



# **EMIN Context Report DENMARK**

## **Developments in relation to Minimum Income Schemes**

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August 2017

## Preface.

European Minimum Income Network (EMIN) is a project carried out simultaneously in all 28 EU - member states in 2017-18. The aim is to get minimum income schemes, MIS, (in DK called: Cash Benefit), which are sufficient and available in all countries. The countries are very different both in terms of costs for individuals and countries' government revenues, so it is clear that there will be major differences between the national MIS's. The important thing is that all citizens, regardless of which country they live in, have a MIS they are entitled to, if everything else fails and which can give them a modest and dignified life in society, until they can support themselves again. The project will support an understanding of MIS as a benefit not only for the supported but also for the society as a whole. Finally, the results are to be disseminated into the political decision-making processes at national and EU - level.

The project is proceeding in two phases in 2017 - 18. In the first phase we map out the development of MIS in each country, look at how it relates to a household budgets and illustrate deprivation among those who have too little money. In the second phase, we work to promote understanding among citizens and politicians for why a sufficient MIS is good for everyone, both for those in need and for those who support themselves currently.

The European Network against Poverty, EAPN implement the project in cooperation with the European trade union movement, ETUC, The Federal Public Service for Social Integration in Belgium and the University of Antwerp. In Denmark, EAPN.DK cooperates with ETUC's Danish members, LO, FTF and AC, as well as the Women's Council, Disabled Peoples Organisations, the Social debt counselling, Social Policy Association and social NGO's. The Ministry of Employment, the Ministry of social Affairs, the Governments Contact Committee for EU - 2020 Strategy as well as the EU Commissions representation in Denmark are all informed about results, reports, conferences etc.



For the period 2017-2018 EMIN receives financial support from the European Union Programme for Employment and Social Innovation "EaSI" (2014-2020) to develop its work in the EU Member States and at EU level. For further information please consult: <http://ec.europa.eu/social/easi>.

The information contained in this report does not necessarily reflect the official position of co-operating organisations or the European Commission.

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<b>Table of contents</b>	Page
Introduction	4
Minimum income before and now	5
Reforms since 2010	8
Reference and minimum budgets	11
It shall pay to work	13
EU Commission Country-Specific Recommendations	15
European Pillar of Social Rights	15
European rights in Denmark?	16
Danish EMIN national network	17
Annex 1. Reference budget, minimum budget and minimum income	19
Annex 2. Denmark's National Program for the EU Social Fund 2014-2020	25

## Introduction.

There are connections between MIS, wages, welfare and wealth. If MIS do not cover the cost of living in the country where you are born and grow up, you can feel more or less forced to work on "working poor" conditions or to travel to other member states and work at conditions below existing collective agreements and thereby encourage social dumping. Sufficient MIS gives better security for all, both for those who get MIS and employees. It also helps to enrich the community.

Denmark is among the countries with the highest MIS and the best wages of low-paid and is therefore also among the richest and most equal countries. Why then, does EAPN - Denmark participate? We do so because the development goes the wrong way also in Denmark, and because we have realized, that it is not possible to keep a sufficient MIS in Denmark without having sufficient MIS in all member states. The countries are linked, the borders are open to trade and thus also for social securities.

The EU is created to ensure peace through trade and by free movement of goods, services, capital and labour between countries. This has been very successful. There has been growth and prosperity and there has been peace between the nations since World War II, a historical unprecedented period of time. But the EU also has a social dimension and here the results are not nearly so good. Poverty and economic inequality have grown since the 1990s and with strengthened power since the financial crisis in 2008. Denmark is among the countries where inequality has grown most.

The EU's lack of social responsibility has many faces. One of the obvious ones is found in the EU 2020 Strategy, where the goal is to reduce the number of citizens at risk of poverty by 20%. The target was set in 2011. Since then, the figure has not fallen but is increased by 20%. Growth and wealth are distributed so that those people, who have a lot, gets more and those who suffers, gets lesser. In Denmark, all social securities have become less valuable since the 1990s and there is a growing poverty especially among young people and vulnerable families. In southern Europe there is unprecedented high unemployment especially among young people and in Eastern Europe, social securities are still very small and inadequate.

The development has increased the number of poor and socially vulnerable and has also resulted in an increased uncertainty among many other people. When society does not take responsibility, the individual must be responsible and secure himself and his family to the best of his ability. The results are well known: saving up, tax cuts, border controls, anger against the poor and refugees, growing nationalism and fear of war.

It is not only the poor and socially excluded who are the victims. OECD and the World Bank have repeatedly pointed out that the whole community is affected. See for example the OECD analysis from 2015: "In it together: Why less inequality benefits all", which shows that increased inequality has a major negative effect on the growth of the countries and tells, translated into Danish conditions that cuts in top taxes and MIS are injurious for most Danes.

In spite of the OECD warnings, Danish governments continue to reduce MIS, most recently with the cash benefit ceiling, the 225-hour rule and very low integration MIS. It may seem like a screw without end, but as it is a result of political decisions, it can also be changed politically. The hope with a project as "Minimum Income Schemes" is that it can contribute to a political process that has been taking place at EU level, especially since the Schengen agreement in 1992 and lately renewed in 2015 on the agenda of the EU Commission as "the social Pillar ", which includes both cash benefits and minimum wages. The process takes time, it is unlikely that there will be binding rules, but rather that there will be more agreement concerning common goals in the coming EU Strategies.

Throughout the years, Denmark has been in clear opposition to EU strives for better common social conditions. The argument is that Denmark has such good securities and that the EU agreements will

lead to poorer conditions, towards the lowest common denominator. The result is known. Danish citizens have been getting worse social securities since the 1990s. Not because of EU, but because the Danish parliament has decided so.

## **Minimum Income before and now.**

Society Debates and the Parliamentary decisions on MIS are about the society we want to live in. If we want a society where everyone is doing his and the devil takes the last, there shall be no MIS. If we want a society where all are productive, the MIS must be large enough to ensure that you can live without being excluded from society and the labour market in the periods in which, for one reason or another, you cannot support yourself.

Diseases or accidents can affect anyone, and give temporary or permanent damages. No one decides, whether he or she is born with disabilities, or which family they are born into. Everybody is in risk of unemployment, illness or divorce, which can start a social decline. Therefore, the choice of MIS is so fundamentally important. Can you count on financial help from society if everything else fails? For this is what the MIS is for: A financial safety net when you have no other economic means.

MIS in other words, is about economic dependence. It's pretty simple to set up a budget for what it costs to live and what you need. But in the political world MIS has become an ideological battleground between those who think that it is too high and those who think it is too low. Rather few wants the poor to suffer, so maybe there is a question that has an interest in both camps: Is there a lower level which is acceptable if not all, so for the majority?

The MIS has become an ideological battleground between those who think that it is too high and those who finds it too low. However, as no one speaks in favour of poverty, maybe there is a question that have an interest in both camps: What does it really mean to live a modest, decent life. Is there a lower level which is acceptable if not all, so the vast majority?

