

Local government, finances and welfare
in Nordic reforms

The Danish case

Before the 1970 reform

- 86 «Købsteder»: Major and medium size municipalities
 - Typically of course: Copenhagen, Aarhus, Odense, Aalborg etc.
- 1300 «sognekommuner» (small parish municipalities) BUT their administration ascribed to 25 «amtsråds kredse» ie elected «county councils»
- Poor relief
- Infrastructures: roads, bridges etc. Plus fences and other forms form barriers etc.
- Basic school
- police
- Trade and construction licences
- Harbours except already state harbours
- Water supply, cloach etc.
- Waste and health care
- NB: local taxes targeted for the above mentioned services

Reform 1970

- Long term work (1958-1970)
- «Inndelingsloven» 1967: «multilevel law»

- Three levels of government:

Municipality level (275)

Amt/county level (15)

Central state level (1)

- New Municipalities
- At least 5000 inhabitants
- All municipalities: elected councils electing Mayor waged full time job
- Increasingly larger and professional bureaucracy

After 1970: New/bigger tasks-new funding

- Besides the above mentioned tasks:
 - Amt/county councils: since 1973 local high schools
 - Since 1978 also state high schools
 - Municipalities: since 1999 also responsible for «integration» policies of immigrants/refugees
- New funding:
 - Prior to 1970: «refusionsordning»: largely decentralised budget decision-making and ex post state re-funding
 - Post-1970: «bloktilskud»: ex-ante negotiated funding from state authorities
 - Ideological Context: expansive policies, since 1976 less expansive and 1982-1992 (liberal conservative governments) smoothly restrictive policies
 - Overall tendency
 - «gradual smooth slope of decentralisation», with (vastly) negotiated control (Nordic democracies called «negotiated economies»)
 - Still: more power to local decision making/local communities/local democracy

The «Strukturreformen» break of 2007

- The reform:
 - From 271 to 98 municipalities
 - From 15 «amter»/counties to 5 regions
- The economic policy/ideological context:
 - 0.5 budget surplus (public debt 40% of Gnp)
 - «skattestop»: taxes may not increase as a whole, only budget funding shift allowed (Compromise between liberals and neopopulists)
 - NPM: «Kvalitetsreformen»: better with less money even with increasing needs (ageing, integration of immigrants etc)
 - Centralised budget/fiscal/ rules and/or : No longer «negotiated economy»
 - EU ordoliberalism: «*Wirtschaftsverfassung*»

«Konkurrencestaten» O. K. Petersen, 2011

- 1) An increasingly competitive global context, need to increase competition between national public sectors
- 2) Same reason: Need to increase the supply of work force in the different countries
 - From public to private
 - The tax cut incentive to work
- 3) Local decision making too largely entitled to take budget and expense decisions across many places of the public sphere
 - Lost control of budget expenses
 - **But Petersen agreeing that control has been regained already after 1993 (Social democrats in office until 2001)**

Satisfied with welfare states 2005 (largely in local bodies/municipalities)

Welfare state area	Satisfied	Very satisfied
School	52,1	29,1
Child care	44,3	44,0
Domestic help	54,6	23,1

Task shift from abolished amt «county councils» to the new bigger post-2007 98 municipalities

- Traffic and roads (safety etc.)
- Prevention of sickness etc.
 - «lifestylesickness» especially focused
 - Municipalities: incentivize healthier lifestyles through contact in local welfare institutions (schools, job centers, elderly care etc.)
 - For every hospitalisation municipalities must pay 30% of the expenses in the public health care system
- No new funds following the new tasks
 - **NPM target «same quality with less money» (Kvalitetsreformen)**

Evaluation of funding system in «quality reform» budget ideology

- «Copenhagens «Vestegnskommuner»:
- Funding of expenses after 2007 «strukturereform»
 - 8 Municipalities west of Copenhagen (mostly not wealthy and with a higher percentage of immigrants)
 - In 8 kinds new task service and welfare areas the funding was 100 mill. Dkk lower than break even
- Broadly speaking: Municipalities tend to PREVENTIVELY FURTHER cut own service tasks/expenses in order not to risk to infringe «hard central budget constraints» in case of unexpected events (snow, storms, [new refugees](#))

In the case of new refugees this has clearly contributed to the national-populist hegemony in increasingly restrictive policies

Before 2015 DK was number 4 in EU in refugees reception, now number 17

(in present surveys 2 even more new hardliner parties can make the threshold)

