



# **Exploratory study: filling in the knowledge gaps and identifying strengths and challenges in the effectiveness of the EU Member States' minimum income schemes**

Country Fiche - Denmark

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# **Exploratory study: filling in the knowledge gaps and identifying strengths and challenges in the effectiveness of the EU Member States' minimum income schemes**

Country Fiche - Denmark

Directorate-General for Employment, Social Affairs and Inclusion

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## **Table of Contents**

Summary .....	1
1 Description of national schemes providing minimum income support .....	2
1.1 Eligibility .....	4
1.2 Coverage .....	6
1.3 Adequacy .....	7
1.4 Links with other benefits .....	10
2 Links with labour market activation .....	12
3 Links to social services and integrated provision of targeted social services .....	15
4 Governance mechanisms .....	17
5 Impact of MI schemes .....	18
6 Sources .....	21
7 Annexes .....	24

## Summary

The Danish system of minimum income (MI) benefits is made up of social assistance, supplementary cash benefits, and extensive employment measures and social integration services.

Social assistance encompasses three benefits, with 35 categories of recipient and 16 levels of benefit. In broad terms, it can be broken down as following:

- Social assistance (*kontanthjælp*) targets the non-migrant population over 30 years of age;
- Educational assistance (*uddannelseshjælp*) targets young people without an education;
- Self-sufficiency and return benefit, or transition benefit (*selvforsørgelses- og hjemrejseydelse eller overgangsydelse*)), primarily targets migrants.

Supplementary benefits linked to receipt of MI benefits include special housing benefit, help in special situations, bonus for learning Danish, and the temporary child allowance. Supplementary benefits not linked to MI receipt include the child and youth allowance for all families, child allowances for all single-provider households, and the individual housing benefit for low-income groups.

The adequacy of MI benefits depends on individuals' benefit category and eligibility for supplementary benefits. Generally:

- Social assistance recipients receive more than recipients of educational assistance or the self-sufficiency and return benefit (transition benefit).
- Single-provider households receive more than couples with provider responsibilities (in part due to the child allowances).
- Young people living alone are assigned into one of 26 benefit categories with monthly benefits of between EUR 862 and EUR 2 090.

There are certain negative relationships between MI benefits and social integration measures. For example, if young on activity or diagnosis supplements progress from social integration measures, they will not only be categorised as ready for education or work but will also lose half of their benefit.

The system is not very effective in getting people into work, as many MI recipients are exempt from the complex (29) benefit caps (*kontanthjælpsloft*) and the requirement to work 225 hours in the preceding 12 months to avoid benefit sanctions (*timeregel*). Together, the caps and work requirements are estimated to increase labour supply by only 450 people. The tapering of benefits to reflect work income is quite steep, providing a disincentive to work.

Extensive employment measures include traineeships, wage subsidies, and qualification programmes. Traineeships in the private sector are the most effective, while qualification programmes are used most frequently. Local delivery of employment measures and social integration services results in considerable variation across municipalities. Organisational, economic and disciplinary differences challenge the promising trends towards integrated services and holistic case management.

In May 2021, the Commission on the Minimum Income Benefit System (*Ydelseskommissionen*) identified several major problems with the MI system. These included the complexity of the system, ineffective incentives to work and study, unequal treatment of recipients, and deprivation of children in families receiving MI supports.

The Commission made a series of recommendations for a new minimum income benefit system, including:

- Introduction of one benefit at two levels;
- Positive economic incentives for study, work and personal development;
- Abolition of the 225-hour work requirement, benefit ceiling, and special housing benefit;
- New Free Time Allowances earmarked children's free time.

The government will announce its blueprint for a new minimum income benefit system in February 2022.

The following sections, first, outline the features of the MI support in place; secondly, describe the eligibility criteria and coverage and consider the adequacy of the financial support provided and the links with other benefits; thirdly, examine the extent of integration with labour market measures to help those supported into employment; fourthly, consider the access provided for the people concerned to social services; fifthly, summarise the governance mechanisms in place; and, finally, review the evidence on the impact on reducing poverty and assisting beneficiaries to find work.

An annex outlines the underlying situation in terms of the relative number of people at risk of poverty or social exclusion and the changes that have occurred over recent years, as well as the characteristics of the people concerned – their gender, age, employment status, education level, country of birth and the structure of the households in which they live. As such, it provides the context in which MI support is operating and indicates the groups on which support needs to be targeted.

## **1 Description of national schemes providing minimum income support**

### *Minimum income (MI) schemes available to the working-age population*

The Danish MI support system consists of MI benefits - social assistance, child allowances, and housing allowances - and employment-oriented measures, as well as general and tailored social and health services.

The Danish social assistance system (*køntanthjælpssystemet*) is complex, offers unequal treatment of people in similar situations, and is inefficient in getting recipients into education and work. In December 2019, the government established a Commission on the Minimum Income Benefit System to analyse the problems. In May 2021, the Commission made recommendations for a simpler, fairer, and more effective system. The government will announce its proposal for a new system of minimum income benefits in February 2022. This report sets out the existing system with its widely acknowledged challenges.

The social assistance scheme is the scheme of last resort for the working-age population. It consists of three benefits: social assistance, educational assistance, and the self-sufficiency and return benefit or transition benefit ('integration benefit'). These schemes distinguish between different categories of recipient, according to their age, education, employment record, health and pregnancy status, civil status, family status, etc. Following an assessment, recipients are categorised according to their ability to study and work. These categories, in turn, have implications for recipient benefit levels, and their right and obligations to participate in activation and social integration measures.

Some MI benefits are linked to receipt of social assistance, while others are not. Social assistance recipients may be eligible for special housing allowance (*særlig støtte*), help in special situations (*hjælp i særlige situationer*), bonus for learning Danish (*Dansk bonus*), and the temporary child allowance (*midlertidigt børnetillæg*). Social assistance recipients may also qualify for one or more of the other MI benefits - child and youth allowances, child allowances, and individual housing allowances – that are not

predicated on receipt of social assistance. Access to employment measures, social services and health services are not dependent on being a MI recipient.

#### *Benefit cap and work demand*

Two special features were included in the social assistance system to increase incentives to work. The work demand (*timeregel*) requires 225 hours of ordinary work in the preceding 12 months in order not to have a reduced benefit. However, 85% of MI recipients are exempt from the work requirement. The benefit cap (*kontanthjælpsloft*) sets a ceiling on the amount of social assistance and supplementary benefits that can be claimed. The temporary child allowance reduces the impact of these two special features, while complexity in the design and implementation of the work requirement and the benefit cap reduces their efficiency in getting MI recipients into work (*Ydelseskommissionen*, 2021).

#### *Expenditure*

In 2020, the total expenditure on social assistance schemes amounted to EUR 1 912 199 080, with social assistance accounting for 67.9% of spending. Educational assistance and the integration benefit amounted to 24.1% and 8.0%, respectively. No statistical information is available on the administrative costs of MI benefits. Without administrative costs or support services, the expenditure on social assistance benefits amounted to 0.6% of GDP in 2020.

#### *Recipients*

In 2020, 167 789 people received benefits from the social assistance schemes at least once, equivalent to 114 855 recipients on a full-time receipt basis, which corresponds to the annual average stock. This amounted to 3.9% of the labour force aged 16-66, or 3.0% of the total population aged 16-66. There were 91 255 recipients of social assistance in 2020 (equivalent to 67 418 on a full-time basis), amounting to 2.3% of the labour force and 1.8% of total population. Educational assistance had 58 595 recipients (equivalent to 34 996 on a full-time basis), amounting to 1.2% of the labour force and 0.9% of the population. Similarly, the integration benefit had 17 939 recipients (12 441 on a full-time basis), equal to 0.4% of the labour force or 0.3% of the population.

#### *Active labour market services and social services*

Denmark has very extensive employment measures and social services. MI recipients have the right and an obligation to participate in activation and other measures. If MI recipients do not meet their activation obligations, they are likely to face a negative economic sanction, unlike social service offers, which incur no such sanction.

#### *Challenges of the MI benefit system*

The existing MI benefit system experiences several challenges. Its complexity makes it difficult to navigate, both for MI recipients and for front-facing personnel. It also treats people in similar situations differently. In general, recipients of educational assistance and the integration benefit receive lower benefits than recipients of social assistance. Household composition also has an impact, with single providers sometimes receiving more in both absolute and relative terms than joint providers (couples). As a result, the economic situation of children in MI benefit families varies considerably. The lack of transparency of the benefit cap and the 225-hour work requirement - plus the exemption of a large number of recipients from both demands - makes work incentives ineffective. The link between the categorisation of recipients (ready for job, education, or activities) and benefit levels is counterproductive. Young people receiving a supplement for being activity ready or having certain listed psychiatric diagnoses will lose half of their benefit if they progress to ready for education or work, or if their diagnosis changes to one not on the list. This is a disincentive for young people's participation in social, health and employment measures.



### *Challenges of the MI support system*

Similarly, there are challenges associated with the MI supports, i.e. the services and measures provided in kind. Relatively successful schemes (e.g. Housing First, Individual Placement and Support (IPS)) have shown that integrated benefits can help homeless people and those suffering from mental illness to move into housing and jobs. Housing First combines permanent housing with intensive home support (e.g. Critical Time Intervention and Intensive Case Management). IPS combines employment services with psychiatric services.

The central idea is to integrate employment measures with social or health services (or both), coordinated and in parallel, instead of sequentially. It is difficult to translate this idea into practice, however. Municipalities have the freedom to decide how they deliver their employment and social services, while the vertical integration of health service provision is an issue in the regions. As municipalities are typically organised by sector (education, family affairs, health, employment, housing), cross-sectoral working presents a challenge, particularly the horizontal dimension of integrating services.

