

Denmark: A minimum income benefit reform is underway, which includes an innovative child leisure allowance

ESPN Flash Report 2022/62

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SEPTEMBER 2022

In June 2022, Denmark reached agreement on a reform of its social assistance system, which will enter into force in January 2023. An important element of this reform is that it will institute a right for children in households receiving social assistance to receive their own allowance to pay for leisure activities. The reform includes a few other welcome measures. However, it will not lead to the long-awaited simplification of the system, which will remain very complex and lacking in transparency for both social workers and benefit recipients.

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Description

On 14 June 2022, agreement on a new social assistance system, labelled a “Minimum income benefit reform targeting children”, was reached by the Government (Social Democrats), as well as the Green Left (*Socialistisk Folkeparti*), Red-Green Alliance (*Enhedslisten*), the Next Denmark (*Alternativet*), and the Christian Democrats (*Kristendemokraterne*). It is based on the recommendations of the Minimum Income Benefit Commission (*Ydelseskommisionen*, hereafter MIBC) which were finalised in May 2021 (see Kvist, 2021). The reform will take effect on 1 January 2023 and include the following measures.

Lifting households with children receiving social assistance out of poverty was an essential element required by political parties in return for backing the Social Democrat government. This principle is in line with international treaties. For example, according to the UN Convention on the Rights of the Child, Article 31, children have the right to engage in play and recreational activities and to participate freely and fully in cultural life and the arts.

As documented by the MIBC, research shows that children of jobless parents are particularly deprived of leisure activities (Ydelseskommisionen, 2021). It also shows that children who participate in leisure activities are less stressed and have higher self-esteem and school attendance than those who do not.

The agreement introduces a new “child leisure allowance” targeted at children in households in receipt of social assistance,

as recommended by the MIBC. This allowance will be available to 40,000 children. It will amount to €34 per month per child up to a maximum of €134 per household.

The allowance is meant to cover a large range of activities, such as: sports subscriptions and accessories; cultural activities, including tickets to the cinema, theatre and museums; social and other school-related events, including school and study trips; school equipment including school bags and computers; and children’s birthdays.

The administration of the child leisure allowance has been designed in such a way that it should not be too expensive to manage and not too stigmatising to receive. The allowance will be paid out monthly. Every three months parents will have to document their expenditure on child leisure activities, either digitally or on paper. Failure to do so results in a halt to the payment of the allowance until documentation is submitted. However, there will be no clawback of allowances already paid.

The reform includes another measure targeted at households with children: a temporary child allowance, available since 2019, will be made permanent. Like the temporary child allowance, the new child allowance will target social assistance recipients on reduced benefits. It will raise their disposable income, thus affecting the situation of half the children in the system, i.e. 20,000 children. The benefit will vary between €42 and €63 per month per household (depending on benefit category,

household situation and impact of the benefit ceiling) plus a fixed amount of €90 for single-adult households with children, irrespective of the number of children.

The reform will also modify benefit ceilings, i.e. the maximum amount of benefit (housing allowance and special support) that social assistance recipients can receive. The number of benefit ceilings will be reduced from 29 to 11. The level of the new benefit ceilings differs according to the amount of social assistance received by the household. The lower the social assistance benefit, the higher the benefit ceiling. Benefit ceilings are set in such a way as to avoid a situation where the total amount of all benefits is higher than or close to the level of unemployment insurance benefits or low-waged work.

The new rules will make it more advantageous for social assistance recipients to take up small jobs of only 4-8 hours of work per week, depending on the benefit level. Depending on the age of the social assistance recipient and on whether they are in receipt of other benefits (educational assistance and/or integration benefit), the tapering of the benefit with work income will start somewhere between €336 and €772 of earnings per month. Excess earnings will be reduced by 65% up to the level of the maximum unemployment benefit (the income ceiling), after which the reduction will be 1:1. This will greatly enhance the incentive to take up small jobs.

It will also be possible to take holiday with supplementary social assistance benefits. Currently, a small job results in a small holiday payment and no social assistance. In the future it will be possible to top up the small holiday payment with social assistance up to the level of social assistance the

person would normally be entitled to. This will encourage people to take up small jobs.

In the new system, benefit recipients older than 30 will be entitled to have their case assessed after two years in the system. Social workers and job consultants will examine whether the person should remain in the system or be moved to other schemes.

The current system stipulates that people with wealth higher than €1,344 are not eligible for social assistance. This level will be raised to €1,613 and automatically indexed (as are other amounts in the system).



Outlook and commentary

The reform follows the MIBC recommendations for a new child leisure allowance and a (permanent) child allowance. Also, it follows the MIBC proposals on assessment of cases, better holiday and pension rights, and a higher wealth ceiling.

The MIBC proposal to shift from negative to positive work incentives was partly adopted. Hence, benefit recipients will be able to take on small jobs without their benefit being reduced. But the proposals to do away with the requirement for 225 hours of work (during the last 12 months) and the benefit ceiling were not adopted (see Kvist 2021), although the benefit ceiling was replaced with a simpler version with fewer ceilings (11 instead of 29).

The proposal to simplify the system from three benefits (social assistance, educational assistance, and the integration benefit) with multiple benefit categories and levels into one benefit with two levels was not followed. As a result, the system remains complex and

lacking in transparency for social workers, job consultants and benefit recipients.

In a simpler system some benefit recipients would receive more than now and others less. This picture of "winners and losers" was used by journalists to get politicians to denounce change.

The next election is to be held before 3 June 2023 and is likely to be called by the Prime Minister in the autumn of 2022. It is unlikely that any incoming government will return to a wide-ranging reform of the minimum income benefit system. Hence, a rare opportunity to address the fundamental complexity of the system was missed, although the new child leisure allowance may become historic in the fight against child deprivation.

Further reading

Kvist, Jon (2021), Denmark: Proposal for a new minimum income benefit, ESPN Flash Report, No 2021/67, Brussels: European Commission.

Ydelseskommissionen (2021), at [Samlede anbefalinger til et nyt ydelsessystem](#) [The Recommendations of the Danish Minimum Income Benefit Commission], Copenhagen: Ministry of Employment (accessed on 13 September 2022).

Regeringen (Socialdemokraterne), Dansk Folkeparti, Socialistisk Folkeparti og Enhedslisten (2022), [Aftale om nyt kontanthjælpssystem med plads til børnene](#) [Agreement on a new minimum income benefit system with a better focus on children], 14 June 2022 (accessed on 13 September 2022).

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Quoting this report: Kvist, J. (2022), Denmark: A minimum income benefit reform is underway, which includes an innovative child leisure allowance, ESPN Flash Report 2022/62, European Social Policy Network (ESPN), Brussels: European Commission.