



Denmark

## Trends, Recent Developments, “Feeding in” and “Feeding out”

### A Study of National Policies

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## 1. Summary

This report is an assessment of the Danish implementation report of the 2005-8 National Reform Programme for Growth and Jobs. It assesses feeding out and feeding in aspects in the report and it also considers governance related dimensions. Finally it refers to new reforms and to changes in or assessments of key trends which are documented in new literature and reports.

Generally, the implementation report contains many references to new initiatives which are difficult to assess because they have just been launched and therefore still needs to be implemented. The overall impression from reading the implementation report is that many initiatives indeed feed out to social inclusion and social cohesion because they influence material, social and cultural barriers to inclusion and participation in society. Gainfull employment is a primary entrance to social interaction and it is also the most effective measure to avoid poverty. Seen in this light, initiatives which aim at increasing the employment rates certainly influence processes of social inclusion, but it is noteworthy, that this dimension is left almost completely unattended in the Danish implementation report.

One of the major strengths, which are reported upon, is the varied initiatives to increase labour market integration of vulnerable groups. Senior citizens, disabled people, non-educated young unemployment benefit recipients, and immigrants and ethnic minorities are all targeted with specific measures to facilitate their engagement in gainful employment. These initiatives combine the aim of increasing the labour supply to avoid recruitment problems and ensuring growth, while also improving opportunities for participation and integration of groups who are currently on the margins of the labour market. The other side of this, which is commented upon in this report is, that facilitating measures are also combined with attempts to put more pressure on immigrants and recipients of social assistance to increase their incentives to work. This includes a special allowance to refugees for the first seven years in Denmark, ceilings on social assistance benefits, and demands that most social assistance recipients must work at least 300 hours a year to maintain social assistance (there is an exception for the most marginalized group of people). As pointed out, these measures contain elements which may lead to further exclusion of specific groups, if they do not find gainful employment. The Danish implementation report, however, does not reflect much on neither positive nor negative feeding out consequences of employment and growth policies.

Generally, there are few considerations in the 2007 Implementation Report on the National Reform Program (IRNRP) of the contribution of social policies to performance in economic growth and creation of jobs. The appearance of such considerations is mostly limited to the section on labor policy. A central part of the EU Social Protection and Social Inclusion process lies within the concept of Active Inclusion aimed at the people furthest away from the labor market. This concept is built up upon three pillars: minimum income schemes, inclusive labour market and access to quality social services. In the implementation report, attention is given to measures aimed at creating an inclusive labor market. The issue of minimum income schemes is really not treated in the IRNRP, neither for labor income or income support. The IRNRP does, however, mention that the social benefits will increase by 0,6 percent (p.8)<sup>1</sup>. In relation to access to quality social services, such as counseling, healthcare, child-care etc, these issues are not treated specifically in relation to vulnerable groups.

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<sup>1</sup> When nothing else is stated the page references refers to the IRNRP

In relation to governance, the assessment report notes that improvements are being made concerning an increased awareness and capacity to monitor the impact of specific measures in employment- and social policies. Moreover, traditions in Denmark mostly facilitate the involvement of stakeholders in consultations and development of new laws etc. The partners of the labour market, local authorities, the council of disabled and others, are continuously asked and given opportunities to present their views on developments and reforms in social and labour market policies.

### 1.1. How the implementation report addresses the Lisbon recommendations and areas to watch

In the 2006 Annual Progress Report, Denmark is asked to focus on the points to watch that are mentioned below. These points are all accounted for in the IRNRP (p.9).

- Measures aimed at increasing labour supply over the medium term, including further initiatives to improve incentives to work and additional steps to integrate older workers and immigrants into the labour market.

The first point to watch concerning labour supply over the medium term is addressed by the 2015 plan, which is an agreement between the Government and the Danish People's Party, consisting of e.g. a tax reform increasing incentives to work, which is expected to increase the labour force by 8,000 persons (p.7-8). Apart from the tax reform, the challenge is met by a number of initiatives within labour policy aimed at increasing labour market attachment among immigrants, seniors, youngsters and recipients of social benefits. Policies undertaken in response to this challenge are the ones that are most relevant in relation to the subject of social inclusion and will therefore be much focused upon in this report.

- Following through proposed reforms in competition law and ensuring that new competition powers are vigorously exercised by the relevant authorities.

The second point to watch has been met by three overarching initiatives. Firstly, a strengthened competition act was put in order on the 1<sup>st</sup> of July 2007. This act will increase the incentives among individuals and businesses to cooperate with authorities in cartel cases. Furthermore, the act will strengthen the powers of the competition authority to execute routine controls and bring cases before court. Secondly, competition for public contracts will be increased by requiring open advertisement for all procurement of goods and services exceeding DKK 500,000, but not subject to the EU Public Procurement Directives. Thirdly, the Danish Competition Authority has reviewed the government's legislative programmes with the purpose of eliminating unnecessary competition regulations (p.24).

- Additional measures in energy interconnection supply, in order to improve the functioning of the electricity and gas markets.

The third point to watch has been addressed by initiatives largely aimed at linking the Nordic and German electricity markets. Expansion of the capacity of the pipeline between Norway and Denmark has been agreed upon, although no timetable has been established. Furthermore, a pipeline between eastern and western Denmark is due to be put into operation in 2010.

- Identifying further emission reduction policies and measures.

The fourth point to watch is addressed by a reorganisation of energy taxes aimed at increasing incentives to reduce CO<sub>2</sub> emissions. This initiative is also expected to have an impact on NO<sub>x</sub> emissions. Furthermore, a reorganisation of vehicle taxation has been carried out, which is expected to decrease CO<sub>2</sub> emissions by two per cent. Furthermore, in relation to vehicles, the Government has set a target that bio fuel must account for at least 5.75 of fuel sales by 2010. The Government has also launched the campaign "One ton less" aimed at encouraging the public to reduce their CO<sub>2</sub> emissions (p.34-35).

- Reinforcing existing well-targeted measures to improve primary and secondary education and increase the number of students finalising upper-secondary or tertiary education (IRNRP).

The fifth point to watch is addressed by a number of initiatives connected to the Globalisation Strategy and the Globalisation Fund. In relation to primary and secondary education, activities include improved evaluation of the teaching, improved teachers training, improved teaching of Danish as second language and a national action plan aimed at increasing reading skills is currently being undertaken (p.16). In relation to the goal of increasing the number of students finalising upper-secondary or tertiary education, it is mentioned that tertiary education should be completed at an earlier age (p.15). However, there are no details as to how this will happen.

## 1.2. Whether any other major development is reported upon

The government has presented a strategy on high quality in the public sector (*the quality reform*). The core initiatives in the quality reform are:

- Market investments in better welfare – a 50 billion DKK Quality Fund and a 10 billion DKK Quality Pool.
- Quality standards aimed at securing high quality in essential elements of eldercare, childcare and healthcare.
- A coherent set of reforms within 8 priority areas containing 180 initiatives aimed at enhancing the quality of the welfare system and the attractiveness of working in the public sector.

