



# **European Employment Observatory**

## **EEO Review: Youth Employment Measures, 2010**

**Denmark**

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*This article is the sole responsibility of the author(s)*

## **1. Trends**

Denmark has traditionally had high employment rates for young people and low levels of youth unemployment. Thus in 2010 the employment rate for persons aged 20 to 24 years was 66.0 %. Even for young persons aged 15-19 years the employment rate is as high as 50.8 %. This goes for both men and women and reflects a widespread habit of combining study and work (OECD, 2010: 52). This is also reflected in the high share of young workers on temporary contracts, which in 2009 was above 20 % for the youngest age groups compared to 5.2 % for the age group 30-54 years.

According to Eurostat, the youth unemployment rate in 2010 was 16.2 % for the age group 15-19 years and 12.3 % for the age group 20-24 years. For the age group 25-29 years, the unemployment rate in 2010 was 10.7 %. Educational level is of significant importance, when it comes to the risk of unemployment. Based on the LFS, the rate of unemployment in 2010 was 17.2 % for young persons aged 25-29 years having only lower secondary education and 8.6 % for the medium skilled. For the highly skilled the rate of unemployment is a bit higher reflecting the difficulties faced by new graduates during the crisis. Similar differences are evident in the younger age groups. There is therefore considerable focus on the share of young persons who are not in employment, education or training (the NEET group). In 2008 this share was 6.1 % for the age group 20-24 years, which is rather low, compared to the EU average of 10.2 % (OECD, 2010: 60). The rate of early school leavers is around 15 %.

While the high level of the employment rates of the younger age groups can be taken as a reflection of social norms and the general high level of employment in Denmark, the low level of open unemployment is also related to the active regime with respect to the youth (un)employment that has developed in Denmark over the past decades and which implies that youth unemployment almost vanished as a political issue.

However, from the first quarter of 2007 to the first quarter of 2009 youth unemployment doubled, the largest increase was found for young men. This development has naturally caused concern and put youth unemployment at the top of the political agenda. As a reflection of this, the 2010 budget contained a number of initiatives to promote growth and to combat unemployment especially among young people – the so-called ‘youth package’, which was agreed between a large majority in the Danish Parliament. In the following sections the recent initiatives to improve the labour market situation of young people, are discussed in more detail.

## **2. Measures taken to promote youth employment**

### **2.1 School education and training policies**

The main concern in relation to education and training policies with respect to young people, is due to the fact that about 20 % of each cohort of young people leaves the educational system without having any formal vocational education (Behrens & Lange, 2010). This was also the reason for including the target of ‘Youth education for all’ in the widespread political agreement on welfare reform in June 2006. The reform had the aim that almost all young people should attain an upper secondary education and set a target of 85 % attainment in each youth cohort, by 2010. For 2015 the target has been increased to 95 %.

A recent study from the Economic Council of the Labour Movement has pointed to the challenges for the implementation of the youth policy presented in the 2006 reform (Arbejder-

bevægelsens Erhvervsråd, 2009). The study shows that the trend of young cohorts not receiving an upper secondary education has actually been increasing from a low of 17.1 % in 2000. The most recent figure published by the Ministry of Education, 19.3 % of young people not reaching more than a lower secondary education, shows a continuing upward trend despite the policy objectives set by the government (Behrens & Lange, 2010). There are furthermore huge regional differences in the educational attainment of young people. The same goes for differences with respect to ethnic background. Measured at the age of 41 years, 34.1 % of young men with a non-Danish background indicated they would not receive an upper secondary education in 2008. For young Danish men, the share was 21 %. For young women, the corresponding shares were 23.3 % and 15.7 % respectively.

Thus, it is feared that current efforts to raise the share of young people obtaining formal vocational qualifications are inadequate to reach the ambitious targets set by the 'welfare reform'.

One reason for the high number of young people not participating in vocational education is the apprenticeship system for the education of skilled workers. While such a system has a number of advantages, it is also dependent on the supply of a sufficient number of apprenticeship places. Since the beginning of the economic crisis the imbalance between the demand for and the supply of traineeships has increased dramatically. In June 2010 the number of young people who were not able to secure a traineeship was above 8 000, which can be compared to a typical Danish youth cohort of about 60 000 persons. Before the crisis, in March 2008, the deficit of traineeships was only 3 500, which gives an indication of the impact of the crisis in this respect. The situation was especially serious within manufacturing industry. In this sector there were seven applicants for each vacant traineeship (Arbejderbevægelsens Erhvervsråd, 2010).

The political reaction to the lack of traineeships came as part of the 'youth package', where it was decided to support the creation of 5 000 more traineeships in 2010 by tripling the economic subsidy paid to employers who hire trainees, by opening more traineeships in the public sector and by establishing 'school-traineeships' in the vocational training institutions. Furthermore, a number of measures were taken to improve the quality of vocational education and thus reduce the share of drop-outs, which at present amounts to around 50 %. The system for the registration of vacant traineeships should also be improved. The social partners supported the initiative, which in the short run would also lower youth unemployment and in the longer run should lead to a better-qualified workforce.

