

The Long Road to Flexicurity: The Development of Job Security Regulations in Denmark and Sweden

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Flexicurity has become a prominent policy recommendation in recent years. However, little is known about the actual development of flexicurity in the country most often associated with it – namely Denmark. This is particularly the case for one of the three ‘pillars’ of flexicurity: low levels of job security regulations. This article fills this gap in the scholarly literature. It demonstrates that regime attributes are often not the result of policy making by wise policy designers, but unintended consequences of contingent choices made with the purpose of winning short-term political gains. Comparing the development of job security regulations in Denmark and Sweden, the article shows that the two countries followed a similar path until the late 1960s. In both, job regulations were part of collective agreements. However, in the 1960s the labour movement started to demand more restrictions, which resulted in the 1974 Employment Protection Act in Sweden. No such change happened in Denmark. Two crucial differences can explain this unequal development. First, societal pressure for regulation was larger in Sweden than in Denmark. And second, the Swedish labour movement was stronger and more unified. When the Danish trade union movement could have turned to the political arena, the 1973 ‘earthquake’ election and the resulting fragmentation of the party system closed the window for all-left majority governments in Denmark. Without reliable partners to the left and no majority of their own, Danish Social Democrats were not able to pass restrictive job security regulations against the will of employers’ associations.

Introduction

The Danish flexicurity model, the combination of training- and employment-based active labour market policies, generous unemployment insurance systems and low levels of job security regulations (Madsen 2005), has recently become very famous. It figures prominently in the policy recommendations of diverse international organisations as well as in the European Employment Strategy. Many reports and articles have been written on its advantages. However, little research has been done on its actual development. This is particularly the case for job security regulations, which are here understood as restrictions on hiring and firing.

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Explanations of low levels of job security regulations in Denmark are trying to explain a 'non-event': the tightening of regulations that did not happen. Non-events are notoriously difficult to explain. As a consequence, scholarly research has not focused on the question of why Denmark did *not* introduce stricter regulations against dismissals, while there are plenty of studies on the developments of active labour market policies and unemployment insurance. Considering the popularity of the flexicurity strategy as a policy recommendation, this gap in the scholarly research deserves more attention.

Non-events can be identified and analysed using counterfactual analysis within a comparative framework (Capoccia & Kelemen 2007). Using a most similar cases design, variation in contingent outcomes can be explained by decisions and strategic interactions during critical junctures. In this article, I use Kingdon's (1995) multiple streams framework to explain how a critical juncture was created in the absence of an exogenous shock. My argument highlights the role of societal pressure for more regulation, the prominence of 'industrial democracy' in the political discourse and the power resources of the labour movement in creating a window of opportunity for policy change during the late 1960s and early 1970s. In these years of social discontent, a 'red wave' (Mjøset 1987) swept over Western Europe. Several countries introduced tougher restrictions on hiring and firing. In most countries this meant the strengthening of already existing laws. By contrast, in Denmark and Sweden, an additional move from regulation by collective agreements to public legislation was necessary (Emmenegger 2009a). This happened in Sweden, but not in Denmark.

I argue that the adoption of tougher restrictions on dismissals in Sweden can be explained by two crucial differences. First, societal pressure for the regulation of job security was larger in Sweden than in Denmark. This is due to industrial unionism, which gives more say to low-skilled trade union members, and the Rehn-Meidner model, which puts more emphasis on labour market mobility and thereby increases popular dissatisfaction with the political-economic model. This meant that the debate on industrial and economic democracy started earlier in Sweden than in Denmark. Second, the Swedish labour movement was stronger and more unified. This allowed the main Swedish trade union federation (LO) to rely on social democratic governments as very powerful partners. In contrast, the Danish social democratic governments in the late 1960s and early 1970s were not able to pass significant legislation on industrial democracy because of internal conflicts between moderates and radicals within the party as well as conflicts with their main partners in parliament: the Socialists.

The contribution of this article to the political science literature is twofold. Theoretically, it shows that regime attributes are often not the result of policy making by wise policy designers taking into account

socio-economic constraints, but unintended consequences of contingent sequences of choices made with the purpose of winning short-term political gains. The other contribution is empirical. By providing a theory-guided narrative of the historical development of job security regulations in Denmark and Sweden, I offer a new interpretation of the advent of low levels of job security regulations in Denmark. Unlike previous accounts, this explanation does not rely on assumptions with regard to long-term system-level rationality, but provides a detailed documentation of actors' motives and strategies.

I proceed as follows. In the next part, I analyse the relationship between the economic structure and the generosity of unemployment insurance, on the one hand, and the level of job security regulations, on the other hand. Subsequently, I develop my theoretical framework, which is based on the literature on path dependency, critical junctures and windows of opportunity. In the fourth part, I briefly document the parallel development of job security regulations up to 1966 in Denmark and Sweden. The two subsequent parts analyse the changes in Sweden and Denmark, respectively, in the period 1966–1974 based on my analytical framework. A final section concludes.

Literature Review

Relatively little research has been conducted on the development of flexicurity. This is particularly the case for job security regulations. The few studies that offer an explanation for the low levels of job security regulations in Denmark highlight two factors: a trade-off with generous unemployment insurance benefits, and an economic structure dominated by small and medium-sized enterprises (Scheuer 1998, 148; Madsen 2005, 280–4; Estevez-Abe et al. 2001, 152, 163). Both of these explanations are rather implicit about the actors' motives and strategies. First, they assume that the choice of a national flexicurity regime is the result of a 'grand strategy' where the pillars of flexicurity are decided simultaneously or, if decided sequentially, that decision makers consider system-level consequences when deciding on each of the constitutive elements of the model. From a political science perspective, this assumption of long-term system-level rationality is naïve. Second, they assume that political actors that reason and calculate in this way (e.g., small enterprises, their organisations and their potential political allies) have been powerful enough to implement their vision and strategy. Also this assumption seems somewhat heroic.

