



Denmark

Overview and analysis minimum income schemes in Denmark

A Study of National Policies

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Executive Summary

This report describes minimum income schemes in relation to people of working age in Denmark. The Danish welfare is generally characterized by the principle of universalism, which dominates both in regard to social security and to social services. Basically it means that every citizen has the right to social security when affected by a specific event and independent of family relations.

In Denmark, access to MI schemes¹ is based on a residency principle. To be entitled to MI-scheme support, social circumstances of the recipient must have undergone significant change leading to deprivation of the means of self-support. Moreover, recipients can not have access to any other sources of income or private means of support. If a person or his or her spouse has assets or income of a certain magnitude, MI schemes are not available.

There are also more specific conditions which apply specifically to different MI categories: *Cash benefit*: Danish citizens are entitled to cash benefit if their social circumstances have undergone significant change and they have resided in Denmark for the 7 out of the last 8 years. *Initial benefit*: Is given to immigrants if they have lived in Denmark less than 7 out of the last 8 years. This also applies for Danish citizens who have lived in a non-EU-country for more than 1 of the last 8 years. *Introductory benefit* is given to immigrants who are not from the Nordic Countries or EU e.g. refugees. In general cash benefit provides a higher level of support than initial and introductory benefit. Applicants for asylum residing in Denmark normally receive a cash allowance from the Immigration Service to cover their expenses. This does not apply, however, if the applicant is married to a person who holds a Danish residence permit. In such cases, the spouse in Denmark is obliged to support the applicant.

The size of the benefit is decided by various factors such as; The length of an individual's Danish citizenship; The length of the period receiving income support; The extent of an individual's previous labour market engagement; The reason behind the need of income support. Claimants of cash benefit affected by the mentioned circumstances may thus receive a significantly lower level of support than the regular claimants of cash benefit. Married couples (older than 25 years) for example, where one or both spouses, have received benefits during six consecutive months will get a reduction in their monthly allowance. Moreover, if a married couple has not worked for at least 300 hours during the last two years, the monthly allowance to one of the spouses will be withdrawn.

Unlike in many other EC countries, in Denmark there is no officially approved poverty threshold. This means that there are no official studies which assess the impact of different MI-schemes in relation to clearly defined poverty-lines. In a European context, the minimum income schemes in Denmark appears to perform relatively well both in terms of level of expenditure and the impact of social transfers on the at-risk-of-poverty rate. However, focusing on national data, a recent study shows that in the period, from 2001-2005, the share of cash benefit recipients living with an income below 50 percent of the median income have been increasing. A recent study indicates that just over half of MI-claimants who received the lowest allowances (initial help, introductory allowance, reduced allowances) have received these benefits for a relatively limited period of time (less than a half year during a 4-year period). On the other hand, 6 percent have received the

¹ For clarification of terminology, MI schemes encompass all types of cash assistance. Often cash benefit is used as general term but we will rather use the term cash benefit to refer to a specific scheme alongside with, and opposed to, initial help and introduction support.

lowest benefit for at least 3 of the four years and are thus placed in a position with a very low income for a long period of time.

Comparing the different MI-schemes, 40 percent of the recipients of introductory and initial benefit are employed or participate in an education whereas only 25 percent of recipients of reduced cash benefit achieves such progress. Another significant difference between the types of MI schemes is that the proportion of recipients who have succeeded in exiting the MI schemes over the period is higher among those who received initial and introductory benefits, as compared to those who have received reduced benefit during the same period of time.

When assessing the effectiveness of incentives, the critical questions are to what extent individuals addressed by an incentive scheme gain, or put more effort to gain, attachment to the labour market when compared to other groups. An incentive scheme must, in order to work effectively, take into account the specific characteristics of the target group. Judging by the results of the evaluations presented in section 2, the evidence of the effectiveness of incentives is ambiguous. Incentives seem to have had an impact on some recipients while at the same time the less resourceful, in terms of health status, language competences etc., have been put in a relatively worse position due to the scheme.

In general, adequate income support is closely connected to the active labor market policies, and both the obligation to and right to activation is linked to the MI-schemes. A number of active labor market initiatives in recent years have sought to provide new entries to the labor market, also for groups with limited labor market experience. Finally, it should be mentioned that the universal character of the Danish welfare state ensures the possibility of child care, also for people dependent on support from MI-schemes. Additionally, there are supplementary support schemes such as housing benefits and child care to low income groups. On the other side, a maximum limit to allowances reduces supplementary allowances (such as supplementary housing support) after 6 months of uninterrupted support.

1. Minimum income schemes in Denmark

1.1 Introduction - The Danish welfare system

The Danish welfare system offers a number of minimum income schemes available to people, who are for some reason not able to support themselves. In order to fully comprehend the context of MI schemes we find it necessary commencing the description of MI schemes briefly to describe the structure and logic of the Danish welfare model.

In comparative studies of different welfare models the Danish welfare model is often labeled the Universal Welfare Model or the Scandinavian or Nordic Welfare Model². Three fundamental values characterize the welfare state model: universalism, equality and solidarity. Universalism is the principle used both in regard to social security and to social services, meaning that every citizen has the right to social security when affected by a specific event and independent of family relations³. Universal welfare services define a system, where all citizens have equal rights to basic social benefits. These services are not mean-tested or aimed at selective groups⁴. Many services are offered to citizens free of charge, including health care and education (also post-secondary). As we will later discuss, the universal principles of the Danish welfare model is, however, compromised in some regards.

To understand the MI schemes in Denmark, it is important to provide a short overview of the logic of the Danish welfare model. The Danish labour market model is often labeled the “*flexicurity model*” - a contraction of *flexibility* and *security*. The term is used to describe the special Danish three-sided mix of (1) flexibility on the labour market combined with (2) social security and (3) an active labour market policy with rights and obligations for the unemployed. One side of the triangle consists of flexible rules for hiring and dismissing. Flexible rules make it easy for the employers to dismiss employees during periods of recession and to hire new employees when things are improving again. The *second* side of the triangle consists of security for the wage earners in the form of a guarantee for a legally specified payment on a relatively high level if you become unemployed - regardless of your spouse’s income⁵.

The system builds on an effective labour market system that offers guidance, a job or re-training to all unemployed – and this active labour market policy makes up the *third* side of the flexicurity triangle⁵.

A necessity of the Flexicurity model is hence, measures put in place to secure the unemployed, since employers have less responsibility towards employees compared to other European countries.

² Green-Pedersen et al. 2004.

³ Hansen 2007: 90.

⁴ Greve 2007: 44.

⁵ <http://www.bm.dk/sw29959.asp>

1.2 Unemployment

The Danish system of support to the unemployed has two tiers. Those unemployed who are members of an unemployment insurance fund are entitled to unemployment benefits. The non-insured unemployed can apply for means-tested social assistance, including cash benefit which is among the lowest levels of the social safety net in Denmark⁶.

Unemployment insurance is a voluntary scheme administered by private unemployment insurance funds most often related to trade unions, known as an "A-kasse". In bold numbers, 70 per cent of Danish workers are insured, effectively securing them from having to survive on MI schemes in case of unemployment. Restrictions apply, however, as insured unemployed must be actively seeking employment and willing to accept offers of employment when claiming unemployment benefits⁷. The maximum amount one can receive in unemployment benefits is 487 €⁸ per week (2009⁹). For low-income groups, this and other income-related benefits, combined with the effects of a fairly high level of income tax, result in relative high net income replacement rates compared to other countries¹⁰. If an unemployed person is unable to find employment after four years, he or she loses the right to unemployment benefits and must register for means-tested social assistance, which is administered by the municipalities. The local municipalities have administrative and financial responsibilities for other categories of social assistance beneficiaries, including uninsured unemployed people, young unemployed people without vocational training, people receiving sickness or disability benefits, and those with other social or personal problems¹¹.

When it comes to unemployed low-income groups there is a high degree of compensation in Denmark because of supplementary benefits. Especially singles or couples with one income and children are provided with a relatively high degree of compensation¹².