As a follow-up of this initiative and in light of the still existing imbalance with respect to traineeships, the Government in October 2010 proposed a further increase in the subsidy paid to employers, who take on trainees and also proposed a further increase in the use of 'school-traineeships'. These proposals will be included in the negotiations over the 2011 Budget.

In addition, a number of initiatives were implemented to support the education of young persons aged 15 to 17 years. They included the introduction of an option for the municipalities to stop the payment of child allowance to families, which are not willing to cooperate with the authorities in creating and implementing an action plan for the education of young people not in employment, education or training.

Finally, with respect to the youngest individuals at risk of unemployment, one initiative of the Ministry of Employment included the decision to open the services of the job-centers to

young people aged 15-17 years that are not in employment or education. This groups amounts to about 10 000 persons and will in the future be eligible for the same services from the job-center as adults, when it comes to, for instance, work-practice, guidance, upgrading of skills and mentor-support. They will also be eligible for support to cover their costs of transportation, when taking part in active measures.

## **2.2 Labour market and employment-related policies and access to benefits**

When it comes to the labour market situation of the older segments of unemployed young people, the ‘youth package’ from the fall of 2009 contained a number of initiatives.

Firstly, instant activation will be applied to all unemployed persons aged 18-19 years. A regime of rapid activation is already used by many municipalities, when it comes to unemployed young people who are not members of an unemployment insurance fund. Such a regime will now be mandatory for all unemployed young persons. They will be subject to individual, early and active efforts, which should ensure that they either gain employment or begin an education.

Furthermore, intensified assistance will be offered to all unemployed individuals less than 30 years of age in the form of employment with wage subsidies, traineeships, and support to improve reading and writing skills. The focus will especially be placed on providing training with private or public employers. A special bonus will be paid to job-centers that are successful in getting long-term unemployed young people into this type of training.

In addition, all young people under 30 years of age, who contact the job-center and do not have an upper secondary education, will have their basic reading and writing abilities tested, if needed. If the test shows that the young person needs to improve their basic reading and writing skills, the job-center will be able to offer the relevant training. Extra resources have been allocated for this purpose.

Also, an existing scheme that provides a special subsidy for training unemployed people who have been hired, had been extended. The scheme that was introduced in February 2009 paid the employer a subsidy for the training of newly employed persons for up to six weeks, if the persons hired had been unemployed for more than 3 months. For young unemployed individuals who are less than 30 years old, this limit was lowered to 1 month.

Some young people may need special support, when they start an education. For this group resources were allocated for mentor support.

To ensure that newly educated academics do not end up in long-term unemployment two initiatives were aimed at getting young academics into employment. One initiative has been implemented by the Danish Confederation of Professional Associations. The initiative implements efforts directed at private firms in order to ensure they employ more academics. Furthermore a regime of early activation for unemployed young academics aged less than 30 years was implemented. The job-centers now refer this group to specialized private service providers in order to give the young unemployed academics a targeted offer that can help them into employment. Finally, support was given to a special project that supports young people in working in after-school jobs with the aim of better preparing them for both work and education.

All initiatives were enacted in 2010 and were generally supported by the social partners. They are expected to lower youth unemployment and also in the longer run reduce the risk of creating a 'lost generation' of young entrants in the labour market during the economic crisis.

As part of the implementation of the 'youth-package' the Minister of Employment announced in March 2010 that she had agreed with the political parties decision that the jobcentres should be allowed to implement the rules for the activation of young unemployed in a more flexible manner. Pre-existing rules implied that the young unemployed should be activated for six months without any interruptions. The new rule allows for intervals of up to four weeks, thus permitting a more flexible adaptation of offers to the specific needs of the young unemployed.

When it comes to access to benefits for young people, no reforms have been made in recent years. Young people aged 18 years and older can join an unemployment insurance fund, and be eligible for the same benefits as adults, if they fulfil the normal criteria of having been a member for more than one year and having been employed for a minimum of 52 weeks within the last three years. A young person can also be admitted as a member of an unemployment insurance fund if the person has completed a vocational training course of duration of at least 18 months and has applied for membership no later than 2 weeks after completion of the training course. The benefit rate is individual and depends on the amount of previous earned income. Unemployment benefits can, at a maximum, amount to 90 % of previous earnings. The maximum benefit rate in 2009 was DKK 752 (EUR 101) per day for full-time insured members. Unemployment benefits are paid out for 5 days a week. The maximum yearly benefit was therefore DKK 195 520 (EUR 26 244). Special rates apply for persons who have just graduated from vocational education without having a work record. Also, insured young persons aged 24 and younger – and not having completed vocational education – will, after 6 months of unemployment, receive unemployment benefits at a rate of 50 % of the normal level. The rationale behind this rule, which was introduced in 1996, is to provide a better balance between the benefit level and student grants.

In May 2010, the maximum duration of unemployment benefits was reduced to two years for all the newly unemployed. Also, eligibility for benefits is dependent on the unemployed participating in the activation offers from the job-centre, including for instance instant activation for young unemployed individuals aged 18-19 years, as described above.

