



# **ESPN Thematic Report on Social Investment Denmark**

**2015**

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**EUROPEAN SOCIAL POLICY NETWORK (ESPN)**

# **ESPN Thematic Report on Social Investment**

## **Denmark**

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## Summary

The Danish approach to social investment comes from a Nordic tradition of welfare policies aimed at maximising the realisation of human capital of all citizens, particularly enabling citizens to work and be autonomous, whilst taking care of those who cannot take care of themselves and/or cannot take part in the ordinary labour market.

The social investment policies encompass tax, employment, integration, education, and social policies. Certain social investment policies enable parents to take better care of their children and compensate certain costs related to raising children. However, the bulk of social investments are carried out in public sector programmes.

Although it is difficult to give exact numbers on the scope and quality of social investments, the public sector delivery of services is extensive with nearly 20% of the labour force working with social services, education and health. Mostly these are professionals delivering social investment policies, e.g. social workers, teachers, nurses and doctors.

Social investment policies are locally delivered. Social services and education is organised and delivered by municipalities that also have some health services, although regions are responsible for most health policies. Wide local discretion and a variety of social and economic profiles result in differences in the scope, price and quality of social investments across local municipalities and regions.

There is an integrated, comprehensive package supporting early childhood development with Denmark spending five times more on children than the average in EU. Child family allowances are particularly generous for single parents, parents with multiple children, parents out of work or in education and training. Childcare is widely available, heavily subsidised and provided by pedagogues. Childcare is an important investment in children, although the 6% of children not in childcare most likely comprise many of those children most in need of cognitive and social stimuli. Child poverty is less than half the average of EU 27 and overrepresented among single parents, unemployed parents, and ethnic minorities. Hence, social policies facilitate early childhood development for most children, including those most disadvantaged, but less so children in jobless households.

Available, affordable and good quality childcare supports parents to reconcile work and family life, i.e. mothers of children below 12 years of age work more than women without children. The most extensive long-term care in the world helps adult children with frail or care dependant parents to reconcile work and family life. Hence, social policies support the labour market participation of persons with care dependants.

Many policies that address social and labour market exclusion have been subject to new budget deals and reforms since the change of government in 2011. Notably there have been extensive reforms of social, education, health, and employment policies and targeted measures to improve the conditions for vulnerable groups as identified in a new Social 2020 strategy. The coming years will show whether policies for these groups as well as for persons in important life transitions, e.g. from prison to ordinary life and from long-term sickness or unemployment back into work.

The 2012-2015 Budgets contained some elements of social investment. Similarly, the Satspuljen has funded projects directed at vulnerable groups and targets as identified in the Social 2020 strategy. In the period 2015-2018 alone, the Satspulje will finance projects amounting to €509.5 million.<sup>1</sup>

The broader reforms are both the products of political bargaining and of the knowledge and recommendations made by Commissions. In general, policy reform has been directed towards more professional, evidence-based social investment policies supported by earmarked subsidies and aimed at increased employment, reduced inequalities, and improved inclusion of vulnerable groups.

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<sup>1</sup> In 2014 €100 equalled 745.4742 DKK (Nationalbankens Statistikbank 2015).

At the same time, the economic situation of the municipalities and regions has deteriorated and exercises in fiscal consolidation have resulted in cuts in many policy programmes, including social investments.

## 1 Assessment of overall approach to social investment

This report sets out the Danish approach to social investment and reviews policy changes since 2011.

Denmark and the other Nordic countries probably have the longest history of extensive social investment policies within the EU without ever calling this a social investment strategy.<sup>2</sup> However, a wide range of policies have been directed at social investment aims, as identified by Morel et al. (2012), including investments in human capital, supporting increased labour supply and confronting new social risks like family breakdown, low wage or unstable work, and poverty. In particular, policies have been directed at increasing employment and equalising the life chances of socio-economic groups, including children from disadvantaged family backgrounds.