1.3 Social security for non-working groups

Sickness benefits are provided as economic compensation as a consequence of the loss of income when employees become unable to work because they are sick. A wage-earner is entitled to sickness benefit from his or her employer when he or she has been in employment without interruption for the last 8 weeks before his or her absence - and during that period has worked at least 74 hours. After that the wage-earner is entitled to sickness benefits from the municipality when he or she has been associated with the labour market in the last 13 weeks and, during that period, has worked not less than 120 hours. Sickness benefits are calculated on the basis of the weekly number of hours during the absence the person would have worked under normal circumstances and the salary/wages the person would have been entitled to – except that the sickness benefits cannot exceed 487¹³€ per week¹⁴. Normally, sickness benefits can be

⁶ Hendeliowitz and Hertz. 2008.

⁷ <http://www.workindenmark.dk/Find+information/Til+arbejdstagere/Naar+du+arbejder+i+Danmark/Arbejdsloeshe+dsforsikring/Arbejdsloeshedsdagpenge.aspx>

⁸ Rate of exchange: 1 danish Krone(DKK) = 0, 134 Euro(EUR): <http://valutaomregneren.dk/valuta-omregner.htm>

⁹ <https://www.borger.dk/Emner/arbejdeogbeskaeftigelse/dagpenge%20og%20kontanthjaelp/Sider/Arbejdsloeshedspenge.aspx>

¹⁰ OECD 2002, Benefits and Wages – OECD Indicators 2002, Paris.

¹¹ Hendeliowitz, 2005.

¹² Bredgaard et al.2009.

¹³ Rate of exchange: 1 danish Krone(DKK) = 0, 134 Euro(EUR): <http://valutaomregneren.dk/valuta-omregner.htm>

disbursed for 52 weeks within the past 18 months. There are however possibilities of extension¹⁵. MI schemes are relevant in this matter if the recipient of sickness benefits no longer is eligible for the benefits or an early retirement pension and becomes unemployed without being member of an "a-kasse".

The Danish *pension system* consists of an early retirement pension system plus an old age pension system. Early retirement pension may be granted to persons aged 18 to 65, whose general capacity for work has been permanently reduced by physical, mental or social causes. In relation to MI schemes early retirement is relevant because the outcome of a longer period on cash benefit, combined with other problems, may result in early retirement.

Early retirement applications are considered by the local authorities. There is a strong focus on reducing the number of early retirement pensioners and in recent years, various schemes have been introduced to retain potential early retirement pensioners on the labour market and enable existing early retirement pensioners to exploit their remaining capacity for work, in so-called "easier jobs"¹⁶.

Every Dane over the age of 18 is entitled to SU-*The Danish students' Grants and Loans Scheme* for his or her further education - regardless of social standing. All students living with their parents are supported with a lower grant than students living in lodgings.

Support is given in the form of grants and government subsidized State loans. The maximum amounts awarded in 2009 are as follows: Grants

- Students living with their parents: 346 €¹³ per month.
- Students living on their own: 696 €¹³ per month.¹⁷

Both categories of students can obtain State loans of 356 €¹³ per month (in 2009). In relation to MI schemes it is important to mention that recipients of cash benefit under 25 years will get a reduced amount corresponding to a SU-level six months after they have received an offer of activation.

1.4 MI-schemes – overview of recent policy developments

In the following section, we will describe various kinds of MI schemes available in Denmark in terms of eligibility conditions, length of support, interconnections with other types of support, etc. Before describing the technical level, we will shortly summarize recent policy development leading up to the present outline of MI schemes.

For more than a decade, an increasing focus has been put on the willingness and motivation of unemployed citizens to gain a foothold on the labor market. To reach the objective of increased labor market attachment, many of the changes in the social assistance system have been made to the purpose of increasing incentives to work.

¹⁴ <https://www.borger.dk/Emner/arbejdeogbeskaeftigelse/dagpenge%20og%20kontanthjaelp/Sider/sygedagpenge.aspx>

¹⁵ <http://www.oecd.org/dataoecd/35/10/41429814.pdf>

¹⁶ <http://www.denmark.dk/en/menu/About-Denmark/Government-Politics/Politics/Social-Health-Policy/Early-Retirement-Pension/>

¹⁷ <http://su.dk/English/Sider/amounts2009.aspx>

In October 2002 the Government concluded an agreement with the Social Democratic Party, the Danish People's Party, the Social Liberal Party, and the Christian People's Party concerning "More people into employment". The aim of the agreement was to increase employment by 87,000 people before 2010. The agreement contained increased demands for recipients of cash benefits to be available to the labor market.

To increase the compensation level of participating in the labor market, an upper limit was introduced to the total amount of benefits a MI scheme claimant can receive as well as a reduction of the monthly allowance for spouses after 6 consecutive months of receiving benefits. Also, a residency requirement was introduced so that only individuals who have been residing in Denmark for seven out of the last eight years are entitled to full cash benefit; if not complying with this requirement, the claimant will only be granted initial benefit, a MI scheme with a lower monthly benefit than regular cash benefit.

In June 2005, the Government concluded an agreement with the Social Democratic Party and the Danish People's Party based on the Government's move "New opportunity for everyone". The agreement required spouses to have 300 hours of ordinary work within the most recent 24 months, compulsory education/training for young people under the age of 25, the right and obligation to repeated activation for people over the age of 30, as well as improved follow-up on recipients of cash benefits and starting allowance who report absence due to illness. In 2007 a further requirement was added, namely for 2½ years of employment within the past 8 years in order to be entitled to cash benefits. To summarize, the general tendency of the policy field is towards higher demands on the MI claimants and a focus on safeguarding incentives to work through an increased number of conditionality rules connected to the type and extent of support over time¹⁸.

1.5 Description of MI-schemes

Having provided a brief summary of recent policy development, we will now describe the MI schemes. The cash assistance system, encompassing broadly 3 different MI schemes for different target groups, is the lowest level of the social safety net and is only paid when there are no other available support options. Support from MI schemes is available to claimants who comply with the following minimum criteria¹⁹:

1. Access to MI schemes²⁰ is based on a residency principle and people need not be Danish citizens to receive it. Citizens are only entitled to cash benefit if their social circumstances have undergone significant change leading to deprivation of the means of self-support. This may be unemployment, illness or separation. Thus, people are not entitled to cash benefit because of low income if, for instance, they are low-paid or students.
2. Citizens are only entitled to cash benefit if they do not have access to any other sources of income. Firstly, MI schemes are subsidiary to other public support systems. This implies that, if the need can be met via other public benefits - such as unemployment benefit, sickness or maternity benefits or study grants – MI income

¹⁸ <http://www.oecd.org/dataoecd/35/10/41429814.pdf>

¹⁹ <http://www.borger.dk>

²⁰ For clarification of terminology, MI schemes encompass all types of cash assistance. Often cash benefit is used as general term but we will rather use the term cash benefit to refer to a specific scheme alongside with, and opposed to, initial benefit and introduction benefit.

support will not be granted. Secondly, MI schemes are subsidiary to private means of support. If a person or his or her spouse has assets or income of a certain magnitude, MI schemes are not available. People who have funds, for instance pension savings, are normally not entitled to MI schemes.

These criteria are the most overarching eligibility conditions associated with all types of cash assistance underneath which there are other more specific conditions which apply specifically to different MI schemes.

Applicants for asylum residing in Denmark normally receive a cash allowance from the Immigration Service to cover their expenses. This does not apply, however, if the applicant is married to a person who holds a Danish residence permit. In such cases, the spouse in Denmark is obliged to support the applicant.²¹ All asylum seekers over 18 must make an agreement – a contract – with the accommodation centre to which they are attached. The contract states which courses an asylum seeker is to attend and which tasks he or she will be responsible for at the centre. If an asylum seeker refuses to comply with the terms of the contract with the centre, the Immigration Service can decide to reduce the cash allowance. Given that asylum status is obtained, the refugee will be offered a place in an introductory program and may then receive the introductory benefit²².

If an asylum seeker does not live up to the obligations specified in the Aliens Act, the Immigration Service can place him or her, as well as his/her family members, on the 'food allowance' programme. The programme is primarily intended for cases where an asylum seeker has received the final rejection of his or her application for a Danish residence permit, has not left the country by the set deadline, and is refusing to co-operate with the police over his/her departure.

Being placed on the programme means that supplementary allowances earned through such activities as activation will cease to be paid. The caregiver allowance for asylum seekers with children will also be reduced. This means that applicants will only receive the basic allowance for food.

