
Public state ownership within varieties of capitalism: regulatory foundations for welfare and freedom

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Abstract: In this paper I argue public state ownership – the extent the public ‘owns’ the state through mechanisms of inclusivity and exclusivity in governing – can help explain divergent public policy and human development outcomes across varieties of capitalist state. An upshot is to question the neutralist premise of the varieties of capitalism (VOC) literature that different systems are equally effective. I maintain more attention ought to be paid to background factors that explain how public sector traditions that are more responsive to collective interests in human development-protective institutions generate conditions for policy coherence. I argue modalities of human development – or human economy – generate constraints on governing which entail that human development-sensitive institutions and policies are more effective. Examining contemporary punitive welfare-to-work regimes, I argue variation in public state ownership explains a more directly punitive orientation in Britain, and a more contained and ‘educative’ design and implementation, in Denmark.

Keywords: public ownership; public state ownership; PSO; varieties of capitalism; VOC; welfare state typology; welfare conditionality; human development governance.

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1 Introduction

In this paper, I identify public state ownership (PSO) as central to explaining variation in governance effectiveness and quality in the area of human development. PSO refers to traditions and manifestations of inclusivity or exclusivity in public governance of the development process. It is hypothesised that such patterns produce and consolidate over

time more or less human-centred governance, with impacts in human development and coherence in governance. On this basis, I offer a new way to distinguish between varieties of capitalism (VOC), which explores how human development promoting institutions (encompassing skill formation and social protection) are central to system effectiveness, and performance of individual policies. I base this argument on a claim that modalities of human development (human economy) exert recurrent constraints on economic and social life. In consequence, more effective systemic protection of human development shapes both governance capacity and quality.

To develop this argument, I examine how governance capacity and governance quality relate in the case of the contemporary design and implementation of benefit sanctions in Denmark and Britain. Greater capacity and quality of governing are argued to be behind a more educative approach to sanctions in Denmark, as against a more punitive orientation in Britain. To evidence how received levels of PSO intercede, I examine how historically more or less effective and coherent governing of human economy affect greater resilience versus unravelling of public sector capacity today.

It is standard to compare the Nordic (N), mid-European, and Anglo-liberal (AL) states in studies of varieties of welfare and capitalist state (Esping-Andersen, 1990; Korpi and Palme, 1998; Hall and Soskice, 2001; Thelen, 2004, 2014). AL and N states are often situated at the opposite end of a spectrum of economic regulation. However, these two sets of states have also been portrayed as similar in state commitment to basic institutions of liberal equality [Esping-Andersen, (1990), p.298; Korpi and Palme, (1998), pp.668–670]. This makes comparison between AL and N states particularly worthwhile in an effort to gauge political sources and features of long-run variation in governance. Moreover, although Denmark and Britain are classed as exemplifying different types, similarities in terms of features of liberal trade and farm policy [Esping-Andersen, (1990), p.167], labour flexibility (Kongshøj-Madsen, 2003; Thelen, 2014), and areas of strict equality within the welfare system (Korpi and Palme, 1998), are often pointed out. Today, Denmark and Britain are characterised as having similar levels of intensity of behaviour conditionalities in benefit systems (OECD, 2012). Yet, I show that Denmark and Britain govern a similar level of sanctions very differently, with different human development outcomes. At the centre of this variation are *distinct traditions and levels of PSO*. Political conditions rather than cultural similarity explain this difference. Although Nordic populations are broadly homogenous, there are minorities within countries such as Sweden and Finland, and Finland is linguistically and culturally different to other Scandinavian nations. A high level of conflict prior to and during the formation of modern Nordic states of varying population size, suggest ethnic and cultural homogeneity and (in Denmark and Norway small population size) are at best contributory factors to traditions of inclusivity in public governance. Instead, I argue that a humanist orientation and inclusivity in governing in N states, versus a punitive orientation and exclusivity in AL states, can be traced to variation in the degree to which the public sector became encompassing of society during state formation.

Below I first sketch how the concept of PSO is distinct and features in my argument. Second, I discuss how the analytical framework proposed differs from the VOC, in particular by departing from neutrality in evaluation of the form and sources of governance and policy effectiveness. Third, I consider evolutionary features of PSO, by contrasting the formation of public sector traditions in the two case studies. Fourth, I put the emergence of sanctions regimes in the context of marketisation programmes since the 1990s, and examine how variation in their form and impact is shaped by features of PSO.

Last, I further assess impacts of unravelling or resilience on state capacity itself, using the example of administration of, and resistance to, sanctions.

2 PSO and humanist governance

In the extant literature, public ownership (PO) is defined as the state or citizens collectively owning monetary or physical assets (Meade, 1964; Holtham, 1999; Cumbers, 2012; Cummine, 2016, pp.5–16, pp.73–83). An underlying assumption is such ownership ought to translate into public power or/and greater citizen control of important decisions (Cumbers, 2012; Clark and Monk, 2010; Corneo, 2014; Holtham, 1999, p.62; see also the other articles in this volume). I accept the premise that public asset ownership enables citizens' say in a degree and form that depend on democratic forms of governing (as in Norway, Cummine, (2016), p.206; but less so Britain, Cumbers, (2012); (2014), pp.11–15; this volume; Holtham, (1999), pp.62–64). However, in this paper I stay away from particular areas of asset-owning, to examine instead how the extent to which society is included in state governing shapes conditions for human development more broadly conceived. I argue state capacity to deliver coherent public responses to human economy is a key factor in human development, and humanist governance. Moreover, this capacity is shaped by historical conditions for broad inclusivity in governing.

Distinguishing PO and PSO is analytically useful in a number of ways. It may assist us in accounting for why PO in a case like Britain did not translate into democratic governance, whereas in Nordic cases it did [Cumbers, (2014), p.19; this volume]. Taking PSO as a background may also help explain the approach to PO in Anglo-liberal countries. As Jackson (2012, p.39) explores, in Britain historically, public ownership reform proposals came to be defined against state intervention.

By relevant contrast, emergent Nordic states fostered conditions for extensive land reforms and, in Denmark, a nation-wide cooperative movement [Henriksen, (2006), p.17]. In the early 20th century, state efforts to retain public ownership of a range of natural resources (to stem foreign direct investment) were bound up with a political desire to conserve and share resources within present and across future generations (Sanders et al., 2016). In Nordic states, both PO and PSO were encompassing, and became mutually reinforcing (see Section 2 below).

In all, basic historical differences in the development of the state in Britain and Denmark suggest the systemic level of inclusivity in governing matters for inclusivity in the context of particular areas of PO, or specific areas of policy. In this context, a constructive contribution of long-run comparative analysis is to help draw out deeper factors that govern the recurrent impact in governance capacity and quality of broad inclusivity in governing. My key contention is that a basic reason why individual areas of state policy become more effective for human development in conditions of PSO is a democratic imperative arising from underlying factors in human economy.

Where the comparative capitalism literature situates skills organisation institutions as central to variation, I identify human economy as a deeper condition behind systems' varying shape, function, and evolutionary logic. Human economy can be defined in terms of core modalities of human development, to include developmental features of human cognition, learning, and social dependence. I assume these fixed features of human

economy act as a stable constant in the sense that, in response, all economies rely on informal or formal systems of education, occupation, care, and economic security.

In this context, a likely corollary of PSO is a form of democratic responsiveness, being the degree to which the public sector is sensitive to public (jointly individual and collective) interests in human development protection. In turn, democratic responsiveness is typically exerted through forms of democratic and humanist governance. Democratic governance refers to the level of scrutiny of public rules within the state itself, including more or less independent institutions acting on its behalf, such as local public administration, union or employer organisations, or/and research bodies, or - ultimately - courts. Humanist governance refers to a form of governing particular institutions, or designing particular policies, that expresses regard for individuals' interests in human development protection, and control of developmental processes, and their social relations. So, in governing schools, humanist governance may imply sensitivity to long-term potential in developmental trajectories, and regard for developmental equality in this sense through promotion of fellowship-based learning, and abatement of early ability-testing (Haagh, 2012a, 2012b; 2015). In governing welfare-to-work, humanist governance may entail regard for stability in multiple forms of economic security, or/and pursuing social inclusion through maintaining access to education and occupation. In sum, the key argument I make here is that democratic responsiveness is a likely outcome of PSO, which is constructed over time, and, in turn, responsiveness strongly affects both the likely level of democratic governance, and humanist governance. In short, democratic responsiveness and democratic governance generate governance capacity, including capacity for policy coherence. This capacity affects governance quality, as expressed in the level of humanist governance, and in distinct human development outcomes, both of which show up in welfare-to-work policies, which is the case I examine. Whilst democratic responsiveness can be weakened and challenged in a number of ways, the phenomenon I consider here concerns the extent to, and pathways through, which build-up of PSO exerts influence in policy design and change. Specifically, systemic sanctions policies which emerged across OECD states from the 1990s onwards were adapted differently, as well as faced different levels of resistance and oversight, in Denmark and Britain in ways I explore.

2.1 *VOC and PSO*

Emphasis on PSO as a system-defining condition entails I set out a new framework for comparing how and why systems diverge and change. Specifically, I deviate from the actor-process account central to the welfare state (WS) and VOC literatures, and from a commitment in the VOC to neutrality regarding what are more effective systems for human ends. I claim different approaches to governing the human economy produce very different human development outcomes. Hence, it is logical to place both the human economy, and variations in the institutions and mechanisms of its governance, at the centre of the analysis of capitalist system varieties, including how those varieties emerge, evolve, and adapt over time. Below I first look at how I draw on the WS and VOC, and then how I differ.

The WS literature, led by Esping-Andersen (1990), entailed a 'macro-configurational' approach, a recognition of how within countries different institutions interact [Gingrich, (2015), p.68; Mahoney and Thelen, (2015), p.12]. Moreover, Esping-Andersen (1990) recognised how systems of public governing entail a certain overall commitment to

human development. Specifically, he identified a single dimension around which systems could be compared, being how far public social protection ‘de-commodified’ citizens’ access to security (p.23). Relatedly, the VOC has convincingly shown how the formal organisation of skills (training, industrial relations systems) explains consistent systemic outcomes that are quite stable over time (Finegold and Soskice, 1988; Hall and Soskice, 2001; Thelen, 2004). Literature on how institutions change and systems ‘evolve’ through discrete changes also informs my approach.