Furthermore, the Government has presented a strategy for the development of the Danish economy up until 2015 (*Towards new goals – Denmark 2015*). The objectives of the plan are to:

- Ensure that fiscal policy is sustainable in the long run. This implies that the planned priorities and improvements in tax and expenditure policies towards 2015 can be sustained thereafter – without tax increases or other tightening of fiscal policy.
- Increase unsupported employment by 20,000 persons up until 2015. This goal will be addressed by a number of various initiatives. Furthermore, in 2008, the Government will appoint a labour market commission to help facilitate the employment goal.
- To maintain a high quality of public services.
- To continue the tax freeze and to lower the tax on labour income.
- Energy consumption should remain stable and renewable energy sources should account for at least 30 per cent of the energy consumption by 2025.

The third major development is a political agreement on the Globalisation Fund. The fund amounts to DKK 39 billion which from 2007-2012 will be invested in research and development, innovation and entrepreneurship, and education.

## 2. Assessment of the implementation report from the perspective of social inclusion

### 2.1. Feeding out

This section seeks to assess the extent to which the Danish 2007 Implementation Report of the 2005-8 National Reform Programme for Growth and Jobs (IRNRP) has taken into account the *feeding out* of social inclusion. The definition of "feeding out" refers to creating an economic environment that supports social policy and its objectives. As stated in the guidelines for this report, growth and higher employment policies cannot be assumed to automatically lead to improved social cohesion. They need to be underpinned by provisions for the most vulnerable groups and by modern and active social protection systems in order to deliver social progress. In a more narrow but also more operational sense, implementing the "feeding out" of growth and employment means ensuring that as many people as possible benefit from the positive effects of growth and increased employment opportunities. In other words, does the implementation report show a strong commitment to the most disadvantaged?

However, the answers to this question, and the adequacy of the question as such, must be understood in relation to the general socio-economic context. In situations of economic crisis, concerns for social exclusion and poverty will often gain influence on public debate and official policy measures. On the other hand, during periods of economic growth and affluence in society, concerns related to the question of alleviating poverty and decreasing social exclusion will often appear less relevant and important. This latter situation is precisely what characterises the current situation in Denmark, and it is moreover reflected in the style and focus of the Implementation Report.

The implementation report primarily deals with issues related to the question of social cohesion in the section on Danish employment policies (section 5), but the issue is also touched upon in the introduction and in section 2 on research, education and innovation policy. These are also the sections that are referred to in the following.

### *2.1.1. Promoting both social cohesion and economic growth*

Policy areas accounted for in the IRNRP, which can be said to straddle between feeding in and feeding out, are education, gender equality, health, re-conciliation of work and family life, quality jobs, a balanced approach to flexicurity and the quality of public expenditure to act as a tool for building up human capital. These are policy areas which simultaneously may contribute to growth and social cohesion. One of the core issues in the context of these policy areas is to assess whether the policies are mentioned and if the goal of social cohesion is explicit in the argumentation behind the policies. First, however, a brief note is made, which refers to the predominant focus in the Implementation Report on ensuring labour supply in Denmark.

#### *Employment policies*

The objective of social cohesion is seldom directly outspoken as an objective in the Implementation Report. Rather the argumentation is focused on ensuring economic growth. Generally, there are many measures within labour policy which certainly have an impact on social cohesion because gainful employment is a primary entrance to social interaction and because gainful employment is the most effective measure to avoid poverty. However, these dimensions are basically disregarded in the implementation report.

As stated in the Danish Implementation Report, the main objective in the argumentation behind labour market policy measures is predominately to increase labour supply. The impression from reading the Implementation Report is that when labour supply increases, both growth and social cohesion will automatically follow. More arguments could have been made on how social cohesion actually follows from increased labour supply.

The initiatives taken to reform labour market policy and ensuring higher employment rates are partly linked to the objective of maintaining a high level of public services in the future. As stated in the IRNRP: "More people into employment is ...//... the best way of securing the balance of the future welfare society (Annex 7)". In this sense, the IRNRP acknowledges how an increased rate of employment contributes, not only to economic growth, but also to the feeding out to social cohesion.

The same linkage between employment rates and the maintenance of the public welfare system is expressed in the reform programme "The Quality Reform" (Kvalitetsreformen), which is referred to in the NRP. In order to increase the recruitment level to the public health system, expansion of the number of students admitted to health-related education programmes as well as expansion of the number of internship positions in the public health sector are due to take place.<sup>2</sup>

The focus on increased labour supply is indeed relevant in the current socio-economic conjuncture, where both the private and public sector refer to increasing recruitment problems. Moreover, in a long time perspective, it will also be an important aspect to ensure welfare in the

<sup>2</sup> <http://www.kvalitetsreform.dk/multimedia/kv2-VII-Flere-haender.pdf>

future. Finally, it is indeed one of the points to watch identified for Denmark in the 2006 annual report. But it is noteworthy that social cohesion is mentioned only twice in the Implementation Report; for example, in the introduction of the section on labour policy where it is noted that the Danish Government seeks to reform the labour policy according to EU goals on job market participation, quality of work and social cohesion (p.41). The measures referred to in the report may indeed have a positive impact on social cohesion but this aspect is not the primary focus of the argumentation.

### *Education*

One of the Commission's points to watch for Denmark in the assessment of the Danish National Reform Programme 2006 was the necessity of improving primary and secondary education and increase the number of students finalising upper-secondary or tertiary education. As part of the welfare agreement, the Danish Government has defined a specific objective related to education; The aim is that minimum 85 per cent of all young people are to complete a youth education programme by 2010. By 2015, 95 per cent of all young people should have completed a youth education.

To safeguard the preconditions for the implementation of the objectives in the educational area, the Government has launched a number of initiatives to strengthen standards in the primary and lower secondary schools, including the introduction of individual plans of progress and action, introduction of national tests in selected subjects at certain age levels, and the introduction of mandatory leaving examinations at the end of the teaching in 9th grade. Moreover, initiatives have been taken to strengthen the teachers' basic education and the adoption of a national action plan for reading.

In addition, a more clear-cut responsibility has been imposed on the municipalities and institutions offering vocational education to see to it that young people commence and complete a youth education. All institutions are to submit an annual plan of action for increasing pupils' completion of the education programme.

Lack of education and skills is one of the dimensions which is most closely related to social exclusion and poverty. Research has documented that education reduces the risk of poverty by almost 50 per cent (DØR 2006, p.181). In other words, seeking to increase the percentage of young people completing a youth education programme will indeed be related to processes which may increase social cohesion in Denmark. In the Implementation Report, however, it is not stated explicitly that increased social cohesion would be one of the effects related to decreasing the number of young people without education.

Moreover, the introduction of compulsory tests and individual plans of progress and action has been met with significant opposition from especially teachers. This could indicate that the new reforms may have problems with implementation in the future.