The Nordic approach to social investment is very broad. Tax, education, and employment policies supplement social policies.<sup>3</sup> The whole population is covered with extensive policies from the prenatal phase right through to the grave. The perception is that investments made, at one point of time, in one dimension, may give return also later on and perhaps also in other dimensions. The aim is to maximise the realisation of the potential of all citizens, independent of their social background. High equality between rich and poor and between men and women along with high employment are the three major objectives. In Denmark, anyone who is capable of working must do so. However, there is a broad understanding that not everybody can work on market terms and/or run an ordinary family life. This shared understanding helps explain the Nordic tradition of taking particularly good care of marginalised and vulnerable groups.

Social assistance combats poverty and allows everyone to participate in society; social insurance provides income compensation for shorter leave periods such as for maternity, illness or unemployment, and earmarked benefits like child family allowances compensate part of the costs associated with raising children. In general, these social security cash benefits aim to alleviate poverty, provide some income compensation, and to avoid marginalisation. However, the backbone of the Nordic model and social investment are made by benefits in kind, primarily in the social, education, health and employment areas (Kvist et al 2012; Kvist 2015a). Extensive service policies aim to prevent bad risks like unemployment and bad health from occurring or helping individuals to exit adverse situations (Kvist 2015b). Prenatal care and early childhood education are examples of the former and active labour market policies and rehabilitation of the latter.

In this report we assess changes made since October 2011 when a centre-left coalition government with Social Democrats, Social Liberals and Socialists took government after 11 years of centre-right coalition government with Liberals and Conservatives. We investigate both policy reforms directed at marginalised and vulnerable groups like poor, homeless, and children from disadvantaged families and those directed at broader groups like families with children, the unemployed, those with illness, and older people.

One of the first acts of government was to address the situation of marginalised and vulnerable groups. The new government abolished what it called "poverty benefits" (benefits which lead to poverty rather than alleviating it) which were instigated by the previous government, including a ceiling over the total amount of social assistance a person could get, a work demand in social assistance, and the "Start help" which was special low social assistance benefits for persons coming to Denmark (for more on these benefits, please consult Kvist and Harsløf, 2013).

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<sup>2</sup> Leading figures in the Social Democratic party, including most notably the Minister of Finance Bjarne Corydon, has openly endorsed the 'competition state'. However, the concept of social investments has not been used in this context.

<sup>3</sup> Although the Nordic countries in this way may have the broadest approach to social investments in the EU we limit the assessment in this report to social and labour market policies aimed explicitly at early childhood development, parents' labour market participation and social and labour market exclusion.

In 2013, the government adopted a set of Social 2020 goals<sup>4</sup> to underpin the work social workers undertake daily for vulnerable citizens. The measures are chosen to focus on those parts of social work that are central for changing the situation of citizens.

Policies directed towards broader population groups have all been subject to recent reforms:

- Social area: the 2012 Budget and 2015 Budget aim to increase the quality of childcare. An upcoming Reform of Home Help and the 2012-2015 Budgets aim to increase the autonomy and functionality of (current and future) elderly people (Regeringen 2014a).
- Education: The School Reform of 2014 aims to diminish the importance of social background, help all students reach their full potential, increase trust and quality through among other things, professional knowledge and practice (Regeringen et al 2013).
- Health: The Health Reform of 2013 and later initiatives aim to strengthen the citizen's functionality and decrease inequalities in health (Regeringen 2013, 2014b)
- Employment: The Disability Pension Reform of 2013 and the Employment Policy Reform of 2014 aim to, respectively, rehabilitate vulnerable persons and integrate the unemployed faster in the labour market

These reforms and the 2012-2015 Budgets show the central level push toward more professional, evidence-based social investment policies supported by earmarked subsidies and aimed at increased employment, reduced inequalities and improved inclusion of vulnerable groups. Most of the reforms are not only the result of political compromises (mostly across the political centre) but also based on the work and recommendations of committees of experts, social partners, professionals associations and relevant authorities.<sup>5</sup>

However, it is at the local level – municipalities for social, education, employment and some health and regions for health – that social investment policies in kind are organised and delivered. Because municipalities and regions have faced adverse economic conditions since the crisis in 2008 along with ageing populations combined with new public management and strict fiscal regimes, there has also been a deterioration of social investment policies in a variety of policy areas in many municipalities and regions.