My main difference with the WD and VOC relates to how I explain variation, and how I evaluate its effects. First, I move beyond the WS and VOC’s emphases on specific sectors (of social protection or training) to public governance as a whole, emphasising the role of the state.¹ Second, building on how I think the VOC has shown the problem of human activity is a constant in variation among states, I look beyond systems of industrial training to bear that out.² So, when Esping-Anderson refers to de-commodification, or the VOC to training, as reference for comparison, arguably neither literature gives sufficiently *general* reasons as to why said outcomes may be valuable for citizens, or for those who seek to rule by inclusion for more general ends.

I argue that the reason citizens’ security and education are politically central, and their form shape systems’ performance in promoting human development, is that economic security and education represent deep needs arising from human economy. The implication is states cannot govern effectively or inclusively without formalising human economy.

Third, as an implication of this, I question the VOC’s continuing emphasis on particular social actors or events (social-industrial accords) as system-shaping factors. I want to qualify the role such events and actors play by reference to the importance of levels of PSO acting in the background. In the case of the VOC, discrete focus on industrial relations systems leads to the hypothesis that the form of business organisation shapes systems as a whole [Hall and Soskice, 2001; Thelen, (2014), pp.2–3; Thelen, (2004), pp.3–6; Mahoney and Thelen, (2015), p.14]. The comparative capitalism literature positions coalition-forming among industrial sector actors as key to systems’ character [Gingrich, (2015), p.75; Thelen, (2004), p.3].

There are also inconsistencies in Esping-Andersen’s explanatory framework. Although his focus on ‘de-commodification’ implies state commitment to uphold a certain kind of protection through public systems, he *explained* these systems in terms of class struggle [adopting a ‘class-coalitional approach’; Esping-Andersen, (1990), p.18]. In affirming the value of this approach, VOC scholars maintain macro-configurations of institutions are “the product of particular historical moments and distributive struggles” [Gingrich, (2015), p.69]. Yet, a focus on industrial accord is at best a very partial account of how PSO – and a more humanist form of state – came about in Scandinavia, as I will explain.

Fourth, and last, I consequently take issue with the neutrality premise in the VOC and the institutional evolution literature. In several places, the VOC has indicated a commitment to content neutrality in depicting mechanisms of change. Steinmo (2010, p.20) insists, “...that each of the systems explored...have had within them different competitive advantages and disadvantages.” Similarly, Thelen (2014, p.3) sums up this commitment to a value neutral view of systems among VoC scholars, in how “...the core argument holds that these two models [the US and Germany] represent different ways to organise capitalism. Each type operates on a wholly different logic and each does

different things well, but both are durable even in the face of new strains.” Neutrality is unsatisfactory in the sense that it is set against counterfactual reasoning, in the form of asking questions such as what *could* have happened, and why it did not, in favour of recording events. Analytically imputing wholly alternative logics to ostensibly chosen development paths disregards the extent to which such paths are ruled by similar underlying constraints on governing. Hence, arguably, the VOC has accounted for variation in the level of performance, but not fully owned it (Haagh, 2019a). Hall and Soskice (2001) give a range of examples of coordinated economies functioning in ways that consolidate and upgrade skills (pp.22–27), yet they underline how liberal market economies also have functional complementarities (e.g., general skills and low social protection suit flexible labour; pp.32–22, pp.50–51). They do not draw out how policy coherence entails *overall* higher levels of skills formation (as shown in Pagano, 1991; Haagh, 1999), nor how individual and social control of development processes (Haagh, 2012a, 2012b, 2015, 2019b), and, consequently, resilient governance capacity, result.

2.2 Conditions for and indicators of PSO

I claim PSO as inclusivity in governing is historically informed by a combination of public regulatory power and resource distribution. I do not imply thereby that historical trends are predetermined: Keynesianism and the postwar ‘developmental regime’ (Pempel, 1999) in Britain and the USA, signalled a partial departure from state rule through the market. Yet, whilst sources of PSO may not endure in their original form, I find that inherited levels of inclusivity or exclusivity in governing generate constraints on change. Greater political effort is entailed in generating, rather than simply maintaining, a high level of PSO, creating a bias in favour of reversal in conditions of low PSO.

Indicators for ascertaining the presence of PSO include the role of different institutions in governing *ex ante* or *post-hoc*. So, low levels of PSO tend to be linked with a greater degree of market mediation, and (hence) a more prominent role of *post-hoc* public inquiries and courts acting to identify or rectify policy problems only after gross violations of rights are found in individual cases (Haagh, 2019b). A high level of PSO tends to be linked with governing and revising rights-obligations structures through everyday institutions, and ongoing and publicly accessible oversight (Section 5).

Table 1 Public state ownership

		<i>Capacity for human economy governance in core institutions (education, labour market institutions, systems of economic security)</i>	
		<i>Human development centred (humanist)</i>	<i>Market centred (human development neutral)</i>
State embeddedness in society	Low		UK ↑
	High	DK →	

Relevant indicators of impact of PSO include the overall opportunity for equality of inclusion in developmental institutions like education and employment, and the control of time and social relations that individuals enjoy. Combined public support of longer job search, access to occupation-relevant education and training, and protection of feasible work-and-care schedules, contribute to enhancing individuals’ overall control of time,

and autonomy within social relations. Before I examine how these differences manifest in contemporary policy, I briefly trace how distinct levels of PSO explain differences in sanctions systems in Denmark and Britain today.

3 Public ownership and long-run institutional change

In this section I identify how the inclusivity of distributive reforms and of state development policy historically shape the level of PSO and governance capacity. In Nordic states, these conditions coincided, producing conditions for embedding PSO over time, as already noted. Although state regulation is not the primary analytical factor in VOC analysis, we can find evidence of the state's pivotal role in early institutional development from VOC accounts. For example, Thelen's reference to the role of social insurance in enabling the training system [Thelen, (2004), pp.3–6, p.51], suggests business was converting systems that the state had created. By contrast, in Britain, a 1563 codified system of apprenticeship withered through deliberate state omission long before British employer associations entered the scene to defend a training system that had become no more than a cheap supply of child labour [Thelen, (2004), pp.93–4, p.111]. Along similar lines, Archer (2007, pp.96–97, p.111) singles out state (court) repression as the key factor in explaining the emergence of a defensive labour movement in the USA at about the same time as a fragmented skills-system emerged (on this in the UK, Thelen, 2004, p.177).

In contrast, within the Nordic region, constant feuding meant state formation was subject to the kind of systemic vulnerability Tilly (1985, 1990) has linked with the emergence of tax-effective centralised authority in continental Europe. On the other hand, the persistence in legal and normative terms of a strong egalitarian tradition in governance across Nordic territories meant kings had strong reasons to legitimise state power in egalitarian terms. As evidence for the latter, Sandberg (1979, pp.225–226) has detailed the incisive role of pervasive literacy in Nordic institutional development. A 'humanistic concern' for the peasants' lot [Jensen, (1936), p.5] during Absolutist rule has been linked with a moral authority and egalitarian form of statecraft stretching back to a prior communal form and governing of rights. According to Jonassen (1983, pp.34–37), extensive development of codified law in an effort to regulate violence during the Viking Age, became over time a stable condition of economic law and civic peace. In subsequent centuries, Nordic Kings' recurrent conscription of the peasants, deepened a link between royal authority and the cause of peasants' rights. Kings used legal authority to override the nobility's claims on peasant labour [Jensen, (1936), p.129; Sandberg, (1979), p.240].³ A Danish Law of 1683 made it a legal requirement that rural servants should be paid contractual wages [Hvid, (2016), p.557].⁴ A new royal credit bank supported peasants attaining ownership, especially between 1780 and 1810 [Kananen, (2014), pp.46–47]. By 1860, ownership by large estates was down to 10% of all land, from 65% in 1720 [Kananen, (2014), pp.48–49]. By the end of the century, over 80% of rural production was in the hands of cooperatives governed among owner-farmers, with tenancy farming reduced to less than 8% [Henriksen, (2006), p.17].

Meanwhile, in Britain, a massive concentration of ownership and hierarchical social structure, whereby land owners rented to tenant farmers, who employed casual labourers [Kananen, (2014), pp.69–70], emerged from the way agricultural modernisation occurred

[Kananen, (2014), p.2]. The incentives for far-reaching asset redistribution and human development policies that existed in Nordic states were absent. As Fairlie (2009, pp.5–6) recounts, in Britain, the period from the 1300s till the enclosures was marked by cycles of peasant revolts and ever fiercer state repression. In a legally weak structure, the coincidence of state and feudal authority simply blended through acts of social control. Whereas in Nordic states, unelected kings led the redistribution of property of the 18th century, in Britain, the restricted democratic public represented in parliament was able to exercise its mandate without counterweight by any other public authority.⁵ Registry of ownership was not published till 1872, apparently showing 0.6% of the population owned 98.5% of the agricultural land [Fairley, (2009), p.9]. Relative weakness of economic rights made franchise inclusion the primary focus of social groups' clamour for inclusion (Brown, 1999; Archer, 2007).

Whereas, then, in Britain, the approach to social reform remained largely compensatory, Nordic states saw literacy as part and parcel of their own institutional development and fostered it, and other social reforms, systematically (Nothin, 1926; Campbell, 1928).⁶ Systems of life-long education became ubiquitous among peasants and in urban areas during the period of Absolutist rule [Foght, (1914), pp.9–27; Sandberg, (1979), p.230]. Denmark was the first state in Europe to make public education compulsory, in 1814 [Kananen, (2014), p.51] (compared with 1842 in Sweden), more than half a century before similar legislation in Britain.