### *Recent changes*

There have been three significant changes to MI schemes over the last five years. The benefit cap and work requirement were abolished in 2012, with the then-government reporting that they caused poverty among recipients. However, 2016 saw the **reintroduction of the benefit cap** and the **225-hour work requirement**, which the incoming government argued were necessary incentives to work. In 2019, the government established a Commission on the Minimum Income Benefit System to propose reforms, including a simpler, more just and efficient system. In the meantime, the government introduced a **temporary child allowance** to compensate for the benefit cap or for those on the relatively low integration benefit.

The Law on Active Social Policy was consolidated in 2019. Benefit levels are updated annually, but the thresholds are not updated regularly. Most notably, the threshold for wealth and savings has not been updated since 1998.

The COVID-19 pandemic has not had any consequences for MI benefit schemes, but the lockdown in March 2020 led to an increase in recipients, albeit lower than expected due to generous wage compensation schemes to support employers to retain their staff. The temporary suspension of activation measures during the two lockdowns also led to a small decrease in the number of activated MI recipients.

## **1.1 Eligibility**

The scheme is open to all persons lawfully resident in Denmark that are in need of support.

A general condition for accessing social assistance is some change in the person's situation (social event or social contingency) that means the person cannot provide for themselves and their family. The social contingency can be unemployment, illness, end of partnership, end of education, imprisonment of partner, and other predictable and non-predictable events.

The impact of that social contingency is means-tested, as the eligibility criteria stipulate that the need for provision cannot be met by other means (e.g. income from work, wealth, or another social security benefit). The means test exempts certain types of income and assets. Income from work is deducted DKK to DKK (EUR to EUR), except EUR 3.67 per working hour for 160 hours per month. Those working more than 160 hours per month are not eligible for social assistance.

No assistance is granted if the applicant or their spouse has sufficient wealth to cover their financial needs, including real estate and savings above a certain amount. The

possibility of taking out a loan in equity to support the family will be examined for homeowners.

Sources of income excluded from the means test include: compensation for the loss of earning capacity and permanent injury; lump sum payments up to EUR 20 166 from insurance against certain critical illnesses; healthcare and special assistance concerning children; children's income and income relating to children, except for grants for the care of their own children. In addition, savings of up to EUR 1 344 for a single person (double for a married couple) are not taken into account. People with assets over these limits are not eligible for social assistance.

The entitlement to support is conditional on being available for work or education, or participation in activation offers and meetings at the job centre. Failure to meet these conditions results in sanctions and total/partial loss of benefit.

Similarly, there is a work requirement of 225 hours of (ordinary) work in the preceding 12 months. Failure to meet this requirement may result in lower benefits or the termination of benefit for one person in a couple. However, the majority of recipients are exempt from the work requirement because they are not assessed as job ready (i.e. capable of taking up work immediately).

#### *Eligibility criteria for the three social assistance schemes*

Eligibility criteria are used to determine an individual's benefit (social assistance, educational assistance, integration benefit) and category of recipient. The Commission on Minimum Income Benefit System (2021) noted that these criteria were established through decades of political bargaining, resulting in a complex and non-transparent system. These eligibility criteria include age, education, employment record, residence record, health status, pregnancy, housing, civil status, and family situation, as well as assessment of recipients' ability to study and work.

#### *Social assistance*

People who fulfil the general eligibility criteria and who are over 30 years of age, with a residence record in Denmark (or another EU/EEA country) and a work record have access to social assistance. The residence requirement stipulates a minimum period of 9 of the last 10 years, while the work requirement stipulates having been in regular employment for at least two-and-a-half of the past 10 years. Under-30s can access social assistance where they have a vocational education.

#### *Educational assistance*

People who fulfil the general eligibility criteria but who are under 30 years of age and without a vocational education are eligible for educational assistance.

#### *Integration benefit*

People who fulfil the general eligibility criteria but do not meet the residence requirement for social assistance are referred to the integration benefit.

Asylum seekers are supported by the immigration service rather than social assistance schemes.

In 2021, out of a population of 5 840 000, there were 467 600 people in households with family equivalised income below 60% of the median income (considered low income in Denmark). Of these, 157 700 were in households receiving one of the social assistance benefits, including 46 200 children (*Ydelseskommissionen*, 2021).

#### *COVID-19-related changes*

The work requirement generally stipulates a minimum of 225 hours of ordinary work annually in order to retain the entitlement to full social assistance. That requirement was suspended for four months in spring 2020 and for six months in the winter of 2020–2021. Claimants who did not fulfil the requirement during the first or the second

wave of COVID-19 and thus risked reduced/withdrawn benefit gained an extra four/six months in which to fulfil the requirement. In practice, the changes meant that no social assistance claimants saw their benefits reduced due to insufficient work during the COVID-19 outbreak.

### *Concerns*

Homeless people are one of the most vulnerable groups and have difficulty in meeting the requirements in the social assistance system, such as a permanent address, which is a prerequisite to open a bank account and receive social assistance benefit (municipalities do not pay benefits in cash).

Another group that may have non-take-up problems are spouses provided for by their spouse. This group comprises women, primarily from the Middle East and North Africa, Pakistan, and Turkey, whose family do not apply for social assistance because of the obligation to participate in various employment and social measures.

## **1.2 Coverage**

The Commission on the Minimum Income Benefit System noted the complexity of the MI benefit system and the resulting high administrative burden for applicants, who must find out their rights and obligations, and then meet the various documentation and compliance requirements. Social workers often assist MI applicants with the application form and navigating the system.

Denmark has undertaken little research into non-take-up. However, data on the income sources of the working-age population suggest that most people that need MI support seem to get it. The majority of the low-income population either receive income from work (including self-employment), from work and study grants (students), or from social security, including social assistance. Only a relatively small group of the working-age population do not have their own income from work or social security or study grants. One notable subset of that group are those who avoid social assistance because they do not want to participate in activation and other mandatory measures, instead choosing to be solely economically supported by their spouse (*ægtefælleforsørgede*). The size of this group is not known, but is thought to primarily consist of women from Middle Eastern and North African countries, Pakistan, and Turkey (*Ydelseskommisjonen*, 2021). There are no easy solutions to increase their take-up, which is considered to reflect their lack of participation in society at large. It is not politically acceptable to remove all activation conditions for social assistance, therefore other solutions are being sought to increase participation of this group in the wider community. For example, holistic plans for social housing areas (*helhedsplaner*) include peer-to-peer initiatives that show promise in getting women of this group to participate in local activities and courses (e.g. Neighbourhood Mothers (*bydelismødre*)) run by women who are themselves often migrants from the same countries). Some larger municipalities, such as the job centres in Copenhagen Municipality, employ special social workers that are experts on social control. These efforts have yet to be studied and made public.

Until recently, many homeless people found it difficult to prove that they met the residence requirements to receive social assistance, and were thus granted only the lower integration benefit. In January 2019, however, the Ombudsman of the Parliament decided that a homeless person who did not meet the ordinary documentation requirements of residence but who could provide oral testimony was eligible for social assistance rather than integration benefit. Finally, in November 2020, the Board of Appeal (*Ankestyrelsen*) declared that the local authority must instead establish evidence of the homeless applicant having lived abroad (*Ankestyrelsen*, 2020).

### **1.3 Adequacy**

In 2020, 41.9% of all social assistance recipients were at-risk-of-poverty (AROP, i.e. they had income below 50% of the median) and 66.4% had an income below 60% of the median (Statistics Denmark, 2020). That compared to 42.9% below 50% of the median line and 66.5% below 60% of the median in 2019.

#### *Benefit formulae*

In general, age, education, residence record, employment record, health and pregnancy status, housing situation, civil status, and family situation are used to differentiate between different categories of MI recipient. These categories have implications for benefit levels and adequacy. For example, there are 26 different categories of young people below the age of 30 in the social assistance and educational assistance schemes. These categories are associated with benefits at 16 different levels. The monthly benefits range from EUR 862 to EUR 4 091.

MI recipients may receive linked supplementary benefits, such as special housing support, help in special situations, and temporary child allowances, or universal benefits not linked to MI, such as child and youth allowance, child allowance and individual housing support (see Section 1.4). These supplementary benefits must be considered when assessing the adequacy of benefits for MI recipients.

The benefit level of social assistance depends on the claimant's civil and family status. A single person over 30 years of age, without children, is entitled to receive EUR 1 573 per month in social assistance only. Claimants can receive supplementary benefits, including the special housing supplement (*særlig støtte*), based on the need to cover especially high costs of family support or housing for a limited period, as well as other supplements (*enkeltstøtte*) in special cases of considerable and unforeseeable expenses. Some reductions are also possible, such as in the case of refusal to participate in activities, reductions for failing to meet the 225-hour work requirement in the previous 12 months, a cap on the total amount of assistance, special housing supplement (*særlig støtte*) and individual housing benefit (*individual boligstøtte*).

The benefit level of educational assistance depends on the claimant's pregnancy status, mental illness (certain diagnoses qualify for a diagnosis supplement), living with or without parents, civil status, family status, and when they may be able to start education (those unable to start within 12 months qualify for an activity supplement). In total, there are 16 categories of claimants, with six levels of benefits.

*Adjustment for household composition.* The benefit levels vary according to civil status and whether the claimant provides for children. While a single person aged 30+ who does not provide for a child receives EUR 1 573 per month, a single person aged 30+ with provider responsibilities receives EUR 2 090 per month. A couple not in work, but with children, receives EUR 4 180 per month.

#### *Sufficiency of MI benefit packages to meet recipients' needs*

Table 1 sets out the benefits (social assistance and supplementary benefits, plus the effect of benefit cap and taxes, to arrive at the disposable income. To assess whether the total benefits are adequate, it relates the disposable income to reference minimum budgets for the different family types. To assess whether the total benefits lift MI recipients out of poverty, it relates the disposable income to different shares of the median income: 40% reflecting the risk of extreme poverty (as per the European Commission); 50% the Danish tradition (as well as non-governmental organisations (NGOs) and the Organisation for Economic Co-operation and Development (OECD); and 60% (historically used by the European Commission and supplemented by several indicators in recent years).