These are the questions we seek to answer in the minimum income project.

## **From poverty care to minimum income schemes.**

MIS have historical roots in ancient times care for the poor, when society was poorer and care was intended for survival. The care consisted at that time both of money, food and shelter and were given with a mix of compassion, condemnation and forced labour. We see some of the roots grow up again today. Volunteers distribute food, Christmas aid and scholarships, when the MIS is insufficient. The Danish Parliament has adopted rules of utility jobs as a reminiscent of older days forced labour.

The MIS we know today started in the 1930<sup>th</sup> with social reforms that were more influenced by rights for those in need, without so much condemnation and based on the trust that people want to support them self if they can. During the 1970<sup>th</sup>, MIS and other social securities and social and health services where combined in the municipalities.

In the 1970<sup>th</sup>, the picture was quite clear: people who are exposed to social events and cannot support themselves are entitled to financial help, counselling and rehabilitation until they can work and support themselves again. In short, there were four different types of economic support:

- Unemployment benefits for people who become unemployed

- Sickness benefits for people who are too sick to work
- Disability pension for people with permanently reduced labour ability.
- MIS for the unemployed and the sick, who do not have access to other services.

The Danish MIS (Cash Benefit) are for those who have nothing else, are not entitled to other economic benefits and have no fortune. MIS is not to be confused with the minimum wage at the labour market, described in the collective agreements between the labour market partners and paid by the employers. MIS is decided by the Parliament and paid by the state and municipalities.

### **EU, Denmark and the social securities.**

The Danish MIS have had the same name since Denmark joined the European Community, EU, in 1972. But through the years, the Parliament has decided so many changes that the result today is a fundamentally changed MIS. In the 1970<sup>th</sup>, for example, unemployment benefits, disability pension and MIS together could ensure a decent life for all aged 18-65 years. Today the unemployment benefits are so smalls, that they must be supplemented with private insurances, access to disability pension are nearly impossible to get for persons below 40 years. The MIS is different for different groups, and far below the poverty threshold especially for persons below 30 years and persons who have lived legally in less than 7 years in Denmark.

The first years after Denmark joined the EU, the changes were small. The first reduction came immediately after Denmark joined the EU in 1972 with the introduction of fractional age pensions. To get full age pension, you must have lived in Denmark for the past 40 years, fewer years allows correspondingly lower pension. The rationale is simple: if you have paid tax in Denmark for 40 years you are entitled to full pension. Have you spent some years in other countries, the pensions for the years are supposed to come from the other countries. But other countries do not have pensions like the Danish, so fractional pension normally always means less pension.

Reductions of benefits for employees, such as unemployment and sickness benefits, started especially after the Maastricht Treaty in 1992, which opened more for the free movement of labour etc. Again changes started slowly, but over the years there have been significant declines in the benefits, compared to wages, and the time you are entitled to benefits, has become much shorter.

*Benefits are limited in time.* The time limits for unemployment benefits in 1970<sup>th</sup> were 9 years and then gradually reduced to 2 years now. If you are still unemployed after 2 years, you can apply for the much lower MIS. Sickness benefits originally lasted until the person was healthy enough to work or were granted pension, but are now limited to 5 months, after which follows the much lower MIS, with some exceptions. Access to disability pension is nearly closed for anyone under 40 years.

*MIS and other benefits are reduced.* Since the early 1990s, MIS and benefits have been downsized by a so-called rate-regulation, which means they are reduced compared to the wages with approx. 6 % since 1992. From 2016 regulations will be reduced compared prices instead of wages with 5 % before 2023. The political argument behind is that the MIS and other benefits must keep pace with the expected price, while wage developments reflect profits and growth. In reality, this simply means that MIS and benefits continue to be worth still lesser and faster.

*Lower MIS to young people and disabled persons.* Since the 1980s there has been significantly lower benefits to young people and the age limit has increased. Most young people today receive an MIS called "educational benefit", which is approx. 50% of the MIS for other adults. The age limit is

increased, first from 18 to 19, then 25 years and from 2014 to 30 years. The limit for disability pension was raised from 18 to 40 years.

*Especially lower MIS to migrant workers.* People, who come to Denmark from countries inside or outside the EU, are in principle entitled to the same MIS as Danes if they meet the legal requirements. The political response has been to decide laws that provide reduction and restrictions in the MIS for migrants. Equality before the law means this is also the reality for Danes.

The trend has been the same throughout the years since Denmark became member of EU. Except for the early retirement pension - which is being phased out - there have only been reductions of the social securities since Denmark's became member in EU, both in amounts, age criteria and duration. But is it EU's fault?

It is not the EU but the Danish parliament that sovereignly decides the reductions in Denmark. The EU's part is that the constantly growing free market with more free movement of capital, labour, goods and services. This development creates more wealth, but also increased inequality and less social security. Political forces that are advocates of the free market and not for social securities have over the years dominated the EU. The social securities for workers, the unemployed and the sick are moving up in the political agenda, see the social pillar in 2015. However, results are missing, at least until now.

The EU Commission has presented the Danish flexicurity system and the Danish tax law as models for the entire EU. But the actual development in Denmark is preliminary to the fact, that successive governments have taken steps in another direction, which weakens those systems in Denmark and makes it difficult to build consensus in the EU. Danish politicians have claimed sovereignty and failed to support the forces in the EU who wants to regulate the free market with taxes and securities we know in Denmark. One can only hope that Brexit is the eye-opener for an understanding of the fact, that national sovereignty is not sufficient to create social security, neither in Denmark nor in other EU member states.

### **Human and holistic orientation and legal certainty diminishes.**

MIS are intended as a temporary help. It was expected to be given for maybe 3 months, while the unemployed was helped in finding a new job or to start in education. Research shows that unemployed confidence and vigour weakened over time and long-term unemployment leads to exclusion from jobs and society. The dream is that the unemployed and the sick must be helped with rehabilitation, holistic and individual actions.

There has been completed many projects and as late as in 2014 introduced rules on coordinated case management, multidisciplinary teams and long resource course, just to make sure that it happens. Yet it seems not possible to create structures that ensure the desired action. There has instead come a still greater degree of control of the behaviour of the unemployed to ensure that they send applications, update their CV, comes in activation programs etc. Social counsellors have become Administrative Officers, who turns their faces against the computer instead of using the time to help the unemployed as a whole person.

There are obviously talking about a basic system error that cannot be solved in cooperation between state and municipality. Checks, inhumanity and lack of results have gained more and more ground in almost 50 years. There are regular attempts to break the pattern, most recently in 2017, with the

government's Management Committee. There is a hope each time, but when you see that the actors and the structures that create problems also are supposed to address the problems, you get doubts.

The municipality's dual role as both the authority to ensure civil rights, quality services and economic support, and at the other hand as an economic administrator of the state's savings, gives many challenges and errors. The trend is that weak citizens have fewer and smaller benefits than they are entitled to. One example is a study conducted in 2013 by the Social Appeal Board showing that the municipalities have taken wrong decisions in 95% of cases where citizens complained about sanctions from Job Centres.