The three main categories of MI schemes in Denmark are the following:

- *Introductory benefit:* Immigrants who are not from the Nordic Countries or EU e.g. refugees (who have been given asylum status), can receive introductory benefit the first three years on condition that they participate in a introductory program. After three years the recipients can receive initial benefit²³.
- *Initial benefit:* Immigrants who are not from the Nordic Countries or EU can receive initial benefit if they have lived in Denmark less than 7 out of the last 8 years. This also include danish citizens who have lived in a country outside Europe²⁴.

²¹ For further details on size of allowance etc. see: http://www.nyidanmark.dk/en-us/coming_to_dk/asylum/conditions_for_asylum_applicants/cash_allowances.htm

²² http://www.nyidanmark.dk/en-us/citizenship/citizen_in_denmark/3+entry+and+residence+in+denmark.htm

²³ <https://www.borger.dk/Emner/udlaendingeidanmark/integrationidanmark/oekonomiskstoettetiludlaendinge/Sider/introduktionsydelse.aspx#RichHtmlField2Bookmark0>

²⁴ <https://www.borger.dk/Emner/udlaendingeidanmark/integrationidanmark/oekonomiskstoettetiludlaendinge/Sider/starthjaelp.aspx>

- *Cash benefit:* Danish citizens are entitled to cash benefit if their social circumstances have undergone significant change. This may be unemployment, illness or separation. The size of the amount depends on age and potential obligation to provide²⁵.

In general cash benefit provides a higher level of support than initial and introductory benefit but due to the policy developments describe above claimants of regular cash benefit may receive a significantly lower level of support under the following circumstances²⁶:

- Married couples (older than 25 years), where one or both spouses, have received benefits during six consecutive months will get a reduction in their monthly allowance.
- Individuals (under 25 years), who fail to meet the requirements of activation (see page 11 of this chapter), will get a reduction of their cash benefit allowance to the level of regular SU (*The Danish students' Grants and Loans Scheme*).
- All claimants, singles as well as married or cohabiting couples, will, after six months of consecutive support be subject to a maximum limit of the total amount of benefits received.
- Married couples, where both spouses have received cash benefit at a minimum of two years, must be able to certify that both spouses has worked for at least 300 hours during the last two years. If failing to meet this requirement, the monthly allowance to one of the spouses will be withdrawn.

In the figures below, an overview of the number of recipients of various benefits is provided. Data on the number of recipients affected by the 300 hours rule is only given 2007 since the rule was not effective until 2007.

Figure 1.1. Number of recipient of cash benefit, initial benefit and introductory benefit

	2004	2005	2006	2007
Cash benefit and initial benefit recipients	185,698	179,321	163,747	141,537

Source: Statistics Denmark

Remark: Statistics Denmark changed the method of calculating the number of MI scheme recipients in 2007 wherefore comparisons of the period before 2006 and 2007 cannot be made.

Figure 1.2. Number of recipients of the MI schemes with the lowest benefits

	2004	2005	2006	2007
Introductory support	7141	5691	4280	3011
Initial benefit	2504	3366	4318	4633
300 hours rule	-	-	-	599
Reduced initial benefit	28211	27363	23953	20091
Reduced support to young people	2294	3728	2487	1780
Number of recipients	40150	39148	35038	30124
Number of individuals	38535	37393	33376	28555

Source: CASA (2009), *Familier og personer med de laveste ydelser*, p 19

Remarks: The sum of number of recipients and number of individuals differ because an individual may have received support from more than one MI scheme in a given year.

²⁵ <http://www.denmark.dk/en/menu/About-Denmark/Government-Politics/Politics/Social-Health-Policy/Cash-Benefit>

²⁶ Hansen et al. CASA 2009: 83.

In terms of eligibility conditions determining which of the abovementioned MI schemes from which a citizen may receive benefit, the most significant factor is the length of residency in the country. Eligibility to cash benefit requires, at a minimum, that the claimant have been residing in Denmark seven years out of the last eight years. If this criterion is not met, the claimant of support will receive initial benefit. To refugees from countries outside Scandinavia and the European Union, introductory help, with the same size of allowances as initial benefit, is offered the first three years. Common features of all of the MI schemes are that²⁷:

- benefits are determined by fixed objective criteria such as age, family type etc.;
- benefits is measured as a taxable amount;
- benefits is normally issued only to individuals over 18 years (not subject to parental care for dependents);
- the size of benefits depend on whether the claimant is over or under 25 years;
- the sum of benefits received by a married couple can not exceed the sum of the assistance that each recipient would have been entitled to, had they received the full assistance (spouse calculation);
- revenues from labor will cause a reduction in the MI scheme allowance equal to the size of revenues, except for a small labor market deduction. A more detailed account of this aspect will be given further down in this section;
- recipients have to be disposal for the labor market and actively seek employment. People are not entitled to receive help if they are offered a job or participation activation programs and reject the offer. This requirement does, however, not apply to individuals who have been categorized as belonging to match group 5. See explanation of match group system on next page.

Turning instead to differences between the MI schemes, the figure below illustrates eligibility conditions related to take up as well as conditionality rules to continued support at a certain level for various MI schemes and household types.

²⁷ The Ministry of Employment 2006: 30.

Figure 1.3 Overview of eligibility conditions and conditionality rules for different MI schemes

Type of income support	Initial benefit	Cash benefit to young people (<25 years old)	Cash benefit to married couple for more than 2 years	Regular cash benefit
Rank in terms of size of benefit	3	2	1	1
CRITERIA				
Length of residency in the country	No	Minimum of 7 years in the country over the last 8 years.	Minimum of 7 years in the country over the last 8 years.	Minimum of 7 years in the country over the last 8 years.
Length of the period on support	No	A reduction in the support after approximately 39 weeks.	General rule: income support to one of the spouses cease after 2 years.	Maximum allowance after 6 months. A reduction of 500 DKK per month and person after 6 months for married couples.
Mean tested	No	Young people diagnosed with schizophrenia and borderline syndrome are eligible to the same cash benefit as persons over 25 years.	No	Persons on maternity leave and cohabitants receiving SU are exempted from the regulation on a reduction after 6 months
Size of housing related costs	No	No	No (possibility to receive supplementary support)	No (possibility to receive supplementary support)
The extent of work history	No	No	Given that both spouses have worked at a minimum 300 hours during the last 2 years, income support will be maintained.	For previous recipients of initial benefit, 2,5 years of work is required.
Match category*	No	No	Match category 5 is exempted from the 300 hours rule	No
Individuals unable to start education, revalidation or to work	No	Partly compensated for the reduction after 39 weeks by a mean tested allowance.	No	No

Source: Council of Socially Marginalised People (2007)

* Match group refers to the employment potential, as evaluated by case workers, and is defined by placing the unemployed in different match categories according to the estimated distance from the labour market of the unemployed person. There are five different categories: starting from match one, which is estimated to be an 'immediate match' to (the needs of) the labour market through to match five, which is estimated to be 'no match at all' to (the needs of) the labour market. When placed in match 1-3, the overall categorisation is that the unemployed is

'ready for the labour market' where as a categorisation in the categories 4 and 5 means that the unemployed is not deemed to match the labour market²⁸. In relation to the MI system, claimants who are categorized as belonging to match group 5 will be exempted from the 300 hours rule. The Danish Council for Refugees has expressed criticism to the limited possibilities for dispensation as many traumatised refugees are categorized as match group 4 and, therefore, will not be exempted from the 300 hours rule.²⁹

In relation to conditionality rules, it is also relevant to cast light on the interconnection between MI schemes and activation schemes. The regulations applicable to this area are differentiated according to age of the MI claimant and type of MI scheme:

- MI claimants over 30 years who are eligible for cash benefit have the right and duty to be activated after at least 12 months cash benefit. The municipality defines the weekly numbers of hours and the duration of the activating period.
- MI claimants under 30 years receiving cash benefit must be activated after at least 13 weeks;
 - If they are unemployed and uneducated the duration of the activating period is 18 months and should be at least 30 hours at week.
 - If they have a qualifying education the duration of the activating period is 6 months and at least 30 hours a week.
 - If they have other problems besides being unemployed the duration of the activating period is 18 months and the municipality defines the weekly numbers of working hours.
 - If they are still unemployed after 3 months and dependent of cash benefit they will get a new offer of activation.
- Recipients of introductory benefit are required to participate in a integration program consisting of language training, job training etc.