The overall conclusion is that MI benefits are good for some, but not all, types of household. Substantial differences are evident in the level of benefits, depending on

the recipient's scheme and category (reflecting their age, education, employment record, residence record, and ability to work and study).

In general, educational assistance and the integration benefit grant lower benefits to young people and (predominantly) migrants, respectively. Table 1 shows this effect for a single person on educational assistance, where a recipient with an activity allowance reaches 122% of the risk of extreme poverty line, but only 84% without the additional allowance. A couple on integration benefit receives only four-fifths of the extreme poverty line. Social assistance keeps both the single and the couple household out of extreme poverty.

Denmark frequently uses 50% of median income to define those with low incomes (*Ekspertudvalget om fattigdom*, 2013; *Ydelseskommisionen*, 2021). Using the Danish measure for low income at 50% of the median income, only single-person recipients of the educational allowance and the activity allowance are not in the group of low-income households. All households are below the 60% EU AROP threshold. Again, the integration benefit and the educational allowance (without activity allowance) are close to half the level.

*Table 1. Tax-benefit situation of select households according to their main social assistance benefit, 2021*

	<b>Educational assistance</b>	<b>Educational assistance with activity allowance</b>	<b>Integration benefit</b>	<b>Integration benefit</b>	<b>Social assistance</b>	<b>Social assistance</b>
Household	Single	Single	Couple	Couple, 3 children	Single, 3 children	Couple, 3 children
	EUR					
Social assistance	861	1 573	1 674	2 340	2 091	4 182
Special housing allowance	0	141	0	0	87	7
Individual housing allowance	81	81	101	484	484	188
Child and youth allowance	0	0	0	390	390	390
Child allowances (ordinary and extra)	0	0	0	0	269	0
Special child allowance	0	0	0	0	585	0
Effect of benefit cap	0	0	0	0	437	202
Taxes	121	400	215	464	592	1 170
Disposable income	961	1 398	1 560	2 750	2 884	3 402
Percentage of equivalised income						

At 40% of the median	84	122	113	80	105	99
At 50% of the median	67	98	91	64	84	79
At 60% of the median	56	81	76	53	70	66
Percentage of reference minimum budgets						
Share of minimum budget	70	101	74	81	109	100
Gross replacement rate of one minimum wage of:						
Minimum wage, unskilled	42	69	68	123	133	138

*Notes: Assumes that no recipients have income from work. Rent set at the level of the median rent of social assistance recipients, plus utility costs (electricity, heating, and water at EUR 105 for single people, EUR 157 for single people with three children, EUR 147 for couples, and EUR 171 for couples with three children aged 7-14 years), EUR exchange rate as at November 2021. Assumes that recipients of integration benefit have earned rights to full child allowances. Estimates of median income based on Ydelseskommissionen (2021). Equivalence scales based on ((number of people in household\*0.6). Minimum wage refers to the level for unskilled, according to the HK. Minimum reference budgets for family types from Ydelseskommissionen (2021).*

A better measure of adequacy is whether or not disposable incomes can meet the need reflected in minimum reference budgets. Table 1 shows that social assistance and educational assistance with an activity allowance provide adequate benefits that can meet the basic needs of households. However, this is not the case for recipients of the integration benefit and of educational assistance without the activity allowance.

The examples in Table 1 assume that households are entitled to support for their housing situation. In 2021, the Commission on the Minimum Income Benefit System estimated that 43% of social assistance recipients received individual housing allowance, 13 150 recipients received both special housing allowance and individual housing allowance, and 4 850 recipients received only the special housing allowance. As a result, only about half of social assistance recipients receive economic support for housing. Ineligibility may be the result of household partners with too high income, homelessness, or residence in apartments and rooms that do not meet the eligibility criteria for housing allowance (which includes access to own kitchen and toilet).

#### *Benefit cap on total benefits*

The adequacy of benefits differs between MI recipients depending on their category of social assistance and whether they are eligible for other benefits, as well as whether they are subject to the cap on total benefits. The total amount of social assistance after tax and special housing benefit (*særlig støtte*) cannot exceed 90% of previous net earnings<sup>1</sup>. For all recipients of social assistance, there is a cap on the total amount of special housing benefit and housing benefit (*boligstøtte*) that can be received. This cap depends factors such as age and living situation (dependent, married/cohabiting, single). Recipients of social assistance who live in certain special housing due to

<sup>1</sup> If this amount is not a reasonable expression of the applicant's earning capacity, the average income in the last three calendar months is used instead. From the fourth month onwards, the total amount cannot exceed the maximum unemployment benefit after tax.

disability are exempt from this ceiling. The cap does not mean that the amount of social assistance is reduced, but, rather, that the person receives lower special housing benefit and housing benefit.

The duration of payment is unlimited in theory. In practice, however, the amount received may be reduced where someone who is able to work has not worked a minimum of 225 hours in the previous 12 months and has received assistance for one year within the previous three years.

There is no link between needs and benefit levels, but the Commission on the Minimum Income Benefit System has proposed a minimum budget to set benefit levels in a future system.

In 2017, two out of three social assistance recipients were in the first income decile, with one in five in the second decile (*Ydelseskommissionen*, 2021). In particular, recipients of educational assistance and integration benefits were in the first income decile. Only 4% of MI recipients were in the upper half of the income distribution. There is no available information on the coverage of MI among working-age population with less than 40% of median income.

One of the weaknesses of the existing MI system is that it treats people in similar situations differently. A family of two adults and two children will receive different levels of total benefits depending on their benefit category. In general, the system grants higher benefits to single providers than to couples, mainly because there are special universal child allowances to single providers.

Benefits are indexed annually with wages, albeit not fully. The gradual indexation implies that benefits are regulated with wages two years previously, minus 0.75% (in 2020-2023). In addition, contributions to the new compulsory pension scheme for social security claimants are deducted - 0.3% of the benefit in 2019, 0.6% in 2020 and 0.9% in 2021.

#### **1.4 Links with other benefits**

Recipients of social assistance may be entitled to one or more supplementary benefits, which may or may not be linked to their receipt of MI benefits. The supplementary benefits linked to receipt of MI benefits are the special housing benefit and help in special situations, the bonus for learning Danish, and the temporary child allowance.

The **special housing benefit** for people on social assistance is granted as a supplement to those who fulfil the conditions to receive social assistance and who are in a particularly difficult situation due to high housing costs. It is paid to families without children with a net rent (gross rent minus general housing benefits) exceeding EUR 424 per month, and to families with children with a net rent above EUR 618. For families with children, all net rent above EUR 611 per month per adult is paid (EUR 625 if the child is not living at home), reduced by EUR 114 for the second and each subsequent child (EUR 94 if the child is not living at the home).

The total amount of social assistance after tax and special housing benefit cannot exceed 90% of previous net earnings. If this amount is not a reasonable expression of the applicant's earning capacity, the average income in the last three calendar months is used. From the fourth month onwards, the total amount cannot exceed the maximum unemployment benefit after tax.

The municipality may provide **help in special situations** (e.g. healthcare expenses, medicine, dental treatment) that are not covered under any other legislation, if the claimant is financially incapable of paying such expenses. Assistance shall only be granted if the treatment is necessary and reasonable on health grounds. According to the Act on Active Social Policy, the municipality can provide grants for dental care to those who are receiving benefits equivalent to the level of social assistance. The grant can only be given if the expense does not exceed EUR 1 344, and as long as the claimant does not ask the municipality to pay the remaining costs.

Recipients of integration benefit can get the **bonus for learning Danish** as a supplement of EUR 217 per month for six months.

The **temporary child allowance** was introduced in January 2020, targeting families with children aged 0-14 years, in the social assistance system, that receive: social assistance and have their housing allowance and/or special support reduced because of the benefit cap; educational assistance and have their housing allowance and/or special support reduced because of the cap; or, the relatively low integration benefits. This allowance is payable until a new MI benefit system comes into operation. The amount of the temporary child allowance varies depending on the social assistance scheme, the civil status of the recipient, and the number of children below 15 years. Benefit ceilings vary according to the social assistance schemes, the reduction in the housing allowance/special support, and the civil status of claimants.

The supplementary benefits not linked to MI receipt can be universal benefits that are automatically paid to everyone who fulfils certain criteria, e.g. the child and youth allowance (*børne-og ungeydelsen*), or selective means-tested benefits.

The **child and youth allowance** is tax-free and paid to all families with children under the age of 18. The monthly amounts are EUR 208 per child aged 0-2 years, EUR 164 per child aged 3-6 years, and EUR 129 per child aged 7-14. The allowance is tapered with income above a relatively high threshold at EUR 111 278 annually. It is earned gradually and paid out in full after six years of employment or residence.

The **child allowances** (*børnetilskud*) are tax-free and paid to all single-provider households, regardless of their income. The ordinary monthly child allowance is EUR 67 per child. The extra child allowance (*ekstra børnetilskud*) is paid together with the ordinary child allowance to single providers with children in their custody. It amounts to EUR 68 per month, regardless of the number of children. This benefit is also earned gradually and paid out in full after six years of employment or residence.

The **individual housing benefit** (*individuel boligstøtte*) is a separate scheme, granted after an objective calculation based on housing expenditure, household income, location of the home, and composition of the household, including the presence of children. It is payable to all those on low incomes. For all recipients of social assistance, there is a cap on the total amount of housing benefit that can be received. However, recipients of social assistance who live in certain special housing due to disability are exempted from the cap. The cap depends on factors such as age and living situation (dependent, married/cohabiting, single).