Arguments based on a trade-off between unemployment insurance and job security regulations imply a deliberate agreement between the social partners and the government to increase spending on unemployment insurance while refraining from extensive regulation of dismissals. Indeed, during

the period of investigation (1966–1974) the social partners and the Danish government agreed on three reforms of unemployment insurance that benefited the trade unions (Nørgaard 1997, 328–9). However, there is no documentation of an agreement with regard to job security regulations. In contrast, as I will show below, the LO has been pushing, albeit unsuccessfully, for better protection against dismissals despite these unemployment insurance reforms.

This interpretation is also supported by comparative data on unemployment insurance replacement rates. Sweden is characterised by higher levels of job security regulations than Denmark. If the trade-off hypothesis is correct, we should observe higher unemployment insurance replacement rates in Denmark than in Sweden. This is not the case, however. The replacement rates in Denmark and Sweden are very similar (Scruggs 2004). As Table 1 shows, there is even a positive relationship between unemployment insurance benefit generosity and the OECD's employment protection legislation indicator among rich industrialised democracies in the period 1998 to 2002 (OECD 2004). If liberal market economies are omitted, the relationship turns negative, but remains weak.

The situation is very similar for arguments based on a country's firm structure. Per definition, small firms have to rely more on external labour markets. They lack the capacity to adjust to exogenous demand shocks by redeploying redundant employees. Furthermore, small firms are more concerned with social policy's consequences for labour costs (Mares 2003). Large firms have a greater capacity to shift an increase in non-wage labour costs onto consumers in the form of higher prices. In contrast, small firms are price takers. Therefore, small firms tend to discount the positive aspects of a social policy investment strategy and instead focus on the financial burden of these policies. As a consequence, small firms are generally less supportive of regulatory social policies. Thus, we should be able to observe an economic structure dominated by large firms in Sweden and one dominated by small and medium-sized firms in Denmark. However, this is not the case. The economic structure of Denmark and Sweden is in fact quite similar (OECD 2006). Moreover, no relationship between the economic structure and job security regulations can be observed in a broader sample of countries. Table 1 displays the bivariate relationship between employees working in firms with less than twenty employees as a percentage of total employment and the OECD's employment protection legislation indicator in 2002. Contrary to expectations, a weak positive correlation can be observed.

Of course, a relationship between unemployment insurance benefit generosity and the economic structure, on the one hand, and the level of job security regulations, on the other, cannot be ruled out on the basis of bivariate correlations. However, the above analysis clearly shows that there is no straightforward association. In the following, I would like to offer a

Table 1. Determinants of Job Security Regulations in Comparative Perspective: Bivariate Correlations

Independent variable	Dependent variable	Expected relationship	Correlation	p-value (two-tailed)	Number of observations
Unemployment insurance replacement rates in 1998 to 2002, average of single person and family replacement rates	EPL in 1998 to 2002 Excluding liberal market economies	-	+ 0.405 - 0.255	0.095 0.423	18 12
Employees working in firms with less than 20 employees (as % of total employment) in 2002	EPL in 2002	-	+ 0.186	0.474	17

Notes: The analysis covers 18 countries (Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Sweden, Switzerland, United Kingdom and United States). Data taken from Scruggs (2004) and OECD (2004, 2006). No data on economic structure in Canada available.

third explanation as to why Denmark is characterised by lower levels of job security regulations than Sweden. This argument is inspired by the literature on critical junctures (Krasner 1988), the multiple streams framework (Kingdon 1995) and the early power resources literature (Korpi 1983). It highlights the role of societal pressure for more regulation, the prominence of 'industrial democracy' in the political discourse at that time, the power resources of the labour movement and the resulting 'windows of opportunity'.

Path Dependency, Critical Junctures and Windows of Opportunity

Social mechanisms have a strong temporal dimension. Institutional accounts of policy inertia and stability have emphasised the fact that decisions taken on previous occasions may severely limit the scope for future reform by making some options that may have been available beforehand unattractive. Once countries have entered a given policy path, initial decisions influence subsequent policy developments to a significant extent. This pattern of policy making corresponds to a path dependent process. Path dependency implies that decisions taken at earlier stages 'lock' countries into a given policy path (North 1990). Put differently, initial decisions increase the cost of moving to an alternative path and provide incentives to remain within the established path. Path dependency does not imply, as often assumed, that movement off the path is impossible. Rather, it implies that path departure is more difficult. According to Hacker (2002, 54): 'The defining feature of path-dependent processes is not that change does not occur but that change is channelled by the self-reinforcing mechanisms that propel the existing path of development.'

Significant policy departures are possible during critical junctures because they open chances for major institutional innovations (Krasner 1988). The concept of 'critical junctures' is employed to demarcate the relatively short historical period during which an established path is left and a new one comes into existence. During critical junctures, political actors are able to exert considerable influence on institutional developments (Katznelson 2003). According to Capoccia and Kelemen (2007, 348), critical junctures are 'relatively short periods of time during which there is a substantially heightened probability that agents' choices will affect the outcome of interest'. A critical juncture is then followed by a period of self-reinforcement and institutional stability.

Critical junctures are rare events. They presuppose the coincidence of several factors in order to appear. Gourevitch (1986) has shown that major policy reorientations during critical junctures are often the result of external pressure and crisis. Historical turning points, however, may also be the result

of partisan shifts in government (Hacker 2002, 59). According to Kingdon's (1995) influential study on policy change, windows for policy change open once the problem stream, the policy stream and the politics stream meet, and a policy entrepreneur attempts to couple these streams (Baumgartner & Jones 1993). The problem stream consists of conditions that citizens want addressed. In the context of this article, societal pressure for more job security regulations increased as a result of an increasing share of dual earner households, homeownership as well as labour grievances due to economic restructuring. The policy stream consists of a 'soup of ideas' that compete for acceptance. Here, the idea of 'industrial democracy' has become a prominent demand in all European countries in the late 1960s (Pizzorno 1978, 295–6; Mjøset 1987, 420). Industrial democracy is not a new concept, but can be traced back to the nineteenth century. It regained prominence in the 1960s as the labour movement became more influential. Finally, the politics stream includes political activities such as pressure group campaigns or legislative turnover. In the context of this article, the cooperation between trade unions and social democratic governments, as well as governmental turnover, have contributed to opening windows of opportunity for policy change.

The combination of arguments based on path dependency and critical junctures implies that political leaders are confronted with a particular set of constraints and opportunities during windows of opportunity. In Denmark and Sweden, labour market policies have mostly been subject to corporatist bargaining. The labour market organisations have considered labour market policy as 'their' policy. In this context, a shift from corporatist regulation of job security to public legislation is only possible if the trade unions are willing to give up their institutional control (Nørgaard 1997). This happened in Sweden, but not in Denmark – a difference which can be explained by two factors. First, societal pressure for more job security was higher in Sweden because of differences in the political–economic system. The Swedish Rehn-Meidner model premises high levels of labour mobility, which was increasingly opposed by an electorate consisting of homeowners and dual-earner couples. In contrast, the Danish labour market model puts less emphasis on labour market mobility. As a result, these societal developments did not undermine the regulatory model to the same extent. Additionally, Denmark is characterised by craft unionism as opposed to industrial unions in Sweden (Elvander 2002, 119–20). Craft unions tend to organise the better-educated labour market participants, while industrial unions are dominated by non- and semi-skilled workers (Pontusson 1992, 21). As argued by Boeri et al. (2003), high-skilled labour market participants are more supportive of generous unemployment benefits due to lower levels of replaceability and higher expected benefits in case of unemployment than low-skilled labour market participants. Therefore, low-skilled workers

can be expected to be more interested in job security regulations than high-skilled workers (Emmenegger 2009b). The inability of the corporatist system to satisfy these 'new' needs due to the reluctance of the employers to make significant concessions forced the trade unions to look for alternative ways to respond to the demands of their rank and file. In both Denmark and Sweden, the trade union movements started to push for industrial democracy in the 1960s in order to provide workers with the requested job security. Employers resisted these demands because they were not willing to give up their managerial prerogative to hire and fire, which they considered to be the centrepiece of the corporatist agreements (Elvander 2002, 128). As a result, the trade unions had to look for alternative routes to industrial democracy. However, the lower level of societal pressure delayed this development for a few years in Denmark as compared to Sweden.

Second, the electoral strength of the Social Democratic Party and the absence of numerous veto players allowed the Swedish LO to rely on the Social Democratic government in order to obtain tougher restrictions on hiring and firing (Korpi 1983: 17). In contrast, the Danish LO could not rely to the same extent on the Social Democratic Party. Although powerful in international comparison, the Danish Social Democratic Party was not as dominant as its Swedish counterpart (Esping-Andersen 1985). To build a majority government, they always had to enter a coalition with either the (bourgeois) Social Liberal Party or the Socialist People's Party. While the former rejected radical demands, the latter proved to be an unreliable partner. These coalition partners acted as veto players and decreased the reform capabilities of the social democratic-led governments considerably. Note that industrial relations scholars have also identified the weakness of the Danish political parties as the source of the 'spirit of voluntarism' and lack of legislation in the collective bargaining system (Due et al. 1994, 14).

In Sweden, the combination of societal pressure for more job security, the inability of the corporatist system to satisfy these 'new' needs and the power resources of the labour movement opened a 'window of opportunity' for the public legislation of dismissal restrictions. By 1971, the Swedish trade unions were willing to give up their institutional control of job security regulations if the government in exchange would scrap the employers' right to hire and fire. As a result, the Swedish parliament passed the 1974 Employment Protection Act. By contrast, due to lower societal pressure for stricter job security regulations, the Danish LO was still negotiating with the employers' associations in 1973. When it came to realise that no extensive restrictions of the employers' right to hire and fire were possible by means of collective agreements and they could have turned to the political arena, the 1973 'earthquake' election had closed the window for all-left majority governments in Denmark.

In the next section, I briefly document the parallel development of job security regulations up to 1966 in Denmark and Sweden. The year 1966 has been selected as a starting point for the more detailed discussion of the two cases because it was the first year Denmark was governed by a left-wing majority. The two subsequent parts describe the changes in Sweden and Denmark, respectively, in the period 1966–1974.

The Regulation of Job Security before 1966

Both Denmark and Sweden are characterised by strong labour movements, powerful employers' associations and centralised collective bargaining systems. In Denmark, this tradition goes back to the so-called 'September Agreement'. After long and intensive industrial conflicts in the fall of 1899, the employers offered to respect the trade union's right to organise in return for concessions by the trade unions. Most notably, the unions acknowledged that there are no restrictions on dismissals (Galenson 1952, 291–2). Similarly, the Swedish trade unions and employers' associations reached an agreement in 1906, which regulated the relationship between unions and employers. The 'December Compromise' also included a paragraph stating that the trade unions 'would have to continue to accept the employers' right to fire and hire' (Olsen 1996, 3).