The result is that socially vulnerable citizens lose confidence in the authorities, isolate themselves or are seeking support in social organizations and patient associations, away from the municipal administrations and job centres. The development is leading away from the classic universal welfare model and toward something else, but to what?

## **Reforms since 2010.**

Since 2010, successive governments have implemented a series of reforms that largely covers the full range of social securities. The reforms are presented in relation to the Danish National Reform Plan / EU 2020 - strategy and are particularly motivated by two considerations: The first is the need to balance public budgets. The reduction of social services shall help to finance plans for growth, job creation, lower taxes on labour and companies. The second is the need to increase labour supply in anticipation that the increased supply creates more jobs.

The thesis is that lower taxes on labour and companies will get everyone to work more, creating new jobs and promoting business growth. While lower benefits to the unemployed will increase labour supply and increase employment for low paid workers.

Yet, studies show that the methods are problematic and have not created growth and work among socially disadvantaged, but instead increased poverty and inequality. A study from 2017, "Keeps allegations?" from the Council for Socially Marginalised, 2017 documents that the newest incentives has no demonstrable effect on employment, in some measurements even slightly negative, and that the effects only includes smaller resourceful groups. Most of the MIS recipients are not able to respond to the economic incentives because they are too weak or sick. One of Denmark's leading liberal economists, Nina Smith, has in 2017 send the same message: There is no longer any employment effect that can justify more reductions of the MIS.

The measured effects of reduced MIS give a clear answer. The small decreases in number of MIS recipients are caused by improved economic trends, not by reduced MIS

The reforms since 2010 are, in brief:

*The retirement reform*, adopted in 2011 does include the raise of the early retirement age to 62 years and the time early retirement shortened to 3 years in 2016. Ministry of Employment impact study shows that people who are affected, largely remains at work and that employment among 60-62 year olds have increased considerably. It has not led to more recipients of other benefits, maybe because there are no needs, maybe because they are hard to get for the elderly.

*Unemployment benefits reform* means that the duration of unemployment is reduced from 4 years to 2 years and that it takes longer time to prequalify to the benefits. If the recipients continue to be

unemployed after 2 years, they can apply for MIS. The rules were decided in 2010 and entered slowly into force from 2013 with full effect from 2016. As recipient of unemployment benefits you get approx. 2.400 € kr. per month. As a recipient of MIS you get 900 € a month if you are 18-29 years or 1.500 € if you are over 30 years. All amounts are before tax.

*Sickness benefit reform* was adopted in 2012 and restricts access to sickness benefits for five months. After 5 months you can apply for a benefit equal to the MIS and you go from receiving 2.400 € a month to 900 € if you are under 30, and 1.500 € if you are over 30 years. People with a life-threatening illness can get the sickness benefit throughout the course of the disease. The evaluation of the reform shows that most of the recipients leave the system within short time, while long-time ill in general stays longer.

*The disability pension and flex-job reform* from 2013 implies that disabled young people under 40 years as a starting point receives MIS instead of disability pension, and are offered a long-term individual and holistic resource process that is based on the individual's resources and needs. Rehabilitation Team in the municipalities must ensure that efforts are holistic and coordinated. Flex job schemes can include people who can only work a few hours a week. The effect of the reform will be measured in 2017.

*The MIS Reform*, started in 2014, is aimed to ensure that 25-29 year olds are educated and employed. The incentive is a reduced MIS, from 1.500 € to 800 €. If they can work but cannot get proper jobs, they are offered practice or utility jobs, meaning that they have to work for the MIS. Not working means no MIS. The Ministry of Employment impact analysis shows that young people becomes more committed to employment and education, than before the reform. The effect is significant, but small. It was highest in the beginning and lower since. There are no measures of the long-term effect, whether the young people complete the studies or gets stable jobs.

**In 2015-16 has brought additional three reforms based on the same basic ideas as the other: Integration MIS, MIS ceiling and the 225 - hour rule.**

*Integration MIS* is a specific low MIS, started in 2015 for people who have resided in Denmark for less than 7 out of the last 8 years. It is directed against refugees and migrants from outside the EU, but of course it includes also migrant workers from other EU member states as well as Danish nationals who are returning home to Denmark after a stay abroad. All are equal before the law.

The size of the MIS is based on educational MIS for youth, approx. 800 € per month for single persons and 1.100 € r families before tax. The integration benefit reduces a family's disposable income from between 200 € and 800 € per month. Especially for non-parent families, it is reduced sharply.

*MIS ceiling* started in 2016 means that there is a limit to how much single person and families can receive in economic support from the authorities in total, including MIS, rent support and special support for deposit, light, heating, water.

The ceiling work that way that if the total support exceeds the ceiling, is first reduced in the special support and then in the rent support. There will be no cut in the MIS, but only in specific support and rent support.

The ceiling is expected to cause problems with housing and health. There has in recent years already been a 50 % increase in the number of young homeless people. But so far the ceiling has not had the effect, probably because the saving on other costs.

Are you confused? You can rest assured that there are many others who also are, citizens, administrators as well as politicians. Unfortunately, in no doubt the many different MIS and ceilings, together with municipalities' strapped economy, causes many mistakes where citizens give up and are excluded even more from society and the labour market. Either they isolate themselves or are seeking recognition in parallel societies among other socially vulnerable citizens.

*The 225-hour rule* has full effect from 2017 and affects all persons who receive MIS, including youth or integration MIS. The rule means that all persons who have received assistance for a total of one year must have had 225 hours of work within the last 12 months to maintain the right to full MIS.

The idea of the rule is the financial incentives of course, but also that recipients must demonstrate that they are available for work by working at least 225 hours within a year, equivalent to 5-6 hours of employment per week or about six weeks of full-time employment. If they do not meet the requirement, it will trigger a MIS reduction. If the municipality assesses that the person cannot achieve the 225 hours of annual and regular employment, they can exempt them from the requirement.

The consequences of failing to meet the requirement of 225 hours of work within 12 months are:

- For a married couple: If one person in a married couple does not meet the requirement of 225 hours of work, they will not be eligible for MIS. If both people do not meet the requirement, only one will have the MIS. Immediately after both have worked 225 hours, they again will receive full MIS.
- Unmarried people who receive MIS, will be reduced by 100 - 133 € a month.
- Unmarried persons receiving education – or integration MIS are not covered by the 225-hour rule.

*Vacation.* On top of the reforms, there are other smaller incentives. Citizens, who receive MIS, have so far enjoyed the same right to the vacation of 5 weeks, as other citizens. From 2016, MIS recipients are only entitled to 4 weeks holiday. Persons receiving integration MIS are not entitled to vacation.

### **Developments in laws and regulations concerning MIS in Denmark since 2014.**

To be eligible for MIS, one must be legally resident in Denmark, at least 18 years old and no longer being able to support yourself. If you are married, and can be supported by your spouse or have fortune you cannot get MIS. All aged 18 to 65 can apply for MIS. All of this remains unchanged.