In sum, in light of the way property in physical and human resources has been core to formation of a humanist form of public law in Nordic states, the stress in the VOC literature on the systemic role of social accords seems exaggerated.⁷ This is also true of the recent period. Thelen (2014, p.7) is right that labour union agreements helped shape Nordic egalitarian policies of the 1990s in response to liberalisation. Yet, the 1990s as a whole began a period that involved a regression in areas of humanist policy, as indicated in the emergence of the sanctions regime. Unions lost fewer members than in other countries, yet they were weakened in several other ways, including through laws separating union and mutual society unemployment insurance (UI) membership and management. In this context, *prior* consolidation of a humanist public sector tradition explains the more developmental and contained form of the sanctions regime (Section 4.1 below), and the ability of unions to turn to education and care policies (Haagh, 2018). The state subsidy of adult education courses in the 1950s that Thelen (2014, p.105) highlights, was an element in a wider effort to integrate elements of society through education, and delivery and sharing of public services.

A case in point is the generation of conditions for the later opportunities for women within the services economy that Thelen (2014, p.68) mentions. In the decades following the Second World War, both Swedish [Steinmo, (2010), pp.55–58] and Danish (Friðriksdóttir, 2015; Haagh, 2015; 2011a) governments took the lead in planning women's occupational participation, by granting free education, low-cost child-care, and expanding public employment [so-called 'state feminism', Wetterberg and Melby, (2009), p.5]. The upshot was a higher level of developmental equality defined as equal developmental opportunities and sharing of time between men and women (Haagh, 2011a, 2015). A more comprehensive pursuit of parity in participation across gender expanded the provision of, and inclusion in, services [Haagh, (2012b), p.26]. By contrast, up to the early 2010s, in Britain, a market-based approach to women's economic inclusion was paralleled with greater protection of women's status as home-based carers in benefit systems.

In all, whereas Hacker et al. (2015, pp.196–197) offer a broadly technical account of ways actors' interests in institutional arrangements are system-preserving, I identify reasons and ways build-up of PSO generates different evolutionary logics and human development outcomes. A key reason more comprehensive and education-based female inclusion buttressed governance capacity in Nordic states, is that recognition of care and incorporation of women represent democratic responses to human economy.

Against this background, it is arguably not the case that in response to liberalisation since the 1990s, different systems have become (equally) 're-embedded' [Streeck and Thelen, (2005), pp.19–20]. Instead, breakup or resilience of PSO is a relevant factor in the kind of processes through which systems (their form of governing) can degenerate or – alternatively – sustain and evolve governance capacities in the face of strain.⁸ In other words, I offer an explanation for when and why 'displacement' and especially 'exhaustion' of the function of institutions [processes discussed in Streeck and Thelen, (2005), p.19] occur. I argue that when mechanisms of inclusivity are corroding, and governance capacity and coherence unravel, as manifest in the UK after the 1980s, institutions' functions are progressively exhausted as capacities for delivering protection of human development are weakened. A consequence I explore below is that the governing of human economy is informalised and rendered beyond public reach. In comparison, the sanctions system in Denmark is geared to maintain inclusion, albeit in a new, more punitive paternalist form. I discuss this below.

4 Governing liberalisation: unravelling and resilience in the UK and Denmark

Engaging Thelen's (2009, p.475) argument that abrupt change involves survival (and return) or breakdown (and replacement), I maintain that abrupt change, and risk of long-term unravelling of capacity, are more likely where systems lack coherence in terms of responsiveness to human economy. The WS literature has shown that Nordic states are capable of a high level of coordination between areas of policy [Korpi and Palme, 1998; Rothstein, 1998; Ringen, (2009), p.73; Kongshøj-Madsen, 2003]. I explain these kinds of effects in terms of responsiveness to human economy, and as involving processes of deepening of democratic development of governing. Whereas in past work I have examined the effect of public regulation in enabling overall control over time (Haagh, 2011a, 2012b, (2015), p.65–67], here I want to look at long-run impacts of coherence in governance on the state itself in the context of 'back-stop' services that cannot be cut away, yet have been put under strain by recent reforms. In this context, ways the phenomenon of coherence can be approached include assessing

- 1 how the public and private sectors interact in provision
- 2 how certain human development outcomes are results of policies in different sectors
- 3 how systemic changes shape policies, including how the outcome of previous policies changes the capacity and orientation of governing institutions and actors.

4.1 Deregulation, marketisation and unravelling of governance capacity

The political polarisation that preceded radical state-led marketisation in countries like Chile and Britain in the 1970s and 1980s, indicates that such programmes are more likely where the state is relatively disembedded from society. In the British case, Thatcher could not pursue privatisation of health or schooling, or dismantle income support, in a democratic context of high public support of core public welfare services (Pierson, 1994; Hay and Farrall, 2014). On the other hand, labour market institutions were relatively less embedded within social policy. This created the basis for incremental transformation of economic institutions through reform of labour laws, and privatisation of other areas of state asset ownership, followed by changes to the design of housing, labour market, and income security policy, and finally governance changes within the public sector. By contrast, in Denmark a diversified structure of PSO of the economy in terms of regulatory scope and services coverage, and embedding of labour market institutions within social policy, presented constraints on change.

Looking at the unravelling over time of public governance in Britain, we can identify five stages, as follows: first, a deregulation of developmental protections; second, a loss of state control and rising inequality; third, an entrenchment of precarity, including via and within the public sector; fourth, greater commercialisation of governance, and intensification of state control; and fifth, a rise in the informalisation of governance, and social exclusion. Below I give mainly indicative examples of the first three stages, in order to hone in on the last two overlapping sequences through more focussed analysis of public administration of income support and benefit sanctions.

Policies to nationally equalise access to training (Finegold and Soskice, 1988), and enable purchase of council housing, both introduced under Margaret Thatcher, may be viewed as attempts to promote social inclusion and broadening access to private property (Hay and Farrall, 2014). However, removal of rent control, flattening of income security (Clasen, 2001), roll-back of employment rights, and of development policy, and privatisation, contributed to unravelling of regulatory capacity [Crouch, (2011), pp.78–84]. In housing, private landlords could benefit from public commitment to protected housing in a now deregulated housing market with soaring prices [Murie, (2014), pp.153–156].⁹ Whereas in Denmark, regulation of employment and housing rental costs has helped contain the level – and sustain the effectiveness – of public spending, in Britain, the relation of spend between income security and housing benefit became heavily skewed.¹⁰ In the labour market, a gradual erosion of real wages left the public sector with no alternative but to subsidise wages costs across the board through in-work subsidies.¹¹

4.2 Inequality and regulatory control

In a second stage of unravelling, the state seeks to attain parity with private provision through raising spending, but growing inequality of resourcing undermines its effectiveness. In Nordic states, direct subsidy of privately governed schools to a level of between 85% and 100% of their costs, has been employed to ensure the level of fees is contained [Haagh, (2015), pp.66–68]. States have used regulatory powers to minimise processes of commercialisation and competition, for instance by containing or banning ability testing and teaching, and delaying exams [Steinmo, (2010), pp.71–73]. The result has been to generate public support for funding of diverse occupational choice. As an

example, in the 1990s, over 40% of school leavers in Denmark entered the tripartite apprenticeship system (Anker, 1998). Whilst this number has since fallen in favour of academic subjects, a government target of 30% of youth in apprenticeship by 2030 (Hansen, 2017), demonstrates a continuing intent to promote a diversified menu of occupational opportunities.

In comparison, in Britain, a systemic disconnect between education, training, and development policy is remarkable for its persistence. According to Thelen's detailed account (2004), cited earlier, at the turn of the 19th century, a state of 'proletarianisation' of apprentices (p.112) was already well-established. As Finegold and Soskice (1988) document, this tendency did not change during the postwar Golden Age of state intervention. A first real attempt at coordinated state policy, under Thatcher, reportedly failed on account of the (now entrenched) short-term perspective of British firms [Finegold and Soskice, (1988), pp.29–36].

In education more broadly conceived, non-intervention manifests historically in the way regulatory independence of private schools has been preserved by a system of indirect subsidy through tax deductions enabled by private schools' foundation as charitable trusts (Sutton Trust, 2007, 2009). Whereas in the 1990s and 2000s, public investment remained stable in Denmark (at a higher level), under Labour, Britain saw one of the fastest increases in public investment into state schooling among OECD states [at 146%, OECD, 2008; Haagh, (2015), pp.66–68]. However, key indicators of inequality in and through education worsened.¹² At a certain point the state exhausted its ability to spend its way into competition with the fee-paying sector [Haagh, (2012b), p.584].

4.3 Entrenchment of precarity within the state

Inability to effect change and contain inequality by spending or regulatory means sets the scene for a third stage of unravelling, which I link with ways the state intensifies commercialisation processes in the governance of its own services. In education, this stage is exemplified by introduction of internal markets and a new ratings system, ostensibly to raise standards. An effect, however, of this effort to individualise responsibility, and prove performance, is to weaken and stratify institutional sources of freedom and governance. Among the ways state schools responded to incentives was greater emphasis on teaching in ability groups or classes, and from the earliest age setting, and so in effect delimiting, achievement targets (Sutton Trust, 2014b). Under this approach, a student who enters secondary school with an E in a given subject can be made to interact with other Es, whatever the reason for the E, and may be taught early on to aspire for D or C. Ultimately, the implication is to make public education a vehicle of reproducing stratification between and within generations (Haagh, 2011a, 2012b, 2015).

Fragmentation of employment systems, both public and private, offers another window into the third stage of unravelling that I link with corrosion within the public sector itself. To exemplify, although an intention of the deregulation of labour law in the 1980s in Britain was to enable flexibility for small businesses, over time, large companies, public and private, became the dominant users.¹³ In the British National Health Service, unravelling of governance is illustrated in the way an unfolding tiering of different occupation economies adds up to a broadly incoherent pattern. On the one hand, the health service is unable to train and recruit nurses, on the other hand, it faces excessive costs in making up the short-fall by hiring agency nurses. A parallel trend of

rapid growth in the use of zero-hours contracts is propelled by the need to meet short-term and (by unit) fragmented financial targets, which undercuts skills and staff morale (Williams, 2014; The Guardian, 2015). According to a leading commercial healthcare sector lawyer, zero-hour economies create a system in which it becomes in employers' interests for staff to not perform well.¹⁴

In conclusion to this section, a weakening of public governance following extensive deregulatory reforms in Britain has been a source of ineffectiveness of individual areas of policy. Ultimately, reliance on courts to resolve legal omissions in government policy is an indication of weak democratic responsiveness to human economy, represented in failure to prevent and solve disputes through everyday governing of work processes.¹⁵ Having to action rights weakens the force of rights, and discriminates against the most vulnerable (Haagh, 2019b). A fourth stage of unravelling can be linked with ways that loss of capacity reinforces punitive designs and effects of governance, as I examine next.

