ESPN Thematic Report on integrated support for the long-term unemployed

Denmark

2015

Jon Kvist
May – 2015
EUROPEAN COMMISSION

Directorate-General for Employment, Social Affairs and Inclusion
Directorate D — Europe 2020: Social Policies
Unit D.3 — Social Protection and Activation Systems

Contact: Valdis ZAGORSKIS
E-mail: Valdis.ZAGORSKIS@ec.europa.eu

European Commission
B-1049 Brussels
ESPN Thematic Report on integrated support for the long-term unemployed

Denmark

2015

Jon Kvist
The European Social Policy Network (ESPN) was established in July 2014 on the initiative of the European Commission to provide high-quality and timely independent information, advice, analysis and expertise on social policy issues in the European Union and neighbouring countries.

The ESPN brings together into a single network the work that used to be carried out by the European Network of Independent Experts on Social Inclusion, the Network for the Analytical Support on the Socio-Economic Impact of Social Protection Reforms (ASISP) and the MISSOC (Mutual Information Systems on Social Protection) secretariat.

The ESPN is managed by LISER and APPLICA, with the support of OSE - European Social Observatory.

For more information on the ESPN, see: http://ec.europa.eu/socialmain.jsp?catId=1135&langId=en
Contents

SUMMARY ................................................................................................................................. 6

1. BENEFITS AND SERVICES SUPPORTING THE LONG-TERM UNEMPLOYED .................. 7
   1.1. Income maintenance during unemployment ................................................................. 7
   1.2. Services for the unemployed ...................................................................................... 8
   1.3. Linking activation and benefits .................................................................................. 9
   1.4. Age specific rules and schemes .................................................................................. 9

2. COORDINATION BETWEEN SERVICES TOWARDS A ONE-STOP SHOP APPROACH ....... 10
   2.1. Cross-disciplinary measures demand strong coordination ......................................... 10
   2.2. One-stop shop organisation ........................................................................................ 10
   2.3. Minimum standards and inequality ............................................................................ 11
   2.4. Exchange of data through new technology ................................................................. 11
   2.5. Public-private partnerships ......................................................................................... 11

3. INDIVIDUALISED APPROACHES .................................................................................. 11
   3.1. Characteristics of the long-term unemployed ............................................................... 11
   3.2. Activation support ...................................................................................................... 11
   3.3. Activation over the benefit period and across groups .................................................. 12
   3.4. Future developments ................................................................................................. 13
   References ......................................................................................................................... 15

4. OVERVIEW TABLE .......................................................................................................... 16
Summary

The classic Danish flexicurity model combines a rather loose employment protection legislation with access to relatively generous benefits for low income groups (and less generous for middle and high income groups), universal social services and extensive active labour market policies. For the long-term unemployed, the near absence of employment protection legislation has the advantage of lowering employers’ typical reluctance to hire people who have been out of work for long periods.

Job centres are the single point of contact for the unemployed and companies wanting to hire or train the unemployed. Benefits and activation services are linked. There is coordination and data exchange between employment and social services. Rules on eligibility, availability, benefit formulas and sanctions and various employment services are defined in national legislation and largely administered in a standardised way, though at the municipal level authorities are allowed to adapt to local needs. Services are mostly meant to be tailored to individual needs.

Use of IT is wide and growing. On Jobnet.dk companies announce vacancies and search for workers, the unemployed look for jobs and upload CV and documentation for job searches, and case workers use information to improve and make services more effective. On Jobindsats.dk all actors can access timely data on instruments, target groups, outcomes and much more arranged by time periods, municipalities, and regions.

Individual job plans are now supplemented with individual contact plans at the start of unemployment spells and, if need be, also with rehabilitation plans. The individual is assigned a coordinating case worker who is the contact point for the individual and who coordinates holistic cross-disciplinary measures by teams of health, social and educational professionals. The individualised approach is thus very developed and steps have been taken in recent years to prevent gaps between different agencies’ measures.

Recent policy trends have been toward less security through a reduction of unemployment insurance benefit periods and stricter criteria for becoming re-entitled to unemployment insurance and a re-orientation of active labour market policies.

The halving of the unemployment insurance period from four to two years and the increased work demand from 26 to 52 weeks before becoming re-entitled to insurance benefits in 2010 have lowered the extent to which the long-term unemployed are covered by the unemployment benefit scheme. Yet at the expiry of their 2 years entitlement most people have either found jobs or moved onto one of several temporary unemployment benefits created to avoid their migration to social assistance benefits.

The main trends in the re-orientation of active labour market policies can be summarised as follows:

- More interviews and counselling at the beginning of the unemployment spell
- More education and company-based measures in the later parts of the unemployment spell
- Less intense activation after the education and company-based measures
- More cross-disciplinary rehabilitative measures

Denmark spends relatively more than other countries on employment policies. This is in part because of the role of active labour market policies in the flexicurity model and
in part because almost all adults out of work are living off a social security benefit (i.e. extremely high coverage and benefit take-up). 1

Further changes are to be expected as on 17 March 2015 the Koch II Expert Commission made its second series of recommendations on how to get people on the margins of the labour market into work. The recommendations fall into three categories:

- New company oriented measures
- Strengthened cross-disciplinary measures
- Targeted education

The stronger emphasis on company-oriented measures and education is noteworthy because these instruments have hitherto mostly been aimed at the strongest groups of unemployed. As the Koch I Commission recommendations on employment policies to the insured unemployed have been followed in the main, it is likely that these proposals will also be adopted.

1. Benefits and services supporting the long-term unemployed

The Danish flexicurity model combines a rather loose employment protection legislation with access to relatively generous benefits (generous for low income groups, less so for middle and high income groups), universal social services and extensive active labour market policies. 2

1.1. Income maintenance during unemployment

There are a number of benefits for people who are unemployed. When the unemployed fulfil the eligibility criteria for the voluntary unemployment insurance scheme they have access to non-means-tested benefits. To qualify the person must have worked 52 weeks within the last three years, been a member of an unemployment insurance fund for one year, registered as unemployed at the local job centre, and document job search each week at Jobnet.dk.

The unemployment insurance benefit is relatively generous for low income groups, but due to a benefit ceiling, lower for middle and, especially, high income groups. 3 In 2015 the benefit amounts to 90% of former earnings with a daily ceiling of €111. 4

If the unemployed have failed to meet or exhausted their entitlements they can draw on social assistance which is means-tested at the household level. In 2015 the monthly social assistance benefit is €1,454 for persons without dependent children and €1,932 for persons with dependent children. However, persons under 30 years of age with an education get a monthly benefit of €937 or, if they have dependent children, €1 847. In addition there are special rules and amounts for persons under 30 years without an education.

In 2010 the unemployment insurance benefit period was halved from four to two years and the criteria for becoming re-entitled to unemployment insurance were

4 The currency exchange rate was €100 equals DKK 746.20 on 21 April 2015 (Nationalbanken 2015).
tightly from 26 to 52 weeks of work. As the economy failed to pick up, the shorter benefit period and the stricter re-entitlement criteria lead to a growing group of insured unemployed losing their right to unemployment insurance benefits. To avoid this group resorting to social assistance and while waiting for the proposals from a Government Commission for a new Unemployment Insurance Scheme due in August 2015, a series of temporary benefits has been introduced.

The temporary benefits include: the non-means-tested temporary labour market benefit *(middeltidig arbejdsmarkedsydelse)* at 60% of the maximum unemployment insurance benefit or 80% if there are dependent children; the educational benefit *(uddannelsesydelse)*; and the new cash benefit *(kontantydelse)*, which replaces the temporary labour market benefit. Three years is the maximum benefit period for the combined unemployment insurance, temporary labour market benefit and the cash benefit. All temporary schemes are scheduled to be phased out by the second half of 2017. The expectation is that the next Government based on the Commission’s proposals will have adopted and implemented a new Unemployment insurance system by then.

People out of work for more than one year, which is the working definition of long-term unemployed applied in the guidelines for this report, may not only be on unemployment insurance including the temporary benefits and social assistance but also on sickness benefits or seek to claim a disability pension. There is in other words not a particular scheme for long-term unemployed but a series of schemes. In the policy debates the definition of people at the margins of the labour market has similarly changed notably over the last 20 years to encompass not only the unemployed on unemployment insurance and social assistance but also persons on sickness benefit, disability pension and various other schemes. For the sake of clarity this report will concentrate on long-term unemployed on either unemployment insurance or social assistance and make reference to other groups when relevant.