There are no consolidated indicators of social investments in Denmark or elsewhere.<sup>6</sup> Employment information may be one indicator of social investments as they are to a significant extent delivered by professionals working in the public sector.<sup>7</sup> In 2014, there were 730,055 full employees working in the public sector (see Appendix Table

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<sup>4</sup> There is no direct link between the Danish national EU 2020 goals and the Government's Social 2020 goals.

<sup>5</sup> For examples see Kommissionen for livskvalitet og selvbestemmelse på plejehjem (2012) and Hjemmehjælpskommissionen (2013) for long-term care and Ekspertgruppen om udredning af den aktive beskæftigelsesindsats (2014) for employment.

<sup>6</sup> Measurements of expenditures are misleading as, for example, high social expenditures may both indicate good social investment policies (as much money is spent) and also bad social investment policies (as the population is not able to take care of itself but needs expensive social policies). That said, one can disaggregate expenditures in various ways to better tap into the meaning of social investment policies and returns on such policies. For example, the amount of money spent on children from disadvantaged families may indicate the public efforts to help such children, in particular if these figures are put into perspective either through comparisons over time or between different units. The units could be countries, but there are problems of comparability and the more relevant units are more likely to be local figures as social investment policies for children from disadvantaged families are delivered at the local level. Such data is available in Denmark at the municipality level.

<sup>7</sup> This can be client-staff ratios or information on the qualifications of staff. For childcare it is common to use child-staff ratios.

1), which is equal to 25% of the labour force (Danmarks Statistik 2015a). In total, 561,879 people work full-time in the social investment areas of health (33%), education (26%) and social services (42%).<sup>8</sup> There are 22,879 more people working in the social investment areas today than in 2008 immediately prior to the crisis, which is equal to an increase of 4.1%. Within the social investment cluster there is a marked increase in full-time employees in the health sector of more than 20,000 or 12.3%, in education an increase of 3,908 employees or 2.8%, and in the social services a decrease of 1,114 employees or -0.5%.

Two parts of the 2015 Budget are relevant for coming policy changes relating to social inclusion, social protection, long-term care, and health, i.e. the general Budget agreement and the use of *Satspuljen*, (see Appendix for a description).

## 2 Assessment of specific policy areas and measures/ instruments

### 2.1 Support for early childhood development

Denmark spends comparatively more on children than most other countries, i.e. more than five times the EU 27 average on child day care ( see Appendix, Table A1). In 2012 €573 per inhabitant was spent on day care, slightly down from €590 euro in 2011 (both in 2005 fixed prices).

Overall, Danish social policies facilitate early childhood development for the vast majority of children. However, coverage problems are concentrated around those groups that are most in need of social policies supporting early childhood development. The subsidised childcare fee and voluntary nature of childcare plus the household dependent social assistance and child family allowances has three adverse effects. Firstly, unskilled, ethnic minority groups and other groups where formal childcare is not the norm may choose not to make use of childcare. Secondly, single parents may choose to remain single because the child allowances (and housing allowances) are higher for single parents. Finally, unemployed parents on social assistance (couples or single-person households) may refrain from taking up work because as not only their social assistance but also their housing allowance may be reduced and childcare fees may be increased when they are receiving income from work. Working against childcare take-up, dual adult household and parents in work undermine early childhood development.

Comparatively few children are at risk of poverty. In 2013, 8.5% of children under 18 were at-risk-of-poverty (AROP) compared to an average for the EU of 20.3. The same year 15.5% of children were at-risk-of-poverty-or-social-exclusion (AROPE) compared to the EU average of 27.6.

According to Eurostat, 4.4% of children less than 18 were at persistent risk of poverty in 2013. However, in 2009 the share was 0.8% over 10.1% in 2010 and 5.0 in 2011. These fluctuations are probably more a reflection of the quality of the EU SILC survey data than of reality.