### *Gender equality and re-conciliation of work and family life*

All active labour market policies accounted for in the IRNRP apply to all of the unemployed regardless of gender. However, in order for gender equality to have an impact on social cohesion it is not sufficient to increase the labour market attachment among women. Denmark is among

the leading nations in Europe when it comes female labour market participation (Annex 7). In relation to gender, the policies must, also, take into account and exploit differences in characteristics of jobs and differences in wages that tend to be divided according to gender. When it comes to gender-related wage differences, Denmark is performing worse than the average of the EU-15 and EU-27 countries in 2005 (Annex 5, p.64). Furthermore, a negative trend has been seen in the development of the wage difference since 2000 up until 2005.<sup>3</sup> (Annex 5, p.64). Whereas the Welfare Agreement did not contain any discussion on equal pay, and received critique for the lack thereof<sup>4</sup>, the IRNRP contains two such initiatives. Firstly, enterprises with more than 35 employees have been "instructed by statute" to collect gender-specific pay statistics (p.48). Secondly, a website has been created to collect the knowledge available in this area. These initiatives are restricted to the gathering of knowledge and cannot be expected to generate any direct impact on the gender wage gap.

In relation to re-conciliation of work and family life, it is mentioned that the Government is currently reviewing the recommendations which were presented by the Family and Working Life Commission in May 2007. However, it is mentioned that since July 2006 all municipalities are required to offer a childcare guarantee when the child is six months old. Furthermore, the maximum parent contribution for child care has been lowered from 33 percent to 25 per cent and, from 2008, the family allowance for children below three years of age will be raised (p.48). In order for reconciliation policies to have a positive impact on social cohesion, they have to efficiently address inequalities and the allocation of parental care within the family. In a comparative review of thirty European countries performed for the European Commission, it was found that in Denmark "women take the major part of parental leave, women work part-time to care for children or other dependants and in family friendly work places to be able to reconcile work and family".<sup>5</sup> From this perspective, the policies presented on gender equality are lacking measures directed at the unequal allocation of childcare within the family. Such measures would contribute to for instance reducing the number of women employed in part time jobs and more generally contribute to social cohesion.

For initiatives related to gender equality and re-conciliation of work and family life, the goal of social cohesion is at no instance directly outspoken.

### *Active inclusion and improving the health status of the population*

There is no reference to the general health status of the population in the Implementation Report. Active inclusion is not referred to specifically, but it can be said to be implicit in the strategies for vulnerable groups, senior citizens, etc.

### *Quality jobs*

As part of the Quality Reform, the Government and labour market parties have concluded tripartite talks in June 2007, in which plans were made for upgrading skills and qualifications and continuing education. Approximately DKK 4.7 billion has been allocated for 2008-2011 for measures to improve the possibilities of enhancing competences among public employees

<sup>3</sup> The statistics on the wage difference is calculated as the difference between men and women's average gross hourly wage as a share of men's average gross hourly wage.

<sup>4</sup> [http://ec.europa.eu/employment\\_social/gender\\_equality/docs/2007/gend\\_mainstr07\\_en.pdf](http://ec.europa.eu/employment_social/gender_equality/docs/2007/gend_mainstr07_en.pdf), p.50

<sup>5</sup> [http://ec.europa.eu/employment\\_social/gender\\_equality/docs/2007/gend\\_mainstr07\\_en.pdf](http://ec.europa.eu/employment_social/gender_equality/docs/2007/gend_mainstr07_en.pdf), p 64

through in-service training and upgrading the skills of semi- and low skilled workers, and better training for managers of public institutions.

### *A balanced approach to flexicurity*

Flexicurity is a central part of the Danish labour market policy. The Danish flexicurity model is characterised by 1) a high level of numerical flexibility with a low level of employment protection, 2) a relatively generous tax financed social security system in case of unemployment, and 3) active labour market policies which aim at upgrading the skills of unemployed people that are unable to return directly to a new job (Hansen, 2007).

In the implementation report, flexicurity is mentioned as an important element to maintain in the future. It is also emphasised that "an essential prerequisite for a major and active labour market effort is financing through taxes" (see annex 7, guideline 19). Moreover, flexicurity is linked to a wide degree of autonomy of the social partners of the labour market and the establishment of collective agreements between the employees and enterprises.

Flexicurity is a central and integrated element in the Danish welfare state. The model of flexicurity in Denmark links up to social inclusion and cohesion, because it ensures resources to counteract exclusion of unemployed people. Moreover, flexicurity ensures that resources are channelled to active measures, which are meant to improve the re-integration of unemployed people in gainful employment. The Danish approach to flexicurity certainly feed out to social inclusion.

#### *2.1.2. Ensuring an adequate income from work*

Higher employment rates are in themselves not sufficient to ensure adequate incomes, if wages are low and keep segments of the population in poverty. Moreover, to have incentives to work, it is important to ensure that work will always pay.

The latter point is clearly mentioned in the Danish Implementation Report, primarily in relation to a new tax reform, which will be implemented in 2008 and 2009 (see more below). According to the Implementation Report, the tax reform will increase incentives to work.

However, the Implementation Report does not reflect on the extent to which it is possible to earn an adequate income from work in Denmark. Yet, the problem of ensuring adequate income from work is minor in Denmark, compared to many other countries. This is documented by research from the Economic Council (DØR, 2006), which shows that relatively few people who are employed full time live in poverty in Denmark (DØR, 2006). On the other hand, people who are not employed have a much higher risk of being poor. The report from the Economic Council shows that income gaps are not as serious as in many other countries. Moreover, wage mobility is relatively high. This means that only people employed in low paid jobs, who have considerable costs because of a high number of dependents, would be poor when looking at their purchasing power (DØR, 2006).

Summing up, apart from addressing incentives to work related to the tax reform, the Implementation Report does not relate to the issue of ensuring adequate income from work. But research shows that the issue is of limited relevance for the situation in Denmark.

### 2.1.3. Targeting job creation at vulnerable groups

The Implementation Report refers to strategies which are aimed at increasing the job market participation for all the groups mentioned in the challenges for Denmark in the 2006 Joint Report on Social Protection and Social Inclusion. These groups are seniors, immigrants, and disabled people. These strategies are designed to affect both the supply side and the demand side of the job matching.

Seniors and pensioners will be given better opportunities to earn an income through labour market participation without risking a deduction in the pension (p.43). Furthermore, individuals over fifty-five years of age who lose their right to unemployment benefit will be offered a "senior job" in their municipality till the age of retirement (p.45). Another initiative which both support the integration of vulnerable groups and leads to an increased labour supply is an adjustment in the "flex-job" programme aimed at increasing labour market participation among groups with limited working capacity. The adjustment of the programme, which took place in the end of 2006, has led to a larger participation of people with limited working capacity. There are now approximately 42,500 persons employed in "flex-jobs" and 12,000 persons on the waiting list (p.46). These measures all appear appropriate to increased labour supply *and* keeping senior citizens and people with a lasting reduced working ability integrated on the labour market. Moreover, initiatives have been launched to help with the integration of disabled persons into the ordinary labour market and to retain existing workplaces for the disabled.

For immigrants and ethnic minorities, various activities and initiatives from the Welfare Agreement of 2006 as well as the reform package "A New Chance for Everyone" ("En ny chance til alle") are mentioned (see p.47). One of the initiatives is to expand the mentorship programmes for immigrants (p.47) as well as for young unemployment benefit recipients (p.48). This initiative, and the form of individually based support that it provides, may potentially help individuals to overcome various barriers to enter the job market.