Preventive cuts

- 89 billions Dkk in non budgeted resources
- Since 2011 used between 1.6 and 3 billions Dkk than possible will cut
- The «low spending limit» works every year: accumulated resources may not be used+new non used resources are accumulated
- Both in infrastructures and services (welfare)
- **Infringed limit implies general central state support (bloktilskud) cut:**
 - 1 billion in infrastructures cut
 - 3 billion in services (focus on welfare cuts)
 - Attempt to use accumulated passive resources implies therefore a long planning and internal negotiation in the Municipalities organisation (Kommunernes Landsforening)
 - Hypercomplex procedure
 - As it can be seen: several negative incentives

Most centralised country in northern EU: 1) Biggest municipalities

Danske kommuner størst i Nordeuropa

Gennemsnitligt indbyggertal i kommuner i udvalgte lande, 2017



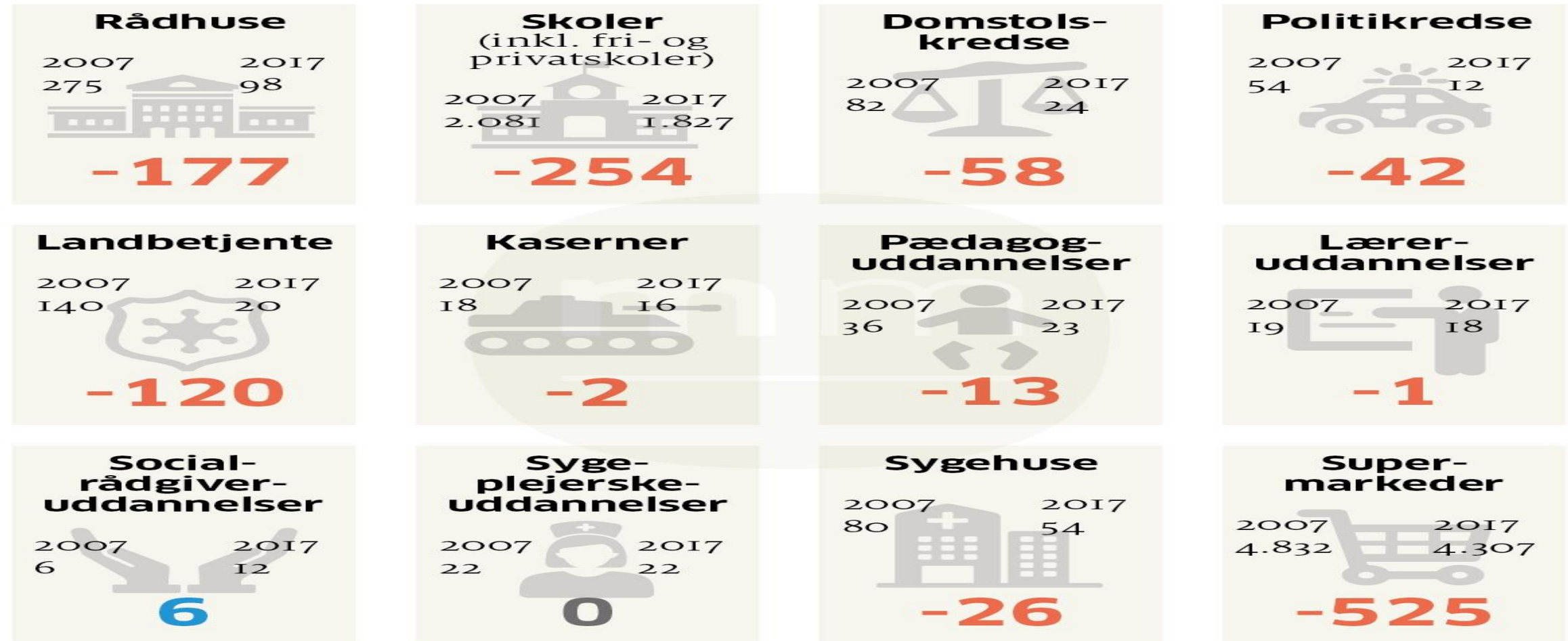
FIGUR 1 — Danske kommuner har i gennemsnit flere indbyggere end kommuner i vore nabolande.

KILDE — Mandag Morgen.

Increasing centralisation 2): cuts in welfare institutions, police offices, schools of all types, courts etc.

Stigende centralisering siden 2007

Konsekvenser af forskellige strukturreformer siden 2007



FIGUR 2

KILDE — Mandag Morgen.

