at a day nursery and if not, how does this affect their possibility for finding work, and how to bring forward municipal building projects to provide work for construction workers. The focus was to provide work for all the unemployed citizens in the municipalities and this included the social assistance recipients. They were not then seen as a special category of the unemployed.

In the mid 1990's this attitude changed and the social assistance recipients were singled out. The committees discussed social assistance recipients as constituting a special category of unemployed. The social assistance recipients were no longer a part of the category of

unemployed citizens but became a category of their own. This legitimized social assistance recipients becoming the target of special measures.

Pull and push mechanisms

As evident in this brief outline of the changing boundaries between the state and the municipalities, there are clearly mechanisms that work in both directions. These mechanisms appear within a specific context or setting. This paper emphasizes the economic crisis in the early and mid 1990's and a policy trend towards decentralization as crucial for the understanding of the changing boundaries between the state and the municipalities within the labour market policy field. Two different but closely co-operating levels appear in this setting. The mechanisms are both on an organizational level as well as on a rhetoric level. These levels reinforce each other. The mechanisms on the organizational level are often solutions to acute problems when there are few other options. On the rhetoric level the mechanisms are often statements based on common knowledge and of a normative nature. These include concerns for groups that have a difficult time establishing themselves on the labour market. However these levels are dependent on each other. There would be no result from the rhetoric without the organizations that were ready to fill them with a content. On the other hand, the organizations would not be filled with social assistance recipients without a rhetoric that made sense of constructing a special labour market policy for them, thus breaking the universalistic path of the welfare state. These reinforced mechanisms also need a setting that makes it possible for change to occur. In this case, the high levels of unemployment and the criticism of the labour market policy that followed provided space for changes. In addition, the development went hand in hand with the policy trends towards decentralisation.

The mechanisms, described above, have changed the boundaries between the state and the municipalities within the labour market policy. However it is interesting to see if this change of the boundaries has any significant consequences for the policy?

The consequences for the labour market policy

What significance can this development of municipal labour market policy have for labour market policies in general? One way of approaching this question is to attempt to identify which incentives and functions there are for the government and the municipalities within the labour market policy field. Another is to discuss the support systems in the state and municipal labour market policy and its historical roots.

Incentives

There are different incentives for the actors on a national level in comparison with the municipal level. These motivating factors can be understood on the basis of the different functions and historical background of the two systems. The function at the national level is to procure work for all those who seek work. At the same time, the system has to generate a workforce that is competent and available in order to meet the needs of the market. There are also functions that are concerned with financial stability and the promotion of productivity. There is no reason to suppose that the main national policy has any incentive to do otherwise. It must, however, be emphasized that when a smaller proportion of the unemployed gain access to the labour market policy programme incentives are given for “creaming”, i.e. the Public Employment Service give priority to those who can easily gain employment. The Labour Market Board needs to show positive effects in order to maintain legitimacy for its way of operating. This thus increases the risk that weaker groups will not receive priority in competition with more established groups in the struggle to gain access to the resources provided through the labour market policies. The national labour market policies are formed as a part of a welfare state construction and as a part of the economic policies. The policies are basically of national interest and are centralistic in nature.

There are different incentives in the municipal labour market policies. The municipalities can no longer trust the Public Employment Service to take responsibility for the needs for labour market programmes for the unemployed. Recipients of social assistance have found it more difficult to receive help from the national labour market programmes since the late 1980's.

New solutions are advocated. For the municipalities there is a clear link between their own financial incentives and the aims of the labour market policies. The motivating force is not to provide the unemployed person a job in the free labour market but instead to get unemployed recipients of social assistance to stop collecting social assistance. If this occurs through the unemployed person gaining employment in the free labour market, through him/her moving away from the municipality or in any another way not burdening the municipal budget the consequences are actually the same.

Different functions

There is a distinction between how the national and municipal labour market policies perceive the problems and target groups they work with. The national system focuses on all the unemployed and also tries to offer work to those who already have a job. On the other hand the municipal labour market policy focuses mainly on the unemployed who do not have good

possibilities of gaining employment. There is also a clear division between the two levels in terms of inclusion and exclusion. The Public Employment Service is open to everybody. Many of the services are net-based and accessible for anyone who has a computer. However in terms of the availability of personal service unemployed recipients of social assistance tend to be excluded. There is a declared aim that all jobs are to be provided through the auspices of the Service. The latter being a product of the national system's superior possibilities of controlling and influencing the labour market.