For non-educated young unemployment benefit recipients, a reform of the rules, executed in June this year, states that these individuals, rather than being assigned a state-subsidised job, are urged to enrol in an ordinary education programme (p.48). Apart from these groups, there are also initiatives aimed at increased job market participation among unemployment benefit recipients, social benefit recipients and individuals on disability pension (p.43).

Moreover, initiatives for vulnerable groups include measures of an active social policy which aim at handling social problems beyond unemployment. A specific programme, *The Joint Responsibility II*, focuses on helping the most vulnerable groups out of isolation and increasing their possibilities to gain attachment to the labour market.

All the initiatives that are mentioned in the Implementation Report (of which some are referred to above) are reasonable and sound measures which contain the double ambition of increasing labour supply and also ensuring increased participation and engagement in society by vulnerable groups. Even if it is not presented explicitly as the aim, these measures feed out to increased social cohesion.

As independent experts, however, two critical comments should follow from this overall and positive assessment.

First, the measures described tend to provide an image of current policy measures that may appear as predominantly focused on human capital aspects of active labour market policies, more than on 'work-first' approaches, which seek to put pressure on unemployed people to increase their incentives to find a job. Only sporadically, it is mentioned that the Danish Government has tightened up rules and procedures to ensure that unemployed people are actually available for the labour market. Moreover, a special allowance for refugees exists in Denmark, which refugees are to receive for the first seven years in Denmark. The aim of this initial help is to provide inducements for refugees to more quickly find a job. While a recent study indicates a positive employment effect of the initial help for refugees (Rockwool Foundation 2007), the initiative has been criticised heavily for depriving an already marginalised minority even more (see for instance Blauenfeldt et al 2006).

However, the use of economic incentives in relation to some of the most marginalised groups in society is problematised by both the Economic Council and the Council for Social Marginalised People. The Economic Council points out that people must be able to react if economic incentives are to be effective. However, for people with very few social, cultural or educational resources, lowering cash benefits may in the long term lead to even further exclusion – if they are unable to find a job - and more serious long term negative effects related to children living in conditions of poverty.

Another element that receives little attention in the policy outcome is activities directed at discrimination. Discrimination is one of the most important determinants of social exclusion on the demand side (supp doc, 2007 Joint Report, p.54). It is mentioned in the IRNRP that Denmark has participated in the transnational structural fund programme, The Community Initiative Equal, aimed at finding new approaches to combating discrimination. Apart from this, there are no future initiatives or strategies accounted for in the IRNRP with the explicit purpose of anti-discrimination. This is so, despite the fact that Denmark is ranking as third from the bottom among the EU-25 countries in a combined assessment of various indicators related to anti-discriminatory policies ([www.integrationindex.eu](http://www.integrationindex.eu)).

#### *2.1.4. Addressing territorial differences and regional gaps*

Territorial differences have been addressed within the scope of the EU structural funds. In the structural fund period 2000-2006, Denmark has implemented two programmes: the Objective 2 programme and the so-called Community Initiative Urban. There have been other structural fund programmes as well, but these are the ones which have been connected to the regional fund and connected to areas facing structural difficulties within Denmark. The regional fund of the structural fund period 2007-2013 has to date only been tentatively allocated based on objective criteria, including the number of inhabitants in the region; the number of unemployed people; the number of low educated people; and the population in disadvantaged areas (areas facing structural difficulties). The overarching goal stated behind the forthcoming structural fund programmes is to develop "the business policy framework conditions for Danish enterprises with a view to strengthening competitiveness and employment (Annex 6, p.84).

In conclusion, the overarching goal behind regional policies and allocation of funds is regional competitiveness. The initiatives related to this overarching goal may certainly have an impact on social cohesion but this is not an explicitly stated goal.

### *2.1.5. Assessing the impact on social protection systems*

Ensuring higher employment rates has for the last few years been one of the main issues in political discussions. In 2006, the Welfare Commission (The Welfare Commission, 2005) presented an analysis report focusing on five areas of initiatives. The most important challenge identified was that demographic developments of an ageing population will lead to a shortage of labour in the future. According to the commission, this situation will make it difficult to uphold the existing system of social protection in the longer perspective. In other words, the need identified for reforms of the labour market to increase labour supply is linked to a discussion of how it is possible to uphold and ensure the social protection system in Denmark in the future.

Therefore, even if changes are made in the social protection system to influence the behaviour and strategies of specific groups (senior citizens, unemployed people, immigrants, etc.), the arguments and aims that accompany these changes are related to the needs for reforms in order to conserve the Danish welfare state and the social protection system in the future. In this way, reforms basically link up to ambitions feeding out to social cohesion.

### *2.1.6. Addressing the contribution of fiscal policies*

The Danish macro-economic strategy centres on assuring long-term fiscal sustainability consist of building up government funds by saving budget surpluses in combination with increasing employment. However, as a result of the Welfare Agreement from 2006, the implementation report states that the public finances are becoming more robust when seen in relation to the challenges of an ageing population.

The Danish Government has maintained a tax freeze, meaning that no tax rate may be increased and some individual taxes have been frozen in nominal terms. However, in 2007, the Government introduced a new reform with the aim of diminishing tax on labour. A personal income tax reform is due to take place in 2008 and 2009. Increasing labour supply is stated as the primary objective behind the tax policy reform reducing the tax for primarily middle income earners.

It is noteworthy that the section on the tax reform does not include any reflections on the impact of income distribution and other issues related to social inclusion. Incomes are only mentioned in the section on the macroeconomic framework (chapter 1). However, it is only recognised that rising incomes due to an overheated economy may threaten the countries' competitiveness on the international market (p. 1). Any discussion on the distribution of income is absent in the NRP.

## **2.2. Feeding in**

"Feeding in" is defined as the contribution of social protection and social inclusion policies to economic growth and more jobs (Guidelines p.11). This section will provide an assessment of the extent to which the IRNRP has fed in from (1) the EU social protection and social inclusion process and (2) from the 2007 SP/SI joint report challenges. Generally, there are few considerations in the 2007 Implementation Report on the National Reform Programme (IRNRP) of the contribution of social policies to performance in economic growth and creation of jobs. The appearance of such considerations is mostly limited to the section on labour policy. This also reflects the predominant focus within Danish social policy on measures aimed at increased job market attachment. Given the focus on measures within labour policy in the IRNRP, this area will also be the primary focus of the analysis on feeding in.

### *2.2.1. Links with the EU social protection and social inclusion process*

The IRNRP contains only an explicit cross-reference to the EU social protection and social inclusion process, more specifically to the National Report on Strategies for Social Protection and Social Inclusion (NRSSPSI) (p.47). In this very case, it is mentioned that the problems among vulnerable groups, which is not directly related to employment, will be addressed by an active social policy which is outlined in the NRSSPSI (p.47).

Although, it is difficult to pinpoint any explicit linkages to the EU SP/SI process, it is possible to say something about the relation between the two policy frameworks on a more general level. Or rather, to what extent the IRNRP is consistent or non-consistent with the main outlines of the EU SP/SI process.