Yet there have been so many changes, that the Danish MIS no longer provides security for all. Why?

MIS consist of more and more categories with still lower rates. Since 2014 there has been integration MIS, ceilings and 225 - hour rule. Instead of the same MIS for all, there are now 12 different rates, all of which are lower than before and depending on location, age, family, abilities, etc. Added to this are education MIS and integration MIS with 4 different rates. Cash ceiling, introduced in 2016, actually consists of 23 different ceilings, going from 670 € - 2.000 €, because of the many MIS sizes.

When citizens apply for MIS, they first have to find out what to apply for, depending on age, abilities, spouse, children, disability, economics, residence time in Denmark etc. The caseworker is obliged to keep an eye on whether the citizen complies with procedures and 225 - hour requirement and reduce the MIS if it does not happen. And assign special help and reduce special support and rent support if the total support exceeds the MIS ceiling.

This nightmare of rules is of course very difficult to observe, both for citizens and caseworkers. One can assume that it is the rule rather than the exception that citizens do not get the help that the law prescribes.

The extreme focus on very detailed measures and control certainly has a bad influence on the relationship between the citizen, the social worker and the municipality. The control does not create good relations and does not benefit the effect of counselling and the rehabilitation of the citizen. Control creates resistance and passivity, if it stands alone.

Therefore, it is no surprise, when Efficacy Studies shows, that the incentives have only a small effect on employment, in some measurements even slightly negative, and that the positive effect only includes smaller, resourceful groups.

*Conclusion:* The right to MIS is threatened and there is no focus on whether recipients can live of the support they get. All aged 18-65 years can apply for MIS, but people under 30 generally receive only half as much as citizens over 30 years. The residence requirement is unchanged, but citizens who have stayed less than 7 years in the country the last 8 years, generally only gets half as much as other citizens. The controls are tightened and job impact is small, mainly because most of the MIS recipients are weak or sick.

The Danish Auditor General and the Economic Council, has in 2017 pointed on decidedly negative effects of the employment reforms since 2000. ("Keeps allegations", p. 105-106).

## **The use of reference and minimum budgets in relation to MIS.**

There has since 2014 been 2 studies concerning reference and minimum budgets and MIS. Both are inspired by a standard budget for a consumption of citizens who work, developed for the Danish Consumer Agency in 2001. It is not a very tight budget, but a budget that allows a standard of living on reasonable and typical conditions. Standard budgets can be used as the basis for minimum budgets for MIS recipients, where living standards are lower, but the budget takes into account expenses that are necessary, modest and acceptable and is based on a consumption pattern that allows a healthy and social family and community life without luxury. Both standard and minimum budgets are normative, because they are based on assessments of what is standard and a minimum level for a family. Consumption can be priced, so it is clear and transparent for all, what it costs to maintain a standard and a minimum standard of living. A minimum budget indicates in other words a poverty line, based on known expenditure and actual cost of rent, food, transportation and so on.

The challenge is to define what minimum budget should contain and what is necessary. Should a poor family, for example have holiday, telephone, TV, football? The advantage of budget method is that it can be used to compare minimum budgets with individuals 'and families' disposable incomes.

Budget Method was used as contributions when Danish Parliament for the first time in 2014 adopted a threshold of poverty. A blue majority abolished the limit again in 2016.

Since then, two Danish studies on reference budgets in relation MIS have been published. First came the report "What does it cost to live? Reference Budget and minimum budget for families "CASA and the Rockwool Foundation, 2015. Then came "Keeping Allegations ", from the Council for Socially Marginalised people, 2017. CASA has also provided the Danish contribution to the European analysis of standard budgets, University of Antwerp, 2015.

*Reference budget* includes both general continuous consumption expenditure on food, clothes, personal hygiene, housing and other groceries and consumer spending to less frequent purchases of durable goods such as furniture, TV, refrigerator, washing machine, dishwasher, etc. Reference budget rests on the premise that the consumption of the individual has been recognized as reasonable and customary and must be maintained so that the individual retains the same welfare or the same standard of living. There are built-in savings, as there is money to restock when the lifespan has expired for the consumer durables.

*Minimum budget* is based on the reference budget, but is cut to the bone in all areas, with a healthy and balanced diet. It reflects the human and societal needs but without the cost of wasteful consumption of alcohol, tobacco, tourism and unforeseen expenses, just as cultural expression is limited to a minimum.

In the comparison between this minimum budget and the Danish MIS, the study, released by the Council for Socially Vulnerable comes to the following conclusions:

- Recipients of the maximum MIS, is at the limit of the minimum budget, while other groups, receiving integration MIS, education MIS and people affected by the 225 - hour rule usually is far below the minimum budget.
- MIS - families have basically an allowance that reflects a necessary and modest consumption or slightly above the minimum budget. The calculation of this amount, however, hangs closely with the assumed cost of housing, which risks respectively overestimate and underestimate of the actual housing costs.
- Much of MIS recipients have problems with disease and debt, giving them more expenses than those assumed in the minimum budget.
- For families affected by the 225 - hour rule, is the integration MIS or education MIS in most cases considerably below the recipients' disposable income and thus the minimum budget.
- Previous experience in reducing MIS in the 00<sup>th</sup> previously, called starting MIS and introduction MIS - shows that reduction in income leads to increase in deprivation.
- An extensive deprivation study shows that MIS recipients as a group have much more deprivation than employees, whether they are above or below the previous Danish poverty threshold. The study indicates that being a MIS recipient in it is associated with deprivation regardless of the economic situation or any mental illness.

The studies are used so far only in debates among professionals and the media, but the hope is of course that they find their way to policy makers. The results are very suitable for campaigns and to generate knowledge in the population about the actual living conditions among MIS recipients.

There are in Annex 1, a more detailed documentation of the findings.

## **It shall pay to work.**

The Danish debate on MIS has for decades been dominated by politicians, liberal think tanks and employers' organizations, gathered under the parole: "It shall pay to work". It sounds so simple and nobody can disagree.

But the premise is wrong. Behind the parole is the assumption that the MIS is so high, that it does not pay to work. Everyone who pronounces the parole has work, in other words, the claim does not apply to himself or herself. It applies to another kind of people: the MIS recipients. MIS must be reduced before they get an incentive to get into work and vice versa:

If you get MIS, it's because you do not want to work. One could argue with the same reasons for raising the lowest wages, but that solution has not the same support politically.

It sounds like circle closures and it is. Research and analyses shows that it can pay to work. You earn more money, join a work community, meet respect and get a better life.

What has become nearly out of scope is that MIS is help for those who cannot support themselves. This side of the case does not seem to interests or worry the critics. Therefore, they do not comment when asked whether there is a bottom level or how big a difference they find necessary between the MIS and salary.

### **It can pay to work.**

The fact is that there is a clear economic gain in working, especially for single people who make up most of the MIS recipients.