5 Punitive governance and institutional stock: benefit sanctions and corrosion of rights in Denmark and Britain

The rise of punitive governance is best examined in the context of services designed to protect the most vulnerable groups and social states against market risk. Exposure to similar global economic pressures and policy trends has led Britain and Denmark to adopt similar policies, however with different effect. Specifically, since the late 1990s, Denmark and Britain have both moved toward a greater reliance on benefit sanctions, and both have been argued to operate an intense sanctions regime (OECD, 2012).

After a slow incline since the 1980s, between 2001 and 2013, in Britain benefit sanctions and disqualifications grew by 246% [Adler, (2016), p.209]. According to the National Audit Office [Department for Work and Pensions, (2016), p.1] 24% of job-seekers' allowance claimants between 1 January 2010 and June 2016 had been sanctioned.

Denmark also saw a conservative turn in social policy (Torfing, 2004; Goul Andersen et al., 2003; Haagh, 2001; Caswell et al., 2010), with a marked increase in sanctions [Caswell et al., (2011), pp.13–14] in the same period. According to the office of employment in Copenhagen municipality (Københavns Kommune, 2010), from a total of 6,757 sanctions administered per quarter (1st quarter) in 2007, the number grew steadily, to 31,705 in 2010, a near five-fold increase. In 2010, the total number of sanctions in Denmark was 137,794, which – at a similar level to the UK at this time – represented 23.6% of all unemployed.

Their apparent similarity on many measures make the sanctions regimes in Britain and Denmark a good case for comparison. Below I examine how the ways both regimes are punitive, and ways they change, may be linked to governance capacity within the state.

Among relevant factors, indicators of variation in governance capacity I examine are: the role of

- 1 multi-layered security
- 2 public investment in training and skills

- 3 relative prominence of commercial and developmental logics in public institutions' design
- 4 embedding and exercise of public information and law within processes of social resistance and institutional change.

These factors interact, and last I discuss their influence in relation to effects of, and changes to, sanctions.

Table 2 Governance capacity and punitive logics

		<i>Quality of governance treatment</i>	
		<i>Social paternalist</i>	<i>Market punitive</i>
Capacity for governance	Low		UK
	High	DK →	↑

In Table 2, I posit a relationship between governance capacity and governance quality. Capacity is defined in terms of democratic responsiveness to human economy. In Table 2, quality is measured in terms of features of employment mediation and sanctions regimes of the UK and Denmark. In Denmark, high capacity pushes the sanctions regime towards a more humane form, although sanctions create a tension within governance. In the UK, an eroding capacity of the state pushes the sanctions regime towards a more markedly punitive and exclusionary form, in both design and effect. In this context, a unique trait of the Nordic economies' manner of coherent function is thus how welfare and occupational governance mutually lock-in a system of redistribution of developmental security. Whilst the imposition of a new model of punitive social policy challenged policy coherence and capacity, embeddedness of democratic responsiveness in the system of public governance mitigated this tendency.

5.1 *Multi-dimensional economic security*

Historically, systems of income security in Britain and Nordic states had in common that they differentiated between a basic non-contributory and a more generous contributory tier. In the 1980s, however, the two regimes went in different directions. Whilst in Nordic states, an already more developed dual regime was retained, in the UK, security was progressively flattened [Haagh, 2012a; Clasen, 2001; Clasen and Clegg, (2006), pp.540–541). A distinctive feature of the Danish UI tier is the way labour-based mutual societies (MSs) have traditionally governed it, as distinct from non-contributory social assistance, which is governed by state municipalities. During the 1990s and 2000s, workfare and the sanctions regime entailed greater state control over the UI institutions, along with liberalisation of governance. For example, the automatic link between union and UI membership was repealed. On the other hand, the way the state has continued to subsidise about one-third of costs, and UI governance retains independence, indicate ways in which a human development approach has been maintained.

A number of examples can be given of ways in which self-governing Danish UI institutions support individual control. Other than Finland, the Danish is the only system in which joining is voluntary. Within Europe, it applies the lowest sanction on voluntary quits, and also operates the most flexible contribution requirements [Bjørn and Høj, (2014), p.14]. Along with Norway, Denmark is the only country in which family income cannot reduce the amount a person is entitled to – UI cover is an individual entitlement. Among seven countries studied, the UK system contains the longest waiting period, and Denmark the shortest [Bjørn and Høj, (2014), p.15].

The constraint on liberalisation within Nordic systems is exemplified in the limited form of the most radical change, namely Sweden's cuts in the 1990s to wage-linked income support, from 90% to 80% of the previous wage. In comparison, in the UK today, UI cover bears no real resemblance to a persons' previous wage, and is administered by the same state authorities that govern basic income support [Clasen and Clegg, 2006; Bjørn and Høj, (2014), p.16, p.22]. Maximum length is six weeks – the lowest in the OECD. By contrast, Nordic states have the longest and highest rates of cover, at two years, starting at 90% of the previous wage in Denmark, Finland, and Norway [Bjørn and Høj, (2014), p.16, p.20].

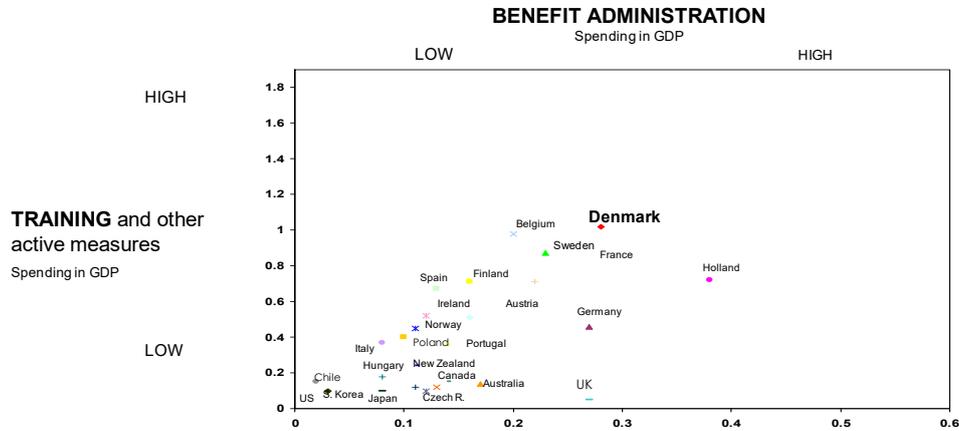
The upshot is that the labour market is considerably more secure for middle earners in Nordic states: the maximum rate to which the 90% cover could go in Denmark in 2013 was 17,336 kr, compared with a flat rate for UI contributors over 25 years in Britain of about the equivalent to 2,756 kr per month, e.g., 15.9% of the Danish rate. In effect, a middle earner in Britain cannot afford to become unemployed without having significant personal savings.¹⁶

There are a number of indications that the two-tiered system of income security has cushioned the effects of sanctions in Denmark. Despite an increase in state regulation, both in setting out and policing the use of sanctions, sanctions are given less frequently and contain less error compared with sanctions in municipalities. For instance, in 2011-1, in all 3.8% of unemployed men, and 2.3% of women, on UI benefits were sanctioned, compared with an average of sanctions of all unemployed in municipalities of 28.8% [Klos, (2014), p.6]. Even inequalities within sanctioning point to a more skills-driven form of employment transition. For instance, only 0.8%, 0.5% and 0.6% of members of mutual societies for academics, technicians, and managers, respectively, are sanctioned.¹⁷

However, an obvious question is, to what extent is a two-level regime, of voluntary insurance and basic assistance, of which the first pays a higher level of cover, a source of undermining security and freedom for those at the bottom?

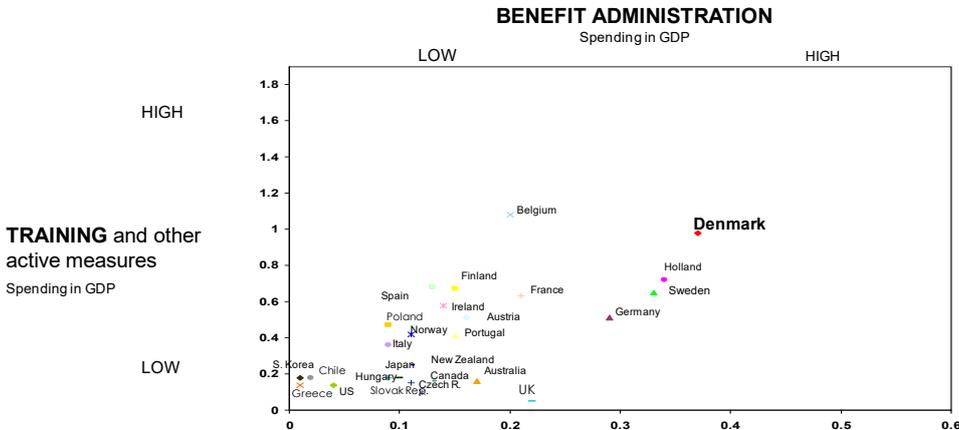
In response, it is relevant to stress, first, how high social mobility, fully publicly funded education, regulation of wage levels, and wide sharing of social services, entail that opportunity to join the UI system is high.¹⁸ Second, the way in which the contributory and assistance regimes are independently administered, yet connected through public subsidy and shared services, has had the effect of converging public research and debate about entitlements across social groups (see Section 6). Figures 1–8 show that before the economic crisis in 2008, and the onset of changes to sanctions regimes, Denmark and Britain spent about the same share of national resources on benefit administration and placements. However, Denmark had the highest – and Britain among the lowest – levels of public spending on training.