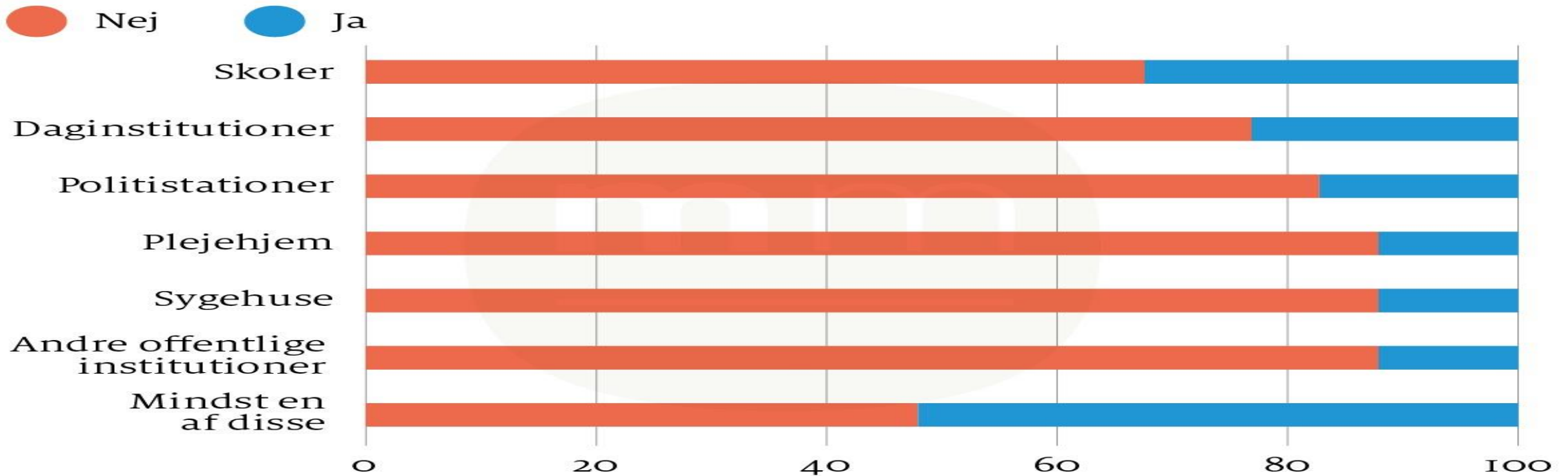
Centralisation and its political outcomes

- The «outskirts Denmark» (udkantsDanmark») has a surge of national populist vote (20% nationally)
- Typical slogan from «outskirt Denmark» pride protest: «First they piss on us, then they say we stink»
- Radicalisation is increasing: in next election 2 even more radical parties seem to make the 2% threshold
- 90% of elected local politicians in declare Copenhagen central state takes too big a shere of the decision making
- Liberal conservative prime minister now considering to move central state jobs from Copenhagen to the periphery

3) 52% experienced the closing if some local office/institution
Bottom: «at least one of them». Top: Schools most frequently

Hver anden borger har oplevet lukning af offentlige institutioner

Har der inden for tre år været lukning af ... inden for det område, hvor du bor?, 2015



FIGUR 3 — 52 pct. af danskerne oplevede, at en skole, en daginstitution, en politistation eller en anden offentlig institution i det område, hvor de bor, blev lukket i løbet af de tre år op til valget i 2015.

KILDE — YouGov for Mandag Morgen og Jørgen Goul Andersen.

New steps in centralisation:

Omprioriteringsbidrag: New priority reform (2015)

- Municipalities to cut 1% of their budgets 2016-2019, so the government can decide how to use 2,4 bill. Dkk
- Municipalities' calculations: this will imply cuts in welfare and services
 - 2,4 bill. Dkk in 2017
 - 4,7 bill. Dkk in 2018
 - 7 bill. Dkk in 2019
- Even if 1,9 out of 2,4 bill. Were posted back to the municipalities, government would still decide what they would fund (Agreement between the center-right gov. And The Municipalities Organisation)

Hard NPM central regulation and use of resources

- SURVEYS:

- HK-Kommunal Union: 1600 top employees declare they use more time in measurement of administrative costs in order to meet NPM targets and provide documentation for central authorities
- FOA Union: more than 60% of welfare state employees declare using more time in measurement and documentation tasks than in their core welfare tasks

- Danmarks statistic

2002: 3705 out of 84.899 in (mostly municipal) welfare state were employed in non-care jobs (administration)

-2006: 4245 (+15%): while +3,5% more elderly above 65 in the population

- Altinget.dk

- 2012 +28,9% university graduated in non-care jobs in all municipal employed (management and administration in order to meet NPM targets)