### **Individual plans**

According to the Law on Active Employment Measures (2018), municipalities must have four meetings with the recipient within the first six months of receiving benefits. In 2020, 3 478 social assistance recipients (4.2%) did not have this meeting.

After this initial contact phase, the job centre and recipient agree a contact schedule. In general, social assistance recipients who are not in a programme after six months have the right and obligation to start an offer of at least two weeks' duration. The obligation may be forfeited if they are due to start ordinary employment within six weeks.

MI recipients get an individualised plan ('My Plan') that describes the employment-oriented measures to get them into a permanent job (even low hours) in the ordinary labour market. The plan contains traditional active labour market policy (ALMP) programmes, as well as social services and other measures. MI recipients who need rehabilitation will get a 'Rehabilitation Plan', while recipients with multiple problems can ask for a 'Holistic Plan' that integrates the My Plan, Rehabilitation Plan and other action plans for the person or family. The Holistic Plan may give recipients a better overview of their situation.



My Plan is generated by the case workers in job centres and sets out targets for work and/or education, agreements and requirements for job search, ALMP offers, and activities that can improve the person's physical, psychological, or social state of mind to enable them to participate in offers. It also contains other agreed measures, the status of current initiatives, and follow-up for previous measures. The job centre updates My Plan according to the person's current situation and needs, and it is digitally accessible to the individual concerned. Recipients of the integration benefit have a contract (under the Law on Integration) that is accessible in My Plan.

MI recipients must participate in the agreed measures and may be subject to sanctions for failing to adhere to employment-oriented measures. Sanctions are rarely applied in respect of social and health services.

The quality of casework depends on the working conditions of caseworkers. However, no official information is available on caseloads (see *Dansk Socialrådgiverforening*, 2020). The Association of Social Workers recommends 35-55 cases for job-ready social assistance recipients per social worker, 30-50 for activity-ready social assistance recipients and education-ready educational assistance recipients, and 25-45 for activity-ready educational assistance recipients (*Dansk Socialrådgiverforening*, 2021).

Table 1 shows the benefit composition and adequacy for different family types. For assessment of in-kind support, there is a lack of systematic surveys of recipients' perceptions of the social integration and employment measures. However, studies have shown positive employment effects of recipients' meetings with front-line personnel (social workers and job consultants) (Rosholm et al., 2017; Andersen et al., 2021).

## **2 Links with labour market activation**

The granting of social assistance is subject to claimants' participation in an activation measure or any measure to improve their (or their partner's) integration into the labour market (e.g. taking part in a job-seeking course, work experience in a company). Students cannot apply. Those who cannot work due to incapacity are expected to participate in rehabilitation programmes. Payment of social assistance is suspended if the beneficiary or their partner refuses, without sufficient reason, to participate in an activation measure or repeatedly fails to report to a job opportunity under the activation.

If a person receiving social assistance finds work and starts earning income, that income is deducted from the social assistance payments. The tapering of benefits with income from work is set out in the regulation on Active Social Policy (Declaration No 981 of 23rd September 2019). The social assistance benefit is tapered with income from work, less EUR 3.8 per hour. There are no direct statistics on how many social assistance recipients have their benefit tapered/reduced due to income from work, but it is possible to estimate from looking at those who had ordinary waged hours of work during the benefit period. In 2019, 22.3% of social assistance recipients (21 261 people) and 18.6% of educational assistance recipients (10 701 people) had ordinary hours of work and were thus subject to tapering.

Individuals who are not unemployed and have experienced other types of 'social events', such as sickness or disability, may not be required to be available for work but must meet other requirements (e.g. participation in rehabilitation activities). Requirements are suspended in cases of disability.

In general, social assistance recipients continue to receive benefits when participating in ALMPs. There may be other benefits or supplements in certain instances. For example, people on integration benefit will shift to an integration education benefit when they begin the ALMP.

Social assistance recipients are divided into three groups. The 'job-ready' are those that are seen as being ready to provide for themselves within three months by taking

on an ordinary job. They must actively search for work and take up job offers and activities directed towards work. They must register as job seekers, make a job search agreement, register job searches, and update their CV, etc. The 'activity-ready' are those with problems of an academic, social or health character that demand extra support for a longer period than one year before they can start an education in ordinary conditions. They must participate in meetings at the job centre, as well as activation offers (e.g. bridge-building to education). Due consideration must be given to the person's academic, social or health problems. Activity-ready recipients must accept offers of work adapted to their resources and needs, and they must participate in activation offers. The 'education-ready' covers those that are 'evidently-education-ready' (*åbenlyst uddannelsesparate*) and those that are just 'education-ready'. The evidently-education-ready are not seen as having any barriers to starting education, nor in need of help and support, and they must be available for the labour market until they can start education. The 'education-ready' are those seen as able to start their education within a year and to finish it on ordinary terms, with the right help and support. They must be available for education in ordinary conditions and for measures aimed at education in ordinary conditions. All recipients of social assistance have the right and duty to take part in labour market activation. Municipalities are responsible for activation.

Educational assistance recipients are categorised as either 'evidently ready for education', 'educationally ready' or 'activity ready'. Those who are evidently ready for education are seen as having no barriers and so need no support to start an education on ordinary conditions. They must be available to the labour market until they start an education. They must register as looking for jobs, enter a job search agreement, register, and update their CV, and participate in, for example, traineeships. Those who are categorized as education-ready are seen as able to start education on ordinary conditions after a year with the right support and active measures. They must be available for education and measures directed toward education.

In principle, all education assistance recipients are subject to activation, but the type of activation varies according to the category of recipient. In 2019, those on full-time educational assistance categorised as 'ready for education' made up 0.5% of the labour force aged 16-66 years (0.4% were evidently ready and 0.0% education-ready), while those categorised as activity-ready made up 0.7%. Those proportions were unchanged in 2020 and 2021.

In 2020, 167 789 people received social assistance at least once. Calculated on a full-time basis, that equated to 114 855 recipients (3.9% of the labour force aged 16-66 years, or 3.0% of the total population aged 16-66 years). There were 91 255 recipients of social assistance, the equivalent of 67 418 on a full-time basis (2.3% of the labour force and 1.8% of total population). Educational assistance had 58 595 recipients, equivalent to 34 996 on a full-time basis (1.2% of the labour force or 0.9% of the population). Similarly, the integration benefit had 17 939 recipients, equivalent to 12 441 on a full-time basis (0.4% of the labour force and 0.3% of the population).

#### *Obligations and sanctions*

Depending on whether MI recipients have been assessed as ready for a job, education, or activation, they must meet a series of obligations. Those who can take up an ordinary job within three months are seen as job-ready and must search for and accept jobs. Those who cannot take up an ordinary job within three months are categorised as activity-ready and must search for and accept jobs adjusted to their capabilities. If people do not have an adequate level of education and are under 30, they are seen as ready for work until their education starts. None of the MI benefits are conditional cash transfers.

In general, failure to fulfil obligations relating to MI benefits and employment services results in sanctions but these are not typically used for social and health services.

Sanctions include from benefit withdrawal, increased availability criteria, temporary benefit withdrawal, and fees. If recipients fail to show up at a meeting or an activation offer, they are likely to be first subject to a fee sanction, then a temporary benefit withdrawal, then other sanctions. Failure to register as unemployed or to compile a CV typically results in a temporary withdrawal of benefit.

In 2019, there were 104 257 sanctions, including 1 819 benefit suspensions (about 0.6 sanctions per benefit participant, on average). There were 37 881 sanctions imposed on social assistance recipients, including 16 846 period sanctions for not participating in an ALMP offer. 893 people had their benefit revoked. One in seven (14.9%) recipients of social assistance was sanctioned. In 2019, there were 45 576 sanctions on educational assistance recipients, including 33 111 period sanctions for not participating in an offer. 1 497 persons had their benefit revoked. More than one in five (22.1%) recipients of educational assistance were sanctioned during 2019. For integration benefit recipients, there were 20 880 sanctions, including 429 benefit stops, and 16 818 temporary benefit suspensions. On average, each integration benefit recipient had 1.2 sanctions.

#### *Nature of activation measures*

Social assistance recipients participate in a broad range of ALMPs and complimentary services. ALMPs include traineeships, wage subsidies, supervision, training programmes, etc. For people experiencing problems in areas other than work, additional services may be offered (see Section 3). Educational assistance recipients can also participate in a broad range of ALMPs and complimentary services. Those categorised as activity-ready are particularly targeted with measures that work as bridge-building into education.

In addition to employment and social services, integration benefit recipients may be offered a so-called integration education benefit. In 2016, the social partners and the government undertook a tripartite agreement on integration, which was subsequently renewed. The integration basic education (*Integrationsgrunduddannelse, igu*) consists of placement in a company, with accompanying language, supervision and qualification courses. This type of extended traineeship in the private sector is considered the most effective instrument for getting people into work.

#### *Effects of ALMPs*

Several studies have been undertaken on the effects of ALMPs on education and work among MI recipients (Rosholm and Svarer, 2020). Wage subsidies in the private sector have the strongest employment effects, although wage subsidies in the public sector have negative employment effects. Meetings have positive effects for those who are categorised as job-ready and education-ready. There are indications that traineeships have positive employment effects, while mentors appear to work well for those categorised as not ready for work or education.

The employment effects of activation measures for immigrants were reviewed recently (Jakobsen et al., 2021). Traineeships, wage subsidies in the private sector, and employment in temporary work agencies show positive employment effects. Language programmes have positive effects in the long-term (three-four years), but not in the short-term. There are indications of positive employment effects for wage subsidies in the public sector. Studies seem to show that a focus on sectors with labour shortages and skill demands can be particularly effective, especially for women of non-Western descent. Sector-oriented measures are typically composed of traineeships, language and practical courses aimed at qualifying people for jobs in the sector.