Figure 1 Unemployment systems, OECD 2007 (see online version for colours)



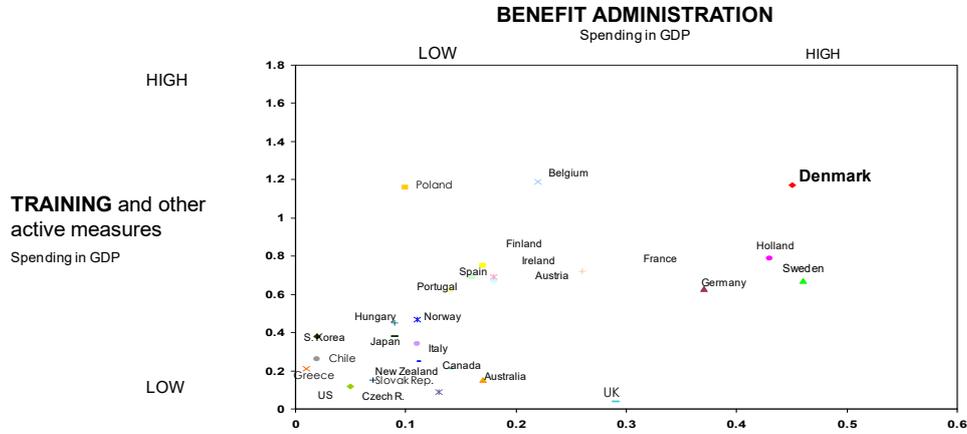
Notes: x percentage of GDP spent on public benefit administration and placement services, 2007.
 Y training, employment incentives, supported employment and rehabilitation, direct job creation, start-up incentives, spending in GDP 2007.
 Source: Elaborated from OECD (2011)

Figure 2 Unemployment systems, OECD 2008 (see online version for colours)



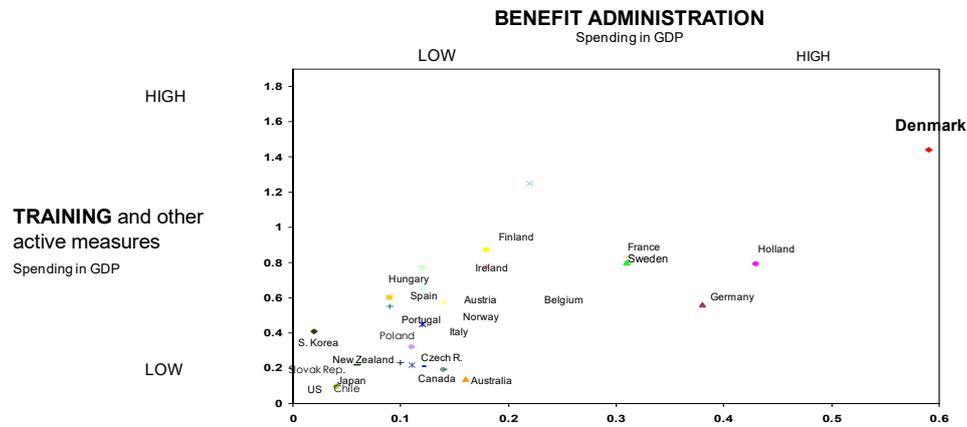
Notes: x percentage of GDP spent on public benefit administration and placement services, 2008.
 Y training, employment incentives, supported employment and rehabilitation, direct job creation, start-up incentives, spending in GDP 2008.
 Source: Elaborated from OECD (2011)

Figure 3 Unemployment systems, OECD 2009 (see online version for colours)



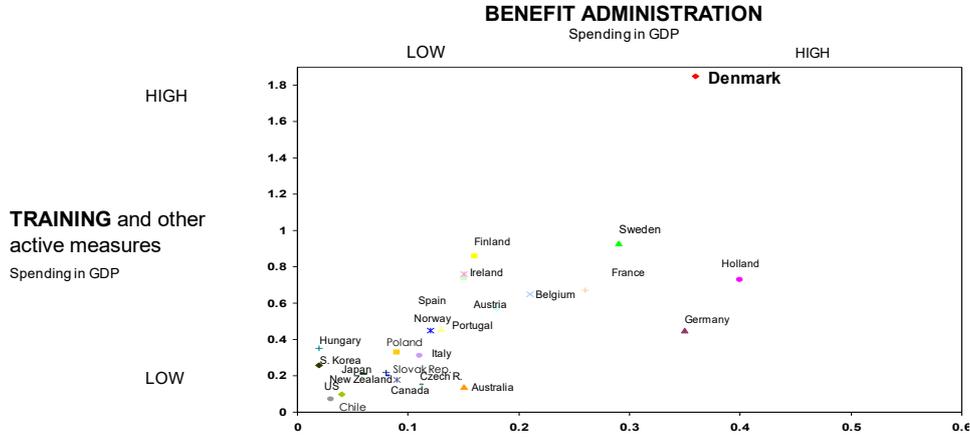
Notes: x percentage of GDP spent on public benefit administration and placement services, 2009.
 Y training, employment incentives, supported employment and rehabilitation, direct job creation, start-up incentives, spending in GDP 2009.
 Source: Elaborated from OECD (2011)

Figure 4 Unemployment systems, OECD 2010 (see online version for colours)



Notes: x percentage of GDP spent on public benefit administration and placement services, 2010.
 Y training, employment incentives, supported employment and rehabilitation, direct job creation, start-up incentives, spending in GDP 2010.
 Source: Elaborated from OECD (2013)

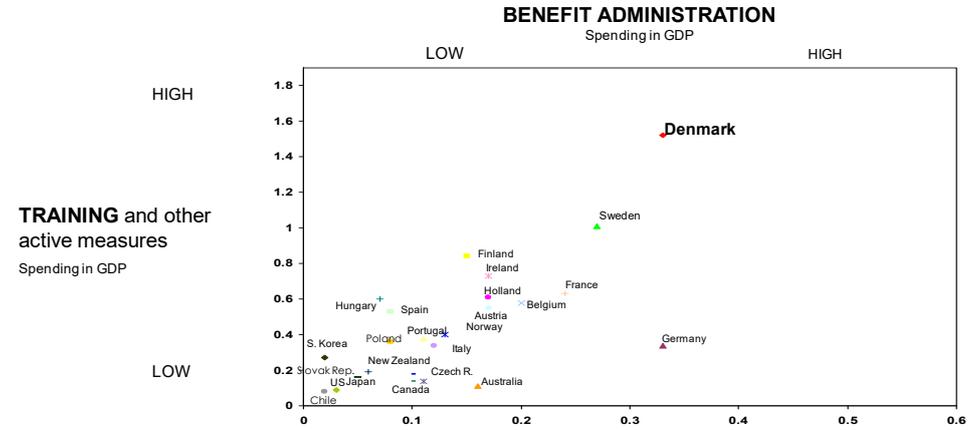
Figure 5 Unemployment systems, OECD 2011 (see online version for colours)



Notes: x percentage of GDP spent on public benefit administration and placement services, 2011.
Y training, employment incentives, supported employment and rehabilitation, direct job creation, start-up incentives, spending in GDP 2011.

Source: Elaborated from OECD (2014)

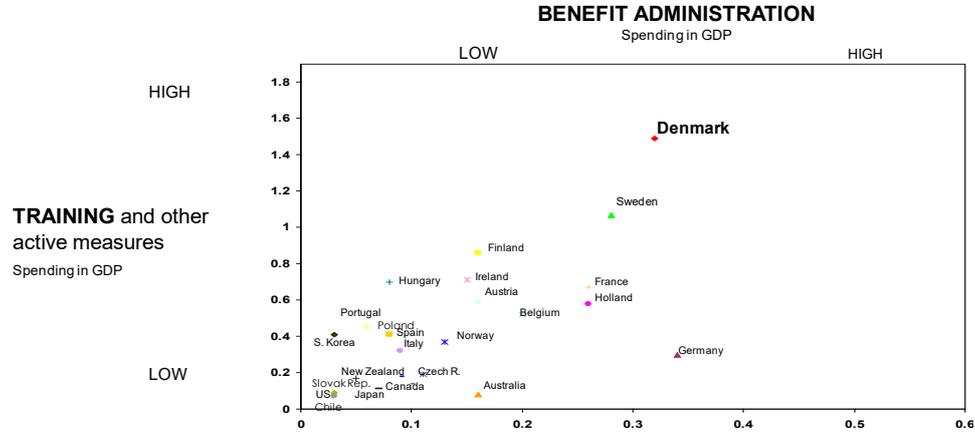
Figure 6 Unemployment systems, OECD 2012 (see online version for colours)



Notes: x percentage of GDP spent on public benefit administration and placement services, 2012.
Y training, employment incentives, supported employment and rehabilitation, direct job creation, start-up incentives, spending in GDP 2012.

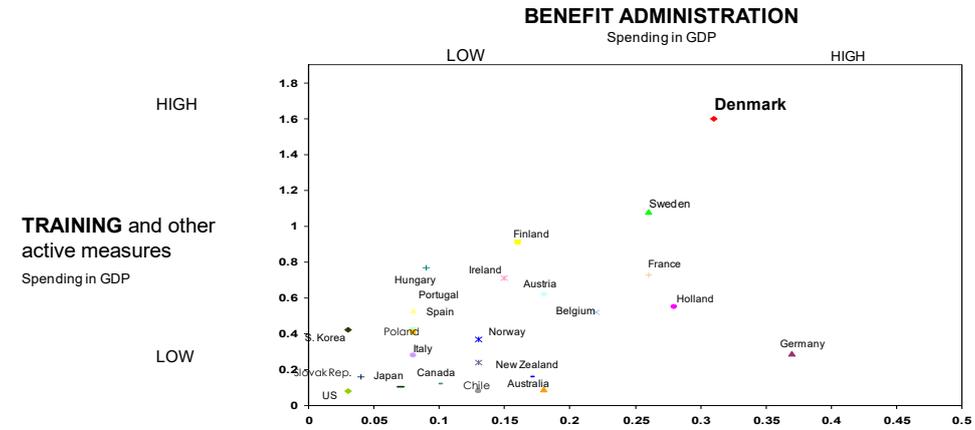
Source: Elaborated from OECD (2015)

Figure 7 Unemployment systems, OECD 2013 (see online version for colours)



Notes: x percentage of GDP spent on public benefit administration and placement services, 2013.
 Y training, employment incentives, supported employment and rehabilitation, direct job creation, start-up incentives, spending in GDP 2013.
 Source: Elaborated from OECD (2016)

Figure 8 Unemployment systems, OECD 2014 (see online version for colours)



Notes: x percentage of GDP spent on public benefit administration and placement services, 2014.
 Y training, employment incentives, supported employment and rehabilitation, direct job creation, start-up incentives, spending in GDP 2014.
 Source: Elaborated from OECD (2016)

Moreover, other data suggests that the lowest level of income support is far more generous in Denmark than in any of seven most similar European countries examined. For a single person over 25, it was about 7,800 kr per month in 2013 after tax [Bjørn and Høj, (2014), pp.23–24], compared with about 2,756 kr in Britain, not counting housing support in either case.