If a MI claimant fail to comply to these conditions, for example by not showing up to an active job-offer or to reject it, the consequences could be reduced cash benefit or withdrawal of cash benefit³⁰.

Having described eligibility conditions for take-up as well as conditionality rules for continued support, we will now describe the size of the allowances for various MI schemes and household types.

²⁸ <http://www.nordicsociology2008.dk/Papers/Inclusion%20and%20Exclusion/jorgen%20elm%20larsen%20-%20inclusion%20and%20exclusion.doc>

²⁹ <http://www.flygting.dk/AEgtefaelleregler.3474.0.htm>

³⁰ <https://www.borger.dk/Emner/arbejdeogbeskaeftigelse/dagpenge%20og%20kontanthjælp/Sider/Kontanthjaelp.a.spx>

Figure 1.4. Cash benefit allowance by age and family type (as of 2009) (Eur per month³¹)³²

Individuals under 25 years	
Living at home	397
Living away	823
Pregnant and at least 12 weeks gone	1278
With own children at home	1697
Individuals over 25 years	
Living away	1278
With obligation to provide	1697

Figure 1.5. Initial benefit and introductory benefit by age and family type (Eur per month)³³

Individuals turned 25 years	
Turned 25 years, married and cohabiting/living together with one	683
Turned 25 years, single	823
Individuals under 25 years	
Under 25 years, living away	682
Under 25 years, living home	339
People receiving start help with obligation to provide for children less than 18 years have the right to an additional allowance.	
Single allowance	206
Allowance for married and cohabiting	171

In addition to the monthly allowance, MI scheme recipients are eligible to supplementary support to housing costs as well as support to cover for single expenses such as dental care etc.³⁴ These tax-free supports and supplementary benefits affect disposable income of the recipients. This gives access to different services such as:

- Child-care: Recipients of cash benefit have free access to children day-care because of their low income. Child-care, in the form of crèches for 0-3 year olds and nurseries for 3-6 year olds is provided by the local authorities. Users normally pay for day-care and the payment is income regulated³⁵. Thus reduced payment after firm percentages is a possibility for MI recipients.
- § 34 support: Citizens with high housing-expenses or providing-expenses can receive an amount each month (§ 34 The Act of Active Social Policy). This typically includes single recipients without children³⁶.

³¹ Rate of exchange: 1 danish Krone(DKK) = 0, 134 Euro(EUR): <http://valutaomregneren.dk/valuta-omregner.htm>

³² <http://www.bm.dk/sw33112.asp>

³³ <http://www.bm.dk/sw33112.asp>

³⁴ We will not go into detail of the precise amounts of these additional support schemes. These amounts can be found at: <http://www.bm.dk/sw33112.asp>

³⁵ <http://www.denmark.dk/en/menu/About-Denmark/Government-Politics/Politics/Social-Health-Policy/Daycare-For-Children/>

³⁶ <http://www.skat.dk/skat.aspx?old=135809&vld=202189&i=150&action=close>

- Support to single-expenses such as cost for dental care, medication, housing, children and glasses. Approximately 90 percent of these allocations are issued for these purposes.
- Housing benefit. Because most recipients of cash benefit are tenants and have a low income they can receive housing benefit. The average amount of housing benefit for a single cash benefit recipient with a child is around 269 € per month³⁷.

Due to the maximum limit of allowances, effective after a support period of six consecutive months, the possibilities of getting supplementary support are, in general, rather restricted after the first six months of support.³⁸ The outline of the maximum limit to allowances will be described more thoroughly in chapter 3 in the context of the discussion on the impact of supplementary support on the disposable income of MI claimants.

In relation to the tapering out into employment, the general rule is that additional incomes result in an equally large reduction of the MI allowance, except for a labor market deduction of approx 14-33 DKK per hour.³⁹ This feature of the social assistance system has been criticized for radically decreasing the incentive to labor market attachment, at least in relation to part time labor which for socially marginalized groups may be a more viable entrance to the labor market as compared to a full time job.⁴⁰

³⁷ The Ministry of Employment 2006: 33.

³⁸ Rådet for socialt udsatte, Årsrapport 2007: 25.

³⁹ <http://www.bm.dk/sw33112.asp>

⁴⁰ Rådet for socialt udsatte, Årsrapport 2007:28.

2. Assessment of MI-schemes

2.1 Coverage of the relevant population at risk and take-up

As described in chapter one of this report, Danish citizens are universally insured against, for instance, illness, unemployment and the needs of old age support independent of their previous work history. Although the system is universal at an overarching level and that all individuals who fulfil certain criteria has the right to income-support independent of their work history, the size of the income support varies according to different factors. In other words, given the Danish system, the discussion may not so much revolve around the issue of access to support but rather the extent to which coverage is provided to different vulnerable groups possessing various characteristics.

As mentioned in the previous chapter of this report, the size of the benefit is decided by various factors such as:

- The length of an individuals Danish citizenship;
- The length of the period receiving income support;
- The extent of an individuals previous labour market engagement;
- The reason behind the need of income support;
- Matching of the applying individual's potential status, in terms of qualifications, on the labour market given the actual situation and the actual demand on the labour market.⁴¹

In order to assess if the system provides assistance to the relevant population, a relevant question is to what extent the differentiation of the degree of protection is outlined with respect to the risk-of-poverty-rate for various groups.

Investigating the factors – outlined in figure 1.3 - determining both take up and eligibility to continued support over time, initial help is the most universally accessible MI scheme whereas regular cash benefit is less universal in the sense that eligibility depends on work history and length of residency. Put differently, a higher benefit is associated with higher demands on the claimant of assistance. The difference in the size of benefit between initial help and cash benefit is significant, irrespective of family type. In the figure below, the size of the initial help allowance is illustrated as a share of the cash benefit allowance for various family types.

Figure 2.1 Size of the initial help benefit as a share of the cash benefit allowance by family type

	Single without children	Single with 1 child	Couple without children	Couple with 2 children
Share of cash benefit allowance (%)	52	77	51	55

Source: CASA (2009)

To assess if the differentiation of coverage/take up is adequate and target efficient, it may be useful to measure it against existing knowledge on the composition of the low income group, defined as people living with an income below 50 percent of the median income. Out of the categories which are relevant in relation to the figure above, there are primarily three groups of

⁴¹ Rådet for socialt udsatte, Årsrapport 2007, p 24.

people which are overrepresented in the low-income group in Denmark (index of overrepresentation in brackets):

- Young people of 18-24 (449) and 25-29 years (236);
- Single parents (129);
- Immigrants and descendants of immigrants (323)⁴².

Comparing the differentiation of the social assistance system (as outlined on page 10-11), in terms of various conditions and size of allowances, with the composition of the low income group, it can be seen that immigrants constitute a large at-risk-of-poverty group while at the same time being put in a very bad position in the social assistance system given the present differentiation scheme. Also, young people (<25 years old) are highly overrepresented in the low income group and also put in a relatively unfavorable position in the scheme. With respect to these particular groups, one may conclude that the MI scheme to a certain degree is differentiated in a way that leads to a low level of adequacy of coverage.

Another issue related to the variability of the size of the income support is connected to the fact that there, unlike in many other EC countries, exists no generally adapted poverty threshold used in all municipalities in Denmark potentially leading to regional variability in income support. This issue was brought to attention in the 2006 independent expert report⁴³ on Denmark compiled by Ramboll Management Consulting and is still relevant for this report as it is related to the issue of take up and degree of coverage. It is also a relevant aspect as there are large regional variations in the at-poverty-rate in Denmark⁴⁴.

2.1.1 Extent and reasons for non-take-up

Non-take-up is not considered an issue in Denmark, although some non-take-up may occur as some people wish to avoid activation.

2.2 Adequacy of MI schemes

This part of the report will assess the adequacy of MI schemes with respect to at-risk-of-poverty thresholds and other national indicators on average disposable incomes, household consumption, the level of prices and the legal minimum wages.

⁴² Ministry of Finance 2008. The index is calculated as (share of population / share of low income group).

⁴³ Ramboll Management, Network of independent experts 2006, DK.

⁴⁴ AERådet (2009), Fattigdommens Danmarkskort.