However, the calculation is not quite simple. MIS differs between € 800 for single persons under 30 years, to € 2550 for couples with 2 or more children. Wages also vary. There are different minimum wages with different additions, limits and pensions. When the Economic Council in 2007 examined what MIS recipient's gains, when they get into work, they found a median income of € 20 per hour, i.e. € 3.225 a month.

The trade unions umbrella organisation, LO, examined the differences in 2015. Since then, the difference has grown due to integration MIS, the 225-hour rule and the MIS ceiling, but already in 2015, the conclusion was that there is a clear gain in working for all family types. A job on minimum wage – incl. supplement, ex. retirement - gave in 2015 approximately € 2.700 per month. After tax and expenses for housing, childcare, food, clothes and other basic necessities, there is a gain of over € 135 - 400 available + pension. Jobs also typically involve sickness insurance, supplements and benefits that increase with seniority, as well as the essential human factors: the joy of being involved in production and community and the relief by being out of the job centre's control.

The Danes are not in doubt. In an investigation Epinion conducted May 2016 among 1,208 representatively selected Danes, 80% responded that they fully or partially agreed in the statement "It can pay to work".

### **Reasons why MIS recipients do not work.**

When it can pay to work, why then, do the MIS recipients not work? There are many individual causes, such as illness, occupational disability, and lack of competencies.

However, the two main reasons are not individual, but due to job centres and the labour market.

### **Job centres.**

Generally speaking, job centres are no longer suitable for helping unemployed people who need help, but are used to control, scare and threaten the unemployed. Instead of vocational

guidance and rehabilitation, they offer help for writing CVs and applying jobs. In addition, they can offer activation, i.e. time-limited work on MIS conditions, or in education on terms, where they have failed already.

The system has the effect that anyone who can get a job will get it as soon as possible. Job centres do not tempt you to stay longer than necessary. Which is good for those who can themselves, but not for those who need help.

All of this has been known for a long time, without having caused public authorities to change course until now. See, for example, the National Audit Office's conclusion:

"The National Audit Office's impact study shows that activation of MIS recipients, not ready for job, did not bring them into employment. The effect of activation was thus negative both on self-employment and on employment rates, i.e. that they were actively involved in self-employment or employment for a lesser part of the time than those inactivated in the period 2006-2009. The Ministry of Employment should continue its efforts to investigate and provide information about the employment programs that work for the MIS recipients, who are not ready for job"(National Audit Office 2010: 26)

The conclusions do not differ from other previous investigations of activation effects - e.g. Rosholm and Svarrers "Quantitative Evaluation of Everyone in Action "(2009). Here you extracted a random group of MIS recipients among nine of the country's job centres, as well as a control group of the same size. The participant group then participated in weekly meetings for the 43 weeks the trial was on. The measurement found no significant effect on the group as a whole despite an increasing rate of activation. The evaluation does not measure whether in the longer term a positive effect would be on the increased activation.

In 2007, the Economic Council reaches the same disappointing conclusions in a major analysis of active employment efforts in the 1990s and 2000s (DØR 2007). The survey includes both unemployed and unemployment benefits. They find that activation efforts overall have a negative impact on employment (Ibid.: 233). This applies to private job training, public job training, education and other activation, the former of which the only one does not have a significant negative effect, which may be due to few observations for that group (Ibid.).

### **The labour market.**

The other main reason why a MIS recipient does not get into work is that they do not meet the demands of the labour market. This obstacle can, to some extent, be solved by flex job, where the employer receives financial compensation for the employee's lack of working ability. This scheme is good for some, but not enough for everyone

If you really want all MIS recipients to work, you can do as in Sweden, where there has been a large company since the 1980s, SAMHALL AB, which produces and sells goods and services under market conditions, has agreements for employees and which is geared on all levels to employ MIS recipients with work disabilities. The key behind is very simple. The Swedish state has an agreement with SAMHALL AB to recruit a certain number of unemployed who cannot be employed in other companies. The state pays for the employee's reduced working abilities, not as an individual wage subsidy, but as a subsidy to the company.

SAMHALL's task is to train, manage, produce and sell. The agreement between the Swedish state and SAMHALL AB is renegotiated and adjusted annually.

The number of employees in SAMHALL AB varies with the annual agreements with the State. Currently there are 23,000 employees in enterprises all over Sweden. Sweden, like Denmark, has employees in flex jobs in other companies and the number is bigger than in Denmark.

In Denmark, there is a strong commitment to develop social-economic companies that hire MIS recipients who are not ready for job on the ordinary labour market. In spite of many efforts since the 1980s, there are still fewer than 1,000 employees with work disabilities, hired on ordinary terms in these kinds of enterprises.

### **The EU Commission's country-specific recommendations (CSR) in the Semester process in relation to minimum income.**

Since 2014, there have been no recommendations from the Commission in relation to minimum income. The reason is probably that Denmark seen in the European context still is among the countries that have the best social securities and therefore still are among the countries that are most equal, economically speaking. But in Danish context, inequality is growing and challenges the fundamental values of the Danish welfare model: Solidarity, Equality and Universality.

The annual Danish National Reform Plans do not show this development. They contain only the Governments own investigations, concluding that reforms benefit employment among socially disadvantaged. They fail to bring results from studies that show that the effect is very small and in some cases directly negative. They downgrade that it has not been possible to meet Denmark's very modest 2020 target for socially disadvantaged: to reduce the number of low-employment families. On the contrary, the number has risen. They fail to point out that Denmark is among the EU member states where inequality and poverty have grown relatively most since 2010. They fail to point out that reforms for young people, immigrants and disabled people, for the most part, only result in increased poverty and more unemployment. They fail to mention that homelessness among young people aged 18-24 has grown by 85% in the period 2009-2015. The special Social Reports focusing on the development of socially vulnerable stopped in 2015.

In other words, there are many reasons for the Commission to come up with CSR recommendations for the inclusion of socially vulnerable, not be so passive, but take responsibility for the social development in Denmark. The EU Commission annually publishes a thorough report on each country's National Reform Plans with descriptions of challenges and reforms, seen in relation to the 2020 targets. The Commission has been aware of the particular problems of high unemployment among e.g. migrants for several years, but does not ask questions about the Danish solutions, although it is obvious that they are doing more harm than good. It is therefore desirable if the Commission not only provides recommendations that are politically acceptable for the Danish Government but also looks more closely at the long-term effects of Danish reforms for the socially vulnerable and poor.