A first remark concerns the bias in the IRNRP towards labour policy, and more specifically measures aimed at increased labour supply. As stated in the 2007 synthesis report on feeding in and feeding out, it is important to emphasise that "the EU social Agenda is not just about jobs and a social inclusion process also has other objectives (Begg, 2007, p.4)." The general bias in the IRNRP towards measures with the goal of increased labour market attachment among vulnerable groups may therefore be interpreted as a sign of lack of feeding in from the EU SI/SP process. Furthermore, most initiatives within labour policy directed at vulnerable groups share the purpose of increased labour supply.

However, in relation to labour policies, the IRNRP mentions that Denmark has made use of the EU Social Fund for the purpose of e.g. strengthening the social integration in the labour market. Activities supported by the fund in Denmark have been related to the European Employment Strategy (Annex 6, p.81).

A central part of the EU SP/SI process lies within the concept of Active Inclusion aimed at the people furthest away from the labour market. This concept is built up upon three pillars: minimum income schemes, inclusive labour market and access to quality social services.<sup>6</sup> To start with, the concept of active inclusion is at no instance explicitly mentioned in the IRNRP.

Judging to what extent the IRNRP have fed in from the concept of Active Inclusion, it can be said that attention is primarily given to measures aimed at creating an inclusive labour market. The issue of minimum income schemes is really not treated in the IRNRP, neither with regard to labour income or income support. The IRNRP does, however, mention that the social benefits will increase by 0.6 per cent (p.8). In relation to access to quality social services, such as counselling, healthcare, child-care etc., these issues are not treated specifically in relation to vulnerable groups.

In relation to the income tax reform described in the chapter of feeding out, there has clearly occurred feeding in from the EU SI/SP process, since the reform is supported with a reference to the concept of "Make work pay" (p.7). Furthermore, this instance of feeding in occurs in relation to the policy response to point of watch, from the Progress Report, that concerns increased labour supply.

Focusing more specifically on feeding in from the Open Method of Coordination (OMC), there are no explicit references to this programme in the IRNRP. The OMC is, in the case of Denmark,

<sup>6</sup> [http://ec.europa.eu/employment\\_social/social\\_inclusion/active\\_inclusion\\_en.htm](http://ec.europa.eu/employment_social/social_inclusion/active_inclusion_en.htm)

rather given a more explicit role in the 2007 National Report on Strategies for Social Protection and Social Inclusion (NRSSPSI). Although there are no explicit linkages, many of the objectives of the OMC are recurring in the IRNRP.

The first overarching objective of the OMC is to promote social cohesion and gender equality through “adequate, accessible, financially sustainable, adaptable and efficient social protection systems and social inclusion policies”<sup>7</sup>. In relation to this objective, it is worth noticing that the concept of social cohesion is only explicitly mentioned two times in the IRNRP (IRNRP p.39, p.10). Furthermore, social protection systems as such are not treated specifically in the IRNRP. When it comes to gender equality, the IRNRP is explicitly referring to the European Pact of Gender Equality (p.49) and related objectives and initiatives.

The second objective of the OMC is to establish “effective and mutual interaction between the Lisbon objectives of greater economic growth, more and better jobs and greater social cohesion, and with the EU's Sustainable Development Strategy”<sup>8</sup>. The interaction between Lisbon objectives and social policy objectives in the IRNRP is, as earlier mentioned, mostly restricted to the labour policy section and more specifically to measures directed at increasing labour supply. Impact assessments, as promoted by the EU's Sustainable Development Strategy, are made for the economic aspects of policies but seldom for social aspects. For example the new income tax reform aimed at increasing the incentives to work is supported by an assessment of the expected increase in the labour force but not of any assessment of the impact on the social impact in terms of, for example, income distribution throughout society (p.8). The third objective concerning the governance-related aspects of the OMC in relation to the IRNRP will be treated in a separate chapter of this report.

### *2.2.2. Links to the 2007 Joint Report Challenges*

In the 2007 Joint Report on Social Inclusion and Social Protection, the following challenges are formulated for Denmark:

- Upholding the current high social level for social security and also covering the increasing need for health and welfare services as a consequence of its ageing population,
- Developing labour market tools aimed at improving immigrants' integration into the labour market,
- Ensuring that more older employees and disabled people can remain on the labour market,
- Taking the steps needed to improve the Danish public health system in terms of quality and efficiency, improved cancer treatments etc.,
- Putting forward initiatives aimed at enhancing the recruitment of personnel to the public health system and improved working environment.

To begin with, there are no explicit references in the IRNRP to 2007 Joint Report challenges. However, the IRNRP still contains relatively specific policy responses to most of the challenges

<sup>7</sup> [http://ec.europa.eu/employment\\_social/social\\_inclusion/docs/2006/objectives\\_en.pdf](http://ec.europa.eu/employment_social/social_inclusion/docs/2006/objectives_en.pdf)

<sup>8</sup> [http://ec.europa.eu/employment\\_social/social\\_inclusion/docs/2006/objectives\\_en.pdf](http://ec.europa.eu/employment_social/social_inclusion/docs/2006/objectives_en.pdf)

mentioned above. In this sense, one might well say that the Joint Report challenges have been fed in into the IRNRP, despite the lack of explicit linkages.

The challenge of maintaining the current level of social security is addressed by labour policy aimed at increased employment. The Joint Report challenges related to increased labour market attachment among immigrants, disabled people and seniors are addressed by a number initiatives more thoroughly described in the feeding out section. The two challenges related to the public health system are addressed by initiatives outlined in the "The Quality Reform" (Kvalitetsreformen), which are fed in into the IRNRP and frequently referred to concerning issues related to the public health system.

Generally, it has been rather difficult to assess the extent to which the IRNRP has fed in from the EU SP/SI process and the 2007 Joint Report challenges due to the lack of explicit references and our limited knowledge of how the actual implementation report has been compiled.

### 2.3. Aspects related to governance

#### *2.3.1. Monitoring and assessment of impact of policies*

Monitoring and assessment of impact of labour market policy is an area which has developed and increased significantly during the last decades together with the increased emphasis on 'active measures' in social and labour market policies. A lot of research has followed the developments of active social and labour market policies, and research has played an important role for developments and changes in policy measures. Most recently, a new website ([www.jobindsats.dk](http://www.jobindsats.dk)) makes it possible to assess information online with regard to measuring and comparing different municipalities, employment centres, different groups of people etc. This means that it is easy for both lay persons and experts to obtain information and assess the impact of local and national policies.

In education, recent reforms specifically address the need for increased assessment of children's skills. The reforms have been met by significant opposition from the teacher's trade union in Denmark, which points at implementation problems.

Integration and social policies are areas where monitoring and assessment of impact of policies still lack in precision and needs further development. However, The Ministry of Social Affairs has created a task force for improving an outcome-oriented approach to all legislation and policy initiatives. The task force has worked to improve the extent to which legislation has clear and measurable outcome goals, but has also worked to support evidence-based research on what works for whom.

*The Joint Responsibility II* works as a pilot for using extensive monitoring and evaluation on a policy initiative. The strategy is followed by a very comprehensive monitoring as well as extensive implementation support for the different supported projects.