Figure 2.2 Minimum income schemes, poverty thresholds and average disposable income⁴⁵ (2004)

Type of benefit	Yearly income € ⁴⁶	Supplementary child benefit € ⁴⁴	Disposable income	
			Personal € ⁴⁴	Equivalentized € ⁴⁴
Unemployment benefit and sickness benefit	22401	0	16710	16710
Cash benefit, single provider, child (4 years)	18023	4340	18100	12427
Cash benefit, o. 25 years	13563	0	10754	10754
<i>Cash benefit, u. 25 years</i>	<i>8740</i>	<i>0</i>	<i>7503</i>	<i>7396</i>
<i>Cash benefit, u. 25 years, living at home</i>	<i>4219</i>	<i>0</i>	<i>4219</i>	<i>4219</i>
<i>Initial benefit, introductory benefit, o. 25 years</i>	<i>8740</i>	<i>0</i>	<i>7503</i>	<i>7503</i>
Pension benefits payable between early retirement and normal retirement 62 years	22401	0	16710	16710
Pension benefits payable between early retirement and normal retirement 60 years	22411	0	16718	16718
Early retirement	22411	0	16718	16718
Retirement pension	15044	0	11752	11752
At-risk-of-poverty thresholds, minimum wage				
50 pct. of median income				10790
60 pct. of median income				12947
Legal minimum wage				-----
Ministry of tax : the income debtors may earn yearly (2006)				11425
Average disposable income				22984

Source: DORS (2006), Ministry of Finance (2006)

As can be seen in the figure above, there are two groups of social assistance recipients, who will have a disposable income which is below the at-risk-of-poverty threshold; all individuals receiving initial help; and individuals under 25. The group which received initial benefit and introduction benefit consisted of 9645 individuals in 2004 and was reduced to 7644 individuals in 2007⁴⁷. In 2004, irrespective of category of transfer income, the Ministry of Finance estimates the population living on an income below 50 percent of the median income to be 260 000 people (4,9 percent of the population) and the population living on an income below 60 percent of the median to be 522 000 people (9,8 percent of the population).⁴⁸

It should, however, be mentioned that a comparison of the size of MI scheme income support with at-risk-of-poverty thresholds may be slightly misleading as it leaves out various types of supplementary financial support and access to services which affects an individuals economic standing in relation to the abovementioned thresholds. The nature and extent of such support and services will be described in section 3 of this report.

⁴⁵ DORS (2006), Dansk Ekonomi Efterår 2006, Fattigdom i Danmark, p. 174.

⁴⁶ Rate of exchange: 1 danish Krone(DKK) = 0, 134 Euro(EUR): <http://valutaomregneren.dk/valuta-omregner.htm>

⁴⁷ CASA (2009), personer og familier med de laveste ydelser, p 19.

⁴⁸ Ministry of Finance, Indkomstudvikling og -fordeling i Danmark, p 16.

In terms of adjustment to the current price level, the yearly adjustment of the size of the benefit is regulated within the confines of rate adjustment pool scheme (satspuljeordningen). The rate adjustment pool scheme stipulates that the benefits are adjusted annually by a percentage rate determined on the basis of the development of the general wage level and that 0,3 percent of the increase is subtracted and transferred to the rate adjustment pool. The rate adjustment pool finance initiatives in the social-, health care- and labour market field – for example the initiatives and programmes accounted for in Chapter 3 of this report – to the purpose of improving conditions for recipients of income support and vulnerable groups⁴⁹. The rate adjustment pool scheme has been criticised by the council for socially marginalised people as it, since it was established in 1990, has reduced the size of the transfer incomes by 5,2 percent⁵⁰.

In the figure below, the development of the level of prices, the size of income support and the size of wages is described.

Figure 2.3 Development of the size of transfer incomes, private sector wages and general price level

Year	Unemployment benefit maximum	Cash benefit	Children-allowance	Wage in private sector	Consumer-prices
2 000	100	100	100	100	100
2 001	103	103	104	107	102
2 002	106	107	107	109	105
2 003	109	110	110	114	107
2 004	113	113	113	114	108
2 005	115	116	115	118	110
2 006	117	118	116	122	112
2 007	120	121	118	128	114
2 008	123	124	121	134	118

Source: CASA, Årsrapport 2008

Examining the figure above, the size of the income transfers seems to have followed the development of the general price level. From 2000 until 2008, income transfers have been increasing by approximately 21-24 percent whereas consumption prices, measured as an aggregated index of all consumer goods, have increased by 18 percent. In the light of these figures, the real value of transfer incomes has increased approximately 4 percent during the period. However, in relation to regular wage earners whose incomes have increase by 16 percent in real value during the same period, the recipient of transfer incomes has become poorer.

Taking into consideration that individuals living on a minimum income consume relatively more of certain categories of goods and services, primarily costs related to housing⁵¹ and food⁵², as compared to middle- and high income earners, the conclusion on the development of the real value of transfer income may differ from the analysis above.

- A recent study has pointed to the rather significant increase of food prices, especially for milk, cheese, egg and bread, as relatively more severe for the people at-risk-of-poverty

⁴⁹ <http://www.vfm.dk/Puljer/satspulje/sider/Start.aspx>

⁵⁰ Rådet for socialt udsatte, Årsrapport 2008: 61.

⁵¹ DORS (2006), Dansk Ekonomi Efterår 2006:173.

⁵² CASA (2008).

as compared to the rest of the population. The study provides evidence to support the assumption that the proportion of food expenditure as a share of total expenditure is negatively correlated to disposable income. By constructing baskets of goods adjusted to the consumption patterns of specific income groups, the study reaches the conclusion that low income groups, exemplified by cash benefit receivers, has become poorer in real terms, approximately by 0,6 percent in the period 2007-2008, despite larger transfers in nominal terms.⁵³

- According to an investigation of the level of rents conducted in 1999, individuals in the low income group have relatively high rents in relation to their income.⁵⁴ The implications thereof are that their disposable income for consumption of other goods are reduced and that the development of the real value of transfer incomes are sensitive to the development of the housing costs.

2.3 Effectiveness of MI schemes in terms of poverty reduction and incentives to work

2.3.1 Effectiveness of MI schemes in terms of poverty reduction

In relation to effectiveness of poverty reduction, it should be emphasized that the general objective behind MI schemes, such as initial benefit and regular cash benefit, in Denmark is foremost to provide citizens with a temporary safety net during the transition to either self-support or a permanent income support scheme, such as early retirement. Hence, MI schemes are not purposely designed to lift citizens out of poverty permanently. Possibly, as a result of this, it is more difficult to find evaluations and studies addressing the effectiveness of poverty reduction than those addressing effectiveness of incentives and activation schemes⁵⁵.

The effectiveness of MI schemes in terms of poverty reduction may refer to short term and long term, dynamic, effects. The former refers to the immediate improvement of the low income groups financial standing resulting from the guaranteed minimum income in relation to some sort of poverty line whereas the latter refer to the potential effects in terms of increased capacity to maintain self-support stemming partly and indirectly from the financial support. The financial support may also contribute to prevent illegal ways of self-support and to enhance the social integration by the means of preserving the recipient's health status, ability to work, social network and self-esteem⁵⁶.

One aspect related to the effectiveness of MI schemes in terms of poverty reduction is the generosity of support in relation to other European countries. A high level of generosity does, of course, not equal effective poverty reduction but it may certainly be an important component. In this context, generosity refers to the commitment of the state as reflected by budget allocations to MI schemes measured as per capita expenditure on social protection. As it is difficult to find comparable data on the size of support levels for specific (and comparable income schemes) between different countries, the comparison below is based on data on total expenditure on social expenditure per capita, including social transfers as well as related administration costs.

⁵³ CASA (2008): 22.

⁵⁴ DORS 2006:173.

⁵⁵ Rådet for socialt udsatte, Årsrapport 2008:4-5.

⁵⁶ Beskæftigelsesministeriet 2006.

Figure 2.4 Total expenditure per capita on social protection

	Total expenditure per capita on social protection	Rank in EU-27
Denmark	10578.9	4
EU (27 countries)	5714.7	

Source: Eurostat

As seen in the figure, Denmark certainly has a large per capita budget allocation for social protection, more specifically the fourth largest in EU-27, after Luxembourg, Norway and Switzerland. However, as a large budget allocation on the input side of the system may not in itself be enough, it is necessary to investigate output- and outcome indicators. A very rough measure of the output effectiveness of MI schemes in terms of poverty reduction may be to compare the at-risk-of-poverty rate of the population before and after social transfers.