#### *Scope of activation*

In 2019, there were 61 758 social assistance recipients activated, equivalent to 10 920 on a full-time basis (0.4% of the labour force aged 16-66). On average, 15.4% of the social assistance recipients were in activation, 64.9% of them were in activation

at one or more stages during the year, and the activation intensity was 36.1% of the time possible. There were 44 477 educational assistance recipients in activation, equivalent to 10 059 on a full-time basis (0.4% of the labour force). Similarly, 16 874 integration benefit recipients were activated, equivalent to 5 936 on a full-time basis (0.3% of the labour force). Unfortunately, the majority of MI recipients do not make use of the most effective scheme - traineeships in the private sector.

### **3 Links to social services and integrated provision of targeted social services**

MI recipients can be offered services beyond labour market activation. Integrated services (e.g. with social and employment-related components, or health and employment components) are believed to be particularly effective for social assistance recipients, as a relatively weak group of unemployed compared to insured unemployed. A Law on Integrated Measures (*Lov om helhedsorienterede indsatser*) is forthcoming in January 2023, having twice been postponed. In the meantime, municipalities are finding their own ways of offering joined-up services from different sectors.

#### *Integration of MI schemes with social services*

Municipalities offer social services, including integrated targeted social services. As Denmark's 98 the municipalities organise themselves, the scope and the measures vary considerably.

Municipalities have an obligation to organise meetings and propose offers to MI recipients with the objective of getting them into work or education in the short or longer term. Social workers and job consultants meet recipients and assess their social, economic, and educational situation.

MI recipients are assigned a social worker and, often, a job consultant. If they have family problems, they may also be in contact with welfare professionals. Vulnerable groups may have their social and health needs addressed, alongside their lack of work or education. Like all residents, MI recipients are entitled to universal benefits, independently of their status as MI recipients. For example, Denmark has a universal healthcare system with a guiding principle of equal access.

#### *Assessments in a multidimensional framework*

Vulnerable people can apply to the municipality for support, independently of their MI status. They are invited to a meeting, accompanied by a relative or another person. There, they discuss the person's needs, resources and goals, and collect the necessary documentation. Many municipalities use a version of the Adult Assessment Method 2.0 (*Voksenudredningsmetode, VUM 2.0*), while others have developed their own assessment frameworks. The assessment systematically covers challenges and resources (physical and mental functionality, social and health aspects), everyday life (relations, community life, communication, practical tasks, own care, mobility), and contextual factors. Again, the approach is at the discretion of each municipality.

Assessments are based on information from a variety of sources, including general practitioners, workplaces, job centres, teachers, parents, psychologists, and others. The caseworker only collects information with the applicant's permission. Based on the assessment, the caseworker recommends the services that should be provided. These are described in a decision and accompanied by an individual action plan and a letter outlining the complaints procedure if the desired services are not granted. The caseworker also makes a formal request to support services suppliers. Negative sanctions are rarely applied in respect of failure to engage with social and health measures.

#### *Universal services with local variation*

In addition to the universal healthcare system, childcare system and long-term care system that help work-life balance, there are several targeted local services (although these vary widely and are often at municipal discretion). Those with relatives who are terminally ill or who require substantial care may get relief through institutional care or home help. People with disabilities have access to personal care assistants, mobility aid, and more. MI recipient status is not an eligibility condition for these universal or targeted services.

General services are typically universal and free-of-charge or subsidised, especially for people with low incomes, including most MI recipients. Childcare is subsidised so that no family has to pay more than 25% of the actual costs and many families pay less. Households with an annual income below EUR 24 973 have free childcare, while households with an annual income between EUR 77 568 have a reduced rate. Households with an annual income higher than that threshold pay the full fee, capped at 25% of actual costs.

### *Coverage*

Data on coverage of social services and health services are not disaggregated by social security recipient status. However, quarterly data on usage are available from municipalities. For example, in the fourth quarter of 2020, 48 046 people were in receipt of one or more services under the Law on Active Social Services, compared to 42 770 in the first quarter of 2015, a 12% increase over the five-year period.

There are data on the use of childcare, healthcare, and various general services. However, these data are not regularly available by social security status. For example, childcare data are available according to age of the child, type of childcare, municipality, fees, and staff:child ratio, but not by income source of parents. The scope of daycare coverage declined from 32 393 full-time children in 2018 to 31 002 in 2019 and 29 188 in 2020. Attendance at nurseries (children aged 0-2 years) was stable, at 69 855 in 2018, 70 817 in 2019, and 69 793 in 2020. The use of childcare (3-5 years) increased from 154 773 in 2018 to 156 643 in 2019 and 158 296 in 2020.

Generally, people make use of the services offered. Exceptions include episodes of mental ill health, or families that fear contact with the authorities will lead to placement of their children in foster care. Some of those in the groups most in need of integrated services are also the most reluctant to take up offers.

### *Integrated provision of services and coordination*

Integrated provision of services has proven to be effective in a wide range of situations, including for those suffering from mental illness, homeless people, and families and people with complex problems. Integrated services are often offered by different parts of the municipal administration (e.g. social section, employment section) or different levels of administration (e.g. social and employment matters are dealt with at municipal level, while hospital treatment for mental illness is at regional level). Barriers for collaboration can thus be economic, legal and professional. There is a push for greater use of integrated services, including for homelessness, with joint use of housing, home support/Critical Time Intervention (CTI) and health offers. Attempts have also been made to promote integrated services for young people, encapsulated in the Municipalities Youth Measures (KUI) for the under-25s. Finally, a series of municipalities have used integrated services for young and vulnerable families in so-called free municipality projects. In 2019, a law on Holistic Oriented Measures (*Hovedlov om helhedsorienterede indsatser*) was adopted but will only be implemented in January 2023. The law seeks to facilitate holistic-oriented measures in integrated and coherent services.

Coordination between the providers at different stages of a programme relies on a coordinating caseworker, a team of central caseworkers, schema on progression, use of shared concepts and so forth. However, when providers are not directly linked to a programme, there may not be a bridge between different programmes, while the

General Data Protection Regulation (GDPR) poses difficulties for routine exchange of information. This affects vulnerable groups most, as stronger groups can more easily obtain and navigate the programmes on offer.

Integrated projects are often associated with a monitoring framework to divide costs and benefits and to ensure the availability of relevant information for all those involved. This varies by project, but the GDPR and citizens' legal rights require individual permission for any exchange of personal information.

The biggest challenge in the provision of integrated services is the budgetary framework, which does not always incentivise collaboration or longer-term projects (e.g. investment in people). Additional challenges are administrative silos with differing agendas, and different disciplinary approaches (*Reformkommissionen*, 2021).

## **4 Governance mechanisms**

Parliament decides on the legislative frameworks covering MI benefits (social assistance, child allowances, and housing allowances) and employment-oriented measures, as well as social and health services of a general and targeted nature. The social assistance system is the scheme of last resort in Denmark. It consists of three benefits - social assistance, educational assistance, and the integration benefit, as well as supplementary benefits, including some benefits predicated on receipt of social assistance and others targeting low-income groups, or universally available. Access to employment measures, social services and health services are not dependent on MI recipient status.

Regional authorities do not play a role in MI benefits and have only a small one in MI support schemes. They run primary healthcare in the form of hospitals, which are important in the context of mental illness (increasingly an issue among MI recipients).

At regional level, a quasi-public organisation, PaymentDenmark, is responsible for the payment of non-discretionary cash benefits, including child allowances and housing allowances. PaymentDenmark is part of the ATP administration and has five regional offices in Denmark. The ATP administration originally only administered the supplementary pension benefit, but has since taken on responsibility for administering more social security schemes in its PaymentDenmark section. The regional PaymentDenmark offices are not associated with regional authorities, but with the ATP.

Social assistance is administered at local level by 98 municipalities. Their elected politicians decide on MI support schemes, such as employment measures and social integration services. The local administration often has a section on payment of benefits, including MI benefits, and other sections dealing with employment-oriented measures, typically job centres, and social and health services. Citizens with complex problems can have caseworkers across the administration, with some introducing coordinating caseworkers or case teams. The administration and granting of MI benefits is always within the realm of municipalities. The delivery of services can be undertaken by both public and private bodies, depending on the type of service.

Some social services and employment services are delegated to private providers. For example, housing providers include shelters and organisations offering interventions that include psychological, social, and practical support. Employment measures include training courses, mentor support, temporary work agencies, etc.

Services are delivered at local level, with regional level involvement in respect of certain health services, such as mental health and disability.

In 2020, municipalities employed 508 900 people, according to the Association of Local Government (*Kommunernes Landsforening, KL*). This included 156 400 doing educational work (including 51 400 teachers and 38 100 teaching assistants) and

150 500 working with older people, and people with health issues or disability (101 700 worked with older people outside the MI benefit scheme).

The stock and flow of social security recipients, including MI recipients, and employment-oriented measures is monitored by the Agency of the Labour Market and Employment (*Styrelsen for Arbejdsmarked og Rekruttering, Star*). The agency has an online website where monthly data are published<sup>2</sup>. Statistics are collected from many different sources, including municipalities and administration, Statistics Denmark, and other state authorities. Data are provided free of charge at the level of municipalities and job centres, allowing for comparisons across locations.

For employment measures, the Star website publishes monthly data on so-called Ministerial Goals, as well as on key indicators at different levels of government. Ministerial Goals vary over time. For 2021 there are three such goals: i) the share and number of benefit recipients that started a qualification programme; ii) the share of companies that have tried and failed to recruit workers; iii) the share of refugees and people reunited with their families who are in employment. There are three key indicators for job centres. The target measure is defined by the expected and actual number and share of people on social security benefits full-time. The focus indicator measures meetings and participation in active measures (reported as number and share of people). In addition, there are indicators on unemployment and jobs.