### **The European Pillar of Social Rights.**

In April 2017, the European Commission issued a proposal for a European Pillar of Social Rights. The Pillar includes 20 core principles and rights, see: [Principles and Rights](#), which is divided into three chapters: equal opportunities and access to employment, fair working conditions and social protection

and inclusion. Of direct interest to the minimum income project is that social rights include the right to minimum income, defined as follows:

- "Everyone who lack sufficient resources have the right to an adequate minimum income that ensures dignity in all stages of life and effective access to goods and services. For those who can work, the minimum income should be combined with incentives to (re) integrate into the labour market. "

The right to minimum income is not the only right. There are proposals for a number of adjacent economic benefits and services that can prevent the need for minimum income. There are thus a number of rights for citizens who become unemployed, have a work disability, and children living in poverty. The Commission proposes the following:

- "Unemployed persons have the right to appropriate activation support from public employment services to (re) integration into the labour market and adequate unemployment support of reasonable duration in accordance with their contributions and national eligibility rules. The benefits must not prevent rapid return to employment. "
- "People with disabilities have the right to income support that ensures that they can live in dignity, as well as services that enables them to participate in the labour market, in society and in a working environment that is adapted to their needs."
- "Children are entitled to protection from poverty. Children with disadvantaged backgrounds are entitled to specific measures to promote equal opportunities. "

Minimum income is the lowest economic safety net in the EU Commission proposal, as well as in Denmark. There are many other similarities between the rights in the Social Pillar and the Danish welfare system, at least on the linguistic level. Something else is the question of content and quality of the rights, which is the concern of many Danes. The Commission proposes a multiannual process between the EU institutions and especially the Member States, but also including the social partners and organizations. The Pillar is designed as a guide to the process. It is according to the Commission primarily intended for the euro area but applies to all EU Member States who wish to be part of it.

## **European rights in Denmark?**

The good question is what the pillar could mean for Denmark? Denmark has a minimum income, a degree of coverage and legal certainty, which is high compared to many other EU member states. One might therefore fear that the social pillar will be able to promote common standards that will deteriorate the conditions in Denmark. But is it better then to resist the Social Pillar and try to keep Denmark out, is it better to preserve the national sovereignty?

We know the results of the national sovereignty: All welfare systems and rights have deteriorated. Minimum income, which was previously the same for all adults, is halved for citizens under the age of 30 and citizens who have lived for 7 years in the country. Early retirement pension is difficult to get for disabled people under 40 years. Benefits for unemployed people are shortened from 9 to 2 years, and earnings requirements are tightened. The sickness benefit, which was previously a right until you were well again, is now limited to 22 weeks. Rehabilitation is almost abolished and replaced by activation and internship which has no or directly negative effects.

All the cuts have been decided sovereignly by the Danish parliament. The EU has not and cannot decide anything in these areas. But what joy do we have of a sovereignty, which obviously only leads to cuts and reductions, apparently without end?

We know the Danish political attempts to maintain national standards with national solutions, such as setting up new border restrictions and preventing foreigners' access to welfare benefits. Or the ultimate solution, that UK chose with Brexit. All of this has been shown to impair the standards, not only for the foreigners, but also for Danes. Instead of creating welfare that kind of solutions leads to inequality, poverty and fear.

The idea of common rules on minimum income is to ensure that citizens can live in the country where they are borne and raised. So that no one is forced to look for work in other countries of sheer distress and on terms as "working poor", but "have the right to an adequate minimum income that ensures dignity in all stages of life and efficient access to goods and services ", as stated in the European Pillar of Social Rights.

Price and wage levels vary considerably in countries such as Romania and Denmark, and therefore the minimum income must also be higher in Denmark than in Romania. But how to succeed in getting this realized is an open question. The Danish trade union movement is sceptical and believes that common rules will cause a downward pressure on Danish standards, cf. experience from the working environment area, where there are minimum directives and where employers are pushing to lower the relatively high Danish level. They would like to enter into negotiations and are positive to the purpose of the pillar but do not want binding common rules, partly because this can lead to deterioration, partly because it is difficult to incorporate into the Danish labour market model.

But why is minimum income difficult to incorporate into the Danish labour market model? Minimum income is not negotiated by the labour market partners, but is decided by the national parliaments. The partners negotiate wages and conditions for people in work, while minimum income is for people who do not have work. However, low social benefits affect in particular low-wage terms negatively, and common rules for minimum income can create pressure on common rules in several other areas, traditionally agreed in Denmark in agreements.

It is easy to see that the EU's free movement of capital, goods, services and labour has created increased wealth, increased inequality, more poverty and a clear need for minimum incomes in all member states. But the way to solve the need is complicated and will require a lot of efforts and dialogues.

## **Danish EMIN national network**

The network, which was established in EMIN 1 has not met since the end of EMIN 1, but the relationship is still there. The cooperation at European level between EAPN and ETUC in EMIN 2 has led to collaboration with the Danish members of the ETU: LO, FTF, AC.

Several relevant actors in EMIN 2, including EAPN.DK have since 2012 been members of the Danish governments Contact Committee for the EU - 2020 Strategy. EAPN.DK has since 2010 contributed yearly conferences, organized by the Stop Poverty Now network.

There is already now organized a EMIN 2 network, meaning that EAPN.DK can send information to the network, and that actors are invited to conferences etc. The actors do not necessarily agree on EU's interference in the national MIS. The Danish members of the ETUC for example, has voted against ETUCs participation in EMIN 2, but participates as others in the network like in the dissemination of knowledge and debate.

EMIN 2 network is expected before May 1, 2017 include:

Unions: LO, FTF, AC. Danish Association of Social Workers, Danish Social educators.

Social NGOs: Social Political Association, SAND homeless, Save the Children, Project Outside, Kofoed School.

Women's Council

Danish Disability Organisations

The Ministry of Employment and Ministry of Social Affairs.

The Governments Contact Committee for the EU 2020 Strategy

EU Commission Representation in Denmark

## Appendix 1. Reference budget, minimum budget and MIS.

The following documentation is derived from the report: "Holds the Claims", released by "Figures & Analysis" and the Council of Socially excluded, 2017. All prices are in €.

### 1. Reference budget and minimum budget.

The reference and minimum budget is based on specific consumption, justified and documented on the basis of expert assessments. The budget is therefore relative to a society's standard of living standards and the lowest accepted standard of living.

The difference is that the reference budget shows what it cost to have a common, modest and necessary consumption, while the minimum budget is cut to the bone in all areas, though with a healthy and varied diet and without spending on alcohol, tobacco, vacation and non - foreseen expenses. The minimum budget is approx. 60% of the reference budget.

**Table 7.1: Reference and minimum consumption budget, as well as the study. All expenses included (consumption survey converted to 2015 prices)**

	Single without children	Single with child	Couple 1 without children	Couple with child	Couple 1 with children	Couple 2 with 3 children
Minimum budget	1.326	1.606	2.022	2.279	2.736	3.121
Reference budget	2.491	3.202	3.735	4.240	4.971	5.792
Consumption survey	2.484	2.811	4.396	4.645	5.319	5.482

Note.: For Minimum budget assumed free day-care. This does not apply to the reference budget. Survey is from 2011. Immigrants from the Middle East and their descendants are not included in the calculation.