Child poverty is overrepresented among single parents, unemployed parents and ethnic minorities (Ekspertudvalget om fattigdom 2013, Økonomi og indenrigsministeriet 2014). There is no child poverty strategy in Denmark, but rather children's poverty, inclusion, and social mobility are central parts of the general policies addressing poverty and children's learning and inclusion (see below).

Child families can get child family allowances and various child allowances. In general allowances are financed through general taxation, tax-free and paid out each quarter. There are six types of child allowances:

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<sup>8</sup> Of course, far from everyone working in these three areas deliver social investment just like there may also be some employees in other sectors that undertake social investments. However, looking at the development from 2008 to 2014 we may get an idea of whether social investment policies have been on the rise or in decline overall and within each of the three core sectors.

- Universal child family allowances
- Multiple child allowance
- Single parents' child allowance
- Special child allowance where one or two parents are absent
- Studying parents' child allowance
- Supplementary child allowance

In addition studying parents may be eligible for the study grant with a dependant allowance (*SU med forsørgertillæg*).

The size of the tax-financed, tax-free universal child family allowances (*børnefamilieydelse*) depends on the family status and the age and number of children. Child family allowances are paid to parents with children below the age of 18.

The child family allowance became income-tested on 1<sup>st</sup> January 2014. Child family allowances are reduced by 2% of the earnings of each person in a single or (married) couple household that exceed €96,999 in 2015. For example, a married couple with one person earning €40,136 and the other person €120,409 has a 2% reduction on €23,410 (€ 120,409 minus € 96,999) equal to €468. If the two people in this example were not married there would be no reduction. If a household consists of two married persons each earning €80,486, there would be no reduction as neither has an annual income exceeding €96,999.

Parents of multiple children being born or adopted at the same time and that live in the same household are eligible for the child allowance for multiple children (*flerbørnstilskud*). The tax-free multiple child allowance is €1,182 annually for each child after the first child. For example, twins are eligible for one multiple child allowance, triplets are eligible for two allowances and so forth.

Single parents can qualify for child allowances (*børnetilskud*) if they are de facto singles. The tax-free child allowance consists of an ordinary child allowance and an extra child allowance. Single parents can get the extra child allowance if they get the ordinary child allowance and the child lives with them. The ordinary child allowance is paid for each child whereas there is only one extra child allowance, independent of the number of children.

The special child allowance (*særligt børnetilskud*) is for situations where it cannot be determined who the father is or when one of the parents dies. The annual tax-free special child allowance is €1,831 with a supplement of €238. If both parents die, the special child allowance is doubled to €3,662 and €476. From 1 January 2014 single-parent children through adoption or insemination are covered by the special child allowance.

Parents undertaking education may be eligible for a tax-free child allowance up to €941 annually or €78 monthly. Parents with two children can get two child allowances and parents with one child can get one child allowance. The tax-free allowance is income-tested with 10% of income exceeding €18,837 for singles and €28,243 for couples. Hence, the allowance is nil at an income of €28,256 for singles and €37,650 for couples entitled to one allowance and €47,058 for couples entitled to two allowances.

In addition, parents undertaking education may also qualify for the taxable study grant with a dependant allowance (*SU med forsørgertillæg*) which for single people is €18,748 annually or €1,562 monthly and for co-habiting €13,118 annually or €1,093 monthly (2014).

Finally, parents may be eligible for tax-free supplementary child allowances (*supplerende børnetilskud*) if they are in a traineeship or studying, and a single parent or living together with a partner who is also studying. The supplementary child allowance makes up 55% of the difference between the study grant with dependant allowance (*SU med forsørgertillæg*) and the current income.

People adopting a child get a tax-free lump sum of €6,806 in adoption subsidy (*adoptionstilskud*) and thereafter ordinary allowances.

The coverage of formal childcare is markedly higher in Denmark compared to EU 27 countries. In particular there are more children spending more than 30 hours per week in childcare.

**Table 1. Formal childcare coverage according to age group, EU 27 and Denmark 2008 and 2012 (% in each age group)**

		EU-27		Denmark	
		2008	2012	2008	2012
Less than 3 years	Zero hours	72	72	27	33
	From 1-29 hours	15	14	8	8
	30 hours or over	13	14	65	59
3 years to minimum school age	0 hours	17	17	3	6
	1-29 hours	40	37	15	9
	30 hours or over	43	46	83	85

Source: Eurostat (2015a).