The municipal labour market policies are based on a different logic, which is one of the foundations of poor relief – the division between our poor and their poor. In the Christian ethic and in traditional patriarchal and feudal systems a certain level of responsibility for one's own poor has been taken. History has, however, many examples of how town gates and funds for the poor have been closed to those poor people for whom the town has not felt any responsibility. The poor relief logic influences the municipal labour market policies. The social services have obvious incentives to exclude the poor that do not belong to them. The poor can be prevented from having the municipality as their place of residence by, for example, not granting help with a second-hand contract on a flat in order to secure a housing solution.

The municipal labour market policies thus have a clear distinguishing function through their construction. This paper can not answer the question of whether this is an outcome that entails that unemployed recipients of social assistance participate in labour market programmes that are less effective. It may be the case that municipal labour market policies are an effective way of getting the unemployed back to work. In my opinion it is reasonable to assume that, due to the many varying types of programmes, there are municipal labour market policies that are effective as well as there are those that are not. The factor that can indicate that municipal labour market policies are not a more effective way of breaking unemployment is that the major aim is not to support the unemployed in gaining employment. The municipalities work instead to transfer the unemployed to other support systems and to get access to cheap labour.

Principles of support

Another important principle difference between the national and the municipal labour market policies is the nature of the support given to the unemployed in the two parts. The unemployed in the national system are supported through their membership of an unemployment fund that they have contributed to. The trade union has the responsibility for the unemployment fund and it can be presumed that it will have a positive attitude towards its members. The unemployed recipients of social assistance are supported in a system where the poor relief logic is still

prevalent. The system is often perceived as being stigmatizing and as a violation of integrity. The individual is not able to get a share of a system that he/she has contributed to – it is a question of a gift. The general public has a condescending view on recipients of social assistance, who in turn often feel ashamed of having to live on social assistance (Starrin & Jönsson 2001). The difference between the systems can be understood from the specific historical setting of these support systems.

There is a basic poor relief logic that derives its origin from the struggle against poverty in the Middle Ages (Gerimek 1991). This logic has through history been totally dominating in the formation of services that have been provided for the unemployed. The first contours of an unemployment policy could be discerned in the middle of 19th.century and this policy conformed to this basic poor relief logic. This process continued and in the early 20th.century the government started to take responsibility for this policy. By the middle of the 20th.century a welfare state labour market policy emerged with principles that differed from those founded in this poor relief logic. The labour market policies became a part of the Swedish welfare state. However within the municipal social service sector many of the fundamental ideas from the early poor relief logic survived, albeit in a somewhat modernized fashion.

Does it matter on a policy level?

In conclusion the national labour market policies are more beneficial for the unemployed person than the municipal labour market policies are. This is an uncontroversial conclusion. Social assistance also works as a disciplinary measure for the work force. If an unemployed person is too intractable and difficult in his/her contacts with the Public Employment Service or the unemployment funds organization then what remains is to live on savings or social assistance. Social assistance is, however, applied carefully as a disciplinary measure for those who do not have any financial resources and who are not established in the unemployment insurance system. The nature of social assistance and the level of support act as an incentive for keeping one's job, whatever the wage level or work conditions. The unemployed who are excluded from the national labour market are referred to a system where there are few powerful interest groups to protect their interests and to measures whose nature has the distinctive features of the old poor relief.

This can be contrasted against the national labour market policies that have an influential labour movement that attempts to protect their interests. Even if the conditions for the unemployed have in general deteriorated in the unemployment insurance system, the latter have in comparison to those who are not established got off lightly. The changes coincide with an

imbalance in power. When the labour market policies were subjected to pressure and their legitimacy was questioned those who were not established in the system were referred to the municipal labour market system.

This paper questions the prevalent view of Swedish labour market policies as a unified policy area where all those who are unemployed can receive a similar type of support in gaining employment. Categories of unemployed that have not as yet established themselves in the labour market, mainly young people and newly-arrived immigrants, are well taken care of in the rhetoric of the public debate. However in practice it is far from being self-evident that the unemployed who receive social assistance are offered any support from the Public Employment Service. Many recipients of social assistance are instead referred to labour market policies whose characteristics are in many ways similar to those of poor relief.

The Swedish example has thus been presented and its consequences for the labour market policy have been discussed. However, what theoretical conclusions can be drawn from this case?

Boundaries, continuity and change

The Swedish welfare state can be described as a mature welfare state. The institutional setting is very stable, the citizens hold the welfare state in high esteem, and it has a quite long history. Political parties may gain success in Sweden by promising a strict monetary policy but never by undermining the welfare systems. Despite this, change occurs within the welfare state. In this case, the change goes directly in contrast with the predominant point of departure within the labour market policy. But the change is not a consequence of a democratic process with public debates, investigations and changes in laws or other regulations. The change is better described as a process, where the responsibility for some categories has “trickled” through to the municipalities. There are two main findings to draw from this process, the importance of knowledge and history in policymaking. The Swedish case is a case of retrenchment and bounded change.