The statistics on employment measures inform ranking lists and identify positive and negative outliers. Negative outliers typically get a letter from the Labour Market and Employment Agency offering its services to identify more effective policies.

Employment measures are monitored monthly. Both employment measures and social and health services are evaluated, in particular, when they pilot the use of new instruments.

Social and health services are not monitored to the same extent, but it is possible to find information on expenditure according to broad budget items, which are monitored.

Fraud is a subject of interest at both local and central level, although there are no publicly available data. At local level, caseworkers will stop benefits if fraud is detected, or they will make special conditionality requirements where fraud is suspected. At central level, PaymentDenmark uses Big Data and machine learning to identify fraudulent patterns, e.g. MI benefit recipients buying expensive cars or motorbikes.

The right of appeal is underpinned by a legal framework. Applicants who are not satisfied with the decision of a municipality in respect of their MI benefits must complain to the municipality within four weeks of receiving the decision. The municipality then reviews that decision within four weeks. If it upholds the original decision, the complaint is referred to the National Board of Appeal.

## **5 Impact of MI schemes**

### *Strengths of MI schemes*

The current MI system is not particularly good at lifting people out of poverty. The temporary child allowance that goes to families with children affected by the benefit cap and/or the level of integration benefits lifts approximately 6 000 children out of poverty, at a cost of EUR 34 million annually (*Ydelseskommissionen*, 2021). The proposal of the Commission on the Minimum Income Benefit System lifts the same number of children out of poverty, but at no extra cost. The Commission's proposal gets 1 000 additional people into work than the current benefit cap and work

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<sup>2</sup> [www.jobindsats.dk](http://www.jobindsats.dk)

requirement, with a saving of EUR 34 million that will be returned into the MI benefit system.

There is a trend towards lower caseloads, increasing the quality of social work at an individual level (*Dansk Socialrådgiverforening*, 2020).

Although the current MI benefit system may struggle with inconsistent treatment of people in the same situation, getting people into work, and transparency, it is nevertheless far better than no system at all.

Similarly, the MI support system is criticised for its fragmentation and inconsistent service offer across municipalities. However, it reflects a decentralised approach that seeks to place services as close as possible to their users. Compared to other countries, the support system is likely quite professional, with specialised training for each aspect of service delivery.

#### *Wider effects of MI schemes*

In their literature review, Andersen et al. (2021) found MI benefits to have both direct and indirect, positive and negative effects on a wide range of issues (Andersen et al., 2021). The employment effects of benefit cuts (lower benefit levels or shorter maximum benefit periods) are smaller for MI recipients than for unemployed people in receipt of unemployment insurance benefits (Andersen et al., 2021).

In a study of MI recipients of the integration benefit, severe benefit cuts were found to have considerable negative effects on crime (Andersen et al., 2019). However, another study found these effects to be smaller and only (statistically) significant for women (Arendt, 2020). Interestingly, that study also found that reduced benefits resulted in increased use of healthcare benefits.

The indirect effects on children in families in receipt of MI benefits has not been extensively studied. However, a study of benefit cuts caused by the benefit cap found that they led to 1.5% more children in foster care, an increase of 25% compared to the children in the control group (Wildemann and Fallesen, 2017). A larger group of studies looked at the effects of being raised in families that are AROP and found clear evidence that people who grew up in low-income families obtain lower grades in primary school, are less likely to get a youth education, and are more often unemployed and on disability pension (Sivertsen and Montgomery, 2015; Lesner, 2018).

There are no studies on how the MI benefit system improves well-being in the general population, although it could be hypothesised that the system provides a safety net for the whole population, leading to greater social cohesion and less risk adverse behaviour.

#### *Gaps in knowledge of the effectiveness of MI schemes and data limitations*

There is a lack of systematic knowledge on how MI recipients experience their contact with the MI system. Greater understanding of those experiences and their effects on recipients' intentions and behaviour could help in the design and implementation of policies that work as intended. Survey data are needed, together with register data on benefit-work dynamics. Caseworkers are seen as central to unemployed people's job chances, but the lack of data linking individual caseworkers to individual MI recipients hinders quantitative evaluations. Integrated services and holistically oriented case management are promoted as best practice by the National Board of Social Services, for example. However, there is a lack of systematic evaluation of various types of integrated services for different target groups and different organisations of holistically oriented case management.



*Challenges associated with poverty alleviation, labour market transition and social integration*

The complexity, unequal treatment of recipients, deprivation of children in families in receipt of MI, and lack of effectiveness in meeting social and economic goals were widely acknowledged when the government established the Commission on the Minimum Income Benefit System in December 2019. The Commission was tasked with analysing the benefit system and making recommendations for a new system. In particular, it was asked to design a system that is less complex and that pays special attention to families with children and work and study incentives. The Commission analysis found that the existing system covers a diverse group of people with different challenges and living standards, depending on their family situation and type of minimum income benefit (generally the social assistance benefits are much higher than the educational assistance and the integration benefit). The existing system is so complex that it is difficult for both social workers and benefit recipients to navigate, which reduces the effect of the incentives to work and study.

In May 2021 the Commission recommended a simpler system that follows a set of clear principles: 1) simplicity and transparency to ensure legal certainty and informed decision-making; 2) security of recipients' finances; 3) a fair benefit level related to family needs; 4) equal rights for people in equal situations; 5) clear and positive economic incentives to work and study; and 6) children's right to an active life of their own. That simpler system would be achieved by replacing the existing system with three benefits and, for example, 26 categories of young people at eight benefit levels (with one benefit at two levels – basic and increased). The lower bounds would be set by using the reference budget method and the higher bounds by looking at the level of the state study grant (basic benefit level) and 85% of the maximum unemployment benefit (increased benefit level), which is just under the de facto minimum wage (about UR 2 650 per month for unskilled workers). A new Free Time Allowance would cover the expenses of children in families, with children receiving EUR 60 each month to reimburse their expenses for sports, music, extracurricular events etc. The integration of these principles into a new system will be clearer in February 2022, when the government launches its proposal for a new system.

Similarly, the complex contact of vulnerable groups with various health, social, education, employment, housing, and family sections of municipalities is widely regarded as one of the major challenges for effective measures. Better integrated projects, longer timeframes, and revision of economic incentives, are some of the things that the Reform Commission is urgently seeking to improve in light of the fact that 7% of children do not pass their primary school exam and 20% of young people do not get a youth education, resulting in about 200 000 people at the margins of the labour market (*Reformkommissionen*, 2021). The Commission met in October 2020 and its policy proposals are due in three reform packages in 2022: spring - education from cradle to grave; summer - interaction of the system and adults at the margins of the labour force; and winter - young people). It looks at best practices in the municipalities on how to manage, organise and deliver integrated services across administrative silos, as well as investigating the reform of economic incentives to promote cross-sectoral integrated services and investment in people.

## 6 Sources

A detailed bibliography of all the reports and other material drawn on to prepare the country fiche and the people and organisation consulted and interviewed.

### Legal sources

- Consolidated Law on Active Social Policy (Lov om aktiv social politik, Consolidated Act No. 981 of 23 September 2019).
- Declaration on the Law on Active Social Policy (Lov om aktiv socialpolitik, Declaration No. 241 of 12 February 2021).
- Declaration Active employment services (Lov om en aktiv beskæftigelsesindsats, Declaration No. 2006 of 11 December 2020).
- Law on Active Employment Measures (Lov om en aktiv beskæftigelsesindsats, Law No. 548 of 7th May 2019).
- Consolidated Act on Individual Housing Benefits (Lov om individuel boligstøtte, Law No. 48 of 16 January 2019).
- These and other laws, declarations and decisions can be found at the online legal database: [www.retsinformation.dk](http://www.retsinformation.dk)

### Statistical sources

- Statistics on employment measures, including the non-compliance to meeting requirements is available at the online statistical database of the Danish Agency for Labour Market and Recruitment: [www.jobindsats.dk](http://www.jobindsats.dk).
- Statistics on social and health services is available at the online statistical database of Statistics Denmark: [www.dst.dk](http://www.dst.dk).

### Policy information

- Information and monitoring of employment-oriented measures is published by The Ministry of Employment at [www.bm.dk](http://www.bm.dk), the Danish Agency for Labour Market and Recruitment see [jobindsats.dk](http://jobindsats.dk) and [www.star.dk](http://www.star.dk).
- Information on social services is published by The Ministry of Social Affairs and the Elderly: [www.sm.dk](http://www.sm.dk).
- Information on social services and integrated social services is published by the National Board of Social Services: [www.socialstyrelsen.dk](http://www.socialstyrelsen.dk).