Still, the impacts and threats of sanctions on the most vulnerable are both greater in ways that makes it hard to justify sanctions (below, Section 6). In the case of Denmark, individuals in the public assistance (as compared with the UI) system face – as noted above – on average a higher rate and (as I discuss below), a seemingly more arbitrary risk, of sanctions. Given that individuals in the public system have no lower tier of security, and they also typically face more precarious labour markets, sanctioning within this group lacks justification on both general humanist and developmental equality grounds.

An argument I want to make here, however, is that notwithstanding the case for reform, we can identify ways that PSO, and the cooperative stock it has generated, in Denmark, have shaped the context and effect of the public sanctions regime. The existence, by comparison, in Britain, of a single tier of security in theory equalises the status of different groups in the market, but masks the reality of a stratified private economy, and a less responsive rights regime in terms of human economy. Lower PSO has generated a collectively lower level of developmental security and freedom for all.

To illustrate further, five features can be argued to comprise a more punitive regime of benefit sanctions:

- 1 absence of other tiers of security (as discussed)
- 2 threat level – in the form of potential length, likelihood, and severity of sanctions
- 3 use of market mediation of benefit status and hard-to-access information, with the effect to transfer the onus onto claimants to assert vulnerability to access support (such as apply for hardship funds)
- 4 presence or absence of real employment opportunities, their nature and quality
- 5 external effects, considering impacts on dependents and hence social personhood, defined as ability to provide for oneself and others.

These five features combined are a manifest indication of how governance capacity and quality relate as shaped by PSO, as defined at the outset.

In the UK, the threat level linked with sanctions is high.¹⁹ Modelled on the United States' regime of zero tolerance in criminal justice, it relies on a model of 'three-strikes and you are out'. As compared with Denmark (below), first-level sanctions are both blunt and severe. Government audit reports suggest first use of four-week sanctions is common [National Audit Office, (2016), pp.6–7], and confirm sanctions can be fixed at up to three years in length. In the UK, (1) and (2) are compounded by (3) as research shows vulnerable groups are unaware of hardship funds paid on discretion [Adler, (2016), p.201]. Processes of adjudication are post-hoc to administrative decisions and often informal [Adler, (2016), p.214].²⁰

A gradual rise in precarious forms of work in Britain since the 1990s, discussed previously, has impacted implementation of the sanctions regime (4).²¹ The combination of market mediation, new information systems, and precarity in work, weakens claimants. To illustrate, government moves to optimise market sensitivity of information systems since 2010, and unify and simplify the level of payments, have been directly linked to an intention to make it possible to tie benefits and sanctions to the employment system of flexible hours (Mctague, 2014; The Guardian, 2014).²² Reporting systems have been adapted so that constant changes to employment and income patterns can be

detected and built into the sanctioning process. Two examples include, introducing real-time reporting of employee earnings (from once-a-year to every four months in 2014), and more lately the devising of systems to enable in-work conditionality (IWC). IWC can entail asking a person to change a job she likes if the hours worked in one job fall below a certain number that qualify a person to a particular benefit status (Haagh, 2017a, 2017b). An intention to simplify through market adaptation may in the end complicate labour market participation. Moreover, direct market mediation through the benefits system entails the administration both of employment mediation and sanctions have been made at once less humanist, and more impersonal.

Sanctions regimes exemplify how human economy governance and justice are closely linked with state capacity for developmental governance. In the case of Britain, governing sanctions regimes through the market indicates weak democratic responsiveness in state policy to collective interests in human development protection. Market mediation is a source of human economy injustice, where sanctions are applied in relation to work processes a person cannot reasonably control, or combine with responsibilities that rely on steady forms of income and time – e.g., housing or parenting. Positively organising state control systems so as to reflect market processes more directly further erodes weak public capacity to shape the market. At stake is a form of exhaustion of state capacity to promote human development within everyday institutions.

This stands in relevant contrast to the mode of application of sanctions in Denmark in a wider context of more coherent and formal systems of governing human economy. Bearing in mind that the punitive effects of the same sanction are more severe in public assistance, as by definition no back-up is available, it is evident that public assistance sanctions stand in conflict with humanist strands in Nordic public law. It is interesting to note, however, several ways in which this tension is recognised. Although – as noted – overall more public assistance than UI sanctions are given, more severe public assistance sanctions are comparably rare. In the UI system, 81% of sanctions are periodic, reducing benefits by absence periods, typically one or two days in a month [Klos. (2014), p.15]. In the public assistance systems, around 97% of all sanctions are defined by duration of an unexplained absence covering points in time rather than a fixed-rate penalty [Beskæftigelsesudvalget, (2016c), p.6]. A government report based on advice from independent consultant firm Deloitte at a time of expansion in the use of sanctions, in 2008, showed a significant share of benefit income is deducted in the case of the harsher fixed-penalty sanctions, reaching up to 23% in the case of adults with children during a sanction period. On the other hand, along with this, the report delimits the monetary rate of sanctions, by clarifying that sanctions must not disrupt the provision of permanent and adequate income security: “The calculation of the rate is determined in the intention that the sanction should be felt, but that income transfers shall provide a continuous foundation of income support” (*Beløbet er fastsat ud fra en betragtning om, at sanktionen skal være mærkbar, men at hjælpen fortsat skal udgøre et varigt forsørgelsesgrundlag*), and “In setting a fixed penalty sanction, care is given to ensure that the person has sufficient resources to support her/himself (*Ved fastsættelsen af størrelsen af punktsanktionerne er der taget hensyn til, at personerne fortsat skal have tilstrækkelige midler til at forsørge sig selv*)” (translated from Danish) [Beskæftigelsesministeriet, (2008), p.4]. An important point of comparison to the system of hardship payments in Britain, is then that – in the Danish case – the assurance of minimum support in the context of sanctions is determined ex ante, and so does not require income recipients to make a separate claim.

At the same time, a lot of evidence suggests that sanctions in Denmark are intended (even if they can hardly be felt as being) educational in character. Research based on extensive qualitative interviews and observation suggests a strong investment of social worker time and an orientation to ‘educate’, or, directly translated, ‘upbringing’, operates in the application of sanctions. According to Caswell et al. (2011, p.41), an intention to retain in particular young men within education or training is involved in a growing tendency to focus sanctions on this demographic [Caswell et al., (2011), p.10]. Caswell et al. also report that sanctioned individuals stay in the system for a short time [Caswell et al., (2011), p.10; *Beskæftigelsesministeriet*, (2016n), pp.8–9]. Thus, although a similarly high rate of sanctions in the UK and Danish systems are applied to younger persons, around 42% in Denmark and 41% in Britain [Joseph Rowntree Foundation, (2014), p.5], both the reasons and implications are different. In particular, a high level of availability of funded education and state efforts to retain persons within education are important (if not the only) background factors in sanctions in Denmark.

5.2 Governance and rights traditions in income security

In this section, I look at the way systemic features of governance affect the character and negative effect of sanctions. A general factor behind (the above discussed) negative impacts of sanctions is the attempt they represent to intervene in cognitive processes.²³ In turn, the inherent motivational constraints on sanctions having effect make discretionary factors and error in administration more likely, further undermining the legal basis for sanctions. To illustrate, in both Denmark and Britain, an extremely high rate of errors in investigations of sanctions are found. A Danish government report of 2012 identified an average level of error of 20% across municipalities, but great variation, with some having 2% and others 71% erroneous judgements [*Arbejdsstyrelsen*, 2012, cited in Klos, (2014), p.26].

In the UK, cases appealed to the courts are found to be faulty in 40% of cases [Adler, (2016), p.209]. However, as other data shows welfare clients to be very inadequately informed, this number is typically assumed to be higher. According to the government auditor [National Audit Office, (2016), p.8], in August 2016, nearly half (42%) of decisions about sanctions on the government’s newest unified scheme of payments (universal credit) took more than 28 days to decide, and backlogs were growing. 40% of referrals were abandoned due to errors in information, leaving a high number of individuals in a state of legal uncertainty [National Audit Office, (2016), p.8].

We can assume employment and negative motivational effects are greater in Britain give the way a close connection between sanctions and precarious work, combined with the severity of sanctions, have the effect to press individuals into accepting jobs. As further evidence of this, in Britain, as in Denmark, sanctions are acknowledged to be designed with a general ‘deterrence’ effect in mind [National Audit Office, (2016), p.7]. In this context, and considering the more precarious markets in labour, leasing out sanction judgements to private providers, risks deepening the freedom-reducing dimensions of sanctions. This is both because contractors may have greater incentives to sanction, if this affects their perceived performance, and because if government ability to regulate is weaker, as reports suggest is the case, the likelihood of low accountability and error increases. Notably, in Britain, a public audit [National Audit Office, (2016), p.5] found a 26% flaw-rate by providers, compared with an 11% rate by job centres in 2015.

Again, in this case, we find lower levels of PSO corrodes the basis for public justice in both humanist and governance effectual terms.