Thus, in both Denmark and Sweden, regulation of dismissals was already part of collective agreements before the two countries introduced parliamentarism. This explains the political parties' non-challenging attitudes vis-à-vis these regulations (e.g., by passing legislation that would replace the regulations in collective agreements). After the transition to parliamentarism, the Danish and Swedish parties were weak. No party could afford to reignite past conflicts (Nørgaard 1997, 136). They were happy to acknowledge that the trade unions and employers' associations regulated the labour market themselves. This way they did not have to intervene into an economic area whose regulation would have led to new conflict. However, by this, the political parties also accepted the labour market organisations' primacy in labour market questions. Put differently, the labour market organisations filled the policy space (Crouch 1993). They opted for a corporatist regulation that allowed them to maximise their institutional control (Nørgaard 1997). Once in place, the labour market organisations defended their primacy against the political parties as long as the corporatist solution served their interests best. This triggered a path dependent process that rendered this early advantage a lasting one. This sequence of events differentiates Denmark and Sweden from Continental Europe, where job security regulations were introduced comparatively early by law (Emmenegger 2009a).

It is important to note that the managerial prerogative to hire and fire was the centrepiece of these agreements (Galenson 1952, 100; Johnston 1962,

205–6; Due et al. 1994, 77, 81; Elvander 2002, 128). It was the most important demand of the employers and the biggest concession of the trade unions. Therefore, it is not surprising that it has been constantly challenged by the unions. The 1938 Saltsjöbaden Agreement in Sweden included first weak restrictions. In case of temporary lay-offs, employers had to inform the local trade union representatives and discuss alternative solutions (Elvander 1983, 338–9; Swenson 2002, 113). Similarly, Danish trade unions demanded restrictions on the employers' right to hire and fire at will (Galenson 1952, 101). In a revision of the September Agreement in 1960, the Danish trade unions were successful in getting the first weak restrictions of the managerial prerogatives. The Basic Agreement of 1960 states that the 'right to dismiss individual workers must not be exercised in an arbitrary manner' (ILO 1963, 13). Complaints of alleged unreasonable dismissals should be dealt with according to specified rules. Moreover, workers have the right to be informed of the reason for their dismissal.

The Saltsjöbaden Agreement in Sweden and the September Agreement in Denmark did not cover all employees. Apart from special groups such as sailors, the emerging group of salaried employees was under-represented in the LO. As a consequence, the Danish parliament passed an act in 1938 that regulated the employment contract for salaried employees, which was based on the content of the collective agreements between the employers' association and the LO (Eysell 1983, 420; Hasselbalch 2005, 30–1). In Sweden, the employment contract of salaried employees was regulated by several basic agreements between the Swedish employers' association and members of the Trade Union Federation of Salaried Employees (TCO) after 1957 (Johnston 1962, 198–201, 212–13; Elvander 1983, 339).

Despite these regulations, gradualism and successful resistance by the employers have marked the developments in Denmark and Sweden up to the mid-1960s. Although the trade unions started several attempts to dismantle the managerial prerogatives, the employers could not be forced to make far-reaching concessions. Most restrictions led to the establishment of labour market boards and work councils. However, they lacked the power to penalise recalcitrant employers. As a consequence, dissatisfaction mounted within the trade union movement and the pressure on the managerial prerogatives started to increase in the 1960s in both Denmark and Sweden (Johnston 1962, 212; Elvander 1983, 351; Pontusson 1992, 32–3; Eklund Hansen 1998, 44).

Power and Opportunity: Sweden after 1966

In the 1960s, a 'red wave' (Mjøset 1987, 420) swept over the Western democracies. New social movements mobilised against the postwar capitalist system and the transformation of the manufacturing industry. This was not

just a Scandinavian phenomenon. All over Europe, labour unrest increased, new radical left-wing parties emerged and the capitalist economy came under pressure. This 'left' critique had many facets. With regard to industrial relations, the social movements demanded more participation in corporate governance, stable career patterns for employees and more consideration in political questions (Pizzorno 1978, 295–6). These demands were the result of two independent processes. On the one hand, the speed of industrial restructuring increased in the 1960s, thereby leading to higher demands for worker flexibility; on the other, the 'golden age' following the Second World War improved the bargaining position of the trade unions vis-à-vis the employers.

In Sweden, this development was further aggravated by some additional country-specific factors. The famous Rehn-Meidner model of economic management was rather successful in generating economic growth. However, it also resulted in increasing workers' dissatisfaction. The combination of restrictive fiscal policy, solidaristic wage policy and active labour market policy increased economic pressure on low productivity sectors and promoted labour mobility. The willingness to accept labour mobility to achieve employment growth decreased due to societal changes. Increasing female employment, dual-earner couples, homeownership and small wage differentials in times of low unemployment reduced the incentive to be mobile. As a consequence, workers demanded a policy change (Henning 1984, 207–10; Kjellberg 1992, 97).

The growing internal contradictions of the Swedish model appeared in the 1960s. Workers' discontent resulted in wildcat strikes and a radicalisation of the trade union movement. The radicalisation was particularly pronounced in the manufacturing sector, which had been the target of several painful restructuring initiatives (Pontusson 1992, 32–3). Consequently, the metal workers were most vocal in articulating their criticism of the social democratic compromise policies (Korpi 1978, 327). Parties and movements on the left and in the political centre tried to capitalise on the disputes between the moderates and radicals within the social democratic labour movement. On the left, communist parties were agitating against the social democratic compromise policies and supported the wildcat strikes (Elvander 1983, 351). In the political centre, the Liberal People's Party, the Centre Party and the TCO took up the pursuit for industrial democracy (Pontusson 1992, 167). Consequently, the Social Democratic Party and the LO needed to react (Elvander 1983, 388; Pontusson 1992, 165; Swenson 2002, 314–16).