Table 1 shows that there are four times as many children less than 3 years in childcare in Denmark than in the EU-27 and almost twice as many children between 3 years and minimum school age. On the other hand, there are markedly fewer children with zero hours in childcare in Denmark than in the EU. Furthermore, Table 1 shows that the financial crisis has not dramatically changed the proportions of children in formal childcare with one important exception: the doubling of the share of children aged 3 years to minimum school age not attending childcare. This group is likely to include the children most in need of social investment, i.e. from a social background where the cognitive stimuli, social norms and language do not meet requirements for later learning.

The quality of childcare is imperative in a social investment strategy. Due to a lack of cross-national data it is difficult to compare the situation. However, with a child-staff ratio of 6.9 in 2012 the quality of Danish childcare seems to be comparatively high measured on this dimension (European Commission 2013).

Another key indicator of the quality of childcare is the education level of child minders. In Denmark, childcare staff includes those who have undertaken a shorter education (*pædagogmedhjælper*) or longer education (*pædagog*). Temporary workers that have no specific child pedagogue education make up a third group of staff, typically young people taking a sabbatical year between secondary and tertiary education.<sup>9</sup>

Children's learning and inclusive childcare are both high on the political agenda. As a consequence, work becomes professional and evidence-based. In 2014, the Government established a Council for Children's Learning. In December 2014, the Council recommended to municipalities that they create learning environments of high quality, with better collaboration with parents and better conditions (management, child-staff ratios, group sizes and physical environment) (Rådet for Børns Læring 2014).

These recommendations were based on systematic reviews of research and practice (EVA 2014a, 2014b, 2014c). In 2014 98% of municipalities' pedagogical consultants said that inclusion had been a priority area in their local childcare institutions. 60% of pedagogues have taken a short course on social inclusion, 38% a 1-3 day course, and 28% longer courses (EVA 2014c).

Against these positive trends budget cuts on the local level has affected social service provision adversely, often affecting those most at risk disproportionately. For example, 96% of the 59% of pedagogues experiencing barriers to inclusion of children say there are too many children per staff to enable this (EVA 2014c).

In the 2015 Budget there were strong elements of social investment. Funding for more and better qualified childcare staff was boosted by €33.5 million annually on top of the €67.5 million allocated in the 2012 Budget. Municipalities will receive money to hire

<sup>9</sup> Day care staff rarely have a pedagogical education, but follow courses during their working life.

more pedagogical staff and to improve the quality of pedagogues working with children aged 0-5 years. €33.5 million equals an estimated 600 childcare educators. The aim is to increase the quality of childcare to support children's wellbeing, development and learning. To avoid municipalities using funds to replace their own funding of childcare the municipalities have to submit a budget signed by an auditor that documents the money has been spent on more educators in childcare.

Finally, in the Social 2020 targets there are two targets for early childhood development (see Appendix, Table 2). The first target is to reduce the number of failed foster placements. The second target is to improve children's upbringing so that in due course more than half of vulnerable children and youth complete a youth education.

## 2.2 Supporting parents' labour market participation

There is extensive support for parents' participation in the labour market, in particular universal subsidised childcare. Also long-term care may play a role in supporting the labour market participation of adult children with frail parents. Finally, parental-leave schemes underpin the reconciliation of family and work life.

The price of childcare is crucial for the take-up of childcare and thus for parents labour market participation. Municipalities decide how much parents must pay for having their children in day care. The fee for childcare is highest for the youngest children 0-2 and lower for children 3-5 years. However, the municipalities cannot ask the parent to pay for more than 25% of the cost of running childcare.

The fees vary between municipalities in part due to differences in services like child-staff ratios and whether payments for lunch is included in the fee or paid separately. In 67 out of 98 municipalities parents pay a separate fee for lunch, this occurs when parental boards at the individual institutions decide to opt for the lunch scheme. For children 3-5 years the lunch scheme is compulsory and 91 out of the 98 municipalities charge a lunch fee of about €67 per month, varying from €21 in the cheapest municipality to €127 DKK in the most expensive (Danmarks Statistik 2014a).