In Britain, justification for linking sanction to unstable contracts is based on a classic market-rational argument, namely that on average zero-hour contracts provide 25 hours of work.²⁴ However, in practice, zero-hours contracts do not guarantee regular, or any, hours of work. Hence, their implication in sanctioning shows the extent to which the administration of sanctions has little or no real reference to the situation of the individual case, and governance is blunt. To the extent that affordable child-care is unavailable for low-wage earners (European Commission, 2013; The Family and Childcare Trust, 2014), and unstable hours make care provision impossible to plan, social sources of women's vulnerability, and the low status of their personhood, have been systematically extended through the regime of benefits sanctions (Work and Pensions Committee, 2017).

The technological extension of market mediation has also been noted as potentially a source of corrosion of state-citizen relations – and of arbitrariness in decisions – in Denmark. Sanctions often come as a 'surprise' [Caswell et al., (2011), pp.64–65]. On the other hand, in Denmark awareness of the phenomenon appears to be linked with the professional and public character of the administration of sanctions. One study reported that social workers viewed "[a]utomation and distance in the administration of sanctions... as a condition for being able to sanction according to a principle of equal treatment" [translated from Danish, cited in Caswell, (2011), p.78], with the implication this led to inability to exercise judgement about circumstances of particular cases.

It is not surprising that many studies find sanctions have negative effects on health, and a positive effect on crime (as summarised in Griggs and Evans, 2010), whilst lifting sanctions do not lower employment participation, yet support recipient well-being (Ministry of Social Affairs and Health, 2019). Nevertheless, there is evidence that adverse effects are better known, and broadly contained, in the Danish system. For instance, Caswell et al. (2011) suggest that those sanctioned are usually in better health (p.10), and relate this with an apparent attempt by social workers to cushion the most vulnerable, and avoiding sanctioning them (p.41). In Denmark, the laws governing social assistance rule public officials must be sensitive to conditions of vulnerability (Parg 13 of LBK nr, 190 of 24.02.2012, Lov om Aktiv Socialpolitik). Public audits have revealed health effects of sanctions in Britain are not thoroughly investigated, yet whilst broadly unknown, are judged to be severe, in due partly to the potential length of sanctions (National Audit Office, 2016, pp.6-9). The National Audit Office's report of 2016 into sanctions noted, "Sanctions can be fixed in length up to three years, ... [and can lead to] hardship, hunger and depression." The Department for Work and Pensions (2015) has belatedly released figures showing a very high mortality rate in the year following disqualifying disability assessments, which have the effect of reclassifying individuals' status in a way that generates admission to the regime of benefit sanctions.

In the Danish case, a reform of the sanctions regime that came into effect in 2014, aimed to make sanctions more focused on failing to register, whilst reducing the incidence of periodic sanctions, and lifting labour market eligibility requirements for young persons, thus making sanctions policy directed at failure to attend education rather than failure to take work [Beskæftigelsesudvalget, (2016b), pp.8–9]. This shows the sanctions regime after 2014 remained firmly in place, but with greater efforts to tailor obligations towards taking up education placements, and with a fall in the overall rate of sanctions.

Accuracy in sanctions policies in Denmark was prioritised after the centre-right government responsible for intensification of the sanctions regime after 2009 was re-elected in 2015 (Beskæftigelsesministeriet, 2018). In a memo, supported by the Social Democratic Party, the government set out tougher rules to - for instance - reign in and punish unlawful claiming of benefits abroad, whilst also promising to buttress the legal rights of citizens, and make social worker-citizen contact more tailored to individual circumstances ensuring a 'truly personal contact with the citizen ('reel personlig kontakt') [Memo, (2018), p.6] endures. The memo also proposed to implement oversight of municipalities to contain public error, and ensure municipalities do not use public funding dedicated to support citizen mobility to expunge citizens to other municipalities [Memo, (2018), pp.9-10]. Prisoners will not continue to receive income support, but when released will automatically regain it, without needing to apply (*ibid.*, p.9).

These developments point to two important trends. The first is a step-up of punitive rhetoric at the level of national policy, however which is contained by a more slowly-changing body of rights-protective institutions and legacies. The second is the re-embedding of the rights-tradition within a punitive framework, albeit this tendency is being called into question by parties of the centre-left, some of whom advocate for a new 'relational welfare' model (Askovhus, 2017; Gejl, 2017), based on lifting sanctions but retaining education and social work as pillars of social inclusion. The aim of such a model is ostensibly to ensure a 'non-suffocating safety-net' ['et ikke-kvalende sikkerhedsnet'], and promote 'interventions, which can push the system and its needs to the background and instead be present in the moment with the individual vulnerable citizen' ['En indsats, der kan skubbe systemet og systemets behov fuldstændig i baggrunden og i stedet være til stede i øjeblikket med den enkelte udsatte borger. '] In all, the persistence of a language of 'rights-security' (*retssikkerhed* in Danish), along with protection of security of abode, and education access, suggest how, beneath the emergence of a redrawn political divide, traditions of education and social work continue to shape the form and debate about sanctions in Denmark. A shared tendency in Denmark and Britain to emphasize simplification of administration through use of technology, and to facilitate flexible work, and in Denmark interest among municipalities in 'self-service' by citizens [Kommunernes Landsforening, (2017), p.15] are differently accented. Undoubtedly, in both countries, longer-term embedding of punitive systems generate eventually their own sources of support, potentially transforming social policy systems in a similar direction. Yet, notwithstanding this real material change, and political shifts aside, the outcome of which are hard to predict, careful examination of relatively recent punitive practices, and reasoning which supports them, suggest the deeper institutional embedding of a humanist legal tradition in Denmark continues to exert influence across the political spectrum.

6 Public governance, public information and change

Last, I want to explore how understanding the social and governance impacts of sanctions gives us a window into the role that implementing the sanctions regime has had in institutional transformation and systemic change.

As I indicated at the outset, a fifth stage of unravelling in British governance can be linked with an emergent process in which citizens lose contact with the state. A good

indication of this is a phenomenon known as non-wage non-dependence (translated from Danish, here 4N) that Danish research has attempted to trace. According to Caswell et al. (2011, pp.49–50), in Denmark, the figures which indicate a marginal effect on employment rates of sanctioned groups are deceptive, because they hide the number of persons who went into informality or dependence, instead of employment. 4N linked with sanctions can be considered a form of state-induced informalisation of the economy, citizenship, and social relations.

Yet, despite being better known, the rates of suspected informalisation [Caswell, (2011), pp.49–50] in Denmark are relatively marginal. In comparison, estimates for Britain indicate informalisation may be affecting up to one million people, counting the halving of the number who claimed job seekers allowance and lone parent benefit between 2010 and 2016 [Department for Work and Pensions, (2017), p.4], whom several charities estimate are still eligible for some income support [Joseph Rowntree Foundation, (2014), p.9]. The Money Charity (2016) similarly points to a sharp reduction in the number of unemployed individuals entitled to claiming public funds who do so, from 69% in 2000, falling to 60% in 2012, and to 34% in November 2016.

As indicated in how data collection preceded land reform in Nordic states, and its absence made land acquisition possible, and unknown, in Britain (above), political will and ability to create public data are incisive factors in developmental policy and institutional change. A very similar difference plays out in the effort and capacity to record the effect of public policy and monitor the sanctions regime today. Notably, after 2010, the British Government withdrew participation in OECD labour market statistics (hence the absence of Britain in Figures 4–8 after 2010).²⁵

In the case of Denmark, members of the public can log on and download the sanctions statistics, broken down by characteristics like, municipality, gender, age, and more. In Britain information is less detailed. British researchers rely on government release of figures and reports that are focussed on projecting achievement of caseload reduction targets. According to some experts, monthly data obscure the real level of sanctions.²⁶ Webster (2016) notes the severity of sanctions is not knowable, because the application of the longest sanctions (between 13 weeks and three years) is not recorded properly.²⁷ According to the independent public audit cited earlier [National Audit Office, (2016), p.9], investigative capacity of government departments is weak: “The Department [for Work and Pensions] has not used its own data to evaluate the impact of sanctions in the UK... [and] not supported wider work to improve understanding of sanction outcomes ... [and] has rejected calls for a wider review ... The Department does not track the costs and benefits of sanctions ... evidence suggests the Department’s use of sanctions is linked as much to management priorities and local staff discretion as it is to claimants’ behaviour.”

In comparison, in Denmark, from an early stage, reports from the state inspectorate have tracked the performance of municipalities in implementing the system. One report noted that municipalities that had a high use of sanctions were less effective [Arbejdsmarkedstyrelsen, (2008), p.24, cited in Caswell et al., (2011), p.8], and another suggested over-complication of the system might be at stake [Arbejdsmarkedstyrelsen, 2007, cited in Caswell et al., (2011), p.8]. Findings that municipalities diverged radically in their use of sanctions led fairly quickly to a new system of government monitoring, with results of individual cases available publicly [Arbejdsstyrelsen, 2012, cited in Klos, (2014), p.26].

Public regulatory bodies began to question the effectiveness of sanctions, one by claiming the regime was overly punitive or ‘too harsh’ [Arbejdsmarkedsstyrelsen, (2007), pp.14–15), and another by comparing the employment rates of municipalities with a high and low incidence of sanctions [Arbejdsmarkedsstyrelsen, (2008): pp.4–5, pp.20–2]. In Denmark, public bodies have also played a leading role in scrutinising the health impacts of sanctions, providing records of the numbers of beneficiaries on medication and implications for individuals impacted by homelessness or drug addiction, followed up by proposals to revise practice [Ankestyrelsen, (2017), pp.16–17]. Reform to the system entail a marked fall in sanctions after 2014, with sanctions peaking in 2011 at 23.9 %, falling to 16.6 % of all benefit recipients in 2014 [Beskæftigelsesministeriet, (2016b), 5]. In the first three quarters of 2014, the total number of sanctions went down by one quarter, from just over 100,000 to about 73,500 (Nordjyske, 2016). Whereas over time, benefits sanctions have been reviewed and experiments to soften or remove them are ongoing in Denmark (Haagh, 2018), in Britain a fairly centralised approach has gone along with an apparent steady increase in the ramifications of, and groups affected by, sanctions.²⁸

In sum, whilst the impact of public assistance sanctions are undoubtedly negative in both Denmark and Britain, the reasons and level of punitive impact differ in ways that show governance capacity and influence of a developmental logic act as sources of containment in Denmark. In this case, a fall in the use of sanctions (noted above), following government self-scrutiny and public debate, has been accompanied by several municipalities unilaterally implementing experiments that lift sanctions. Social workers I interviewed in these experiments indicated that many social worker staff were initially hostile to this change, but most were won over, and a key reason cited was the way it became possible for staff to “sit down with the citizen as an equal.”²⁹ A new key centre political party in Denmark has endorsed a policy of lifting conditionalities, and made this the flagship topic of its annual convention in 2017 (Haagh, 2019b).