### 1.2. Services for the unemployed

There are a wide range of services that the unemployed may access, some of which are targeted at the unemployed while others are of a general nature.

The unemployed and their relatives have the right to social, educational and health services as any other groups in Denmark. Comprehensive, highly subsidised childcare and eldercare is neither part of active labour market policies nor targeted at the long-term unemployed. Nevertheless they are important also to the long-term unemployed with care dependants to help balance work and family life.

However, when the unemployed are making the transition into employment they sometimes face high marginal effective tax rates because, if at all, tax and childcare fees rise with income and housing allowances decrease. High marginal effective tax rates for low income groups constitute a barrier for getting the long-term unemployed into work.

Active labour market policies comprise a broad provision of services that differ across benefit schemes and target groups. Depending on the client’s individual and family situation, activation offers span job search counselling, mentor schemes, wage subsidies, on-the-job training, and education.

Over the last years more and more emphasis has been put on company based schemes as these have proven the most effective, probably because of the network

---

effects that do not exist in other schemes. The Koch-Commission II has made a number of recommendations for how to involve companies more, also for the long-term unemployed (i.e. those at the margins of the labour market), see section 3.4.

The long-term unemployed are entitled to adult vocational training (voksenlærlingeordning). As part of its recommendation to use education more for people at the margins of the labour market, the Koch-Commission II recommends to expand the adult vocational training scheme. The other two recommendations for more use of education concern a targeted rehabilitation scheme and better assessments of the competences of persons drawing sickness benefit.

### 1.3. Linking activation and benefits

Linking benefits with activation has been a hallmark of Danish employment policy since the reforms in 1994.

With the Employment Policy Reform of 2015, the requirement that the unemployed participate in one activation measure after another has been abolished.

Today, the unemployed (both on unemployment insurance and social assistance and a range of other schemes) will get an individual contact plan quickly after contacting the job centre. The contact plan must be made within three months after the onset of unemployment for insured unemployed and within one week for social assistance claimants. It gives the unemployed three talks with the job centre in the initial phase of unemployment to help the person get into work, education or identify steps needed to get into work or education.

In addition the unemployed and the job centre write up a job plan, and, if necessary, a rehabilitation plan that identifies the possibilities of getting a permanent foothold on the ordinary labour market. If the person is a foreigner the job centre will also make an integration contract.

With the Social Assistance Reform of 2014, claimants became entitled to a coordinating case worker responsible for the cross-disciplinary measures and who coordinates all measures with the relevant authorities.

The new way of linking benefits is through resource process programmes (ressourceforløb), see section 3 for more.

### 1.4. Age specific rules and schemes

There are age categories in some schemes. Aside from schemes falling under the Youth Guarantee, the Social Assistance Reform 2014 decreed that youth under 30 years of age be divided into two groups. Educational measures are directed at those without a labour market education. Labour market measures are given to those who have a professional education. Benefit levels are lower for those under 30 years and without education, see point 1.1.

The Disability Pension Reform 2013 introduced a distinction between those under and over 40 years of age. Those above 40 years are less often subject to assessment of the possibility to return to work. Those under the age of 40 are as a rule of thumb not eligible for disability pension but will be subject to intense measures to get them to return to work. In plain English, more efforts are made to get young potential disability pension claimants into work than older potential claimants.
2. Coordination between services towards a one-stop shop approach

Municipalities are responsible for employment and social policies for the unemployed.6

The municipalities run job centres that are responsible for servicing the unemployed and companies. The job centres coordinate all measures with all other actors.

The municipality can deliver services itself or it can make a contract with other agencies to undertake tasks.

There are differences between municipalities’ policies, also because their economic, demographic, socio-economic composition and local labour markets vary.

2.1. Cross-disciplinary measures demand strong coordination

The cross-disciplinary rehabilitation teams established for disability pensioners in 2013 and people on sickness benefit in 2014 have shown themselves to be effective.7

Cross-disciplinary rehabilitation has been extended to the unemployed. If someone long-term unemployed is required to go through rehabilitation, a rehabilitation plan is first drawn up by a case worker with the person concerned. The rehabilitation plan consists of a basic part and a part on the measures to be taken. The basic part contains information on the persons’ work and educational goals, description and documentation of the individuals’ employment, health and social challenges and resources as well as an assessment by the general practitioner on the person’s employment prospects.