As a result, the LO developed programmes aimed at introducing industrial and economic democracy (Pontusson 1992, 165). 'Industrial democracy' implies the sharing of responsibility and authority in the workplace (decision making). First and foremost, this means abolishing the managerial

prerogative to hire and fire at will. In contrast, 'economic democracy' implies extension from a small number of shareholders to a larger group of public stakeholders (ownership). While this article focuses on managerial prerogatives and industrial democracy, it is important to note that these two demands have often been voiced at the same time. The centrist parties' support of industrial and economic democracy diminished as the Social Democratic Party started to propose their own, more radical programmes. However, the TCO continued to be supportive of industrial democracy (Elvander 1983, 353; Swenson 2002, 315).

In the 1960s, the LO tried to achieve restrictions of the managerial prerogatives by means of collective agreements. Despite some improvements in 1964 and 1966, they had to realise that the employers were not willing to concede their rights (Elvander 1983, 339, 351; Pontusson 1992, 165). Not able to satisfy the workers' demands on their own, the trade unions turned to the political arena. In 1971, the LO and the TCO started to demand public legislation on job security regulations (Elvander 1983, 353; Korpi 1983, 51–2; Pontusson 1992, 165). 'This development was a substantial departure from the Swedish model of cooperation, of "agreement in preference of legislation" ' (Kjellberg 1992, 99).

Shortly thereafter, the social democratic government established a labour law commission in which members of the trade union movement and the employers' association participated. This commission was to draft an act on co-determination. The trade unions perceived this reform as the first step towards industrial and economic democracy (Elvander 1983, 354–5). Confronted with a clear majority in favour of these reforms in the parliament, the employers came to realise that sacrifice on their part were necessary to be able to influence the content of these reforms. Consequently, the negotiators of the employers' associations used the managerial prerogatives as a bargaining chip (Pontusson 1992, 168). Despite these efforts, the parliament enacted several far-reaching acts. The Employment Protection Act of 1974 regulated dismissals, thus constraining the employers' right to hire and fire, while the 1976 co-determination increased the trade unions say in workplace questions.

These developments can only be understood by acknowledging the political environment in which the corporatist negotiations were embedded. From 1936–1976, the Social Democrats had been in government, either alone or in coalition with other parties. In all elections between 1932 and 1990, they received more than 40 percent of the votes. Together with socialist parties they almost always had a majority in parliament (Esping-Andersen 1985, 329). Even more worrisome for the employers, the reforms were also supported by the centrist Liberal People's Party and the TCO (Elvander 1983, 354). Together, the Social Democratic and the Liberal People's Party had a sound majority.

How can Liberal People's Party support for these reforms be explained? First, popular discontent with the deficiencies of the Swedish model was widespread. As noted above, the managerial prerogatives were considered to be a part of this problem. As a consequence, support for the social democratic reforms can be interpreted as a vote-seeking strategy. Second, the TCO was supportive of industrial democracy. Mostly representing the growing group of middle-class swing voters, the TCO increased its political influence considerably in the 1960s (Elvander 1983, 345). However, in contrast to the LO, the TCO was politically neutral. Consequently, centrist parties tried to accommodate the TCO by supporting its political demands (Elvander 1983, 388; Pontusson 1992, 166).

Together these two developments opened a window of opportunity for a path departure. The societal changes, the booming economy and widespread discontent with the 'old' economic model induced the left and centrist parties to move to the left and radicalise their demands. The presence of a majority in favour of more job security regulations in parliament and the absence of institutional veto points allowed the trade unions to switch from the corporatist arena to the political arena and demand public legislation on dismissal restrictions. Their political partner, the ruling Social Democratic Party, was willing and able to find a majority in favour of public regulation. Confronted with a superior opponent, the employers' associations abandoned the managerial prerogatives already in the commission charged with the preparation of the legislation (Pontusson 1992, 168).

The window of opportunity closed earlier than expected. In 1976, the social democratic government was replaced by a centre-right coalition government. Only in 1982 was the Social Democratic Party able to regain governmental rule. By then, Swedish employers had regained their strength and launched an ideological counterattack, which ultimately led to the decentralisation of the Swedish model (Swenson 2002, 308–16). With regard to job security regulations, no path-breaking changes occurred after 1974 (Adlercreutz 1998, 46–7; OECD 2004, 120).

Late and Too Weak: Denmark after 1966

As in Sweden, dissatisfaction with economic and social policies was rising as the 'red wave' swept over Denmark in 1960s. The late 1960s especially were marked by constant criticism from the left and the right of the political spectrum. Constantly bothered by balance-of-payments deficits and high interest rates, Denmark relied on incomes policies to keep the economy going (Mjøset 1987, 427–8). While the welfare state kept expanding, the trade unions were not able to gain many concessions from the employers in corporatist bargaining. Although the basic agreement from 1960 brought along some improvements, the basic principles of the September Agree-

ment of 1899 remained intact (Due et al. 1994, 129). Similarly, the Agreement on Cooperation and Cooperation Committees from 1964 did not result in the desired changes (Eysell 1983, 454–5; Eklund Hansen 1998, 44). As a consequence, discontent within the trade union movement got louder and its demands radicalised.

A similar development can be observed within the Social Democratic Party. The Danish Social Democrats have been traditionally marked by a reformist and centrist political programme. However, radical voices became more and more prominent. Organisationally, this resulted in the creation of the influential ‘Social Democratic Society’ in 1966, which demanded a more ‘social democratic’ and less compromise-oriented policy (Petersen 2001). This development can also be observed in party programmes. The 1969 programme demanded the democratisation of the economic life (Socialdemokratiet 1969). Note that the statutes of the LO at that time also demanded the introduction of industrial and economic democracy (LO 1967b, §2.1).