Source: RFF 2016 and Statistics Denmark

### 2.1. Ordinary MIS and minimum budget for different family types.

The amount of money, disposable for MIS recipients, is far below normal consumption, as defined in the reference budget or calculated by Statistics Denmark. It may also be more relevant to compare their consumption possibilities with a minimum budget, as it has been done after the Rockwool Foundations Research Unit in 2016, published calculations of minima budgets for different family types.

In the table below, the minimum budget is compared to the disposable income, as calculated by the Ministry of Employment (2016). The disposable income is exclusive rent and additional housing costs to strengthen the basis of comparison.

**Table 7.2: Disposable income and minimum budgets for different families**

	Single without children	Single with child	Single 1 with children	Couples 2 without children	Couple with child	Couples 1 with 2 children	Couples with 3 children
Disposable income (excl. cost of housing)	712	995	1.411	1.237	1.855	1.935	2.056
Minimum budget (excl. cost of housing)	712	914	1.169	1.223	1.411	1.694	2.056
Difference	0	81	242	14	444	241	0

Note .: Calculations are based on people over 30 years. The disposable income is calculated on the basis of gross income. A

monthly rent is provided for a single without children of DKK 2,801 and a rent of DKK 6,388 for other family types. Other housing costs have been assumed to be between DKK 761 and DKK 1,296 per person monthly. In families with a child, the child is 5 years old, in families with two children the children are 5 and 10 years old; in families with three children the children are 5, 10 and 14 years old. The figures are rounded.

Source: Ministry of Employment's calculations on the Family Type and Rockwool Foundation, Ministry of Employment (2016a, 2017a)

Several of the MIS families' disposable incomes almost coincide with the spending in the minimum budget. It applies to single without children, couples without children and couples with three children. The availability of the other families is around € 134 higher than the minimum consumption, and couples with one child have a disposable amount, which is somewhat larger. Thus, MIS is just as comprehensive for a careful and modest consumption - at least at first glance. But the picture is cheating; many MIS recipients have higher costs for medicine and debt than provided in the minimum budget, see further ahead.

## 2.2. Educational MIS, integration MIS and the 225 - hours rule.

Since 2015 there have been new forms of MIS, all of which are lower than the ordinary MIS. In general, all family types - MIS are below the consumption of the minimum budget. Here is a brief overview of the changes, due to the new MIS'.

### Educational MIS

Persons below 30 years old, rated by the authorities as ready for job and education, went in 2013 from receiving the ordinary MIS to a much lower educational MIS, on the same level as students who receives educational support, called SU. The SU is meant for students without social or health problems. The table below shows the change in the disposable sum for young people below 30 years.

For young single, the disposable amount is reduced to around € 270-335 per month. This affects especially young 25-29 year olds, ranging from an disposable income of € 309 to € 712 monthly.

**Table 7.5: Monthly disposable income and minimum budgets after tax and housing costs for education prepared young**

	Under 25 living with their parents	25-29- year	Single trying ørger
<b>Disposable income excl. housing expenses</b>	242	309	1.263
<b>Minimum budget excl. housing costs</b>	712	712	1.169
<b>Difference</b>	-470	-403	94

Note. The calculations for couples do not include the consequences of couple's mutual dependents. Income is in 2013 prices, while the minimum budget is in 2015 prices. The amounts are rounded to the nearest hundred.

Source: Ministry of Employment and The National Labor Market Agency's calculations based on the Ministry of Economy and the Interior Ministry's Family Type Model from September 2012 (2013) and RFF (2017a)

### Integration MIS

In 2016 the integration MIS started and resulted in a reduction of families' disposable income of between € 200 and € 820 per month. Especially for those with no children, the disposable income is reduced sharply.

The new disposable incomes are shown in Table 7.6. <sup>1</sup>

**Table 7.6: Monthly disposable incomes and minimum budgets for different families**

	Single without children	Single with 1 child	Single having 2 children	Couples without children	Couple with 1 child	Couple with 2 children	Couple with 3 children
<b>Disposable income excl. cost of housing</b>	309	981	1.384	632	1.331	1.519	1.667
<b>Minimum budget excl. housing costs</b>	712	914	1.169	1.223	1.411	1.694	2.056
<b>Difference</b>	-403	67	215	-591	-80	-175	-389

Note.: It is assumed in the calculations that families have lived in the country in at least two years, which means that families are not covered by the planned reintroduction of vesting principle of family allowances and that the families receive special support for rent charges. A monthly rent for a single without children is set to € 379. For other family types it is set to € 831. Other housing expenses are set between € 102 and € 174, depending on family type. It is assumed that young people lives apart from their parents. A ceiling / maximum is imposed on special support, so that the payment of integration benefits and special support together could not exceed 70 % of highest unemployment benefit after tax and ATP. Young people and recipients of integration benefit do not pay to ATP.

Source: Ministry of Employment (2015, 2017a).

## 225 hours rule

The rule existed in the period 2007-2011, was then abolished, and then reintroduced in 2016 together with the MIS ceiling. In short, it means that MIS recipients have a reduced or no MIS if they do not have at least 225 hour unsupported job within the previous 12 months. Table 7.7 shows the Ministry of Employment's calculations on the effects of the rule, compared to a minimum budget.

**Table 7.7: Monthly disposable income and minimum budgets for different types of families affected by the 225- hour rule**

	Single without 1 child	Single with 1 child	Single with 2 children	Married without children	Married with one child	Married with two children	Married with three children
<b>Disposable income excl. cost of housing</b>	645	901	1.317	390	981	1.129	1.263
<b>Minimum budget excl. cost of housing</b>	712	914	1.169	1.223	1.411	1.694	2.056
<b>Difference</b>	-67	-3	148	-833	-430	-565	-793

Note: The disposable incomes takes into account the cost of rent, electricity / water / heating and day-care. In order to make the figures comparable, these expense items are therefore not included in the minimum budget in the table above. In the budget estimate, the adults are estimated to be 30-49 years, whereas the 1st, 2nd, 3rd and 4th children are assumed to be respectively 3-5 years, 7-9 years, 11-14 years and 2 years in consistence with the assumptions in the Family Type Model. Available amounts are 2016, while the Rockwool Fund's minimum budget is for 2015. It can give a marginal deviation in the difference of up to 1 per cent.

Source: Ministry of Employment's calculations on the Family Type Model and RFF (2017a).

The 225-hour rule affects hardest for married couples. For couples who are not married and for single without children, the MIS is reduced by € 135. (Ministry of Employment). 84 % of those who did not meet the requirement in the fourth quarter of 2016 had reduced their MIS by € 135., and for 11 %, corresponding to 1,500 families, it was reduced by more than € 135, see the table below.