Also, unemployed young people who are not members of an unemployment insurance fund can apply for cash benefits that are means-tested depending on the family-situation of the unemployed individual. For example, a person aged 25 and older who has children, would in 2010 receive DKK 157 152 per year (EUR 21 094), while a young person aged 24 and younger would receive DKK 63 204 per year (EUR 8 484). In regards to unemployment benefits, cash benefits are considered to be taxable income. The duration of cash-benefits is not limited, but the unemployed individual will have to accept the job-centre offers to participate in active programmes.

### **2.3 Addressing problematic features of youth employment**

It is well known that youth unemployment is concentrated in certain groups, both with respect to educational background, ethnic background and location in specific neighborhoods. This is also reflected in some of the measures described above, for instance where focus is on young

people with a lack of basic skills (reading and writing). Furthermore, during the implementation of a number of more general measures, such as efforts to lower the drop-out rate for vocational education, emphasis is put on groups with the highest risks (young persons of non-Danish ethnic origin and young persons with a criminal record). Thus, although many of the measures are not formally targeted at specific sub-groups of young people, such targeting will take place during the actual implementation process. This is well in line with the general tradition of Danish employment policy.

#### **2.4 Roles of the labour market actors**

Since youth unemployment is generally considered to be a serious social problem, social partners have been actively engaged in formulating proposals and, as mentioned above in the example of the young unemployed academics, also in implementing policies. Also a number of the proposals in the youth package were focused on improving cooperation between the different labour market actors. One example includes the creation of a special national task force, which will assist individual job-centers in improving the quality of their offers to the young unemployed. Another example is the allocation of funds for strengthening cooperation between job-centers and educational institutions with respect to the youngest age groups (15 - 17 years of age).

### **3. Conclusion**

After having been absent from the political agenda for more a decade, the rise in youth unemployment since 2008, has caused concern among labour market actors. In autumn 2009, a number of initiatives were implemented in the form of a 'youth package' targeted both at the youngest age groups and at the 'older' of the young unemployed. In general, the new initiatives developed and intensified a number of programs already in existence and focused on even earlier activation of the young unemployed. A new element among the initiatives included an emphasis on the need for job-centers to cooperate closely with educational institutions. Job-centre services were also made available to the youngest among the unemployed who were less than 18 years old.

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## Annex

<b>Table 1: YOUTH EMPLOYMENT / UNEMPLOYMENT TRENDS (Q1 data)</b>									
Data	Age group 15-19			Age group 20-24			Age group 25-29		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
Employment rate (%)	55.0	59.2	50.8	71.3	72.4	66.0	82.7	84.4	73.5
Unemployment rate (%)	7.5	10.4	16.2	6.4	8.7	12.3	3.2	5.1	10.7
Long-term unemployment as a % of unemployed	-	-	-	-	-	-	-	-	(15.3)
Youth unemployment to population ratio	4.5	6.9	9.8	4.9	6.9	9.3	2.7	4.6	8.8

Source: Eurostat, Labour Force Survey

- : Data not available

Data in brackets not reliable due to small sample size.

<b>Table 2: YOUTH UNEMPLOYMENT TRENDS (Q1 data, %)</b>						
Data	Age group 15-24		Age group 20-24		Age group 25-29	
	2009	2010	2009	2010	2009	2010
Unemployment for the low-skilled (ISCED 0-2)	9.9	15.7	13.3	14.8	10.2	17.2
Unemployment for the medium-skilled (ISCED 3-4)	9.2	11.4	8.8	10.7	4.6	8.6
Unemployment for the high skilled (ISCED 5-6)	-	-	7.2	15.6	3.0	10.3

Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted

- : Data not available

<b>Table 3: YOUTH TEMPORARY CONTRACTS (% OF EMPLOYEES) (Annual data)</b>			
Data	Age group 15-19	Age group 20-24	Age group 25-29
	2009	2009	2009
Temporary work as a % of employment	22.4	23.8	13.8

Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted

<b>Table 4: NEITHER IN EMPLOYMENT NOR IN ANY EDUCATION OR TRAINING (NEET) (Annual data)</b>		
	<b>Age group 15-19</b>	<b>Age group 20-24</b>
	<b>2008</b>	<b>2008</b>
NEET rate (% of the age group) (annual averages)	2.4	6.1

Source: Eurostat, EU Labour Force Survey, Annual averages

<b>Table 5: EARLY SCHOOL LEAVERS* (Annual data)</b>		
<b>Data</b>	<b>Age group 18-24</b>	
	<b>2008</b>	<b>2009</b>
Early school leavers (% of the age group)	15.4	14.6

Source: Eurostat, Labour Force Survey

\* Percentage of the population aged 18-24 having attained at most lower secondary education and not being involved in further education or training.

<b>Table 6: DIFFERENCE IN YOUTH UNEMPLOYMENT RATE BETWEEN Q4-2009 AND Q4-2007</b>		
<b>Data</b>	<b>Age group 15-19</b>	<b>Age group 15-24</b>
Difference in youth unemployment rate between Q4-2009 and Q4-2007	6.6	5.9

Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted