



ESPN Thematic Report on minimum income schemes

Denmark

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Jon Kvist
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European Social Policy Network (ESPN)

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Summary¹

The aim and nature of Danish minimum income (MI) schemes are changing. Historically, the purpose of MI schemes in countries with a Nordic welfare model was to provide a safety net for the few persons who could not provide for themselves and their families through other policies. MI benefit levels depended on needs. Social assistance was basically set as a function of the number of adults and children. Housing allowances were determined by rent and household composition. This portrait of MI schemes is still valid today but three recent sets of developments are emerging, mainly as a result of the 2014 Social assistance reform (valid today) and the Job reform consisting of two parts, i.e. the 2016 Social assistance reform (adopted 18 November 2015 and phased in April-October 2016) and a coming tax reform (due to be agreed on in Spring 2016 and implemented in 2017).

The first trend is towards installing safety nets at different benefit levels. A new safety net with smaller benefits for young persons and for people who have not lived in the EU (including Denmark) for a long time is being introduced under the safety net for the general population. For persons under the age of 30, the 2014 Social assistance reform replaced social assistance with new MI benefits, often equal in value to a study grant. For persons entering Denmark and those who have not lived in Denmark (or another EU country) for seven out of the last eight years, the new Liberal minority government introduced an integration benefit in September 2015 of equal value to the new MI benefits for young persons. The 2016 Budget agreement extended the integration benefit to cover people already in the country.

The second trend is towards creating better links for MI claimants with education and quality services. People under 30 are expected to enrol in education if they have no educational qualifications and are education ready. If they are not education ready they are placed in resource programs where a case worker coordinates measures provided by a cross-sectoral, multidisciplinary team of welfare professionals. The aim is to increase the resources of the client so s/he can enter education, activation offers or work.

The third trend is to make work pay. The Danish MI system suffers from very high marginal effective tax rates as social assistance, housing allowances, free or discounted childcare are all tapered with increasing income. Called 'participation tax rates' by the Economic Council, these rates often exceed 90% for single persons, families with children, households that receive housing allowances and couples where both are on social assistance. There are thus strong disincentives to work for these low income groups.

The 2014 Social assistance reform addressed this issue *inter alia* for persons under the age of 30 by cutting benefits markedly and making the benefits conditional on pursuing education for those with no educational qualifications. The integration benefit also means marked cuts in benefits, especially for new entrants into the country.

To make work pay is also the essence of the Job reform. The 2016 Social assistance reform is the first part. It introduces a 'modern benefit ceiling' to address the high participation tax rates where housing allowance and special support are tapered, (re-)introduces a minimum of 225 hours of ordinary work to remain entitled to social assistance, and reduces paid holidays from five to four weeks.

The marked reduction in benefits for persons aged under 30 in the 2014 Reform have resulted in about 30,000 persons having an income below 60% of the median. The integration benefit will place many, particularly asylum seekers, in the same situation. The benefit ceiling and the work requirement in the first phase of the Job Reform result in lower benefits for many people. Public savings on MI benefits are earmarked

¹ This report was prepared in October 2015, but has been updated to include some more recent developments.

for financing reduced tax rates for low income groups in the second phase of the Job reform due in 2017.

Part I - Description of main features of Minimum Income Scheme

1 Governance arrangements

The main form of minimum income protection in Denmark is social assistance.² There are also housing allowances and child family allowances (see section 3). The 2014 Social assistance reform and the 2016 Social assistance reform changed the system considerably, and it is this new system which is described here.

The 2014 Social assistance reform - adopted in June 2013 and introduced in January 2014 - was agreed by all parliamentary parties, except the Red-Green party (*Enhedslisten*), on 18 April 2013. The parties noted that at the time there were 135,000 social assistance claimants, including 50,000 young of whom 90% had no educational qualifications; one in five were single providers with little education; 15% had been on social assistance for more than five years; and more than one in five did not receive any help in getting on with their lives and off social assistance.³ In short, the social assistance scheme did not work properly. Hence, the reform implemented 1 January 2014 aimed to get more claimants into education and work using both sticks and carrots.⁴ The reform resulted in a splitting of the general social assistance scheme into three separate schemes, i.e. general social assistance (*køntanthjælp*), resource programme benefit (*ressourceforløbsydelse*) and educational help (*uddannelseshjælp*).

A fourth scheme, integration benefit (*integrationsydelse*) was created by the new Government (Liberal Party) and the Danish People's Party in September 2015 and extended to people already living in the country as part of the 2016 Budget.⁵

The 2016 Social assistance reform – adopted 18 November 2015 which will be phased in between April and October 2016 – was agreed by the Government, the Danish People's Party, the Liberal Alliance, and the Conservatives.⁶ The parties noted that from 2011 to 2015 there had been an increase in the number of claimants in particular groups, i.e. a 27% increase in claimants above 30 from 2011 to 2015, a 50% increase in couples where both claim social assistance, a 28% increase in persons claiming social assistance for more than 12 months, and a 45% increase in persons claiming social assistance for more than five consecutive years. The political parties behind the reform argued that this adverse development is caused by too generous benefits for persons above 30 and that the difference in income between working and MI benefits is too small. Under the slogan 'Make work pay' the reform contained three elements: a new 'modern benefit ceiling', stronger availability in the labour market, and a reduction of holiday rights.

The 2016 Social assistance reform is the first phase of an on-going Job reform. The second phase will be a tax reform favouring low income groups that is to be adopted in the Spring of 2016 and introduced in 2017. The public savings resulting from extending the integration benefit to people already in Denmark (which entails a benefit reduction for this particular group) and from the 2016 Social assistance reform

² The name of the social assistance scheme is 'køntanthjælp', which literally means 'cash assistance'. Confusingly Danish documents often refer to 'cash assistance' when they refer to 'social assistance'.

³ Regeringen, Venstre, Dansk Folkeparti, Det Konservative Folkeparti and Liberal Alliance (2013) *Aftale om en reform af køntanthjælpssystemet – flere i uddannelse og job* 18 April, Christiansborg: The Parliament.

⁴ Originally the Reform also contained 100% means-testing for cohabiting partners starting with 50% in 2014. However, the 2015 Budget negotiations decided to abolish this from 2016 and only let the 50% work requirement through in 2015.

⁵ Regeringen, Dansk Folkeparti, Liberal Alliance og Det Konservative Folkeparti (2015) *Aftale om finansloven for 2016*, The Government, 19 November, Copenhagen.

⁶ Regeringen, Dansk Folkeparti, Liberal Alliance og Det Konservative Folkeparti (2015) *Aftale om et køntanthjælpssystem, hvor det kan betale sig at arbejde – Jobreform fase I*, The Government, 18 November, Copenhagen.

are to be used to finance the tax reductions in the second phase of the Job reform from 2017 onwards.

The many changes to MI schemes and poverty measures can in part be explained by the differences between the Red and Blue side of Parliament in their view of social assistance and social exclusion. When the previous Social democratic-led coalition government came into office in 2011 it immediately abolished the social assistance ceiling, the work requirement and the starter help for new entrants into the country (de facto half of total social assistance) and in 2013 it introduced the first ever poverty measure in Denmark and a national set of 2020 Social goals.⁷ The Liberal minority government that came into office in September 2015 abolished the poverty measure and the 2020 Social goals, and, as described below, re-introduced the starter help (now called integration benefit), the work requirement for social assistance, and the benefit ceiling (now called 'modern benefit ceiling') on MI benefits.

1.1 Levels of governance

The majority in the Parliament makes all decisions on the structure of social assistance and related benefits and taxes centrally.

The granting of benefits, including a few discretionary benefits, is decided at the local level by social workers working in one of the 98 municipalities in Denmark. Importantly, the wide range of family, health, education, employment and other social services that can be offered to persons with complex problems are also planned and delivered at the local level.

The actual payment of benefits is taken care of by *Udbetaling Danmark*, a semi-public agency in the ATP conglomerate, with five regional offices in Denmark.

The municipalities are reimbursed part of the costs associated with social assistance and some of the related benefits. The 2015 reform of the reimbursement system (*refusionssystemet*) strengthens municipalities' economic incentives to deliver good social investments.⁸ Previously, reimbursement rates from the state to the municipal level depended on what social protection or labour market measure the claimant was on. Municipalities had economic incentives to direct clients to schemes with high reimbursement rates, even when this was not in the interest of the client or the national budget. By making reimbursement rates the same for all benefits, such distortions are reduced. And by diminishing reimbursement rates over the benefit period municipalities are incentivised to work harder to avoid claimants staying on social security benefits for long periods. Now municipalities have 80% of the benefits paid out in the first four weeks reimbursed, 40% for weeks 5-26, 30% for weeks 27-52, and 20% after week 52. This also holds for social assistance.

1.2 Delivery arrangements

The delivery of social assistance is taken care of by municipalities with regards to the granting of social assistance and coordination with other benefits. The municipality therefore works as a one shop for the claimant. And in cases of complex problems the claimant will be assigned a permanent case worker who will coordinate other available services (health, social, employment, education and family). The idea behind the permanent case worker is to provide a better coordinated package of services tailored

⁷ Kvist and Harløf (2014) Workfare with welfare revisited: Instigating dual tracks based on ethnicity. In: I. Lødemel and A. Moreira (eds.) *Activation or Workfare? Governance and neo-liberal convergence*. New York: Oxford University Press, pp. 47-72. See also Careja, Emmegger and Kvist (2015) An American Dilemma in Europe? Welfare Reform and Immigration. In: P. Kettunen, S. Michel & K. Petersen (eds), *Race, Ethnicity and Welfare States: An American Dilemma*. Edward Elgar Publishing, Incorporated, Cheltenham, pp. 128-149.

⁸ Regeringen (Socialdemokraterne og Radikale Venstre), Venstre, Dansk Folkeparti, og Det Konservative Folkeparti (2015) *Reform af refusionssystemet på beskæftigelsesområdet og tilpasninger i det kommunale udligningssystem*, 2 February, Copenhagen: Ministry of Employment.

and sequenced according to the needs of the client, and thus to achieve better outcomes. The general belief is that this will prove to be effective. It goes without saying that the composition of teams delivering resource programs to social assistance claimants differs across different groups and also between municipalities.

Let us illustrate this with an example. The municipality of Herning has reduced the caseload of social workers who deal with families with children and facing multiple or complex problems in order to provide better and more effective help. The Swedish model, also known as the Borås, model is a way of working with families with children that a number of Swedish municipalities use. In Denmark this way of working is frequently called the Borås model as the practice came from the municipality of Borås in the region of Västra Götaland. In this model, social workers have a low number of cases and an innovative, early intervention approach with systematic inclusion of the family and the social network along with more frequent follow ups and cross-sectoral collaboration. A new midterm evaluation shows good results in terms of fewer placements overall, fewer institutional placements and more placements in foster families and social networks, in fact better social and economic outcomes.⁹

The payment of social assistance is done regionally by *Udbetaling Danmark*, see above.

1.3 Rights-based versus discretionary benefits

The right to a minimum income is guaranteed the Constitution which stipulates that anyone who cannot provide for themselves has the right to a minimum income. Over time this has evolved from discretionary and stigmatising poverty relief into social assistance and a range of other means-tested benefits, most notably housing allowances. Today almost all benefits are thus granted on the basis of rights following a set of criteria on age, education, family, and housing situation. Moreover, there has to be a triggering event such as divorce, unemployment, illness or the like that results in social assistance being granted.

Discretionary benefits can be granted by social workers to bridge periods between income and no income coming in. Sometimes such temporary benefits may be granted as a loan to be paid back, if that is not unrealistic.

Discretionary benefits can also be granted to take care of extra-ordinary costs such as dental care (which is only subsidised to a small extent in Denmark compared to, say, Sweden), glasses and a new refrigerator or tv. Municipal practices vary greatly. Attempts by the central government to give vulnerable groups access to better dental care as a right have largely been hindered by municipal practices resulting in the centrally allocated money not being used.

The 2016 Social assistance reform introduces a work requirement for recipients to remain entitled to social assistance (see sections 2.1 and 2.3).

2 Design of minimum income scheme

The general social assistance scheme covers anyone who cannot support themselves and has experienced a social event. The 2014 Reform of Social Assistance abolished social assistance for persons under 30 and introduced two special types of social assistance, resulting in three types of minimum income schemes, namely the social assistance (general scheme), educational help (*uddannelseshjælp*), and the resource programme benefit (*ressourceforløbsydelse*). A fourth type, integration benefit (*integrationsydelse*) was introduced in September 2015 and extended to all persons resident in Denmark in November 2015.

The general scheme is for persons under 30 with educational qualifications and for persons above 30. Persons participating in activation offers also receive the general scheme.

⁹ Pedersen and Kloppenborg (2015) *Midtvejsevaluering af Sverigesprogrammet*, Copenhagen: KORA.

The educational help is for persons under 25 without educational qualifications.

The resource programme benefit is for persons with complex problems. Persons with complex problems are entitled to enter a special resource programme before six months of receiving general social assistance. In the special recourse programme a coordinating social worker is responsible for the contact between the client and the professionals delivering a package of health, family, social, education and employment services. In the programme the person will receive a resource programme benefit which is equal to the general social assistance benefit.

The integration benefit is for persons who have lived in the country for less than seven years out of the last eight.

2.1 Level of benefit

The level of social assistance depends on the claimant's age, education, provider status, readiness for job and activities, mental health and pregnancy. Since April 2016 there is a maximum limit to how much can be received in social assistance, special support and housing allowances.

Educated persons aged under 30 ready to work received EUR 937 per month in 2015. Single providers received a higher amount of EUR 1,847 per month.

Educated persons under 30 ready for an activity (i.e. able to participate in an activation offer) also received EUR 937 per month with an additional EUR 517 supplement for each week participating in activation measures with a monthly benefit ceiling of EUR 1,454.

Under-educated persons under 30 received educational help which is of equivalent value to the state study grant, *Statens Uddannelsesstøtte (SU)*, namely EUR 791 per month in 2015. However, special rates apply for certain groups where the monthly benefit level is:

- EUR 343 for persons who live with their parents
- EUR 1,115 for persons who have dependent children and who live with a partner on social assistance, educational help or SU
- EUR 791 for persons who have children and who live with a partner not on social assistance, educational help or SU
- EUR 1,593 for persons who have children and who have no partner
- EUR 1,454 for persons who are pregnant (more than 12 weeks)
- EUR 1,454 for persons who are mentally ill
- EUR 1,932 for persons who are mentally ill and who have children living at home

As can be seen, persons who are mentally ill or who are pregnant (more than 12 weeks) receive social assistance and educational help on slightly higher levels than others in the same situation.

If the person on educational help cannot support him or herself until the start of education or educational directed measures, then the person can receive social assistance but will be requested to work in specific activation offers, called "useful measures", see below.

Persons over 30 received EUR 1,454 monthly in 2015. If they were providers they received EUR 1,932 monthly. People in activation offers receive the same amounts.

The level of MI benefits for the four household types are as follows:

I. Divorced singles without children

The person is above 30, lives alone and has no children and will therefore receive EUR 1,454 monthly.

II. Married couples without children

Each person in the couple will receive 2 times EUR 1,454, equal to a total for the couple of EUR 2,908 per month.

III. Married couples with two children aged 7 and 14

Each adult will receive EUR 1,932, and for each child there will be a child allowance of EUR 124 per month, equal to a total amount for the couple of EUR 4,112 per month.

IV. Divorced single parents with one child aged 2

The person above 30 with a child receives EUR 1,932 per month in social assistance plus a child allowance of EUR 199 per month equal to a total of EUR 2,131 per month.

The new ceiling on social assistance sets a limit to how much can be received in social assistance (i.e. social assistance, educational help, and the integration benefit), housing allowances and special support. The benefit ceiling relates to the family situation of the person.

If the total benefit amount exceeds the ceiling, the housing allowances and special support will be reduced by the exceeding amount while the social assistance and child related benefits will NOT be reduced. If a person starts working, social assistance is reduced but partly compensated by the housing allowance and special support that was previously cut off due to the new benefit ceiling. In these ways the new benefit ceiling strengthens work incentives.

To avoid the new *total benefit* ceiling making lower levels of social assistance higher than the ordinary social assistance benefits, there are also new benefit ceilings for social assistance for persons below 30, i.e. on educational help and the integration benefit, see Table below.

Table 1. Benefit levels and benefit ceilings in social assistance, monthly amounts, 2015

	Social assistance for persons above 30 years		Social assistance for persons below 30 years		Educational help and integration benefit	
	Level	Ceiling	Level	Ceiling	Level	Ceiling
Single without children	1,454	1,759	937	1,346	797	1,293
Single with one child	1,932	2,015	1,847	1,975	1,593	1,879
Single with two or more children	1,932	2,062	1,847	2,022	1,593	1,926
Cohabiting and married without children	1,454	1,454	937	1,253	797	1,201
Cohabiting and married with one child	1,932	1,932	1,847	1,650	1,593	1,673
Cohabiting and married with two or more children	1,932	1,932	1,847	1,633	1,593	1,552

Source: Regeringen et al (2015b) and Retsinformation (2015). Calculations based on EUR 100 equal to DKK 746.10 (Nationalbanken, 2015).

The four household types (I-IV) are not affected by the benefit ceiling from 2016 onwards, mainly because they are above 30 and because they are not assumed to be in receipt of housing allowances.

From 2016 the level of benefit will also depend on whether the social assistance claimants meet the new work demand. If one or both persons in a married couple that claim social assistance do not meet the work requirement of 225 hours of work annually, then one of them will lose his or her right to social assistance. When both of them again have worked 225 hours they will both be entitled to social assistance.

If a non-married person does not meet the work requirement, then the monthly social assistance benefit will be reduced by EUR 134 (equal to DKK 1,000). If the person is on social assistance at a lower level than the ordinary level, then the monthly benefit will be reduced by EUR 67.5. When the person has obtained 225 hours of work, the right to full social assistance is restored. Non-married people on educational help or the integration benefit are not subject to the work requirement.

Social assistance benefits are indexed annually according to the SATS regulation (*satsreguleringen*). The SATS regulation indexes social protection benefits, including social assistance, with wage increases from the previous two years.

The Tax Reform of 2012 meant that many social security benefits, including social assistance, were not indexed fully leading to their gradual erosion vis-à-vis wages. In 2017 benefit levels are estimated to be about 5.2% lower than they would have been without this reduced indexation.

2.2 Eligibility conditions

To become eligible to social assistance a person:

- 1) must be 30 years of age
- 2) must have experienced a social event like divorce, bad health, and unemployment which means
- 3) cannot provide what is necessary to live for him/herself and family member(s), and there is no one else to provide for the person, and
- 4) the need for income provision is not covered by other benefits like unemployment insurance and pensions.

Social assistance is targeted only to people out of work. For the most part claimants of social assistance will only receive social assistance (and perhaps housing allowances and child family allowances, see section 3.). In theory, however, there may be cases where a person receives more benefits concurrently, e.g. low unemployment or sickness benefit. This could become the case if the current government goes ahead with marked reductions of, say, unemployment benefits for young graduates (*dimmittenddagpenge*). At the moment supplementary social assistance is only paid to claimants of reduced national old age pensions (*brøkpensioner*) but they are by definition not of working age.

Under-educated persons under 30 no longer receive social assistance but educational help (*uddannelseshjælp*). If the municipality assess the person to be clearly ready for education (*åbenlyst uddannelsesparat*) the person is requested to start a course (*uddannelsespålæg*) at the earliest time possible and requested to submit study ideas and to apply to one or more of these. In the time between applying and starting the course, the person will be asked to take care of him or herself as much as possible. If the person cannot find a job, the person will be requested to work in useful measures, see description later.

If a person younger than 30 without educational qualifications is unable to start further education immediately, the municipality will assess the person as unready for education (*uddannelsesparat*). The municipality must then, as quickly as possible, initiate measures that will make the person ready to start and finish a course of study under normal conditions. The request to further education (*uddannelsespålæg*) makes up a frame for collaboration between the person and the municipality on the measures to be taken before starting on further education.

Persons under 30 with educational qualifications and persons above 30 can receive general social assistance.

Persons who have not lived in the country for at least seven out of the last eight years are not entitled to general social assistance, but may receive the integration benefit.

In 2016 the right to holiday will be reduced from five to four weeks. Each holiday must be no longer than two weeks maximum, and must be agreed upon by the local Job Centre.

Persons cannot receive social assistance if they or their married partner have an income or personal wealth.

2.3 Conditionality rules

The 2016 Social assistance reform will introduce a requirement of 225 hours of work annually for all claimants of social assistance. If one or both persons in a married couple that claim social assistance do not meet the work requirement, then one of them will lose his or her right to social assistance. If a non-married person does not meet the work requirement, then the monthly social assistance benefit will be reduced. When both persons in a couple or the single person has worked 225 hours they will be re-entitled to full social assistance. Single people on educational help and the integration benefit are not subject to the work requirement.

MI claimants face conditions and sanctions if they do not fulfil requirements without good reason. Conditions can be to accept activation offers, participate in meetings, turn up to health checks and more. There is a range of possible sanctions if claimants do not accept activation offers, participate in meetings etc. Both conditions and sanctions depend on whether the person is able to work, is ready for activation or needs of a longer resource programme before s/he becomes ready for activation and work.

At the latest one week after the claimant has contacted the municipality, its job centre will call the claimant to a meeting to assess whether the claimant is able to take a job. If the claimant is found to be work-ready, s/he is then requested to be available to the labour market, attend at least two additional meetings in the first three months, and actively look for jobs. If the person does not find a job within three months, the person can be requested to work in return for the social assistance received in 'useful measures'. These can, for example, be in programmes with public employers such as going for an extra walk with residents in old age homes.

If the job centre assessment is that the person is not able to work within a short period, the person is categorised as ready for activation and the person is then requested to take part in activation measures.

If the person has very complex problems s/he will be offered a resource programme as explained earlier. In that case the person is requested to be available for interventions that are part of the resource programme.

The municipality checks that the work-able claimants attend meetings, search for jobs intensively and participate in activation offers. If claimants do not meet requirements they risk a so-called point sanction (*punktsanktion*), such as withdrawal of social assistance for three days. If there are repeated failures the claimants risk getting a stricter sanction (*skærpet sanktion*). A stricter sanction can be a withdrawal of social assistance for up to three months. Instead of social assistance the person will then be offered talks and appearances at the job centre and will receive social assistance for those days s/he shows they are ready to work by attending.

2.4 Duration

The duration of social assistance is not time limited as such. However, the 2016 Social assistance reform introduced a requirement of 225 hours of ordinary work per person in a household that receives social assistance. Ordinary work means work that is not part of activation offers or subsidised in any other way. If one or both persons in a couple claiming social assistance do not fulfil the work requirement one benefit will be stopped. If the person in a single person household does not fulfil the requirement the benefit will not be stopped but reduced, see section 2.1.

2.5 Transition

The transition into social assistance is mainly from unemployment and illness as well as an increasing number of early school leavers. Unfortunately there is no systematic study of these transitions.

However, it is clear that there have been a large number of claimants making a transition from unemployment insurance to one of the three temporary add-ons to unemployment insurance in 2013 and 2014 where, respectively, 30,000 and 17,000 exhausted their unemployment insurance benefit rights.¹⁰ As the temporary schemes are phased out and the economic cycle normalises, we expect that about 9,000 persons annually will exhaust their right to unemployment. About one third of them will get work, another third will get onto social assistance and the last third will be dependant on family provision.

3 Links with other social benefits and services

3.1 Components covered by MI schemes

Social assistance is meant to cover all costs.

There are, however, housing allowances that target low income households, see description in 3.2.

3.2 Other means-tested benefits

Means-testing is mostly applied to poor and low income groups. However, means-testing, or income testing, can also be used to stop the very rich from receiving otherwise universal benefits. This is the case of the Danish child allowance that is reduced by 2% of the income of the highest earner in a household that exceeds EUR 96,917 in income annually (2015).

The level of child allowances for children aged 0-14 and the youth allowance for children aged 15-17 decreases initially with their age:

- 0-2 years: EUR 199 per month
- 3-6 years: EUR 157 per month
- 7-14 years: EUR 124 per month
- 15-17 years: EUR 124 per month (all 2015 figures)

Since September 2015 the benefit formulae for child allowances and the youth allowance is (once again) dependent on the length of residence in the country for refugees and others.¹¹

Although not a means-tested benefit as such, the Tax Reform of 2012 meant single parents got an extra high tax allowance.

3.3 Passport to other services and benefits

MI benefits do not give preferential access to other benefits. But, of course, for persons with complex problems the idea behind resource programmes is to offer a coordinated package of social, employment and health care services that is not offered to others. And participation in and receipt of these services are conditional on the status of social assistance claimant. In other words, receipt of social assistance is a passport to other services or benefits per se, but is linked to and, sometimes, even

¹⁰ Dagpengekommissionen (2015) . Dagpengekommissionens samlede anbefalinger, Copenhagen: Unemployment Insurance Commission.

¹¹ Lov om ændring a lov om børnetilskud og forskudsvis udbetaling af børnebidrag og lov om en børne- og ungeydelse (Genindførelse af optjeningsprincippet for ret til børnetilskud og børne- og ungeydelsen for flygtninge m.v.) af 30. august 2015.

integrated with other services, especially social services, education, employment services and health care services.

Tenants can receive housing allowance equal to about 15% of the rent for persons without children, whilst for persons with dependent children housing allowances cover up to 60% of the rent. However, housing allowances are reduced by 18% of annual income exceeding EUR 18,980. The annual income line is increased by EUR 3,946 for child 2, 3 and 4. Housing allowances are tax-free.

Parents with a total annual income below EUR 22,030 can get their children free into childcare and after school care (*Skolefritidsordning, SFO*). As a result single persons younger than 30 on educational help with children has are entitled to free childcare whilst single persons above 30 must pay a small amount. Household income exceeding the threshold reduces the free entry by one percentage point for each EUR 488 of additional income. Both the free and the discounted childcare are tax free.

Part II - Analysis of Minimum Income Schemes

1 Assessment of adequacy, coverage, take-up and impact

This section assesses Danish MI schemes with respect to their adequacy, coverage, take up and impact. It also indicates trends in relation to these aspects. The assessment is based on the institutional analysis in section 1 and draws on data from Statistics Denmark as well as two larger studies in 2015 by the Danish Economic Council and by the Ministry of Economic and Internal Affairs.

1.1 Adequacy

In the Danish debate on the size of MI benefits, there are always two sides to the coin. One side is the adequacy of benefits in allowing claimants and, especially their children, to participate in the ordinary activities of life. The other side is the work disincentive. There are political discussions and disagreement on these issues, especially with regards to benefits that are disproportionately taken up by young persons and by persons of non-Danish descent.

These discussions are reflected in poverty measures and in MI reforms. There is general agreement that the EU poverty measure of 60% of the median income is a poor measurement of adequacy. The previous Social Democratic government set up a commission which suggested a poverty line at 50% of the median income, where persons would be considered poor if they fell below this line for three years and if they had less than EUR 13,420 in wealth. This poverty measure was adopted by a majority in the Parliament. An illustration of the difference between the EU and the national poverty measure is that in 2013 there were 650,000 persons, including 125,000 children, living at risk of poverty using the EU's poverty line. Using the national measure that figure becomes 42,000 persons below the poverty line, including 10,700 children. However, after entering office in June 2015 the Liberal minority government abolished this poverty line.

During the Liberal-led coalition governments in 2001-2011 social assistance was changed a couple of times. In 2011, as a result of these changes, there was a requirement of 225 hours of ordinary work over a given period by both partners in a household to remain entitled to social assistance, a ceiling over how much could be received in social assistance and other benefits (e.g. housing allowances) and a special low MI scheme, start help (*Starthjælp*), for persons who had not lived in the country for seven out of the previous eight years.

The Social Democratic-led coalition government which took office in November 2011 abolished these rules and the starter help Scheme which they saw as increasing poverty.¹² As a result the share of poor in Denmark fell from 0.8 % of the population to 0.7% of the population using the national measure.¹³

Most recently the Liberal minority government which took office in 2015 re-introduced the work requirement and a ceiling over total benefits as well as a low minimum income scheme, now called integration benefit (*Integrationsydelse*), for people who have not lived in Denmark for seven out of the previous eight years. The integration benefit is set at the same level as the educational help for persons below 30 which in turn is equivalent to the SU study grant. De facto this level is approximately half the

¹² Kvist and Harsløf (2014) Workfare with welfare revisited: Instigating dual tracks based on ethnicity. In: I. Lødemel and A. Moreira (eds.) *Activation or Workfare? Governance and neo-liberal convergence*. New York: Oxford University Press, pp. 47-72. Careja, R., P. Emmenegger, and J. Kvist (2015) An American Dilemma in Europe? Welfare Reform and Immigration. In: P. Kettunen, S. Michel & K. Petersen (eds), *Race, Ethnicity and Welfare States: An American Dilemma*. Edward Elgar Publishing, Incorporated, Cheltenham, pp. 128-149.

¹³ Økonomi- og Indenrigsministeriet (2015) Familiernes økonomi: Fordeling, fattigdom og incitament, p. 16. The Budget 2014 agreement also contained a number of initiatives that are estimated to reduce poverty by approx. 900 persons (ibid, p. 100).

amount of the current MI benefit. Just as the abolition of work requirement, benefit ceiling, and starter help lowered poverty, their re-introduction will increase poverty and the inadequacy of MI benefits for certain groups.

Because the household types that we in ESPN have been asked to assess – single, married couple, married couple with two children and single with one child – all concern persons above the age of 30, they do not capture the particularly low MI benefits for persons below the age of 30 that are the result of the 2014 Social Assistance Reform.

The median income in Denmark was EUR 27,780 in 2014. This results in an at-risk-of-poverty threshold at EUR 16,670 per year or EUR 1,390 per month. Thus, the level of MI benefit for the single person at EUR 1,454 is just above this poverty line.

The level of MI benefits may usefully be assessed in comparison with the other main benefit for persons out work, namely unemployment insurance, and with minimum wages, see Table 1.

Table 1. MI benefit levels for four family types and their share of unemployment benefits and of the minimum wage in industry

	Single	Married couple	Married couple with 7 and 14 y old	Single with 2 year old
Gross benefits per month, i.e. social assistance and child allowances	€1,454	€2,908	€4,112	€2,131
Gross unemployment insurance benefit¹	€1,970 - €2,405	€3,940 - €4,810	€4,188 - €5,058	€2,069- €2,604 ²
MI as share of unemployment benefit	60-74%	61-74%	81-98%	82-103%
Minimum wage²	€2,400	€4,800	€5,048	€2,599
MI as share of minimum wage	60%	61%	82%	82%

Note: ¹ The single and the couple on unemployment insurance and minimum wage also receive child allowances. ² There is no statutory minimum wage in Denmark. This is the minimum wage in industry as set by collective agreements.

The level of unemployment insurance benefit is 90% of previous earnings with a maximum of EUR 111 per day and a minimum of EUR 90 per day. This ceiling means that only low income groups get 90% of previous earnings in unemployment insurance benefit. The net replacement rate for average earners, for example, is 67%.¹⁴ The maximum yearly benefit is EUR 28,861 or EUR 2,405 per month. The minimum yearly benefit is EUR 23,660 or EUR 1,970 per month. The MI benefit for a single person is thus between 60% and 74% of the unemployment benefit.

There are no statutory minimum wages in Denmark. Instead collective agreements set minimum wages within specific sectors and job functions. Often the minimum wage within industry is used as a reference point in debates about wages and benefits. In October 2015 the hourly minimum wage in industry was EUR 15, a monthly wage of about EUR 2,400. The MI benefit for a single person is thus 60% of the minimum wage in industry.

¹⁴ Dagpengekommisionen (2015) Kompensationsgraden i dagpengesystemet, Copenhagen: Unemployment Insurance Commission.

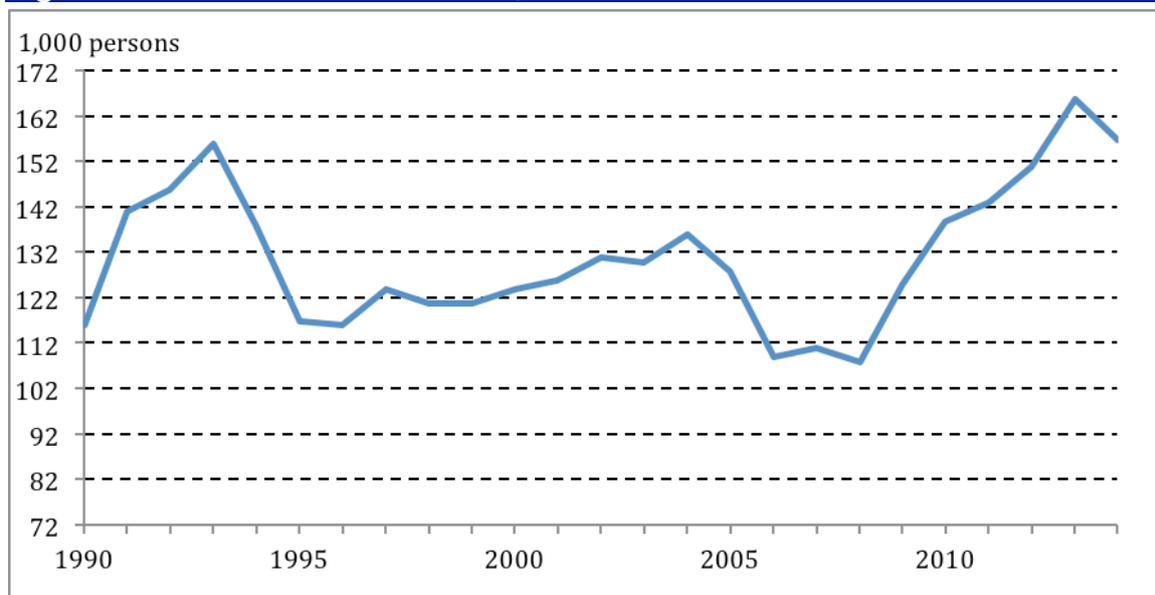
The 2016 Social assistance reform will generally result in smaller MI benefits. Some persons and families will lose part of their social assistance due to the new work requirement. Some persons and families will lose some of their MI benefits (not social assistance, but housing allowances and special support) due to the new modern benefit ceiling. However, the four household types, that ESPN examines, are unlikely to be affected by these changes.

1.2 Coverage

The number of MI claimants is a product of the economic cycle, demographic changes and policies. Figure 1 shows how the economic crisis in the early 1990s and from 2008 to 2013 resulted in marked increases in the number of MI claimants. The decline in 1994 and 1995 was in part due to an expansive finance policy, labour market reforms and economic recovery. Between 1995 and 2008 the number of claimants has been more stable.

In 2013 and 2014, respectively, 33,000 and 17,000 persons exhausted their right to unemployment insurance – markedly more than the normal level of 1,000 to 2,000 – and about a third went onto MI benefits.¹⁵ The 2014 reform already had what can be called an anticipatory effect as shown by the dip in the number of MI claimants. However, it is not certain that the number of MI claimants measured in fulltime persons will decline. For one thing, the group of MI claimants that are not ready to work or participate in activation is the only group of social security claimants aged 18-65 years that has not decreased in recent years.¹⁶ Secondly, the most recent data shows that there was 1% more persons, i.e. 179,000, in June 2015 claiming social assistance compared to June 2014.¹⁷

Figure 1. Number of MI claimants, 1990-2014



Source: Det Økonomiske Råd (2015).

The composition of social security benefits varies between schemes. In general MI claimants as well as unemployment insurance claimants are of the same age as those in employment. In contrast, claimants of voluntary early exit pay (*efterløn*), disability pensions, and sickness benefits are older. Comparing MI claimants with the general

¹⁵ Dagpengekommissionen (2015) Dagpengekommissionens samlede anbefalinger, Copenhagen: Unemployment Insurance Commission.

¹⁶ Kvist, J. & J.H. Petersen (2015) Hvem er de 800.000 på overførselsindkomst? Kronik I Kristeligt Dagblad, 28 June 2015.

¹⁷ Danmarks Statistik (2015), Kontanthjælpsmodtagere, 2. Kvt. 2015, Nyt fra Danmarks Statistik, nr. 436.

population in work shows that there is a higher proportion of single persons, ethnic minorities and a shorter average education.¹⁸

1.3 Take-up

There is no tradition in Denmark of studying non-take-up. There is very good data on take-up provided especially by Statistics Denmark and the Ministry of Employment.

Statistics Denmark provides MI claimant information for different time periods (monthly, quarterly, and yearly); by socio-economic status of claimants (age, gender); according to claimant's readiness to work, to enter active labour market programmes and to study (job ready, activity ready, study); by type of benefit (non-activated, activations, to foreigners, educational support, special educational benefit, labour market benefit, rehabilitation benefit); by area (municipality), unit (fulltime persons, affected); country of origin and descent (Danish, immigrants, offspring of immigrants).

The Ministry of Employment runs the online jobindsats.dk where claimant information is available on number of unemployment spells and persons (duration, average duration and full-time persons, number of spells started and ended etc.), flows between benefits (survival graphs, recidivism, status at different periods of time after the end of the unemployment spell), activation at the individual level (number, average duration, full-time persons, number of start and ended activation offers, etc.), activation at the system level (activity rate, share of activated, share of passive), self-supported after activation and share of employed, expenditure to support (total, per spell, per person, per person in the labour force), sanctions (numbers of sanctions).

Despite this very rich information on actual take-up there is no data on non-take-up. There are no special measures to reduce non-take-up although the general approach is to give all citizens with a legal residence MI benefits if they are entitled to them. Claimants can apply for MI benefits online and can get assistance from social workers just as there are various reach-out initiatives for the homeless, psychiatric patients and others with complex problems and where social work and help with social assistance and housing allowances are part of the measures.

1.4 Impact

The impact of MI schemes are in part to reduce the scope of poverty and alleviate the effects of poverty and in part to reduce disincentives to work.

Two new reports focus on MI claimants. Both reports examine both the adequacy of MI benefits and the work disincentives of MI benefits. Neither of the reports uses the EU poverty line at 60% of the median income.

The 2014 Social Assistance Reform markedly lowered the level of social assistance for persons under 30, i.e. replaced it with benefits at lower levels. The average benefit reduction for persons who are ready to work or study was 30%.¹⁹ The average benefit reduction was 20% for persons under 25 and 45% for 25-29 year olds. The size of benefit reductions vary between 4% and 76% depending on the housing, family and job and study readiness of the claimant.

Because the benefit levels for persons younger than 30 was reduced to EUR 798-EUR 1,295, they all end up with an income lower than 60% of the median income which would be EUR 1,390. The only exception are single persons with dependent children who get above the threshold. Since one in three of the MI claimants are younger than 30, the maximum increase of people falling under the at-risk-of poverty threshold caused by the reform is 47,900.

¹⁸ See also Det Økonomiske Råd (2015) and Statistics Denmark's Statistikbanken.

¹⁹ Det Økonomiske Råd (2015) Dansk økonomi, efterår 2015, Konjunkturvurdering, offentlige finanser og indkomstoverførsler med fokus på kontanthjælp, Autumn Report from the Economic Council, Copenhagen.

The Economic Council finds that the 2014 Reform lead to an increase of employment participation of 0.5-0.8 percentage points. For persons aged 25-29 years this equals 1,600-2,600 persons compared to 8,000 on MI benefits that were ready to study or work in January 2014.²⁰

The 2016 Social assistance reform will be phased in between 1 April 2016 and 1 October 2016. It is the first phase of the so-called Job reform. The second phase is likely to follow in Spring 2016 with lower tax rates on low incomes to be implemented in 2017. Two sets of changes to social assistance are going to help finance the coming tax reductions.

The 2016 Social assistance reform is estimated to lead to an improvement of structural employment with 700 fulltime persons, and to a reduction of public expenditures by EUR 14.7 million in 2016, EUR 63.0 million in 2017, EUR 65.0 million in 2018, and EUR 71.0 million yearly from 2019 onwards (Regeringen et al, 2015a). These savings will finance the tax reductions on low incomes in the second phase of the Job Reform (with the exception of the savings made in 2016 and EUR 5.4 million yearly from 2017 onwards).

The 2016 Budget agreement also influences social assistance claimants. In fact, the integration benefit was extended to cover everybody already living in Denmark for fewer than seven out of the last eight years. The rules will enter into force on 1 July 2016. The 2016 Budget agreement was made between the Government, Danish People's Party, Liberal Alliance, and the Conservatives on 19 November 2015 (Regeringen et al, 2015b). The extension of the integration benefit to people already living in Denmark is estimated to reduce public expenditure by EUR 30.6 million in 2016, EUR 45.0 million in 2017, EUR 29.0 million in 2018 and EUR 18.1 million in 2019. Savings after 2016 will be used to finance the tax reductions in the second phase of the Job reform.

It is too early to evaluate the impact of the newly introduced integration benefit and the coming benefit ceiling and work requirement on the number of persons at risk of poverty. However, as almost identical schemes were in place before 2012 it is possible to use historic data to estimate their impact. Three studies are particularly relevant.²¹ The re-introduction of the three measures is likely to increase poverty by more than their predecessors as neither the number of long-term claimants or immigrants have decreased, meaning that more people will be affected by the lower benefit levels and work requirement.

2 Links to other two pillars of active inclusion

2.1 Inclusive labour markets

MI claimants are assessed according to their ability to undertake further education, activation offers or work (see section 2.2. on eligibility conditions). In 2014 96,804 MI claimants were activated, equal to 23,443 fulltime persons (see Table in Annex). Nearly two out of three MI claimants enter activation. Those MI claimants that undertake activation spend on average a little more than half the time in activation. The number and share of activated MI claimants went down in 2014. The same goes for sanctions.

²⁰ Det Økonomiske Råd (2015) Dansk økonomi, efterår 2015, Konjunkturvurdering, offentlige finanser og indkomstoverførsler med fokus på kontanthjælp, Autumn Report from the Economic Council, Copenhagen.

²¹ Andersen, L.H., H. Hansen, M.L. Schultz-Nielsen, and T. Tranæs (2012) Starthjælpens betydning for flygtninges levevilkår og beskæftigelse, Arbejdspapir nr. 25, Rockwool Research Foundation, Copenhagen; Hansen, H. And M.L. Schultz-Nielsen, Kontanthjælpen gennem 25 år – Modtagere, regler, incitament og levevilkår fra 1987 til 2012, Rockwool Fondens Forskningsenhed and Gyldendal, Copenhagen; Økonomi- og Indenrigsministeriet (2015), Familiernes økonomi: fordeling, fattigdom og incitament 2015, Ministry of Economic and Domestic Affairs;

Young claimants deemed capable of work or activation have to respond to a new type of activation offer called 'useful efforts' (nytteindsats) that are offered immediately after their assessment by the local job centre.

Six months after MI claimants have participated in activation measures nearly one in five have become self-providing, i.e. not on MI benefits or any other type of social security benefit (see Annex).

There are big flows in and out of claimants on MI benefits. However, there is also a large group who remain on MI benefits for long periods. And the share of this group in the MI population has grown since the economic crisis. In August 2015 60% of the 104,287 claimants had been on MI benefits for 1 year or more.²² 21,413 spells had had a duration between 1 and 2 years, 12,894 between 2 and 3 years and 27,233 longer than 3 years. In August 2009 43% of the 101,545 claimants had been on benefits for more than 1 year.

High marginal effective tax rates, which in Denmark have become known as 'Participation Taxes', are a major problem in providing work incentives, as thoroughly examined and shown by the Economic Council in 2015.²³ The two most important factors for the size of the participation tax is whether the MI claimant is a provider, i.e. has dependent children; and whether the MI claimant receives housing allowances. Single persons without children have a lower participation rate than single persons with children. If the single person with children has one or more children in childcare then the participation tax increases. And if the single person with a child also receives housing allowances then the participation tax rate increase even more. Housing allowances also play a role for persons without children, but not as big a role as for persons with children.