Knowledge and retrenchment

Policy change within the state is often analysed from two types of approaches. Some emphasize an approach where the state is more or less autonomous from external pressure and others emphasize how, for example, organized interests are crucial. Hall (1993b) understands policy change as deliberate learning while adjusting political goals and tactics, a concept named social learning. Social learning combines these approaches, the state centric and the state-structuralist approach. ” If social learning is a process that takes place largely inside the state itself, it will accord well with the arguments of the state centric theorists. However, to the extent that social

learning involves much broader participation and conflict within the political system as a whole, it will be more consonant with the state-structuralist approach” (Hall, s 276, 1993b).

Hall (1993b) turns against the neo-marxists because they cannot answer the question on the relationship between societal pressure against the politicians in a democratic state and political decisions. How can politicians in the long run keep on acting contrary to this pressure? On the other hand, he turns against a perspective where policymaking is “for the sake of the country”. Halls ask the question for whom? So policymaking is not only a consequence of power groups or policy makers doing the right thing. Policymaking is more described as a puzzle (see Hecló 1974).

This view of policymaking is very apparent in the case of Swedish policy change in the labour market policy field. When the economic crisis hit Sweden there were few given options as to how this crisis was to be dealt with by the policy makers. Before the extent of the effect of the crisis on unemployment and public finances became evident, policy makers in the labour market policy field tried to wait for the crisis to ebb out. When this did not work, the main response was to find activities for the unemployed. In doing this, the policy makers were upholding the active labour market policy, even if this contravened the concept of equipping the unemployed with qualifications that would be in demand when the state of the market would turn.

By making the municipalities a part of the labour market policy field the state was sharing the power over this policy field. In doing so the state was, to some degree, left as a spectator. All this was also affected by a demand for changes, within the labour market policy field, mainly from politicians and experts. The policy that had been so successful in the post-war period did not seem to work any more. Hall and Hecló’s theoretical metaphor that describes policy making as a puzzle is well suited. Even if Hall (1993b) is aware of the need for a nuanced analysis where the state acts as an autonomous actor and at the same time is dependent on society, he underestimates the power of knowledge and its’ connection to legitimacy.

When the state began to exclude social assistance recipients from the labour market policy and referred them to the municipalities this could occur without the state’s legitimacy being affected. The retrenchment is possible because it is not visible (Pierson 1996). This case shows, how it is possible for the state to act autonomously, when society lacks knowledge or at least when the knowledge never reaches the debating arenas or is not debated in the parliament. What is regarded as legitimate is bounded or in other words path dependent.

History and bounded change

Even if Pierson’s (2000; 2001) term path dependency is meant to describe a long period of consensus, it can still be seen to be applicable in the present case, in spite of the fact that it is a

case of change. Pierson describes how there are fewer risks when continuing with one way of working instead of changing it. The differentiation of the labour market policy in Sweden where unemployed, not eligible for funds from the unemployment insurance, are referred to living on social assistance is about a universalistic welfare state that is beginning to dissolve. That, however, is not necessarily a problem since policy changes are supposed to do so. When social assistance recipients also receive another labour market policy because the Public Employment office often disallows them support, it is still not necessarily a problem. What is a problem, is when the change constitutes a return to an old and once abandoned pre-modern logic.

The term path dependency is useful when describing how social assistance throughout history is associated with a demand for work to be carried out in return. The inherent nature of social assistance is still today based on poor relief logic. The demand for work in return has for a long time been a foundation of the poor relief logic. When the labour market policy logic emerges with the welfare state, and the municipalities were deprived of the right to demand work in return, the government takes responsibility for labour market policies. At the same time the poor relief logic is still prevalent in the processing of social assistance. This influences which solutions are to be recommended and which problems they are attributed as being a solution for. These solutions and problems are path dependent. As I have shown the traditional poor relief logic is gaining ground in that part of the Swedish labour market policies that is presented to recipients of social assistance.

A part of the poor relief logic is, as stated above, its local base. The municipalities are constructed with the idea of taking local affairs into consideration, but at the same time this becomes complicated in terms of the labour market field. This is an example of path dependency. This policy of change has a local point of departure, breaking with the universalism that is a corner stone in the Swedish welfare state. There is, however, a strong path dependency in the sense that this change is bounded.

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