Overall, it is the view of national experts that monitoring and evaluation play a much more central role in the area of social exclusion than they did five years ago.

### 2.3.2. *Involvement of stakeholders*

Many of the initiatives that are referred to in the Implementation Report are products of different kinds of agreements between different stakeholders and the Government.

In Denmark, stakeholders are to a wide extent involved in the cycle of policy-making in general and the institutional structure provides relatively good opportunities for collective actors to make their voices heard. Authorities' strategies towards interest organisations in Denmark are normally integrative and cooperative and follow a long tradition of involving organisations in the political-administrative process e.g. in the drafting of legislation and major reforms (Torpe, 2003: 42-3). These traditions enable especially labour market organisations to gain significant influence on the development of the welfare state.

Voluntary organisations have also traditionally held a relatively strong position and degree of legitimacy in Denmark, where they serve as claims makers and service providers in specific areas of the social welfare system. Groups of disabled people have been represented by an umbrella organisation, the Danish Council of Organisations of the Disabled (*DSI*) since 1934, and an interest organisation for senior citizens (*Ældresagen*) was formed in 1986.

Various interest organisations also exist in the field of mental health. The Danish Council of Organisations of the Disabled (*DSI*) has, as an example of the involvement of stakeholders, commented the Implementation Report, and these comments are included in the annexes. In 2002, a Council for Socially Marginalised People was formed, but the organisation has not been invited to reflect on the Implementation Report. The table below presents an overview of councils and the year of origin.

<b>Nationally</b>	<b>Year of origin</b>
The Central Disability Council	1980
Children's council	1994
Elderly forum	1996
Council for Socially Marginalized People	2002
<b>Locally</b>	
Council for elderly in the municipalities	1996
Council for the disabled in the municipalities	2006

*Source: Council of Socially Marginalised People, 2007*

Senior citizen's councils and councils for the disabled are statutory in all municipalities and increase the opportunity for these groups to gain influence on local policies and implementation of national reforms. In a decentralised institutional structure, however, the more affluent and powerful groups may easily come to dominate struggles over priorities and allocation of resources. With strong interest organisations in the field, the most excluded groups risk being ignored locally because they are not able to speak through the formal channels of interest mediation and organised representation. Recent research shows that interest organisations by immigrants, unemployed people, drug users and homeless people have emerged in the last decades, providing a new opportunity for participation by some of the most vulnerable and excluded groups in society (Anker, forthcoming). Many of these organisations are invited to give their opinion when new laws etc. are circulated for consideration and they have the opportunity to influence implementation of policies. However, councils of marginalised people are still not mandatory in the municipalities, but in a few Danish municipalities councils of marginalised people have been formed voluntarily.

More specifically in relation to discussions concerning NAP social exclusion, a specific project should be mentioned. Centre of Alternative Social Analysis (CASA) together with The Danish Council on social welfare are presently running the project "NAP Social Exclusion 2006 – NGO project" aiming at establishing a dialogue about the Danish National Strategy for Social Protection and Social Inclusion. The project is financially supported by EU funding.

### *2.3.3. Coordination of joining up of economic, employment and social policies*

It has not been possible to obtain further information on coordination of joining up economic, employment and social policies.

## **3. Short overview of new reforms or changes in relevant key trends**

This section deals with key trends and recent developments in poverty and social exclusion in Denmark. The annex deals with new trends and developments and can therefore be seen as a follow-up to the first Semester Report of 2006.

The **first section** seeks to identify developments in relation to the challenges mentioned in the 2007 Joint Report on Social Inclusion and Social Protection Challenges. The **second section** provides a few comments on implementing the social inclusion strand of the NRSSPSI. **Section three** refers to new policy initiatives on poverty and social exclusion or initiatives that are relevant to the field of poverty and social exclusion. The **fourth section** describes central new evidence on poverty and social exclusion from the public debate and research.

### **Progress in Relation to 2007 Joint Report on Social Inclusion and Social Protection Challenges**

The following challenges were identified for Denmark in the Joint Report on Social Inclusion and Social Protection. A brief account of recent development for each challenge follows below.

- **Upholding the current high social level for social security and also covering the increasing need for health and welfare services as a consequence of its ageing population,**

Denmark's old age dependency ratio in 2005 of 22,6 per cent was below the average of the EU25 (24,9 per cent). The old age dependency ratio is expected to rise to 40 per cent in 2050 which is considerably lower than the EU25 average of 52,8 per cent. (Eurostat) The reason that the ageing situation is less severe than in other European countries is due to a relatively slower expected increase in life expectancy for Denmark. Although the challenge of ageing lies in the future, recent OECD data projections estimate the increase in public health care expenditure as a share of GDP in Denmark up until 2050 to be significantly lower than the OECD average. However, projections including long-term care expenditures yields larger increases in public expenditures. Furthermore, the policy approach on ageing adopted by the Danish Government is deemed to be one of the most ambitious and robust in a recent comparative OECD study<sup>9</sup>.

<sup>9</sup> Ageing and the Public Service: Human Resource Challenge, OECD (2007), p.100

- **Developing labour market tools aimed at improving immigrants' integration into the labour market,**

Although the employment rate has increased since 2005<sup>10</sup>, labor market attachment among immigrants and second generation immigrants is still considerably low compared to that of people of Danish origin. However, the employment rate among immigrants from non-western countries has increased the most among the groups below – by 6 per cent as compared to 1,2 per cent for persons of Danish origin.

	2005	2006	Difference
Persons of Danish origin	76,4	77,3	1,2%
Immigrants from western countries	61,4	62,5	1,8%
Immigrants from non-western countries	46,5	49,3	6,0%
Second generation immigrants from western countries	70,8	72,3	2,1%
Second generation immigrants from non-western countries	58,1	60,9	4,8%

Source: Statistics Denmark, RAS1F

- **Ensuring that more older employees and disabled people can remain on the labour market,**

The employment rate of older people has increased since 2005 and is also relatively high when compared to the average for EU25. Having said that, the labor market attachment among older people still is low when compared to the average for all citizens in Denmark.

Employment	Denmark		EU25	
	2005	2006	2005	2006
16-64 years	75,9	77,4	63,8	64,7
55-64 years	59,5	60,7	42,5	43,6

Source: Eurostat

As for labour market attachment among disabled people, there are no data which is collected on a regular basis in the national statistics. However, a recent study from the Danish National Centre for Social Research based on interviews with 9000 respondents reveals that in the period 2005-2006 the employment rate among disabled people grew from 50,6 per cent to 54,8 per cent<sup>11</sup>.

- **Taking the steps needed to improve the Danish public health system in terms of quality and efficiency, improved cancer treatments etc.,**

In terms of quality of the public health system, one of the most emphasised initiatives by the government, accounted for in NRSSPSI (p.38), is the development of a quality model. In the NRSSPSI it is stated that all public hospitals should be accredited under the quality model by the end of 2008. However, the process is very much delayed and the project

<sup>10</sup> sThe figures from 2005 were used in the NRSSPSI and therefore constitute a benchmark against which changes in recent development can be assessed.

<sup>11</sup> <http://www.sfi.dk/sw51453.asp>

still is in the phase of standard development meaning that the time frame presented in NRSSPSI will not be met.