Moreover, there are marked differences in municipalities' fee systems. The price of childcare for children 0-2 years vary from €3,149 per year in Nordfyn municipality to € 5,335 in Copenhagen. For children 3-5 years the price varies from €2,314 in Jammersbugt to €4,302 in Rødovre (Danmarks Statistik 2015a).

Importantly, many parents do not pay the full fee. Parents with more children in day care get a siblings discount and parents with a low income pay a reduced fee, if any. Both the siblings' discount and the extra reduced fee are of importance for disadvantaged families with children and can be seen as a cardinal part of the Danish social investment strategy.

Paradoxically, this means testing of childcare fees also contributes to unemployment traps. The marginal effective tax rates, which include the tapering of benefits like social assistance, housing allowances and childcare fees, can be very high for low income groups resulting in work disincentives (so-called unemployment traps).

**Table 2. Average yearly fees for childcare schemes, 2014**

Scheme	Annual fee (€)
Day care 0-2 years	3,841
Childcare 0-2 years	4,503
Childcare 3-5 years	2,593
Afterschool scheme (Fritidshjem)	1,657
Afterschool scheme (Skolefritidsordning)	2,954

Source: Danmarks Statistik (2015a).

Employment activity varies a lot between parents and non-parents and between countries. In Denmark, mothers aged from 25 to 49 with children below 12 work 1.6

percentage-points more than women of the same age without children. In most other countries mothers work considerably less than those with no children: in Italy the difference is 8.6 percentage points, in Poland 11.6, in the United Kingdom 16.4 and in Germany no less than 18.4 percentage points (European Commission 2013).

Availability, affordability and quality of childcare are the major reasons mothers give for not working or working only part-time (European Commission 2013). None of the Danish mothers gave the availability, price or quality of childcare as reasons for not working or working only part-time.

Denmark has perhaps the most extensive system of long-term care, at least for the elderly. The goal of long-term care is to increase the quality of daily life for persons in need of such care and to increase their possibilities for taking care of themselves. The Danish system of long-term care is organised locally in the 98 municipalities. Long-term care may be provided by way of residing in institutional care facilities, special housing (typically with nurses attached) or home help.

On 1 October 2014 there were 5,655,750 people living in Denmark, of which 692,044 people were above 70 years of age (Danmarks Statistik 2015a). In 2013 146,900 people received home help, down 5% from 154,300 recipients in 2012 (Danmarks Statistik 2014b). The share of elderly above 67 years of age dropped from 16% to 15%.

In total 75,263 people live in nursing homes (plejeboliger) and homes for the elderly (ældreboliger) (Danmarks Statistik 2014c). 5,115 are under 60 and 15,031 are between 60 and 75. There were 151,900 full-time workers employed with care and nursing in March 2014 (Danmarks Statistik 2015b).

There is a strong focus across political parties, municipalities and interested organisations on prevention, rehabilitation and independent living in the design of long-term elderly care for the future, i.e. social investments in older people themselves. Many thoughts and recommendations of this sort can be found in the work of two recent commissions studying long-term care in Denmark (Hjemmehjælpskommissionen 2013, Kommissionen for livskvalitet og selvbestemmelse på plejehjem 2012).

Finally, parental leave schemes are important for the reconciliation of work and family life. Parents can take a total of 52 weeks of leave with maternity benefits. Mothers are entitled to 4 weeks of leave prior to birth and must take at least 2 weeks after birth. The mother then has 12 weeks of further leave; if she chooses not to take these weeks maternity at that time they are lost. The father is entitled to 2 weeks of paternity leave within 14 weeks after the child's birth. After the 14 weeks of the mothers leave, both parents may take parental leave for 32 weeks, i.e. a total of 64 weeks (although only 32 weeks are with benefits).