Figure 2.5 At-risk-of-poverty rate before and after social transfers

At-risk-of-poverty rate of population (2007)(%)	Before social transfers	Rank in EU-27	After social transfers	Rank in EU-27
Denmark	27	20-21	12	3-6
EU-27	26		16	

Source: Eurostat

In the figure above, it can be seen that social transfers in Denmark have a significant impact on Denmark's ranking in relation other European countries in relation to the at-risk-of-poverty rate. To conclude, in a European context, Denmark appears to perform relatively well both in terms of level of expenditure and the impact of social transfers on the at-risk-of-poverty rate. At the same time, the level of expenditure does not give any indication as to the effectiveness of spending and the difference in the at-risk-of-poverty rate may reflect the size of the group dependent on income support rather than the effectiveness of such support.

Having benchmarked Denmark's performance with other European countries, we will now turn to national data. Finding a valid indicator of the effectiveness of MI scheme poverty reduction is difficult. The at-risk-of-poverty rate indicates the level of poverty but not necessarily the effectiveness of MI schemes. The departure rate out of income-support dependency may also be misleading since it is often understood as an indicator of the effectiveness of the activation component of active social policy rather than the effectiveness of income support. Potentially, figures on the at-risk-of-poverty rate within the group of income support recipients could be used as an indicator of the effectiveness of poverty reduction as they allow for an assessment of poverty within the confines of a specific MI-scheme.

Figure 2.6 Share of individuals with an income lower than 50 percent of the median income in various income categories

	2001	2002	2003	2004	2005
Employed	2	2,1	2,2	2,2	2,2
Unemployed	6,7	7	7,2	8,8	9,7
Cash benefit	20,6	21,2	21,4	25,6	26,2
Revalidation	8,5	8,2	8,5	8,3	8,8
Early retirement	1,1	1,1	1,2	1,3	1,4
Pension benefits payable between early retirement and normal retirement	0,6	0,6	0,5	0,6	0,6
Pension	0,7	0,8	0,8	0,8	0,9
I alt	3,1	3,3	3,4	3,7	3,7

Source: AErådet (2008), Quitzau 2008

Against the background of these figures, it can be seen that, during 2001-2005, the share of cash benefit recipients living with an income below 50 percent of the median income have been increasing⁵⁷. The dramatic change in the at-risk-of-poverty rate between 2003 and 2004 may partly be explained by the introduction of the maximum limit of cash benefit⁵⁸.

Given that the Danish MI schemes are designed to the purpose of providing a temporary income support during the transition to finding permanent income, the effectiveness of poverty reduction could potentially be assessed by the length of the period recipients depend on MI schemes. As mentioned before this indicator may also reflect the effectiveness of the activation component of the active social policy. Nevertheless, it is a relevant indicator, given the design of, and the objective behind, the Danish MI support. The Council of Socially Marginalised People have been critical of the lack of evaluations focusing on the impact of the MI schemes with the lowest benefits on the welfare of affected recipients. Against this background, the Council has initiated a large study running from 2008 until 2011 to cast more light to this issue and the first results have recently been published⁵⁹. This study cast some light on tendencies in relation to the transition from, and the length on, various types of MI support.

In the tables below, an indication is given as to the length of the period that recipients depend on the MI schemes with the lowest benefits in a given year.

Figure 2.7 Percentage of recipients of initial benefit and introductory support by number of months on the scheme in a given year.

	Initial benefit		Introductory benefit	
	2004	2007	2004	2007
1-2 months	38	29	18	15
3-6 months	28	24	20	22
7-9 months	20	21	25	24
10-12 months	14	26	36	39
Total	100	100	100	100
Recepients	2504	4633	7141	3011

Source: CASA (2009)

⁵⁷ AERådet 2008: 1.

⁵⁸ AERådet 2008 1.

⁵⁹ Hansen et al. CASA 2009: 39-40.

Figure 2.8. Percentage of recipients on reduced support by number of months and age in a given year.

	Young individuals (<25 yrs) on reduced cash benefit		Adults on reduced cash benefit	
	2004	2007	2004	2007
1-2 months	58	49	41	46
3-6 months	23	28	20	25
7-9 months	12	16	15	13
10-12 months	6	6	23	16
Total	99	99	99	100
Recipients	2281	1777	27836	19903

Source: CASA (2009)

The main conclusions to be drawn from the figures above are that:

- There is a higher proportion of recipients of initial benefit who receive benefits for a short time when compared to recipients of introductory benefit.
- Looking at the development from 2004 to 2007, a big increase in the number of recipients of initial benefit has taken place. This change has occurred, partly, due to a larger number of claimants of initial benefit in 2007, as compared to 2004, and, partly, due to the fact that a large proportion of those who received introductory benefit during 2002-2005 finished the three year long introduction period without achieving a more permanent source of income and, hence, continued receiving MI support in the form of initial benefit.
- Among young individuals receiving reduced cash benefit allowance, more than half of the recipients have done so for a short time, i.e. 1-2 months. The share has, however, been decreasing from 2004 to 2007.
- As for the adults receiving reduced benefits, there is a relatively large proportion (40%) who only received the benefit for 1-2 months, while there is nearly one quarter (23%), which received the benefit during 10-12 months. In terms of changes from 2004 to 2007, the proportion of recipients receiving reduced benefits for the main tendency has been towards a shorter period of reception of reduced cash benefit.⁶⁰

In relation to the average length of support of over the whole 4 year period, the study reveal that just over half of MI claimants who received the lowest social services in 2004-2007, has received these benefits for less than a half year during the 4-year period. Furthermore, only 5,5 percent received the lowest benefits for more than 3 years during the 4 year period under which the study was conducted. In terms of difference between various categories of recipients, one of the main findings was that recipients with an ethnical background other than Danish received support for a longer period of time, as compared to recipients of Danish origin⁶¹.

When investigating the transition of individual recipients over the 4 year period, the study reveal that 26 percent out of those who received the lowest benefits in 2004 are employed in 2007 and 1 percent of the same group is enrolled in an educational institution in 2007. Comparing the different MI-schemes, recipients of introductory and initial benefit are more successful when it

⁶⁰ CASA 2009: 39-40.

⁶¹ Ibid.

comes to getting employed are starting an education. Another significant difference between the types of MI schemes is that the proportion of recipients who have succeeded in exiting the MI schemes over the period is higher among those who received initial and introductory benefits than it is among those who have received reduced benefit during the same period of time.

2.3.2 Effectiveness in terms of incentives to work

The issue of effectiveness of incentives to work is very relevant for this review of the Danish social assistance system since much of the recent policy development in this area has had as its main objective to increase labour market attachment by the means of increased incentives. Recent policy developments to this end include:

- Initial help (1.7.2002);
- Reduction of cash benefit to married couples after six months (1.1.2003);
- Increase in employment tax deduction for all married cash benefit recipients after they have received six months of cash benefit (1.1.2003);
- Maximum limit of cash benefit (1.1.2004);
- 300 hours rule (1.4.2007).

When assessing the effectiveness of incentives, the critical questions are to what extent individuals addressed by an incentive scheme gain, or put more effort to gain, attachment to the labour market when compared to other groups. Another central question is if the response to incentives differs among individuals from various groups and, if so, to what degree the design of the incentive schemes takes into account such differences, i.e. the aspect of target efficiency.

In theory, it is understood that an increased compensation level – referring to the difference between the guaranteed income level under state income support and the potential income level on the labour market – will increase the rewards from working more extensively towards the goal of finding a job.⁶² This assumption relies on two other assumptions:

- Firstly, it is assumed that the reduction of the compensation level do not have a negative impact on other factors affecting the ability of an individual to find a job, for example health status, ability to work and social integration.
- Secondly, it is assumed that extended efforts to find a job will increase the likelihood of finding a job.

In the context of changes in the active social policy in Denmark in 2003, an upper limit was set for the benefits ensuring that the value of the benefits never exceeds wages. The purpose of this policy reform was to increase the incentive for unemployed to find a job. An evaluation of the establishment of an upper limit to benefits was conducted by the Danish Institute of Social Research in 2005. The evaluation comprises an investigation of the reform's effects both for the job searching behaviour, i.e. incentives to find a job, and the effects for the financial situation of those people affected by the policy change, i.e. the aspect of poverty reduction. Some of the main findings of the evaluation are:

⁶² Beskæftigelsesministeriet 2006:57.