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## **Interviews**

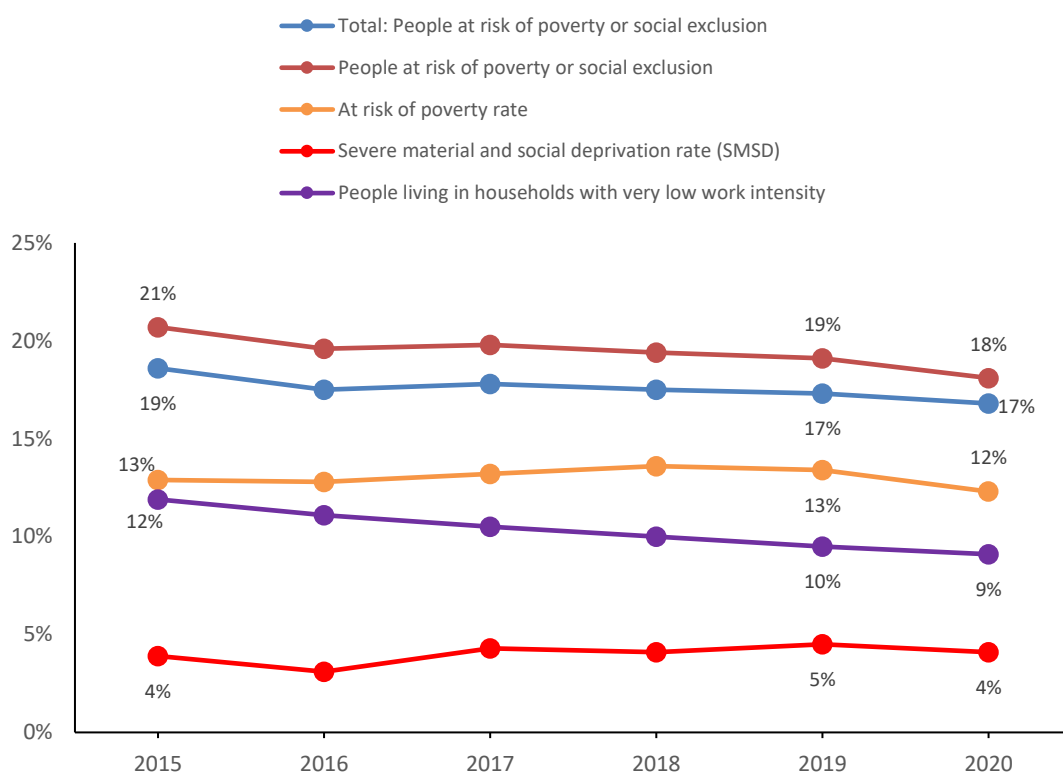
As member of the Danish Minimum Income Benefit System Commission, December 2019-May 2021, I had the advantage of being briefed by civil servants and visiting municipalities talking to management and case workers.

As current member of the Danish Reform Commission, October 2020-December 2022, I have the possibility to get further first-hand information from management, caseworkers and scholar on transitions from primary to secondary education, marginalization from the labour market, and the meeting between the system and adults at the margins of the labour market, which in many instances means MI recipients.

## 7 Annexes

### Annex 1

Figure 1: AROPE indicator and components, Denmark, 2015-2020 (%)

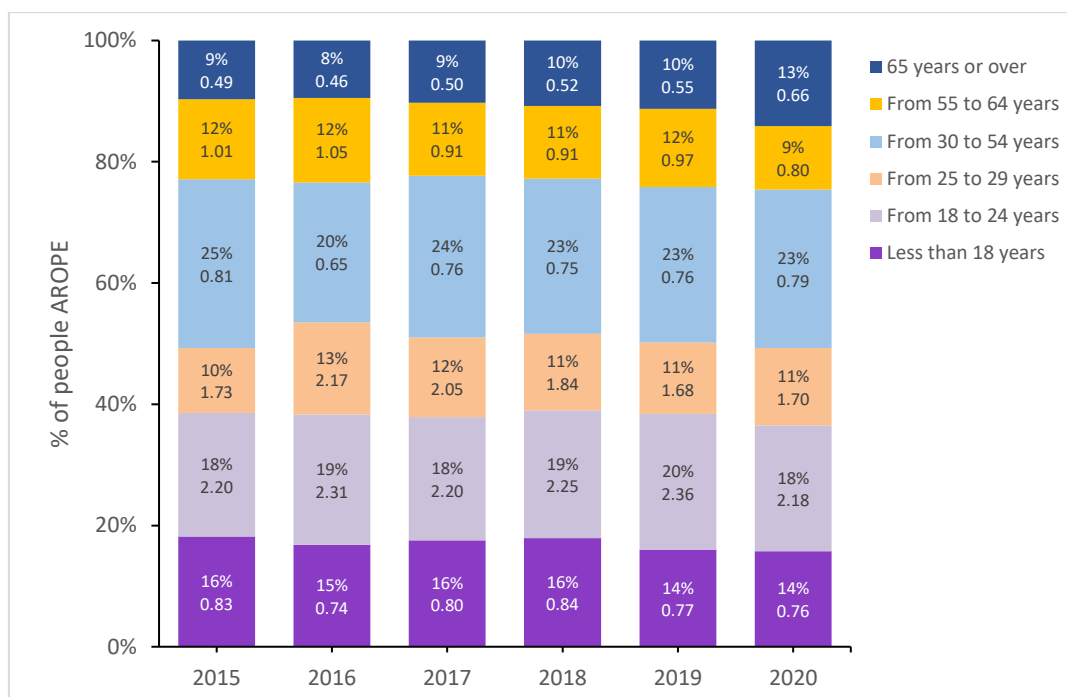


*Note: The line for "Total: People at risk of poverty or social exclusion" indicates the trend for overall population, while the other lines show the figures for individuals aged 0-64.*

*Source: Eurostat EU-SILC indicators [ilc\_peps01n], [ilc\_li02], [ilc\_mdspd11] and [ilc\_lvhl11n]. Data downloaded on 14/02/2022.*

- In 2020, the share of total population at risk of poverty or social exclusion (AROPE) in Denmark stood at 16.8%, below that for those aged 0-64 (18.1%), reflecting the relatively low AROPE rate among those aged 65 and over. Over the period 2015-2020, both shares fell, especially that of those aged 0-64.
- Most of the people at risk of poverty or social exclusion (12.3 % of those aged 0-64) had household disposable income in 2020 of below 60% of the median (I.e. they were at risk of poverty). The share was only marginally below that 5 years earlier.
- Half of those at risk of poverty or social exclusion lived in households with very low work intensity (9.1% of those aged 0-64), the share of the total aged 0-64 declining by around 3 percentage points between 2015 and 2020.
- Less than a quarter of those at risk were affected by severe material and social deprivation (only 4.1% of the total aged 0-64), the share being much the same as in 2015.

**Figure 2: Division of people aged 0-64 and in AROPE by age group, Denmark, 2015-2020 (%)**

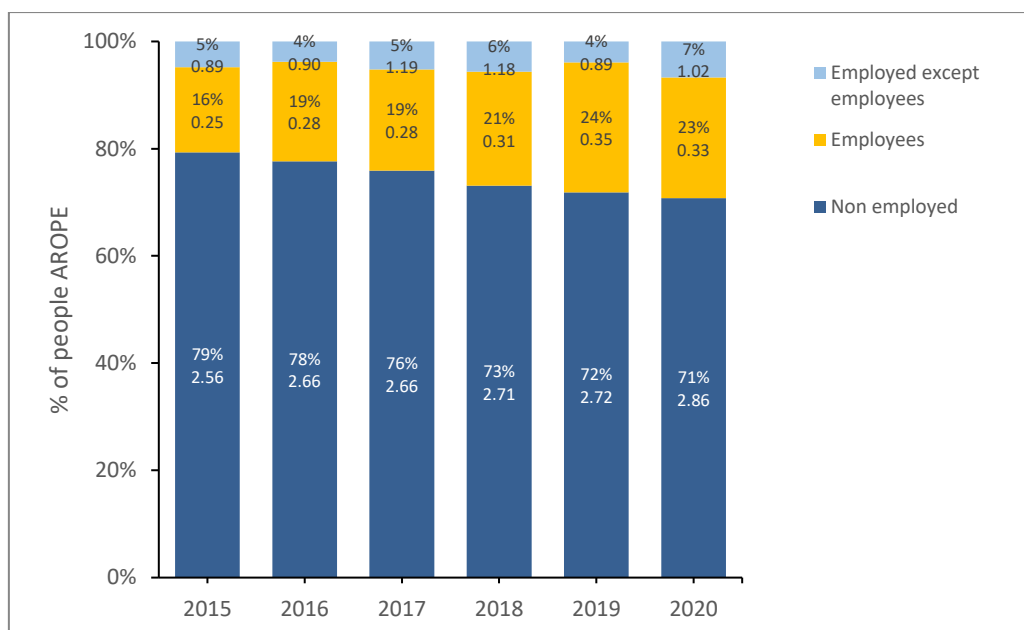


*Note: Figures below the percentage figures in the bars show the ratios of the share at risk to the share of the age group in total population, which indicate the relative likelihood of the age group being at risk.*

*Source: Eurostat EU-SILC indicators [ilc\_peps01n], own calculation. Data downloaded on 14/02/2022.*

- Marginally more women than men aged 0-64 were at risk of poverty or social exclusion in 2020 (50.4% of the total), though since there were fewer women than men in the population of this age group, this meant that women were at risk than men.
- Children under 18, along with older people aged 65 and over were less likely to be at risk of poverty or social exclusion in 2020 than other age groups. Both, therefore, accounted for a much smaller share of the total at risk than their share of population.
- By contrast, young people aged 18-24 and to a slightly lesser extent those aged 25-29 are considerably more likely than other age groups to be at risk, the two together accounting for 29% of the total at risk in 2020, more than children and older people combined. Their likelihood of being at risk, moreover, remained much the same over the 5-years 2015-2020.