Two additional factors should be taken into account. First, thanks to the foundation of the Socialist People’s Party in 1959, the Social Democrats were for the first time confronted with a non-revolutionary party to their left. Its leader, Aksel Larsen, tried to pull the labour movement to the left (Schmiederer 1969, 106–14; Petersen 1980, 107). It is important to know that the Socialist People’s Party had strong popular appeal. In 1960, the first time the party contested an election, the Socialists won 6.1 percent of the votes. Six years later, the share increased to 10.9 percent. At the same time, the Social Democrats’ share diminished from 42.1 to 38.3 percent (Armingeon et al. 2006). As a consequence, the Social Democrats had to disarm their challengers on the left. Second, the Danish were very well-aware of the developments in Sweden (Eysell 1983, 478–81). Not only did government members and the labour movement meet regularly in Nordic councils, the Danish trade union federation was also keeping track of developments in most European countries (LO 1964, paragraph 60).

Nevertheless, radical tendencies were weaker in Denmark (Gill 1984, 54; Esping-Andersen 1985, 208–15). This is due to the organisational structure of Danish trade unions. In contrast to Norway and Sweden, Danish unions are dominated by craft unions as opposed to industrial ones (Elvander 2002, 119–20). Craft unions tend to organise better-educated labour market participants, while industrial unions also organise a big number of non- and semi-skilled employees (Pontusson 1992, 21). As argued by Boeri et al. (2003), trade union movements dominated by craft unions tend to focus more on unemployment insurance benefits than on job security regulations. It is therefore not surprising that in Denmark the non- and semi-skilled workers’ trade union federation (SiD), the biggest general union (Elvander

2002, 119–20), was most vocal in demanding a more radical approach (Lundberg & Petersen 1999, 22).

Moreover, unlike the Swedish TCO, the Danish Trade Union Federation for Salaried Employees (FTF) did not support radical demands in the realm of job security regulations. Since June 1964, the FTF had been negotiating with the government about a revision of the Act on Salaried Employees. Their most important demand was the extension of the act's coverage (FTF 1968, 100–1). Although they later demanded more job security regulations, their demands remained pretty modest (see FTF 1970, 74–8). This modesty was not least the result of the heterogeneous composition of the FTF and its deliberate attempt to remain nonpartisan (Pedersen 1980, 144–5; Eysell 1983, 470–3).

Since the mid-1960s, the LO and the Social Democrats were working on their programme *Democracy in the Workplace*, which was presented 1967 at the LO congress (Eklund Hansen 1998, 45–6). The programme clearly stated that dismissals should be decided upon within work councils (LO 1967a, 19). A report by the Copenhagen section of SiD was more explicit with regard to the managers' right to lead and distribute work. It stated that both employer and employees should exercise together the right to lead and distribute labour and with regard to the interests of the society as a whole (SiD 1966, 7).

After the disappointing negotiations in 1964, the LO began a new attempt to induce employers to give up parts of their managerial prerogatives. To increase the pressure, the LO cancelled both the Basic Agreement and the Cooperation Agreement in 1968 and started new negotiations in 1969. LO's basis for negotiation was *Democracy in the Workplace* – that is, they wanted to discuss the managerial prerogatives (Eklund Hansen 1998, 51; Christensen et al. 2007, 261–2). However, the employers proved to be unaccommodating. Neither the Cooperation Agreement of 1970 nor the Basic Agreement of 1973 included significant changes (Lybæk Hansen & Lorentzen 1998, 424–5).

The LO tried to sell the results of the negotiations as a major step in the direction of industrial democracy (Eklund Hansen 1998, 51). However, the general perception among the trade union members and the left-wing parties was very negative. The Danish Communist Party and the Socialist People's Party demanded the abolition of the basic agreements (Pryds 1997, 74; Eklund Hansen 1998, 67). Within LO, a discussion emerged whether to stick to basic agreements or replace the basic agreements with public legislation (Eklund Hansen 1998, 67).

Not That Strong: The Power Resources of Danish Social Democracy

Danish Social Democracy has never been as dominant as its Swedish counterpart. Nevertheless, the Social Democrats have been the most popular

party in Denmark since the Second World War. Social Democratic prime ministers uninterruptedly held office from 1953 to 1968 and again from 1971 to 1973 (Nørgaard 1997, 233–4). However, most of these governments were weak. In the period 1945–1994, the average tenure of Danish governments was less than three years (Jørgensen 2002, 40). The fragmentation of the Danish party system and the numerous minority governments strengthen the position of the small centre parties. This puts a damper on ideological clashes (Jørgensen 2002, 243).

The Social Democrats' main partner is the Social Liberal Party. The Social Liberals 'had a strong reform-friendly programme which echoed contemporary social democratic political demands for social reform' (Nørgaard 1997, 148). However, the Social Liberals were a bourgeois party and clearly positioned to the right of the Social Democrats (Eysell 1979; Christensen 2005, 277).¹ As a consequence, the Social Democrats had to rely on an un-ideological centre party to achieve a majority in the Danish parliament.²

The creation of the Socialist People's Party in 1959 extended the field of potential partners for the Social Democrats. In the 1966 elections, the Socialist People's Party obtained 10.9 percent of the votes. Together with the 38.3 percent of the Social Democrats, it was enough to appoint the first Danish all-left majority government. The leader of the Socialist People's Party was strongly interested in collaborating with the Social Democrats (Schmiederer 1969, 114; Eysell 1979, 286; Petersen 1980, 99). The Social Democratic Party was more critical of such collaboration. However, as a result of pressure from the left wing of the party and the trade union movement (Nielsen 1977, 22–5; Christensen et al. 2007, 266–8), the party executive board decided to initiate coalition talks. The Social Democrats hoped that an all-left government would enable them to make 'proper' social democratic policy and to simultaneously contain the Socialist People's Party (Nielsen 1977, 24–8; Christensen et al. 2007, 266–8). Although the parties could not agree on a common government programme, the Socialist People's Party was willing to support a social democratic minority government (Petersen 1998, 188–9).³

The 'Red Cabinet' did not last very long. Thanks to its 1966 election success, the Socialist People's Party sent a group of new politicians to the Folketing. These new MPs were less supportive of the coalition with the Social Democrats. They considered their party leaders' strategy to be a sell-out (Schmiederer 1969, 150–63; Eysell 1979, 286). Soon, the Social Democrats came to know the more critical stance of the 'new' Socialists. In a parliament ballot on the high cost of living compensations, several Socialists refused to support the government. As a result, Prime Minister Krag dissolved the Folketing and called an early election (Schiermer Andersen 1979, 150). In 1968, a centre-right government, led by the Social Liberals, took over.

