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Denmark's social democrats seized the 'corona moment'

The party has weathered the Covid-19 crisis remarkably well. Now, their biggest challenge is to reconcile its climate goals with welfare investments

Under the leadership of Prime Minister Mette Frederiksen, Denmark's social-democratic minority government has seized the 'corona moment'. And the government is extremely popular. An average of recent polls shows an increase of 6.8 percentage points in electoral support for the Social Democratic Party compared to the election 21 months ago.

Meanwhile, the opposition parties on the right have been unable to unite and launch a coherent, alternative coronavirus strategy, save a recent proposal to lessen restrictions faster. Even if corona-fatigue is widespread, the government's cautious strategy continues to enjoy broad popular support, and most government decisions have been supported by broad parliamentary majorities. The cautious strategy is rather successful. The death toll is comparatively low in Denmark with 411 corona-related deaths per million inhabitants as of 9 March2021 – roughly half the number in Germany.

Arguably, the Covid-19 pandemic is a challenge that highlights how different political systems (re-)act in dire times. The social-democratic government has revitalised the Danish tradition of tripartite negotiations between unions, employers and the government– a tradition which many experts thought had been all but abandoned.

As of February 2021, the government has made 15 tripartite agreements with unions and employers/trade associations during the corona crisis. The opposition rarely rejects policy measures that have been agreed upon by all important organised economic interests. Hence, when legislation has been needed, the parliament has by and large rubber-stamped the tripartite agreements.

Capping unemployment through fiscal activism

On the economic front, the current government has finally rejected the orthodox austerity approach that previous governments took in the aftermath of the financial crisis of 2008.

The government passed a number of important relief measures: a large wage compensation package that pays the lion's share of wages to companies that do not lay off workers; a cost compensation scheme for small businesses and the self-employed; an extension of the period that unemployment benefits can be collected; a temporary work-sharing scheme that allows employees to collect unemployment benefits that are 20 percent higher than the ordinary maximum level up to half of their working hours; and boosted incentives for companies to hire trainees and apprentices as well as for the unemployed who enrol in educational programs. In addition, most public sector employees have been working from home and have not been laid off.

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The chief objectives of these initiatives have been to prevent soaring unemployment and to avoid widespread consumer pessimism as well as rising inequality. And they were at least partially successful although the corona crisis has hit lower incomes more than higher incomes. Following Statistics Denmark, the gross unemployment rate increased from 3.7 percent of the labour force in January 2020 to 4.4 in January 2021. Compared to an overall contraction of 6.3 percent of GDP in the EU in 2020, the Danish economy has only shrunk 3.5 percent.

The break with neoliberal economic orthodoxy has had another offspring. Throughout the Western world, supply-side economics and the boosting of incentives to work has dominated economic discourse for decades. Focus has been on lowering taxes – often for the well-off – and curbing social assistance by tightening eligibility rules and reducing benefits. The present Danish government is pushing for a new approach to increase the labour supply and productivity by way of more inclusion and requalification strategies. At the moment, an expert commission has been appointed to devise policy instruments that can further this agenda.

However, as of now, the government has not taken any large initiatives that effectively reduce income inequality, save investments in publicly

provided welfare and the introduction of an early retirement scheme for people who have been more than 42 years on the labour market.

Immigration policy

Outside Denmark, the social-democratic government is probably mostly known for its firm stance on immigration policy, which was part of the reason why the Social Democratic Party won so many voters back from the Danish Peoples Party in 2019. Although the tough rhetoric continues, the government has not taken many new initiatives concerning immigrants – probably because less and less immigrants come to Denmark.

However, recently the interior minister proposed to set a goal that limit the share of non-western immigrants in all residential areas to 30 per cent by 2031. The proclaimed goal is to avoid so-called 'parallel societies' in Denmark and is part of the government's agenda to secure more mixed neighbourhoods.

At the same time, the government suggested that the derogatory term 'ghettos' is taken out of the law. Although in itself the new policy is rather symbolic and probably will have little immediate effect, this and other initiatives demonstrate that the government still adopts a firm stance on issues related to immigration and immigrants. This way, it wants to keep the divisive immigration issue at bay.

The vexing political climate around climate policy

Despite the Covid-19 crisis, climate action and welfare still feature high on Denmark's political agenda. When the government assumed office in June 2019, the social-democratic government and its support parties agreed upon an ambitious 70-per cent CO2-reduction goal by 2030. In June 2020, the Climate Law was passed by a large super-majority in Folketinget.

Now, the government is determined to drive a socially just green transition that creates jobs for all and does not tax lower incomes too harshly. The unions and most trade associations support this approach, and so do the parties to the left of the social democrats. However, in the short run there can be trade-offs between prioritising welfare and political measures that reduce inequality on the one hand and climate investments and green taxation on the other.

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Quite a large number of climate initiatives have already been passed with broad political support, such as reduced taxes on zero and low emission cars and increased taxes on heating based on fossil energy. Last month, it was decided to build two man-made wind 'energy islands' that can provide the electricity to 5 million households (5 GW). The combined public and private investment amounts to €28bn. With these initiatives, CO2 emissions will be reduced by 54 per cent in 2030. The job is now to take initiatives to find the last 16 percentage-points to fulfil the climate goal.

Still, experts as well as some political parties criticise the government for not having provided a more comprehensive plan to realise its ambitious climate goals according to schedule, and, specifically, for stalling the introduction of a general tax on CO2-emissions. An expert committee will make recommendations on how to design such a CO2-tax later this year.

A socially just green transition

In October 2020, Cevea did a study on the priorities of Danish voters with regards to investments in welfare or the climate. Respondents indicated whether politicians should *either* 'do more to solve the climate challenge, even at the cost of public welfare' *or* 'to secure the public provision of welfare, even at the cost of the climate effort'. When phrased as an either-or question, there is a clear-cut difference in priorities between voters with high and low levels of education.

More than 60 per cent of those with low levels of education, including skilled labour, prefer investing in welfare, even if this implies relaxing the climate effort. Among those with the highest levels of education, two thirds prefer a more adamant climate effort even at the expense of public welfare.

Hence, the Danish government needs to walk a tightrope between pursuing its ambitious climate goals and investments in welfare. For Social Democratic Parties – in Denmark and all over Europe – it is paramount that the green transition is socially fair and does not create cleavages between the young and the old, or the more and less educated.

If they fail in this endeavour, social-democratic parties may experience not only an erosion of their electoral base but also a potential conflict

with political allies and coalition partners. Climate issues can become as divisive as immigration has been in the past, and the educational cleavage can re-emerge here. Reconciling climate, welfare, and equality is the recipe for the success of social democracy in years to come. That is, when the pandemic is well behind us.



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