European Commission

PERSUADING ACTIONS TO PROMOTE UNEMPLOYED BACK TO WORK

Financial sanctions imposed on unemployment insurance benefit recipients

Information review: October 2015

DENMARK

The Danish unemployment system is based in the principles of 'rights and duties': unemployed people (who are registered with an unemployment insurance fund) have the right to receive unemployment benefit but also a duty to stay available for employment.
The local PES is responsible for observing whether an unemployed person is fulfilling the eligibility criteria. If this is not the case, the PES must notify the relevant unemployment insurance fund. In the spring of 2009, regulations concerning the application of financial sanctions for recipients of cash benefits were simplified. The new rules came into force on 1 October 2009.
The evaluation of the practice found that financial sanctions had a significant impact on encouraging exits from unemployment among unemployment insurance benefit recipients.

Name of the PES

Arbejdsmarkedsstyrelsen
The National Labour Market Authority

When was the practice implemented?

2009 – on-going

Which organisation was involved in its implementation?

PES at regional and local level.
Unemployment insurance fund.

Which social groups were targeted by the practice?

All unemployed.
Recipients of unemployment benefit who do not meet the eligibility criteria of the Danish active labour market policy.

What were the practice's main objectives?

The rationale behind the practice is that sanctions will increase the exit from unemployment.
According to Danish active labour market policy, unemployed people face the risk of losing their unemployment insurance benefit if they do not fulfil a number of eligibility criteria designed to ensure that they are available for employment and that they are making a personal effort to obtain employment.
The financial sanctions depend on the severity of the violation.

What activities were carried out?

Unemployment insurance benefit recipients must fulfil the following eligibility criteria:
- Register with the local PES;
- Submit their electronic CV to an internet-based job bank;
- Update their CV on a quarterly basis;
- Apply for jobs suggested by the PES;
- Actively search for jobs;
- Accept job offers arranged by the PES;
- Attend meetings with the PES to discuss job plans, plans for participation in active labour market programmes, etc.; and
- Participate in other activities initiated by the PES.

In general, sanctions are imposed in three different strands:
1. Sanctions calculated according to the period of time of not complying with the eligibility criteria;
2. Sanctions imposing a lump sum to be paid back to the system; and
3. Repayment of unemployment insurance benefits.
The type of sanction depends on the severity of the violation.

What resources and other relevant organisational aspects were involved?	Sanctions are jointly administered by the local PES and the relevant unemployment insurance fund. When the PES discovers that an unemployed person does not fulfil the eligibility criteria, they submit a notification to the relevant unemployment insurance fund. The unemployment insurance fund then evaluates the notification and decides whether a sanction should be imposed and the relevant sanction.
Source(s) of funding	National budget (tax revenue)
What were the outputs of the practice: people reached and products?	**People reached:** No information available. **Products:** N/A
What outcomes have been identified?	The evaluation found that financial sanctions have a significant impact on exits from unemployment among unemployment insurance benefit recipients. For both men and women, sanctions causally increase job-finding rates by more than 100%, meaning that unemployed people who have financial sanctions imposed on them find employment twice as quickly as those who do not.
What are the lessons learnt and success factors?	The evaluation of the practice found that the impact of financial sanctions decreases over time, meaning that the impact is remarkably high in the first month after a sanction has been imposed. After three months, however, the impact of imposing a sanction on the exit rate from unemployment is no longer significant. Furthermore, tough sanctions seem to have a heavier impact on exits from unemployment compared to less tough sanctions.
More information on the practice	http://ec.europa.eu/employment_social/empl_portal/weesp/DK-6.pdf

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