The events and discussions in connection with the 'Red Cabinet' led to a worsening of the relationship between the Social Democrats and the blue-collar trade union federation LO, on the one hand, and the Socialist People's Party, on the other (Eysell 1979, 262; 1983, 409–10; Petersen 1998, 189). Nevertheless, after the 1971 election, another Social Democratic minority government was established. This government was again supported by the Socialists. However, this government was ill-fated, too. Marked by internal battles on European Community (EC) membership and economic policy, the Social Democrats were only a shadow of their former selves (Eysell 1979, 252; Petersen 1998, 281–91). After successful accession to the EC, Krag stepped down in 1972 and was replaced by trade unionist Anker Jørgensen, a member of the party's left wing. By electing Jørgensen, the party's executive committee hoped to bridge some of the rifts within the party (Eysell 1979, 258; Petersen 1998, 283; Christensen et al. 2007, 273–4).

Despite disagreements with regard to foreign policy, the Social Democrats and the Socialists shared some common targets. Both parties, as well as the LO, supported the introduction of industrial and economic democracy (SF 1964; LO 1967b; Socialdemokratiet 1969). After the dust of the EC membership discussions had settled, the two parties restarted their discussions on economic democracy. However, the Socialists considered the joint proposal by the Social Democrats and the LO to be not radical enough. Moreover, the Socialists did not support the centralisation of the funds in the hands of the LO (Eklund Hansen 1998, 55). The two parties could not agree and the government started to revise the proposal. Before the revised version was submitted to the Folketing, the Social Democratic government had collapsed. Centrist Social Democrats withdrew their support of the government and created a new party: the Centre Democrats (Christensen et al. 2007, 274–6).

The 1973 election is known in history as the 'earthquake' election. The Social Democrats lost 24 seats, the Socialists six, the Social Liberals seven, the Conservatives 15 and the Liberals eight. In contrast, several new parties entered the Folketing – most notably the right-wing Progress Party with 28 seats (Eysell 1979, 259). After the 'earthquake' election and the resulting fragmentation of the Danish party system, an all-left government was no longer possible. Moreover, the electoral loss threw the old parties off balance. The 1970s were marked by a weakening of the established political parties, including the Social Democrats. 'All have an interest in blame sharing, and compromising would restrict the scope of reform which all can accept. The best strategy is to involve the organized interests to avoid politicization and public critique which could lead to an even stronger electoral backing of the new protest parties' (Nørgaard 1997, 239–40). In the 1977 election, the Social Democrats regained their electoral strength.

However, they turned back to the centrist Social Liberals as their main political partner.

Legislative Turnover and Windows of Opportunity

The discussion above implies that there were two windows of opportunity in Denmark, during which a path departure might have been possible: the three Social Democratic minority governments with Socialist support in November 1966 to January 1968 (government Krag II) and September 1971 to December 1973 (governments Krag III and Jørgensen I). All three governments were riddled with problems and internal fights. Krag II fell after a year due to the internal fragmentation of the Socialist People's Party (Nielsen 1974, 49–78). Krag III was dominated by foreign policy and the upcoming popular vote on Denmark's accession to the EC. The governing Social Democrats supported Denmark's membership, while the Socialists led the field of EC opponents. Jørgensen I started under bad conditions. The EC ballot had split the Social Democratic Party and the trade union movement, and led to intense conflicts between the Social Democrats and the Socialists. In fact, the Socialists even considered overthrowing the government (Eysell 1979, 287). Nevertheless, the two parties started to discuss a Social Democratic draft law on economic democracy in February 1973. The Socialists did not support the proposal and forced the Social Democrats to redraft the law. According to Pryds (1997, 62), this should not be understood as a deliberate act of sabotage, but rather the result of intense discussions within the Socialist People's Party. In any case, the debate was postponed to autumn 1973. At that time, however, the internal splits in the Social Democratic Party had led to new elections.

Industrial democracy was never as prominent as *economic* democracy in the political discussions between the Social Democrats and the Socialists. This is easy to understand if the LO's position and the relationship between industrial and economic democracy are taken into account. The LO and the Social Democrats always considered industrial and economic democracy to be two sides of the same coin: the democratisation of the economic system (Hansen 1998, 494–5; Christensen et al. 2007, 261–2). As a consequence, the LO and the Social Democrats collaborated in the elaboration of their proposals for economic and industrial democracy (Eklund Hansen 1998, 45–6, 54). However, the LO and the Social Democratic Party envisioned a division of tasks. This became particularly clear in a speech by the metalworkers' trade union leader and Social Democratic Party deputy chairman Hans Rasmussen at the Social Democratic Party's congress in 1965. He argued that the trade unions should bring about industrial democracy while questions of economic democracy should be left to political parties (cited in Eklund Hansen 1998, 45). For the latter, he argued, an all-left majority

government was needed (cited in Nielsen 1977, 19). Similarly, the LO's executive committee clearly intended to introduce industrial democracy by means of collective agreements (LO 1965, paragraph 20). Against the background of these discussions, it is comprehensible why the Socialists criticised the Social Democrats' draft law. They distrusted the LO's executive committee and generally did not support the Danish model of regulation by means of basic agreements (Pryds 1997, 74; Eklund Hansen 1998, 67).

When the new basic agreement had been finalised in October 1973, the LO had come to realise that the employers were not willing to concede their managerial prerogatives. However, roughly two months later, the 'earthquake' election changed the political landscape forever. Furthermore, the first oil price crisis broke out in October 1973 and the first signs of the crisis were already visible at election time. The second and final window of opportunity was shut. It is impossible to say what would have happened if the Social Democrats would have been allowed to continue governing with the support of the Socialists. However, it is well-known that the trade unions and the Socialists continued to demand economic and industrial democracy, while the Social Democrats lost their radical zeal despite programmatic claims to the contrary (Mjøset 1987, 451; Pryds 1997, 62; Lundberg & Petersen 1999, 28–32). The latter's moderation was certainly influenced by the electoral setback in 1973, the ineffective collaborations with the Socialists and the increasing capital market integration, which strengthened the employers' position.⁴

Conclusions

Why did Sweden experience a path departure while Denmark did not? I argue that this can only be understood if the interplay of multiple streams during a critical juncture is taken into account: societal pressure for more regulation, the prominence of industrial democracy in political discussions at that time and the power resources of the labour movement. In Sweden, the pressure on the labour movement to enforce more restrictions, and its own power resources, were considerably larger than in Denmark. As a consequence, the window of opportunity opened earlier than in Denmark and the Swedish Social Democrats were able to pass the Employment Protection Act before the employers launched their ideological counterattack.

Societal pressure for more regulation was stronger and the subsequent radicalisation of the labour movement and the Social Democratic Party occurred earlier in Sweden than in Denmark due to the Rehn-Meidner model and industrial unionism. When the Swedish trade unions turned to the political arena and demanded public legislation with regard to job security regulations, the Danish trade unions were still bargaining with the

employers' associations in the corporatist arena. With regard to power resources, the Danish labour movement had always been less influential than their Swedish counterparts (Esping-Andersen 1985). This is important since collective bargaining in the corporatist arena always takes place in the shadow of the political arena (Scharpf 1997). While the Swedish LO could rely on the Social Democrats as a very powerful partner, the Danish LO was not so lucky.

Nevertheless, the Danish labour movement had two windows of opportunity. From November 1966 to January 1968 and September 1971 to December 1973, Social Democratic minority governments ran the country. Together with the Socialists and some independents, the left had a majority in the parliament. However, in both cases this coalition was riddled by problems and conflicts, which decreased the governments' reform capabilities. In 1967 a dissenting group left the Socialist People's Party and created the Left Socialists, while in 1973 a group left the Social Democrats and created the Centre Democrats. In both cases, the secessions were the result of disagreements with regard to the governments' policies and triggered new elections, which the Social Democrats lost. While the Left Socialists considered the Socialist People's Party's support for a Social Democratic government a sell-out, the Centre Democrats were bothered by the radicalisation of the Social Democrats. The 1973 election led to a fragmentation of the Danish party system. The 'old' parties' positions were considerably weakened and they were forced to compromise. The Social Democrats turned back to the centrist Social Liberals as their main political partner. Thus, when the Swedish Riksdag passed the Employment Protection Act in 1974, the Danish 'earthquake' election of 1973 had washed away the hope for a third window of opportunity.

The period before the first oil price crisis was not only in Denmark and Sweden crucial for the development of job security regulations. In fact, a strong relationship between the electoral strength of left and far-left parties in the period 1966–1974 and average levels of job security regulations (1985–2003) can be observed in all rich industrialised democracies. Using data from the OECD (2004) and Armingeon et al. (2006), the bivariate correlation ($N = 18$) amounts to $r_p = 0.49$ (p -value = 0.038). Note that this correlation is strongly dependent on the inclusion of far-left parties. Excluding far-left parties, the bivariate correlation decreases to $r_p = 0.12$. Thus, in countries, in which left and far-left parties were not able to successfully collaborate, such as Denmark, lower levels of job security regulations can be observed. This argument turns Castles' (1978) hypothesis on the fragmentation of right parties upside down and highlights the role of the fragmentation of left parties.

This article has shown that the low level of job security regulations in Denmark is not the result of policy making by wise policy designers taking

into account the country's firm structure or proposing a trade-off between labour market flexibility and job security. Rather, the Danish flexicurity model is the result of the interplay between power resources, societal pressure and reform capabilities during a critical juncture. Although nowadays the flexicurity strategy is supported by all major political actors in Denmark, it would be wrong to assume that these actors collaborated in the establishment of this strategy. Of course, this does not make the flexicurity strategy less successful, but it does demonstrate that a strategy's success does not explain its origins.

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NOTES

1. The Social Liberal Party is an unlikely partner in the Social Democrats' quest for industrial democracy. Although they supported work councils in big enterprises and requested statutory notice periods in case of dismissals, they highlighted the benefits of labour market flexibility (DRV 1967, 3–4) and requested 'realistic' proposals (DRV 1973, 4). Moreover, the Social Liberal Party did not support a power concentration in the hands of the social partners and was very critical of the 'red cabinet' (DRV 1972, 2–3).
2. The Social Democrats refused to cooperate with the Communists (Esping-Andersen 1985, 93).
3. Disagreements with regard to foreign and security policies made a governing coalition impossible (Esping-Andersen 1985, 94).
4. In 1979, the Social Democrats submitted a moderate draft law on economic democracy (Eysell 1979, 276). This was mostly due to the pressure of the LO (Christensen et al. 2007, 274–5). The proposal was opposed by employers, bourgeois parties and the Socialists (Eysell 1983, 491). However, note that the Socialists and the Social Democrats together were far from having a majority in the Folketing. Thus, I do not treat this as a third window of opportunity.

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