The amount of maternity leave varies. Most wage earners are covered by a collective agreement which gives them a full wage during part of the maternity benefit period. Benefit levels of maternity leave depend on the number of weekly hours of work and the hourly wage. The taxable benefit ceiling is €555 per week (2015).

### **2.3 Policy measures to address social and labour market exclusion**

The crisis has given more households economic strains, in particular families with children and most notably single parents. In 2008, 8% of the population lived in households who reported that it was either difficult or very difficult to make ends meet (Danmarks Statistik 2014d). This share grew to 12% in 2013. The same year 16% of children between 0 and 15 lived in households finding it difficult to make ends meet. Single-parent households face the direst conditions and couples with no children face the least difficulties. In 2013, 49% of those living in households with children below 16 years had difficulties making ends meet compared to 5% of couples without children (Danmarks Statistik 2014d).

Many employment, education and social policies address social and labour market exclusion and have been subject to recent reforms, new budget deals or both. Many of

these are mentioned in the introduction to this report, so here we will just give three examples: active labour market policies as these are very extensive; vocational training as this is a particularly important education measure today for those not meeting the demands of neither the ordinary education system nor the vocational education training system and recent allocations to projects addressing the Social 2020 goals.

Measured in spending, Denmark has the most extensive active labour market policies in the world. Denmark spent 1.538% of gross domestic product on active labour market policies compared to an average for the EU of 0.471% in 2011 (Eurostat 2015b). The Reform of Employment Policies of 2014 aims at achieving faster and more stable employment for the unemployed, greater focus on companies labour need, and greater autonomy for municipalities and labour market exchanges to design individual tailored measures (Regeringen et al 2014).

Vocational education (*arbejdsmarkedssuddannelserne, AMU*) is a largely overlooked and unique part of the Danish labour market policies that may be particularly important for those groups that are hard to include in the labour market. These groups are diverse and include unskilled migrants and vulnerable youth, e.g. drug abusers or criminals. As indicated in the Commission assessment of the Danish 2014 national reform program and convergence program, production schools, a main component of vocational education, may be particularly important for vulnerable youth caught by the new education demand in social assistance and the new higher admission criteria for VET (European Commission 2014).

Social 2020 goals address social and labour market exclusion, see Appendix, Table 2.

The *Satspulje* has allocated € 509.5 million to be used in the period 2015-2018 to improve the conditions for vulnerable groups. The funds relate to the following projects of poverty alleviation or social investments:

- Persons with psychiatric illness (€295 million)
- Follow up on Social 2020 goals (€59.5 million)
- Health of vulnerable groups (€7.2 million)
- Other social vulnerable (€66.2 million)
- Frail elderly and persons with dementia (€33.5 million)
- Persons with handicap persons with handicap (€14.7 million)
- Strengthened integration (€11.4 million)
- Vulnerable groups in the labour market (€9.1 million)
- Other (€14.8 million).

Many goals relate to social work focused on creating, maintaining and using human capital that are close to the ideas of the social investment strategy. For example, it is central to vulnerable children and youth that they get an education, stable foster care placements, and avoid criminality.

In sum, developments since 2011 indicate a deliberate push from the central level toward social investments backed by evidence and supported through earmarked subsidies. This development, however, has been - and still is - challenged by worsened economic conditions at the local level where social investment policies are delivered.

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## Appendix

**Appendix Table 1. Full-time employees, 2008 and 2014, second quarter, seasonally adjusted**

	2008	2014	Change 2008-2014	2008-2014 Percentage
General public services	57,788	58,819	1,031	1.8
Defence	26,238	22,966	-3,272	-12.5
Public order and security	24,077	25,051	974	4.0
Economic affairs	28,771	28,129	-642	-2.2
Environment	4,222	4,591	369	8.7
Housing and public facilities	2,697	2,016	-681	-25.3
Health sector	163,569	183,654	20,085	12.3
Leisure, culture and religion	28,187	26,592	-1,595	-5.7
Education	140,843	144,751	3,908	2.8
Social services	234,588	233,474	-1,114	-0.5
Not provided	4	11	7	175.0
Total	710,984	730,055	19,071	2.7

Source: Danmarks Statistik (2015a).