As for cancer treatments, the positive trend up until 2004 accounted for in the NRSSPSI remains (NRSSPI p.39). The relative 1-year survival for patients with lung cancer have increased from 37,3 to 39,6 per cent and for selected types of cancer<sup>12</sup> the survival rate has increased from 72,5 to 73,5 per cent. (National Board of Health statistics)

Waiting time for treatment could be used as an indicator of the efficiency of the public health system. The trend towards shorter waiting time accounted in the NRSSPI has turned, adding newer data. The waiting time for 18 selected hospital treatments<sup>13</sup> has increased from an average of 20 weeks in July 2006 to 21 weeks in July 2007 (National Board of Health Statistics). However, it is not valid to interpret this as a long term breakage in the trend since it is supported by only one additional year of data. When comparing the most recent data with that of 2002, the waiting time for the selected treatments has decreased by approximately 20 per cent.

- **Putting forward initiatives aimed at enhancing the recruitment of personnel to the public health system and improved working environment.**

There were in 2005 approximately 86200 full time employees at the hospitals in Denmark corresponding to an increase of 800 employees since 2001. The number of doctors has increased by 1200 and the number of nurses has increased by 1300<sup>14</sup>. However, data reveals a trend towards more vacancies for doctors over the years which may indicate larger recruitment difficulties<sup>15</sup>. There were approximately 20 per cent more vacancies in December 2007 than in October 2005. However, the data does not say anything about how long it takes or how difficult it is to fill the vacancies.

### Implementing the social inclusion strand of the NRSSPSI

A number of very specific initiatives are mentioned in the NRSSPSI, which are meant to improve social inclusion. It is not possible to give a sound assessment on the implementation of all these initiatives in this report, as it requires a much more detailed and thorough analysis. Therefore only a few comments are given on three major programmes/initiatives:

The strategic action programme "The joint responsibility II" (also called Our Collective Responsibility II) is one of the most important programmes in the field of social inclusion that has been launched by the Danish Government to address the problems of the most excluded groups in the Danish society. The programme is described below in the section on 'new policy initiatives on poverty and social exclusion'. The programme is currently being implemented in a number of

<sup>12</sup> Breast cancer, cancer in the rectum, prostate cancer, ovarian cancer, cancer of the cervix, lung cancer, intestinal cancer.

<sup>13</sup> Treatments: hernia, herniated disk, uterus removal, tonsil removal, gallstone, cataract, artificial hip, artificial knee, meniscus operation, prolapse of the uterus kidney stone crushing, prostatism, reconstruction of knee ligaments, sterilization of women, varicose veins and the dispensing of hearing aids.

<sup>14</sup> <http://www.im.dk/imEverest/Publications/imdk%20x2D%20dansk/Publikationer/20071001163215/CurrentVersion/Regeringens%20resultater%202007.pdf> , p 12

<sup>15</sup> National Board of Health Statistics.

local projects and initiatives. The implementation process is monitored closely by an external evaluator.

The initiatives that are related to the welfare agreement (which is described below) are being implemented right now or in the following years. It is not possible to point at any results at this stage.

A new chance to everyone is the final programme, which will be mentioned here. The employment strategy calls for local authorities to offer all passive social and start-help assistance claimants a new chance, meaning a job, ordinary training or education, job training, rehabilitation etc. The programme is currently implemented but it is not possible to assess the programme at this stage. The programme is monitored and evaluated by an external evaluator.

Finally, it should be mentioned that a local government reform has taken place (from 1 January 2007). The local authorities are given a stronger role in the social and health sector. There are still no evaluations or studies, which describe the processes and challenges that are related to the implementation of the local government reform.

### **New policy initiatives on poverty and social exclusion**

Since the first Semester Report of 2006, the following two initiatives can be seen as a major development within the area of poverty and social exclusion:

- The Joint Responsibility II
- The Welfare Agreement

The yearly agreement for the rate adjustment pool has not been passed for 2007, as an election has just been called. Therefore, a number of new initiatives that the Government has planned in the area of social exclusion have not been passed and their future depends on the constellation of the new parliament. These potential future initiatives will not be mentioned in this annex. Furthermore, initiatives within the area of socially vulnerable children and the youth are mentioned in the first Semester Report of 2007 and will not be covered here.

### **The Joint Responsibility II**

As a follow up to *The Joint Responsibility* (mentioned in the first Semester Report of 2006), the Government has launched a major strategy for dealing with the most vulnerable adults in Denmark – including mentally ill, drug addicts and homeless people.

The current action plan consists of 12 different policy initiatives aimed at improving the lives of vulnerable adults. The initiatives follow three main strategic lines:

- Bolstering outreach, contact-creating and supportive activities
- More means of accessing the labour market
- Improving local authority casework

In the table below, the 12 initiatives of the action plan are mentioned<sup>16</sup>:

Initiative	Bolstering outreach, contact-creating and supportive activities
1	Offering more activities in drop-in shelters
2	More 24-hour drop-in shelters
3	Encouraging idea development and testing of new initiatives
More means of accessing the labour market	
4	Establishing enterprise centres for people on the fringes of the labour market
6	Establishing partnerships between local stakeholders and local authorities
8	Special supplementary training courses for socially marginalised groups
Improving local authority casework	
9	Establishing special training programmes for caseworkers
10	Forming marginalised people teams in the local authorities
11	Establishing satellite offices in socially disadvantaged areas
12	More alternative care home places

Most initiatives are in the process of being implemented, many of them through a four-year-period grant to municipalities and NGOs around the country.

### The Welfare Agreement

The Welfare Agreement is a broad long-term policy to keep a strong welfare state in the future. Many aspects of the agreement have no direct relevance for social exclusion; However, a few of them are relevant:

- An increased effort to reduce unemployment
- Secondary education for all
- Strengthening life-long learning

The central elements of the agreement are outlined below:

#### *Strengthened efforts to reduce unemployment*

- New model for job matching with more intensive follow-up on non-successful job matching.
- A strengthened role for the unemployment insurance agencies in job matching procedures.
- Systematic assessments of availability-for-work of the unemployed every 3<sup>rd</sup> month with a view to strengthening availability for work.
- Every week, the unemployed must search for jobs at jobnet.dk.
- Increased follow-up on non-filled vacancies.

<sup>16</sup> See <http://eng.social.dk/index.aspx?id=d842ce15-da10-435d-990d-7351ceea8d32> for a more detailed description in English.

- Simplification of procedures and sanctions when the unemployed does not show up for job search talks.
- Increased efforts to combat non-official employment, including through more workplace controls.
- The right and duty of activation is brought forward to after 9 months.
- Intensive activation after 2½ years for unemployment benefit recipients based on an individual assessment of job opportunities.
- Extension of the option for offering education courses of longer duration.
- More flexible financial control procedures for ALMP. E.g. abolishing requirements on the share of activation measures in the form of jobs with wage subsidies.
- Strengthened incentives for local governments to set up jobs with wage subsidies.
- Certain groups, where the contact procedures may be less relevant, may be relieved from contact procedures.