**Figure 3: Division of people aged 18-64 in AROPE by most frequent economic activity status, Denmark, 2015-2020 (%)**

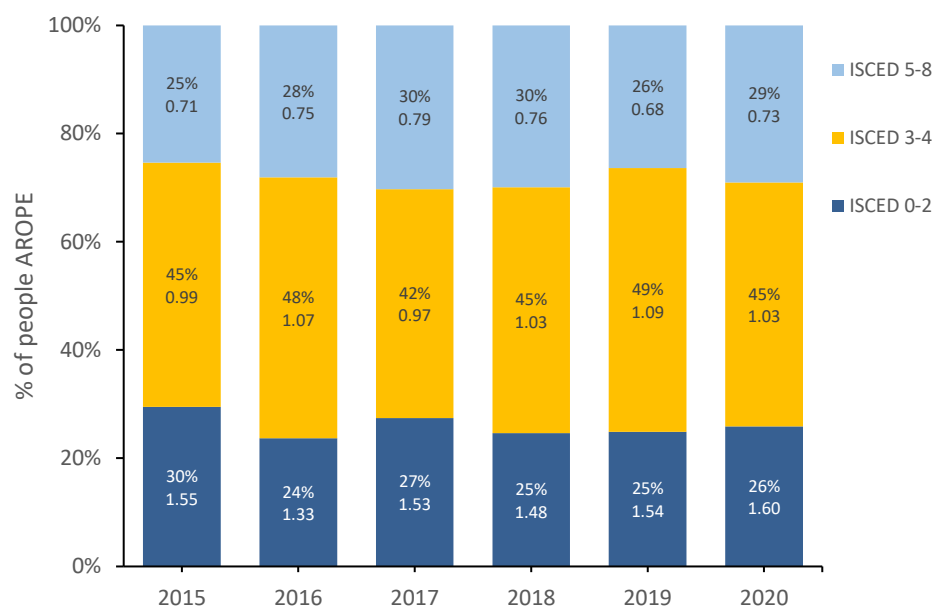


*Note: Figures below the percentage figures in the bars show the ratios of the share at risk to the share of the age group in total population, which indicate the relative likelihood of the age group being at risk*

*Source: Eurostat EU-SILC indicators [ilc\_peps02n] and [ilc\_lvhl02], own calculation. Data downloaded on 14/02/2022.*

- The non-employed are substantially more likely to be at risk of poverty or social exclusion among working-age population than those in employment , accounting for 71% of the total at risk in 2020.
- Although the likelihood of the non-employed being at risk increased between 2015 and 2020, their share of the total at risk declined because of a reduction in their numbers.
- Among those in work, the self-employed are much more likely to be at risk than employees, though they made up only 7% of the total at risk in 2020

**Figure 4: Division of people aged 18-64 in AROPE by education level, Denmark, 2015-2020 (%)**



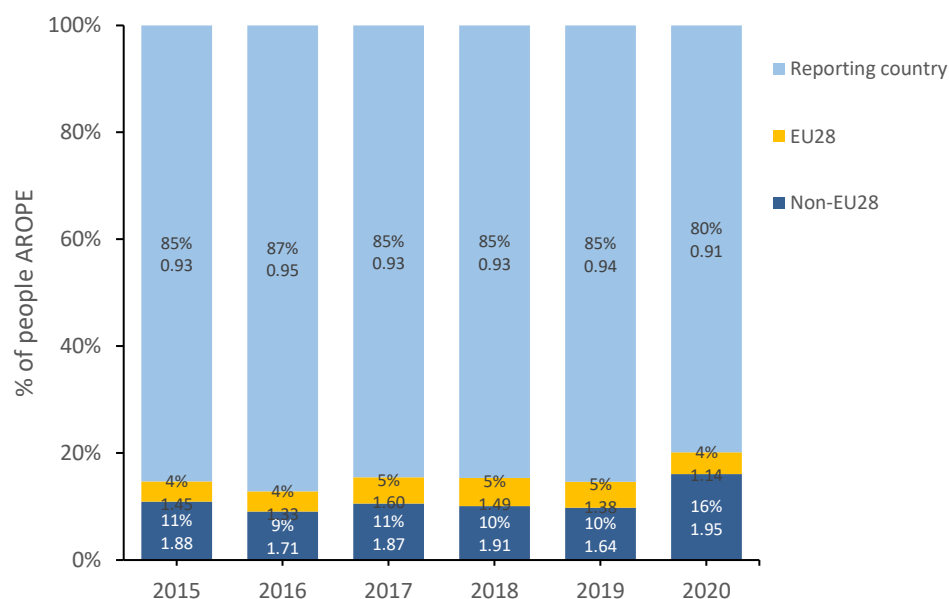
*Note: Figures below the percentage figures in the bars show the ratios of the share at risk to the share of the age group in total population, which indicate the relative likelihood of the age group being at risk*

*Source: Eurostat EU-SILC indicators [ilc\_peps04n] and [ilc\_lvps04], own calculation. Data downloaded on 14/02/2022.*

- People aged 18-64 with low education (ISCED 0-2) are significantly more likely to be at risk of poverty or social exclusion than those with lower e levels., but their relatively small numbers mean that they accounted for only just over a quarter of the total in the age group at risk in 2020.
- Those with tertiary education (ISCED 5-8) are much less likely to be at risk than those with lower qualifications, but their relatively large numbers mean that they made up 29% of the total at risk, i.e. more than those with low education.



**Figure 5: Division of people aged 18-64 in AROPE by country of birth, Denmark, 2015-2020 (%)**

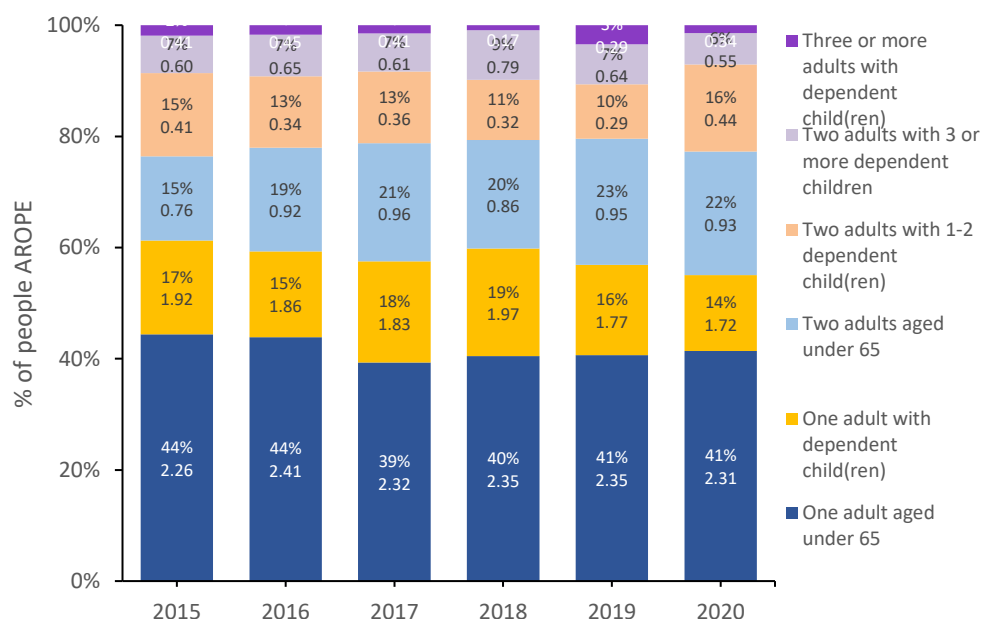


*Note: Figures below the percentage figures in the bars show the ratios of the share at risk to the share of the age group in total population, which indicate the relative likelihood of the age group being at risk*

*Source: Eurostat EU-SILC indicators [ilc\_peps06n] (Data downloaded on 14/02/2022) and EU-SILC microdata, own calculation.*

- People aged 18-64 born outside the EU are far more likely to be at risk of poverty or social exclusion than those born in Denmark, but their relatively small numbers mean that they made up only 18% of the total in the age group at risk in 2020.
- Those born in other EU Member States are also more likely to be at risk than those born in the country, though the difference in risk is much smaller, and they accounted for only 4% of the total at risk.

**Figure 6: Division of people in AROPE by household type, Denmark, 2015-2020 (%)**



*Note: Figures below the percentage figures in the bars show the ratios of the share at risk to the share of the age group in total population, which indicate the relative likelihood of the age group being at risk.*

*Note that the chart does not include all household types. In particular, it excludes those aged under 65 living in a household with three or more adults without children, who are difficult to distinguish in the published data.*

*Source: Eurostat EU-SILC indicators [ilc\_peps03n] and [ilc\_lvps02], own calculation. Data downloaded on 14/02/2022.*

- People under 65 living alone with or without children, but especially the latter, are considerably more likely to be at risk than those living in other types of household, in 2020, accounting for well over half (55%) of the total at risk. .
- Couples with children, including those with three or more, are much less likely;,, on average, to be at risk than couples under 65 without children.

*Table 2. At risk of poverty rate before and after social transfers, excluding old age benefits, for those aged 0-64, Denmark, 2015-2020*

	<b>Before social transfers, excl. old-age benefits (%)</b>	<b>After social transfers (%)</b>	<b>Effect of social transfers on atrop rate (%-point change)</b>
2015	28.0	12.9	46.1
2016	27.3	12.8	46.9
2017	27.8	13.2	47.5
2018	26.5	13.6	51.3
2019	26.0	13.4	51.5
2020	26.8	12.3	45.9

*Source: Eurostat EU-SILC indicators [ilc\_li02] and [ilc\_li10]. Data downloaded on 14/02/2022.*

- Social transfers had the effect of reducing the at-risk-of-poverty (atrop) rate by 12 percentage points in 2020, almost halving the number at risk (by 46%). The extent of the reduction was similar in the 5 preceding years.

*Table 3. At risk of poverty rate and persistent at risk of poverty rate for those aged 18-64, Denmark, 2015-2020*

	<b>At risk of poverty rate (%)</b>	<b>Persistent at risk of poverty rate (%)</b>	<b>Persistent rate as % of annual rate</b>
2015	13.8	4.6	33.3
2016	13.9	8.6	61.9
2017	14.3	7.1	49.7
2018	14.5	6.0	41.4
2019	14.4	5.9	41.0
2020	13.1	7.3	55.7

*Source: Eurostat EU-SILC indicators [ilc\_li02] and [ilc\_li21]. Data downloaded on 14/02/2022.*

- Over half (56%) of people of working age (18-64) at risk of poverty in 2020 were at persistent risk, i.e. they were consistently at risk for a number of years rather than being at risk for only one year, or temporarily. This is significantly more than in most of the previous 5 years, when half or much less of those at risk people were at persistent risk.

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