Condensing my findings, two distinct dynamics of resilience and unravelling of governance capacity can be observed in, respectively, Denmark and Britain, in the process of implementation of benefit sanctions. Involved in this difference are five factors I have discussed, being the role of public research, information access, state-driven public debate and scrutiny, internal reform, and social resistance. In the case of Britain, critical studies by charities and post-hoc enquiries by public bodies have had comparatively weak effect on change, in a context in which overall investment in public scrutiny and information are relatively weak. Exhaustion of capacity both for governing and for social resistance, as rooted in weakening of public information and services, has occurred over time. In Denmark, public scrutiny and information at all levels of the public sector have played a key part in reversals within, and resistance to, sanctions.

7 Conclusions

In this paper, I have looked at how long-run conditions of inclusivity in public governance – public state ownership - shape governance capacity and human development outcomes in the context of designing and implementing benefit sanctions regimes. I argued the VOC literature has implicitly recognised the importance of human economy within governing by showing how skills organisation is central to systems’

divergent function. However, the VOC has not explored the full implications for policy coherence, governance quality, and state capacity. In response, I have argued that surmising the level and form of institutionalisation of public responses to human economy constraints, can help account for the development over time of varying governance capacity and quality, system performance, and mode of change. I illustrated this case with reference to Denmark and Britain, two countries that have both adopted broadly punitive welfare-to-work regimes since the late 1990s.

The upshot is a new framework for comparing systems' human effects in terms of the development of democratic responsiveness to conditions of human economy. Whereas the VOC literature has looked at system variation as an economic phenomenon shaped by overt class conflicts, I have examined governance capacity and performance in terms of the humanist orientation of institutions and policies. To identify drivers of variation, I have examined how, respectively, unravelling and resilience in public state ownership, manifest in human development implications of welfare-to-work regimes. A key finding is that inclusivity in governing not only improves human development impacts of policy. It also, in addition, generates state capacity for governing effectively. Humanist policies are effective for governing effectively, and societal capacity for shaping change. In systems where this capacity is weak, policy-makers are pushed to pursue more punitive and ad hoc policy designs, and society is less well-informed about the change.

Looking at public capacity in terms of democratic responsiveness to human economy also then sheds light on the role of public governance inclusivity in governance change. Public administration of income benefits in Britain became more exclusionary and less humanist as an outcome of the way a more market-adaptive regulatory approach acted to accelerate forms of governance fragmentation that already existed. By contrast, in Nordic states, a form of human development constitution, with deep historical roots, linked with investment in education, and regulation to support developmental equality, has continued to manifest, which shows up in the role of education in sanctions, and in public scrutiny from several quarters. An upshot is that governance is not simply performing differently in Nordic states. Higher levels of PSO have had the double effect of making sources and forms of injustice in sanctioning come to light, and prevent, and contain, them. In Britain, lower levels of PSO entail that sources of injustice in sanctions policies within basic income assistance, linked with punitive and arbitrary administration of sanctions, are both comparably more likely, and less well-known. In all, a more diversified form of democratic check, rooted in PSO, has shown itself in Denmark to be a force in cushioning, and to some extent reversing, the exclusionary tendency in public policy represented by benefit sanctions.

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Notes

- 1 Thelen (2014) has taken steps in this direction, by looking at state social policy in response to liberalisation since the 1990s.
- 2 As Mahoney and Thelen (2015, p.7, pp.23–24, p.27) and Capoccia (2015, pp.174–175) acknowledge, comparative literatures have not been near inquisitive enough about underlying conditions behind systems' development.
- 3 The Declaration of Freedom of 6th November 1797 lists the dilution of feudalism as its central act, "The King ordered: that serfdom shall cease. The agricultural legislation shall have force and rule, so that the free peasant, brave and enlightened, hard-working and good, shall be a citizen with integrity, happy. That that citizens' freedom shall be governed by just law, citizens love their fatherland, protect its welfare, have desire for enlightenment, disposition towards hard work and hope for good good fortune."
- 4 Agrarian law reform was a major topic of the 1700s in Denmark, and peasants' natural right to land its moral subject (Jensen, 1936, p.113, pp.280–340).
- 5 According to Fairlie (2009, p.8), MPs were rewarding themselves legal title unopposed: "Out of 796 instances of MPs turning up for any of the Oxfordshire bills, 514 were Oxfordshire MPs, most of whom would have been landowners."
- 6 Land registry had been central to proactive government policy (Jensen, 1936, pp.250–310).
- 7 The formation of union-employer grand accords and social democratic parties and movements in the 1890s across Scandinavia has roots in a prior high level of public sector development.
- 8 Deeg observes, sometimes "As a given institutional path evolves, its very own mechanisms of reproduction can undermine itself" [Deeg, (2005), p.195, cited in Steinmo, (2010), p.16].
- 9 In addition to regulation, in Denmark there are effective subsidies of both owned housing (through mortgage tax relief) and rented housing, with a view to promote housing cost stability of different groups (Boligreguleringsloven, 2016; Boligportal, 2016).

- 10 In 2014, housing benefit spend in Denmark represented 5.3% (at 70 Mia. Kr) of combined housing and income transfer spend [on families, housing, income, unemployment and sickness benefits, Danmarks Statistik, (2016), p.68]. In comparison, in the UK, housing benefit represented 24% (26 Bio. £) of a spend in 2015/6 on unemployment benefits (2.4 bn), child benefit (11.7 billion), Housing (26.0 bn), working and child tax credits (29.9 billion) and disability payments (36.7 Billion) (Department of Work and Pensions, Annual Report, 2015/16; Full Fact, 2015).
- 11 Notably, Denmark spends 12% of the above-listed total social transfer spend on employment-related subsidies, and Britain 28%.
- 12 According to data sourced from the Independent Schools Council, between 2015 and 2015 alone, private school fees rose by 20%, four times faster than the rise in full time gross annual earnings in the same period [Lloyds Bank, (2015), p.1]. I have argued fees increases are driven by inequality: schools in the same chain (Steiner) charge 5.6 times more in Britain [Haagh, (2015), p.67].
- 13 Education was the third and the health sector the second largest user at 13% of work places, and 61% in adult domiciliary care [Pyper and McGuinness, (2014), p.5].
- 14 As she put it, “One of the biggest risks of using a temporary worker is that the person turns out to be a good performer who is then offered shifts on a regular basis... which in turn increases the likelihood that they will be regarded by an Employment Tribunal as an employee with full employment rights” (Williams, 2014, p.3).
- 15 Representations to a recent Supreme Court (2017, p.4) ruling which judged a 2013 government policy to raise fees in employment tribunal cases illegal, documented employers’ ability to exploit the fee structure to refuse to negotiate with employees. As detailed in Haagh (2018) the case offers a window into the weak every-day power of employees in Britain.
- 16 In Denmark the average compensation rate of a whole unemployment period in 2011 was 67% [Bjørn and Høj, (2014), pp.27–28] to 100% of average salary, but 88% for those (previously) earning 2/3 of the average wage. For the UK the rates are 28% and 33%.
- 17 In comparison, 17.9% of 20–24 year-old members of the self-employed mutual society were sanctioned [Klos, (2014), p.18].
- 18 Without tax subsidy, premiums on lower earners would have the effect of excluding them [Bjørn and Høj, (2014), p.10; Haagh, 2013b].
- 19 Higher-level sanctions can entail withdrawal of the full amount of income support of up to three years [Adler, (2016), p.200; National Audit Office, 2016].
- 20 A survey undertaken by the Department of Work and Pensions found only 23% of sanctioned job-seekers’ Allowance claimants, and 13% of sanctioned ESA claimants were informed about discretionary hardship payments [Adler, (2016), p.201].
- 21 There are reports in the media of persons being sanctioned for not taking on zero-hour contracts work that do not offer guarantee of regular work (Mctague, 2014).
- 22 A government minister was quoted in the Daily Mail (Mctague, 2014) as confirming an intention that “Universal Credit payments will adjust automatically depending on the hours a person works to ensure that people whose hours may change are financially supported and do not face the hassle and bureaucracy of switching their benefit claims.”
- 23 As I have documented extensively in other work (Haagh, 2011a, 2011b) developmental motivation is governed by economic and social stability.
- 24 The Guardian, 6 May 2014, “Benefit risk to jobseekers refusing zero-hour contracts.”
- 25 The number of job-seekers allowance claimants in February 2012 was 1.59 million and in that month 59,533 sanctions were applied, which indicates a sanctions rate of 3.71% that month (Department for Work and Pensions, 2016) Assuming an average claim duration of about 5 months suggest a sanction rate of about 24% that year, similar to the estimate derived by the NAO.

- 26 Absent statistics according to British experts derive from a combination of a lack of IT investments and design omissions. Webster (2016) estimates that the real number of sanctions in Britain is at least one-third higher than figures suggest, because computers do not record sanctions that are applied and later overturned.
- 27 Official review statistics and publications focus strongly on the reduction in case load as a key indicator of policy performance [Department for Work and Pensions, (2017), p.4].
- 28 Since April 2014, single parents with children of the age of three or four have been sanctioned for failure to comply with work-focussed activity [Adler, (2016), p.200].
- 29 Interviews, Aarhus municipality, 8 December 2016.