*Secondary education for all*

- Strengthening the responsibility of local governments for all young people starting and completing a secondary education.
  - a) The local governments must follow up in relation to young people who have not started or have stopped a secondary education.
  - b) An early effort in primary school and establishment of mentor arrangements for particularly exposed young people.
  - c) Targeting the activity of the “production schools” at more qualifying education.
  - d) The local governments are obliged to offer basic vocational training to young people who are not able to manage to complete a standard vocational training. Strengthening the effort to get young unemployed persons in the age of 25-29 years into employment or education.
- Renewal of the secondary vocational educations, by
  - e) introduction of contact teacher and mentor arrangements,
  - f) strengthening the companies’ economic initiative to provide training places, if developments in the number of training places are not sufficient,
  - g) increasing the number of training places in the public sector,
  - h) supplying means to raise the quality at the vocational training, including supplementary education of teachers.

*Strengthening life-long learning*

- Enhanced courses in reading, writing and calculus for adults.
- Setting aside 1 billion DKK for job-oriented adult education and retraining.
- More adult apprentices and increased access to this arrangement.
- Simplified and permanent job rotation arrangement.

- Better supervision and counselling for employers and employees. Funds will be set aside with a view to implementation in 2007.
- Increased formal recognition of competences obtained outside the public educational system.
- Improved special programmes for students from immigrant families.
- Broader range of advanced adult education.

### **Budget allocation**

Since the establishment of the action plan aimed at the most disadvantaged groups, the rate adjustment pool has been an important mean for financing initiatives.

During the period 2002-2005, approx. DKK 515 million was allocated to a pool for the most disadvantaged (Puljen for Socialt Udsatte) to support projects and initiatives, including various types of accommodation offers for the socially marginalised, special care residences and the initiation of several experimental projects.

*The Joint Responsibility II*, which was passed in 2006, has a budget of around DKK 600 million in a four year period, financed through the rate adjustment poll. In the 2006 agreement for the rate adjustment pool (satspuljen), a major plan for the mentally ill was also passed (psykiatriaftalen) amounting to DKK 680 million in a four year period. The agreement for the mentally ill covered the following initiatives:

- Improving the psychiatric treatment for children and the youth
- Improving the effort for legal psychiatry
- Supporting non-psychotic sufferings
- Improving the availability of psychiatric treatment
- Prolonging central initiatives from the last agreement

### **New evidence on poverty and social exclusion**

Since 2006, the following new evidence has been found relevant:

- The Economic Council's analysis on poverty
- "Fattigdom og social ulighed i sundhed" - Report on the Danish National Action Plan
- "The new inequality" by Lars Olsen (2007)
- Report from the Council of Socially Marginalised People

In the following section, these four reports are summarised.

*The Economic councils analysis of poverty in Denmark, 2006*

The analysis undertaken by the economic council is based on data from 1988-2004. The most important findings and recommendations of the study are:

- The share of the population living in poverty is relatively low at a level of 4.4 per cent in 2004, and that it has been relatively stable for the last 12 years. The share of poor in Denmark is low in nearly all international comparative studies of poverty.
- The share of persons living in poverty is above 10 per cent among immigrants from Western countries and above 20 per cent among immigrants from Non-western countries, while the share among Danes is less than 4 per cent. The share in poverty is especially high among those who have been in the country for only one to three years, but the differences between persons of different origin are remarkably large.
- The analysis reveals that the effect of parents' earnings on the earnings of the offspring is modest. However, the effect on the lowest part of the distribution is a bit higher than the effect on average income. The probability of the children having zero income is however quite sensitive to parents' income.
- In Denmark social assistance is much lower for refugees, emigrants and Danes that return to Denmark after a longer period abroad than it is for native Danes. However, it is very difficult for refugees to find a job because of their lack of language abilities and qualifications toward the Danish labour market. Therefore economic incentives have only minor effects on this group. It is recommended that refugees receive social assistance at the same level as native Danes for three years. After this period their qualifications are much better and their possibilities of becoming self-supporting have improved considerably. Hence, they should be equalised with emigrates and returning native Danes.
- There are large differences between persons with different diagnoses, and the incidence of poverty seems to be higher around the time when mental illness is diagnosed.
- The prevention of poverty should start in early childhood. An important element is to give children and young people personal and educational skills to the labour market. Empirical findings support the theory that it is important with pre-emptive measures towards socially vulnerable children.
- The average income for single parents is relatively low and the labour supply for this group is relative sensitive to changes in income. The economic gain is very small for single parents receiving social assistance if they find an unskilled job. Hence, it is recommended that the earned income tax credit specifically for single parents is increased since this improves the economic incentives to find a job for this group.

*"Fattigdom og social ulighed i sundhed"* - Report on the Danish National Action Plan

The study is undertaken with the purpose of critically evaluating the Danish National Report on Strategies for Social Protection and Social Inclusion.

Some of the conclusions of the study are:

- Poverty and poverty among children is clearly a smaller problem in Denmark than in other EU countries. However, analyses utilising EU definition of poverty have been presented which show that the number of poor children in Denmark is increasing. Considerations of this trend is lacking in the NRSSPSI.
- The causes of poverty seem to be perceived as individually oriented rather than being related to society in general. The NRSSPSI is suffering from a lack of structural explanation to poverty.
- A broader understanding of the mechanisms that lead to poverty.
- The NRSSPSI is mainly focusing on initiatives already launched rather than which challenges Denmark is facing and will have to address in the future.
- The overarching focus on attacking social integration by the means of enhancing labour market attachment in the NRSSPSI is regarded as problematic. More specifically, the labour policy strategies built on economic incentives to increase labour market attachment among immigrants and asylum seekers are regarded as problematic as these incentives have limited impact for this group.

*The new inequality (Den nye ulighed)* (Lars Olsen, 2007)

The book is promoting the thesis that the inequality seen today is rather different from what has earlier been seen. Whereas inequality in the industrial society was categorised by material differences, it is now, in the setting of the knowledge society, also based on differences in cultural and social capital. It is furthermore Olsen's thesis that the majority does have the relevant material, social and cultural capital whereas a minority does not.

This group, being referred to as "the newly excluded ones", has become excluded as a consequence of three factors: being brought up in families with single parents, poor education, and marginalisation from the labour market. Olsen has found these risk factors, catching differences in life possibilities, to be significant in explaining exclusion.

It is Olsen's point that policy measures aimed at increasing the number of youngsters finishing an education programme will not succeed unless these social and cultural factors are specifically addressed.

*The Council for Socially Marginalised People, 2007 Year Report*

Some of the main conclusions of the report are:

- When outlining and launching new welfare reforms, such as the Quality Reform, there seem to be a lack of considerations, by the Government, of the consequences of these reforms for the most vulnerable groups. The same lack of considerations for consequences is seen even when the initiatives are directed at the most vulnerable groups. As an example the council mentions that the Ministry of Employment's new bill to

reduce social assistance focuses only on labor market related aspects and not the social consequences.

- Furthermore, the council expresses critique against the use of financial incentives to enhance labor market attachment when these are of the character of the stick rather than the carrot. The criticism is based on the argumentation that such incentives counteract social integration since they may contribute to increased social exclusion.

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