- When investigating the short term effects for labour market participation, the evaluation shows that the group affected by the policy change has not increased their labour market attachment more than those unaffected by the policy. One of the reasons behind this lack of improvement may be that the individuals addressed by the incentive scheme have a broad range of problems apart from being unemployed. Among the respondents of the evaluation, more than half of the group answered that they never had a real job. Furthermore, approximately three quarters of the respondents only spoke little or very limited Danish and a big share suffered from health related problems.
- To assess the likelihood of increased labour market attachment effects in the future, the evaluation has interrogated the respondents on whether they are more interested in finding a job now as compared to before the policy change. The results show that there are no large effects; approximately two thirds of the respondents say that they are interested in finding a job but merely one third are actively searching for a job. Turning to the intensity of job searching activity, the evaluation reveal that the group of respondents affected by the maximum limit of cash benefit has increased their efforts slightly when compared to the non-affected group. The willingness to accept a broader range of job offers has, however, remained unchanged.
- Turning instead to the impact of the “loft” for the financial situation of affected individuals, i.e. the aspects related to poverty reduction, the policy change has clearly affected the individual’s financial resources negatively making it more difficult to pay the house rent and down-payments of loans. Also, the respondents affected by the “loft” have experienced greater difficulties of holding a vacation outside of the home area, buy new clothes and visit a dentist.⁶³

Turning instead to initial benefit, the most recently established social assistance scheme, which was established the objective to increase incentives to get a job foremost among immigrants and refugees⁶⁴. Initial help has, since it was implemented, been subject to a heavy debate among politicians, researchers and “advocacy groups” about whether or not it is possible to sustain a living on the income support and whether or not the recipients has the means to respond to the incentive scheme. The next figure contains the main conclusions from studies of initial help and introductory benefit.

⁶³ SFI 2005: 10-12.

⁶⁴ It could be mentioned that the objective behind this MI-scheme generally were perceived to increase incentives to work. However, representatives of the Danish People’s party also emphasized that it was put to work in order to make Denmark less attractive to immigrants, thereby decreasing immigration. CASA 2003.

Figure 2.9. Overview of evaluations

Evaluation	Methodology	Primary Results
CASA (2004) ⁶⁵	Analysis of register data	<ul style="list-style-type: none"> ▪ The success of the MI-scheme in leading to increased labour market attachment depends to a large extent on recipients characteristics such as language competences, personal network and cultural background. ▪ Among resourceful group, the MI-scheme seems to have had an effect in increasing labour market attachment. ▪ The effect in terms of increasing job participation is most significant among people of Danish origin, thereafter immigrants of western origin, and least efficient for immigrants of non-western origin. The lack of effect for the latter group mean that for non-western immigrants the MI-scheme merely consist of a decrease in living standards and worsened financial standing.
Ministry of employment (2005) ⁶⁶	Analysis of register data	<ul style="list-style-type: none"> ▪ In relation to the impact on increased labour market attachment, the study concludes that individuals receiving introductory support of the size of initial help were more successful in being self-supporting than those receiving support of the size of regular cash benefit level.
CASA (2006) ⁶⁷	Analysis of register data and interviews	<ul style="list-style-type: none"> ▪ Register data shows that approximately 33 percent of the non-Danish recipients has become self-supporting over a period of 2,5 years. ▪ When asked to asses the most important factors behind the transition to self-support, caseworkers find self-esteem and personal motivation to be the most important. The second most important factor is language. Economic incentives are ranked as the third most important factor but are not perceived as a crucial element in the transition to self-support. ▪ Based on interviews with refugees and caseworkers, the study concludes that one of the reasons behind the limited response to incentives are that the impoverished conditions has a negative impact on the recipients self-esteem which, in turn, has a negative impact on the ability to gather the energy required for finding a job. Another reason mentioned is low health status.
University of Århus (2007) ⁶⁸		<ul style="list-style-type: none"> ▪ The impact of the lower benefit on the probability of gaining labor market attachment is close to zero during the first two years of residency in Denmark. For refugees who have spent more than two years in Denmark, initial benefit is associated with a positive impact on the probability of getting employed. ▪ During the first year of residence in Denmark, the initial benefit has a positive impact on the probability that the recipients will exit the labour force. ▪ The effectiveness of incentives differs between groups. There is no significant impact for the least educated women. The biggest impact is seen for men (as opposed to women) and highly educated individual.

⁶⁵ Hansen og Hansen, CASA 2004.

⁶⁶ Beskæftigelsesministeriet, 2005.

⁶⁷ Blauenfeldt and Adam, CASA 2006.

⁶⁸ Rosholm and Vejlin 2007.

Judging by the results of the evaluations presented in the figure above, the evidence of the effectiveness of incentives is ambiguous. Incentives seem to have had an impact on some recipients while at the same time the less resourceful, in terms of health status, language competences etc., have been put in a relatively worse position due to the scheme. As mentioned in the beginning of this section, an incentive scheme must, in order to work effectively, take into account the specific characteristics of the target group.

In this context, DORS review of poverty in Denmark put forward the recommendation that refugees in Denmark, rather than receiving "Start help" due to not having stayed long enough in the country, should be eligible to regular cash benefit during the three year long introductory period⁶⁹. According to DORS, this particular group would increase their chance to become self-sufficient should they receive regular income support.⁷⁰

Apart from limited capabilities in terms of health and mental status along with lacking competences, another factor which having been discussed as an explanation behind the absent response to incentives is that, for some individuals, the marginal gain from the transition to self-support is very little.⁷¹ Furthermore, the transition to becoming partly self-supportive, i.e. taking a part-time job, yield an even more limited marginal effect on earnings as due to reductions in income support. As an example, a single recipient of cash benefit will, apart from a deduction of 13 DKK per working hour, get a reduction of the income support equal to the amount of the earnings resulting in an effective marginal tax on labour of 91,1 percent if the hourly income is 100 DKK.⁷² An extra income may also affect the amount of supplementary for large housing expenses negatively. However, the level of income will be larger given that the recipient is able to find a full-time job.⁷³

⁶⁹ For a more extensive description of the eligibility criteria chapter 1.

⁷⁰ DORS, Dansk økonomi efterår 2006, p 275.

⁷¹ BM Starthjælp.

⁷² Rådet for Socialt udsatte, Årsrapport 2007.

⁷³ Beskæftigelsesministeriet 2006.

3. Link between MI schemes and the other two pillars of the active inclusion strategy

3.1 Support to MI recipients in terms of (personalised) employment and training programmes

In Denmark, activation schemes, such as employment and training programmes, linked to MI schemes are designed to serve mainly two purposes. Firstly, support in terms of employment and training programmes aim at improving the unemployed peoples capacity and skills. Secondly, at the same time, the activation schemes are designed to the purpose of restricting the amount of freely disposable time for claimants of support and, thereby, increasing the incentive to find a job. These two components of the activation schemes go well in hand with the overall notion of the Danish welfare state: all citizens have a responsibility to take an active part in society (e.g. through labour), but on the same time, the State is responsible for ensuring all citizens a financially secure and respectable way of life, so that no one falls through the social safety net. In this section, we will mainly, in a rather descriptive manner, present relevant policies and initiatives launched primarily, or partly, to the objective of increasing the labour market attachment among MI-recipients. Prior to that step, we will give a short introduction to the concept of active Danish labour market policies and how these have their impact have increased since the 1990s.

3.1.1 *The active Danish labour market policy*

The Danish labour market policy builds on the principle that unemployed people receiving public support need to be active in seeking employment or if not probable, upgrading their skills and qualifications to correspond the demands of the job market. One of the overall objectives of the Danish labour market policy is to help MI recipients to find employment quickly so that they will be able to support themselves and their families⁷⁴.

In terms of labour market reforms particular in the 1990s, there was a shift towards more active labour market policies in Denmark. Attention was increasingly paid to upgrading the skills of the unemployed in order to equip them to take advantage of new job opportunities, while equally strengthening their right to draw unemployment benefits in conjunction with their obligation to be available for work. Additionally, job activation was no longer just a right but also a duty for all unemployed.