The part on the measures to be taken is written up by the coordinating case worker on the basis of the recommendations of the rehabilitation team.

2.2. One-stop shop organisation

The job centres are the single point of contact for the long-term unemployed on unemployment insurance benefits, temporary benefits and social assistance. The job centres help all people out of work. There are 94 job centres in Denmark’s 98 municipalities. Almost all municipalities have a job centre and a few municipalities have joint job centres.

The job centres are also the single point of contact for companies wanting to hire or train the unemployed. Job centres have four tasks:

- support recruitment if a company lacks workers
- make job openings visible
- find jobs for the unemployed with difficulties entering the labour market
- help people in work who need special solutions to keep their work

---

6 The payment itself of social security and social assistance is delivered by Udbetaling Danmark on behalf of the municipalities.

2.3. **Minimum standards and inequality**

National legislation sets rules on eligibility criteria, availability, benefit formulas, and sanctions as well as mandated resource process programs, job clarifying schemes (*jobafklaringsforløb*), and rehabilitation teams (*rehabiliteringsteam*).

However, there is also wide discretion for municipalities to tailor employment policies to their local context. The more autonomous actors are, the more differences, or inequalities, can be expected.

To motivate municipalities to design their policies in certain ways, state reimbursement of municipalities reward municipalities that offer activation and reduce the number of long-term unemployed.

In March 2015 the Koch-Committee launched proposals how to make the job centres work better with employers.

2.4. **Exchange of data through new technology**

Much of the case work has become digitalised to become more effective. For example claimants are required to submit job applications and upload these to a job log (*jobnet.dk*) that is part of the file on the person. This helps coordination between different agencies.

The Ministry of Employment also run an online database, *jobindsats.dk*, with information on social security and activation for everyone in Denmark. Anybody can assess the database. Municipalities can, for example, see how they are doing in comparison with other municipalities or the country average on any dimension they want such as the number of persons activated or social assistance.

2.5. **Public-private partnerships**

The best employment effects come through company-oriented activation schemes.

Municipal job centres enter partnerships with private actors. There are many partnerships between job centres and local employers, between jobcentres and private providers of services, and between job centres and educational institutions. The nature and extent of public-private partnerships varies between municipalities.

3. **Individualised approaches**

3.1. **Characteristics of the long-term unemployed**

The take-up of social assistance cover many different groups, with an over-representation of low skilled persons from ethnic minorities, jobless households, and persons living in social housing.

The Koch II Committee estimates that there are 500,000 vulnerable persons on social assistance, sickness benefits and other benefits.

3.2. **Activation support**

Denmark has very extensive activation support, and the type, timing and sequencing will be tailored to the individual unemployed. Three reforms on, respectively, disability pension, social assistance and sickness benefits have in common an emphasis on more cross-sectoral, and cross-policy thinking, moving away from thinking of people in silos, by introducing resource schemes, job clarifying schemes and rehabilitation teams.
Mentor schemes have proved effective. Mentor schemes can be offered to help individuals get or keep activities, offers, education, or work. Persons with a psychiatric diagnosis who are leaving institutional care are entitled to a mentor for three months before leaving and for at least six months after leaving. Companies and educational institutions can also take on a mentoring function.

Bridging offers are particularly effective for youth (defined broadly up to the age of 40 in the case of disability pensions and rehabilitation). Bridging is when people are assisted to move from one place to another, for example from education into work or from unemployment into work.

3.3. Activation over the benefit period and across groups

The concentration and type of efforts vary over the benefit period and also across different target groups. There is a growing realisation that the timing and sequencing of measures matter a lot, both of which underpin the re-orientation of employment policies for the insured unemployed and those at the margins of the labour market.

If we divided the unemployment spell into three stages, first, second and third stage, then evidence suggest that meetings with the unemployed early in the unemployment spell have positive effects. In the second period, or medium term, education and workplace-oriented schemes are more effective. To allow these schemes to play a role they have to take place relatively quickly after the end of the first initial period and the schemes should afterwards be given a period to work (i.e. a period without activation schemes taking the time and attention of the unemployed away from searching for a new job). After this job search counselling measures can be offered in the third period to aid the unemployed in finding a new job.