The participation rate for persons in couples depends on the employment situation of the partner. If the partner already is in a job, the MI claimant has a lower participation rate than if the partner is not in work but, for example, on MI benefits.

Within the group of MI claimants whose partners work, those that have a partner with a relatively high-paid job will get a lower participation tax rate than those who have a partner with a relatively low-paid job. The highest participation tax rate and thus lowest additional income for returning to work is for a MI claimant whose partner is also on MI benefits. In short, the Danish MI system has inbuilt mechanisms that favour the relatively well-off relative to the less well-off.

The Economic Council estimates that the lower benefit rates for claimants below 30 introduced by the Social Assistance Reform of 2014 led to an increase of 1,600-2,600 people in employment. Reducing the benefit rates also for claimants above 30 years is estimated to result in 3,000-5,000 additional people in employment.²⁴

This potential effect on employment has to be weighed against its effect on poverty, which is mechanically assessed – that is without any dynamic behavioural responses to the benefit cuts – and which may increase by up to 60,000 persons. Finally, such cuts will also markedly lower the social protection function of the MI system.

2.2 Access to quality services

The 2014 Social Assistance Reform strengthened the link between recipients of MI and quality services. The link was institutionalised in resource programmes. The resource programmes are coordinated by one social worker. This social worker has the sole contact with the client and coordinates all the various measures and professionals in the team offering the resource programme. This includes planning and implementing who does what and when. The right measures in the right

²² Data retrieved from www.jobindsats.dk, last checked 1 November 2015.

²³ Det Økonomiske Råd (2015) Dansk økonomi, efterår 2015, Konjunkturvurdering, offentlige finanser og indkomstoverførsler med fokus på kontanthjælp, Autumn Report from the Economic Council, Copenhagen.

²⁴ Det Økonomiske Råd (2015) Dansk økonomi, efterår 2015, Konjunkturvurdering, offentlige finanser og indkomstoverførsler med fokus på kontanthjælp, Autumn Report from the Economic Council, Copenhagen.

sequence have thus come to the fore. The aim is to increase the quality of services, which should enable to client to quicker and better become able to work or study.

As the reform is not very old, it is still too early to say anything about the success and failures of the resource programmes. However, similar initiatives in the areas of health and homelessness have proven very successful.

The programme for the homeless, Housing First, is also relevant for MI claimants, as the homeless tend to receive MI benefits, or disability pensions. Housing First is an evidence-based approach to homelessness where the homeless person is offered permanent housing and where a case coordinator makes sure doctors, nurses and social workers provide the right services in the home of the client, if possible.

3 Summary table

The table below is a summary of the report's assessment of the minimum income scheme. In the column "Evolution over time" P = Positive evolution, SQ = Status Quo, N = Negative evolution."

Assessment of MI scheme(s)				
	Assessment			Evolution over time
Adequacy How adequate is the level of MI benefits?	Adequate	Somewhat inadequate	Very inadequate	
	X	X (educational help)		N
Coverage How extensive is the coverage of people in need?	Fairly comprehensive	Partial	Very limited	
	X			N
Take-up How complete is the take-up of MI benefits by those entitled to them?	Fairly complete	Partial	Quite limited	
	X			SQ
Impact on Poverty Reduction (1) What is the impact of MI provision in reducing the at-risk-of-poverty rate?	Strong impact	Partial impact	Very limited impact	
		X		N
Impact on Poverty Reduction (2) What is the impact of MI provision in reducing the at-risk-of-poverty depth?	Strong impact	Partial impact	Very limited impact	
		X		N
Link to Active Labour Market Policy (ALMP) In practice, how effective are the links between MI scheme(s) and ALMP measures?	Very effective links	Mediumly effective	Very ineffective	
		X		P
Link to Adequate Services In practice, how effective are the links between MI scheme(s) and access to adequate services?	Very effective links	Mediumly effective	Very ineffective	
	X			P

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Annex Social assistance, claimants, activation, sanctions, self-provision, expenditures, 2008-2014

		2008	2009	2010	2011	2012	2013	2014
Claimants	Number of persons	151,893	176,365	187,753	195,676	206,110	217,000	146,046
	Average duration, weeks	32.2	32.3	33.5	33.9	34.8	35.4	37.9
	Number of social assistance spells	207,742	245,196	263,596	279,716	292,623	305,886	187,621
	Average number of spells per person	1.4	1.4	1.4	1.4	1.4	1.4	1.3
	Number of full-time persons	93,331	108,995	120,409	127,391	137,478	147,273	105,977
	Full-time persons, percentage of the labour force aged 16-66 years	3.3	4.0	4.5	4.8	5.1	5.5	3.9
	Full-time persons, percentage of the population aged 16-66 years	2.6	3.0	3.3	3.4	3.7	4.0	2.9
Activation	Number activated	100,832	123,073	136,044	133,850	136,953	147,225	96,804
	Average duration, weeks	13.9	13.9	14.2	13.0	12.9	13.3	12.6
	Number of full-time persons	26,739	32,657	36,966	33,589	33,874	37,628	23,443
	Fulltime activated in percentage of the labour force aged 16-66 years	0.9	1.2	1.4	1.3	1.3	1.4	0.9
	Activity rate, total	28.0	29.3	30.2	26.1	24.4	24.8	21.0
	Share of claimants entering activation, %	66.0	69.4	72.1	68.2	66.3	67.7	65.3
	Activity rate in the activation period, %	62.8	64.8	62.7	61.6	59.3	57.4	51.5
Passive share	Number of persons not activated	17,679	16,639	18,013	21,242	27,217	28,562	21,641
	Share of persons not activated, %	22.6	20.2	19.0	20.6	24.4	23.8	22.8
Sanctions	Number of sanctions, total	54,597	90,988	137,799	140,283	134,885	134,634	41,962
	Share of claimants, %	18.4	21.2	23.6	23.9	22.1	21.0	13.3
	Average number of sanctions per sanctioned claimant	1.95	2.44	3.11	2.99	2.96	2.95	2.17
Self-provision	Self-provision rate 6 months after activation, %	16.3	16.8	17.5	18.3	18.0	19.0	
Expenditures	Public expenditure fixed prices, 1,000 euros	1,693,982	1,943,020	2,113,428	2,210,826	2,432,104	2,601,746	1,983,532
	Public expenditure per person, euro/person	11,150	11,014	11,255	11,291	11,792	11,987	13,577

Source: www.jobindsats.dk.