There have been a series of reforms since then. The main focus has been to ensure a flexible labour market, combined with unemployment benefits and the right and obligation to participate in activation measures. Regulations that impose greater activation obligations, sanctions for refusing to take part in activation measures, tougher availability rules and an upper limit for social security payments have been put into effect to motivate and create work-incentives for the unemployed on social assistance⁷⁵.

In 2003 the labour market reform "More people into employment" took effect resulting in a reduction in the measures of employment into three different measures:

⁷⁴ <http://www.bm.dk/sw6498.asp>

⁷⁵ Hendeliowitz and Hertz:2008.

- guidance and skill enhancement;
- traineeships in public or private sectors jobs;
- jobs on special terms / wage subsidised employment schemes.

These measures apply to all groups of unemployed – recipients of unemployment insurance, recipients of social assistance and initial help etc.

On top of these measures, a number of additional measures are available. One of these is a mentor system with the purpose of facilitating the introduction in the work place for people who attend one of the three (above) mentioned activities.

The active labour market policies aim among other things at people receiving unemployment benefits or initial help and at the same time are considered by authorities as having low qualifications or skills in relation to the labour market, labeled “low match groups” (in reference to employment match-categories). Persons who receive early retirement pension are also encompassed by the act. These groups that are especially challenged by unemployment are typically offered guidance and skill enhancement – often in the context of specific projects or training targeted these group’s special needs.

All recipients of cash assistance must also be allocated a job plan. This plan describes goals and means of employment relevant to and individually designed for the job seeker in question. In the case of socially disadvantaged groups it can furthermore include activities aimed at improving the physical, mental and social conditions of the cash recipient, ultimately bringing the socially disadvantaged small steps closer to entering the work force.⁷⁶

“A new chance for everyone”

In Denmark the municipalities are responsible for unemployed citizens without insurance returning to the labour market, as mentioned in the introduction of this section. One of the government’s recent initiatives, as to get the unemployed back in the labour market as quickly as possible, is the strategy “A new chance for everyone” calling for all local authorities to offer all passive claimants on MI schemes a new chance of activation or employment. Initially the project was part of an integration plan focusing on education and employment of ethnic minorities³. The government set aside 580 million for *A new chance for everyone* and the project was initiated on 1 July 2006. The municipalities were allocated additional funds for two years to go through all their cases involving all social and initial help assistance claimants who had been passive for at least one year⁷⁷. The local authority then decided whether the unemployed person could be referred to a job, ordinary training or education, or whether job training, on-the-job training, rehabilitation or whether other services should be offered to pave the way towards the labour market. An additional goal of the program was to offer relevant training or education to all young, unemployed people that under the scheme would be obliged to apply for admission to educational programs.

⁷⁶ Ramboll 2006.

⁷⁷ <http://www.kl.dk/bin/0e3b9074-0234-47f3-8e7c-53ecc74b069b.pdf>

The action plan “*A new chance for everyone*” encompasses three targets:

- 1) The first target states that 25% of the group of passive social or start-help assistance claimants must have started education or job within a two year period.
- 2) The second target is that the group must – in the course of the next two years – become able to support itself 15% of the time on average.
- 3) The third target states that the group must on average be in job activation jobs minimum 40% of the time in the coming two years⁷⁸.

“*Step Model*”

The municipalities have a number of tools to help unemployed MI recipients return to the labour market. One of the most popular is the so-called “*Step Model*”. This model has three steps to bring the unemployed closer to the labour market.

The first step is a brief guidance and skills upgrading process where the unemployed participate in special projects and training programmes, e.g. Danish language courses, for a period up to six weeks. The process is aimed at developing and uncovering professional, social and linguistic skills of the individual. The second step offers the unemployed in-service training either at a public or a private workplace. An in-service training process takes between four and 13 weeks. Here, the individual is introduced to an industry and a specific company where he or she will be assigned a mentor to provide support both professionally and socially and an introduction to the written and unwritten rules of the company. The third step and last step is employment in a company with a wage subsidy from the municipality. Such employment may last up to one year and the objective is to teach and re-train the professional, social and linguistic skills of the unemployed, help him or her find a job and keep it or ensure inclusion in the labour market.

There is no requirement that the unemployed has to go through all three steps in the model. Depending on the competences of the individual, he or she may go directly to employment with a wage subsidy⁴.

New paths to employment

In March 2006, the Government presented its employment strategy *New paths to employment*. The project lasts for five years and consists of 14 initiatives aimed at helping mentally ill people and other disadvantaged groups receiving social assistance to enter the labour market or starting an education. The employment strategy will target individuals, workplaces and public activities. Thus, the strategy aims to improve the individual’s personal, professional and social competences so that mentally ill people and other disadvantaged groups can manage in the labour market or the educational system and enable the individual person to maintain a job⁴.

⁷⁸ Ministry of Social Affairs & Ministry of Interior Affairs and Health 2006.

Activities on the fringes of the labour market

In 2005, the Government set up a *pool for social activation* aimed at offering socially disadvantaged people with comprehensive problems besides unemployment the opportunity to achieve a life of meaningful activities. Typically, the activities will be on the fringes of or outside the labour market. The pool for social activation is set at DKK 3m annually for four years. The Government allocated more funds to the pool in 2006, having added close to DKK 42m in total over three years.

To ease the difficult transition to a non-government supported job, the Government set up a pool in 2005 to establish a *special mentor scheme* located at drop-in shelters. The idea is for people attached to the shelters to assist socially disadvantaged people in their occupational reintegration and support them with advice on how to behave at a workplace. At the same time, a mentor can also relieve companies of some of the problems surrounding new appointments of employees with special difficulties. The pool is set at DKK 10m annually for four years. Currently, the mentor scheme is being established at 17 drop-in shelters in Denmark.

A *temp scheme* aims to offer temps to companies that undertake to employ socially disadvantaged people who often have problems showing stable attendance in transition periods. The scheme aims to indemnify employers in cases of absence. The pool is set at DKK 5m annually for four years⁴. This scheme is an example of how contemporary employment strategies seek to compensate for the special demands that socially disadvantaged people may have, ultimately resulting in a more inclusive labour market that not only accommodates the traditional, often non-flexible 37,5 hours a week job.

Our Collective Responsibility II (Det Fælles Ansvar II)

The aim of this programme is designing further initiatives to improve the quality of life for all marginalized people in Danish society, and at the same time, bringing the socially marginalised closer to the labour market. Funded with 600m DKK over four years it is one of the biggest social policy government initiatives in recent years. Within the common overall aim of the program, individual projects are designed to target a specific socially disadvantaged group and bring them closer to reaching individual goals and in the long run, qualify them for some form of employment. Our Collective Responsibility II is an example of how the government tries to incorporate employment aspects into social policy, which is not a new concept, but nevertheless a trend in recent years.

To sum up, a wide number of initiatives show the strong emphasis on active strategies to open up new entries to the labor market for MI-schemes claimants.

3.2 Support to MI schemes in terms of access to quality services

As outlined in chapter 1, there are a number of supplementary support schemes, including access to quality services as for example to children day care. In this section we will try to address the question as to how large an impact these additional support schemes has on the welfare and financial standing of MI schemes claimants, i.e. the aspect related to the adequacy of MI-schemes. It should be mentioned that figures which cast light on the total income of MI scheme claimants are scarce as data sources are not integrated in a way that support such analysis on the level of individual claimants.

In hypothetical estimates, performed by the Ministry of Finance, on the impact of housing benefits on household disposable income, given a number of assumptions regarding size of rent, type of child care etc., some indication is given as to the significance of housing benefits for various household types and types of MI schemes⁷⁹. In relation to family type, the largest contribution on disposable income is seen for single parents, irrespective of source of income. For married/cohabiting couples, the impact on disposable income is more limited. At the same time, the estimates reveal that, irrespective of family type and source of income, housing benefits make a positive and significant contribution to the disposable income of households. The estimate also indicates that, although the contribution is significant, it is relatively limited as a consequence of the maximum limit of allowances which radically limit the sum of support in the form of cash/initial benefit, supplementary support and housing benefits to individuals who have been receiving support for a period exceeding six months⁸⁰.

⁷⁹ Velfærdskommissionen 2005.

⁸⁰ Ibid.

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