**Appendix Table 2. Social 2020 goals: Targets for the most vulnerable towards 2020**

Group	Goal	Status 2011	Target in 2020
Children and youth	At least 50% of vulnerable children and youth to complete a youth education	36.4%	Minimum 50%
	At least 25% less 15-17 years old get a criminal record	11.8%	Maximum 9%
	At least a 30% reduction of failed placement of children in foster homes thus lowering failed placements to 4% of all foster placements	5.7%	Maximum 4%
	Improvement of vulnerable children's reading and mathematics skills	To be operationalised	
Homeless	At least 25% reduction in the number of homeless, lowering the number of homeless to maximum of 4,000	5,290 persons	Maximum 4,000 persons
	At least a 30% reduction of the share of citizens returning to a shelter within a year after having got own home, resulting in a level of 20% maximum	31%	Maximum 20%
Violence against women	Share of women in women crisis centres who need more than one stay to be reduced by 30%	36%	Maximum 25%
Drug addicts	Share of citizens ending a treatment for drug addiction with being drug free or having reduced their drug misuse increased to at least 50%	31%	Minimum 50%
	Number of drug related deaths reduced to a maximum of 200 deaths	285 persons	Maximum 200 persons

Source: Social-, børne- og integrationsministeriet (2013).

## Coming policy reforms

The Government agreed on the 2015 Budget on 13 November 2014 with the Socialist People's Party and the Red-Green Alliance. This was the first 'red' budget deal since the Social Democrats entered minority coalition government following the elections in 2011. In earlier years of the current government made most of the agreements with 'blue' parties.

Parts of the 2015 Budget agreement concern social investments, employment, and inclusion:

- Better quality in healthcare
- More childcare staff in childcare
- Voucher for elderly care
- New temporary social assistance scheme
- Improved conditions for social assistance claimants
- Labour market initiatives
- More initiatives on improving inclusion in the primary school

In money terms, the measures on improving the quality of healthcare comprise the largest initiative. €670 million over the four-year period 2015-2018 aim to underpin the government strategy in health. The strategy is over the long term to transform the healthcare system to improve general practitioners ability to undertake more tasks and identify illness earlier and thereby prevent admissions into hospitals. In broad terms the Danish health strategy aligns well with the focus on prevention through earlier detection of illness and through improved functionality of citizens.

The 2015 Budget also contains policies that are not strictly social investments but which may have elements of social investment, alleviation of poverty or both. This includes vouchers for elderly care, a new temporary social assistance benefit, improved conditions for couples receiving social assistance, and measures to improve the working environment and prevent work injuries.<sup>10</sup>

For example, the vouchers for elderly care are introduced to lift the quality of life for the weakest recipients of home help (*hjemmehjælp*). The vouchers amount to half an hour of home help per week. The vouchers are flexible in that they can be saved up, for example collecting four weekly vouchers for one session of two hours of home help. The vouchers are flexible in that they can be used for different purposes like cooking, shopping, or accompanying the elderly to museums or swimming pools. €10.1 million is budgeted for 2015 and €20.1 million in 2016. From 2017 onward the means will become part of the block grant to municipalities. The vouchers themselves do not represent social investments, but depending on their use vouchers can help increase the physical, cognitive or social skills of the elderly and thus constitute a social investment.

Finally, part of the *Satspulje*<sup>11</sup> is used for social investments.<sup>12</sup> Relevant measures are described above in the assessment of specific policy areas.

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<sup>10</sup> Please consult the ESPN Country Report for Denmark for details on these parts of the 2015 Budget.

<sup>11</sup> All Danish social security benefits are rounded down when they are paid out. The 'savings' from this practice enter a fund called the *Satspulje*. Each year the majority of the political parties agree on how to use the means in the *Satspulje* fund; means that has to be targeted in a broad sense to initiatives that may benefit the claimants of social security.

<sup>12</sup> Together with the Liberal Party, Danish People's Party, the Socialist People's Party, Liberal Alliance and the Conservative People's Party the Government made an agreement on 7 November 2014 on *Satspuljen*.