**Table 7.8: Economic effects among people affected by the 225-hour rule in December 2016, broken down by family type and number of children in the family**

	€ 67.	€ 135.	€ 135- 400.	€ 400-800	€ 800 - 1.200.	€ 1.200- 1.600.	Over € 1.600	
<b>Single</b>								
No children	376	5333	.	.	.	.	.	5,709
A child	68	1659	.	.	.	.	.	1,727
Two children	16	1083	.	.	.	.	.	1.099
Three kids	1	465	.	.	.	.	.	466
4 or more children	3	252	.	.	.	.	.	255
<b>Cohabiting</b>								
No children	97	1051	.	.	.	.	.	1,148
A child	43	608	.	.	.	.	.	651
Two children	29	456	.	.	.	.	.	485
Three kids	4	229	.	.	.	.	.	233
4 or more children	6	128	.	.	.	.	.	134
<b>Married</b>								
No children	11	211	57	18	48	79	.	426
A child	17	130	110	18	51	14	90	430
Two children	27	128	183	37	65	11	90	541
Three kids	14	83	161	28	59	12	103	460
4 or more children	9	44	136	17	31	12	79	328
<b>Total</b>	<b>721</b>	<b>11860</b>	<b>647</b>	<b>118</b>	<b>254</b>	<b>128</b>	<b>364</b>	<b>14092</b>
	<b>5%</b>	<b>84%</b>	<b>5%</b>	<b>1%</b>	<b>2%</b>	<b>1%</b>	<b>3%</b>	<b>100%</b>

Source: Ministry of Employment (2017b).

### Expenses, which can get the budget to collapse.

One is the housing cost. The Ministry of Employment assumes that single non-dependents have a rent of € 375. Even with an extra benefit of up to 15 % housing costs (the maximum housing benefit for households without children <sup>2</sup>, many risk paying more in rent than what is assumed. For the rest of the families, the rent is assumed to be € 825, which for single with one child may be a little overestimated, but for larger families may be difficult to find. <sup>3</sup>

In addition, studies of MIS recipients point out that health is one of the main reasons for people having MIS - especially among those who are not ready to work.

The bad health of a large part of the MIS recipients leads to higher drug consumption than among others. The price for the consumption and own payment is calculated on the different groups of unemployed in the table below.

Match Group	1	2	3	4	5
Total consumption (annual)	82	93	147	315	551
Of which own payment	48	51	68	114	162
Defined daily doses	120	131	179	332	499

Note: Statements are from 2006. There is taken into account the general price using. Statistics Denmark's consumer price index, but not specifically in the development of drug prices.  
Source: KORA 2011

If you compare those who are most ready to work, match group 1, with those who are furthest away, match group 5, there is a clear link. The lower match group, the higher drug consumption.

The Economic Council of the Labour Movement (2016) has made an inventory of the number of Danes with net debt. <sup>4</sup> It shows that almost 75% of MIS recipients has net debt, while the same applies to 45 % of the rest of the population.

	Share with net debt	Net debt for those with net debt
<b>MIS recipients</b>	73.7	-25.470
<b>Other 18-64 year olds</b>	44.8	-38.696
<b>Persons over 64 years</b>	11.1	-37.419
<b>Total</b>	37.6	-38.118

Note : Gross income is calculated household equated thus taking into big scale account economies within the family. Net assets are distributed equally to adults in the household. See box 1 for calculation of assets. The MIS recipients are not labor-ready. Only people over 17 years are counted. Data is calculated on the 2013 register and is shown in 2016 prices.  
Source: AE 2016 on the basis of Statistics Denmark's income register.

For the MIS recipients who have net debt, the average net debt is € 25.470. This means that repayment of debt and interest for many families will constitute an item on the budget.

In addition to debt, medication and rent, there are other factors that may cause collapses in the minimum budget. Among them is the need for cars, glasses, frequent long-distance transport or unforeseen expenses to a refrigerator, TV or alike. For couples with more children in institutions, part of the day-care prices also has to be covered by the family.

It is likely, that there are families, who can handle all the expense items provided in the budget - the minimum budget. As mentioned above, the minimum budget must be regarded as an average consideration for an austere and modest consumption. The point is that the disposable incomes are at a level, where there is no room for additional expenses to rent, medicine, glasses, transport, day-care, renewal of appliances, furniture etc.

<sup>1</sup>See also Employment Minister's response to the SPM. 41 by treatment of L 113: <http://www.ft.dk/samling/20151/lovforslag/l113/spm/41/svar/1302957/1603915.pdf>

<sup>2</sup>Act on Housing Subsidies § 22 paragraph. 3

<sup>3</sup>See also Labor Movement (2016) for a discussion of what housing costs mean for various family types disposable income.

<sup>4</sup>Statistics Denmark's definition of net debt: <http://www.dst.dk/da/Statistik/dokumentation/Times/personindkomst/formrest-ny05>

## **Annex 2. Denmark's National Program for the EU Social Fund 2014-2020**

Denmark has a total of DKK 1.5 billion / € 207 million for distribution during the period. The Aim is to contribute to meeting the Danish EU 2020 targets, primarily the objectives regarding employment, education and social inclusion. 20%, i.e. DKK 309 million is earmarked for social inclusion: 1) youth education for young people with special challenges, 2) career paths to the labour market and 3) social-economic enterprises.

Up to August 2017, a total of DKK 93 out of the DKK 309 million, equivalent to 30%, were distributed to a total of 14 projects. All projects are about education for socially disadvantaged, most in combination with entry into the labour market, but only 5 of the 14 projects focus on youth education and only 2 mentions social-economic activities. This allocation is not considered to be consistent with the program's priorities. Furthermore, it is noted that at the present half of the funding period, only 30% of the funds have been committed.

The EU Commission has repeatedly recommended that Denmark focus on increasing efforts to get socially disadvantaged groups in work and in the ex-ante evaluation of the program, it is estimated that there may be a need to add more funds to the integration of socially disadvantaged, because the Danish social fund is relatively small, both in relation to other EU countries' social funds and in comparison with other growth policy initiatives in Denmark.

From the Danish national EU 2020 reform plans, we also know that Denmark probably not will reach the aim of reducing the number of people in low-employment households by 22,000 people by 2020. The starting point is 347.000 people in 2008. In 2011, the number had risen to 480.000, and in 2015 slightly decreased to 470.000.

The explanation for the rise up to 2011 is undoubtedly the financial crisis. However, the very small reduction by only 10.000 from 2012 – 2015 indicate, that it is difficult for socially disadvantaged to get a job on normal terms. It is seen previously that economic booms gives a more inclusive labour market for the benefit of socially disadvantaged. But this trend is very modest now, at least until 2016.

Of course, the Social Fund cannot deliver the Danish 2020 target alone. However, you can expect the Fund to follow the EU's recommendations more closely and, as a minimum, use the funds deposited for the purposes described in the program. Why does not it happen?

Perhaps part of the explanation may be that Social Fund is linked to Regional Fund and subordinate to a narrow economic goal of growth. Social Fund support depends on application to the regional growth forum and is decided by the Danish Business Authority. In addition, there is a heavy and comprehensive task in applying and, not least, managing the projects.

Finally, it should be mentioned that the Fund's grant per participant varies between the projects from € 2609 to € 18.701. It will be interesting if the evaluation of the program also shows a correlation between the size of the grant and the participants' results.