To put it differently, mild concentration of meetings and counselling in the first period, followed by concentrated and intense, preferably company-based measures in the second period, followed by mildly concentrated job search courses in the third period.

A study by Rambøll (2013) found that 2 out of 3 municipalities run employment, social and health measures in parallel whereas the last third run measures in a sequence. When municipalities run measures in sequence they typically start with health measures, followed by social measures, ending with employment measures. There is no conclusive evidence on what sequence or packaging works best.

Efforts also depend on the target group. In general the young and unskilled will face efforts earlier than non-young and skilled and highly educated unemployed (to avoid deadweight costs and increase effectiveness).

Sanctions are increased from a warning to a temporary withdrawal of benefit if claimants refuse to take job and activation offers. There is no conclusive evidence on the effect of sanctions.

There are particularly large challenges in getting the long-term unemployed into work if they are persons with mental illness and/or from ethnic minority groups and have low skills. Here there is still a way to go to find policies that work.

---


The local job centre makes a job plan together with the unemployed. The job plan must be discussed with the person in a job talk which is part of an individual contact process. The job centre is part of the administration of the local municipalities.

3.4. Future developments

On 17 March, 2015, the Koch Commission II gave its recommendations for new employment policies for the non-insured, not-employed, so-called vulnerable citizens. This was the second report of the Koch Committee. The first report from June 2014 focused on the insured unemployed. Together the two reports provide analysis and recommendations across a broad range of issues related to the unemployed and long-term unemployed.

The Koch Commission II has made suggestions to use company based schemes more in support of the long-term unemployed, as well as a strengthening of cross-disciplinary measures.

Elements of a new company-oriented programme would be:

- Company based preparatory programmes
- A flexible wage subsidy programme for the private business sector
- Company-oriented initiatives as a prime basis for an active approach – supplemented by mentor and bridging programmes
- Extra support for the most vulnerable individuals
- Motivating people better for in-company experience and ‘useful job’ employment
- Easy and non-bureaucratic contact channels for employers
- Skills enhancement in company-oriented initiatives

The cross-disciplinary measures can, according to the Commission, be strengthened by:

- moving decision-making competences to rehabilitation teams
- improving the transition from young to adult in the various schemes
- establishing effective mentor schemes for more citizens
- ensuring a single tailored plan for every unemployed person – that extends across all public schemes and authorities
- securing quality improvements through more development of methods, pilot projects and new tools

For persons with handicap see Hagelund, J. & M.R. Larsen (2015) and Begtsson and Knudsen (2013) for an evaluation of integrated social and health measures. Gorinas and Jacobsen (2015) examine the labour market position of ethnic minority groups.


For more see both Danish language reports on www.bm.dk.

• harmonising objectives and concepts across different pieces of law
• involving the networks of the long-term unemployed and civil society

Many of the recommendations from the first report are under implementation and the government is expected to also follow most of the recommendations from the 2nd report.
References


### 4. Overview table

<table>
<thead>
<tr>
<th>Effectiveness of benefits &amp; services supporting the long-term unemployed</th>
<th>Very good</th>
<th>Medium</th>
<th>Weak</th>
<th>Gap 1</th>
<th>Gap 2</th>
<th>Gap 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income benefits</td>
<td></td>
<td></td>
<td>X</td>
<td>There is an urgent need to reform the unemployment insurance scheme</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(Government commission working on proposal due August 2015)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social services</td>
<td></td>
<td></td>
<td>X</td>
<td>Measures to reduce high marginal effective tax rates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activation services</td>
<td></td>
<td></td>
<td>X</td>
<td>Better educational measures for certain groups</td>
<td></td>
<td>Better stipulation of what is expected from companies</td>
</tr>
<tr>
<td>Effectiveness of coordination between employment, social assistance and social services</td>
<td>X</td>
<td></td>
<td></td>
<td>Strengthening of the cross-disciplinary measures and rehabilitation teams</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extent of individualised support</td>
<td></td>
<td></td>
<td>X</td>
<td>Better support for the complex group of persons with mental illness</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>