



EMIN Denmark (Year 1 Report 2013)

Analysis of Minimum Income Schemes

What is the EMIN Project?

Bringing together various experts, professionals, academics and diverse entities active in the fight against poverty and social exclusion, the EUROPEAN MINIMUM INCOME NETWORK aims at building consensus towards the progressive realisation of adequate and accessible minimum income schemes in EU Member States.

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You can also follow the work of the EMIN by clicking on 'follow' once you are on the EMIN blog <http://emin-eu.net>

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The opinions expressed do not represent the European Commission's official position.

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1. Panorama

1.1 Trends within a historical perspective

The Danish Minimum Income, called: "kontanthjælp" (benefit in cash, or: cash benefit) can best be understood from a historical point of view, starting from the nineteen seventies when the social service and benefit systems were reformed, in a so-called Social- and Local government reform.

Before the nineties, the picture was clear: People who were exposed to social incidents and were not able to support themselves had the right to receive proper economic benefits, services and rehabilitation until they were able to work and support themselves. In short there were four different kinds of benefits:

- Unemployment benefit for persons who lost their job and had unemployment insurance.
- Sickness benefit for persons who were too ill to work.
- Disability benefit for persons who had permanent disabilities
- Cash benefit for those who did not have access to other benefits.

The cash benefit system (kontanthjælp) is the bottom of the system, a safety net, but it also provides the lowest income and as such it can be considered as the Danish Minimum Income Scheme.

The four kinds of benefits are still the same, generally speaking. But while the benefits in the seventies were introduced as caring rights to a decent life for all citizens from 18 – 67 years old, since the nineties they have been more restricted in time and money for all, or for specific groups like youngsters, followed by an immense amount of detailed legislation and behaviour control. The only important exception is a voluntary early retirement benefit for people over 60 years old introduced during the high youth unemployment in the eighties.

As the tendency towards reductions is the same or stronger in most other countries, Denmark is still among the most equal societies. Yet, from a Danish perspective the inequality is growing and has become a crucial question in the political debate, because it is a challenge to the fundamental values in the Danish or Nordic Welfare model: Solidarity, equality and universality.

An important political question, growing stronger since the 1990s is the balance between minimum income as social assistance or as an incitement to work. On the one hand minimum income is aimed at keeping a decent life, defined by living costs at market rates. The income shall pay expenditures for housing, food, children, clothes, transport etc. On the other hand it is related to collective agreements in the labour market concerning minimum wages. Minimum incomes are approx. 40 % or more below the minimum wages. But Globalization and the EU's free market challenge this system. Workers from Poland, Estonia, Romania etc. are working in Denmark for 50 % or less than the minimum wages. This has lead

to political conflict between those who see benefits as a hindrance, demotivating the unemployed from taking jobs, and those who see benefits as necessary for people who cannot support themselves and for the labour market flexicurity.

The results since the 1980s are general reductions in benefits. Some of the more important are:

- Young people are offered lower benefits, educational help, to motivate them to study. Economically this implies a nearly 50 % reduction. The trend started in the 1980s. In the beginning being young was defined as 18 – 19 years, and there were room for exceptions caused by social reasons etc. Now you are considered young up to 30 years old and the room for exceptions is very small.
- Benefits were originally regulated according to the development of wages in society. But from the early 1990s there has been a regulation, in Danish called “sats-regulation”, implying that until now, benefits and other kind of social securities are reduced to 5 – 6 % compared to waged earnings in the private sector. From 2014 the benefits will be regulated according to prices and not linked to wages. The political ideology behind is that benefits shall pay living costs, while wages shall reflect growth and profits. Whether this will result in growing equality or the opposite, is not known yet.
- Migrants have been offered smaller benefits than ethnic Danes. To do this openly is discriminatory and as such against EU law. Therefore it is done by neutral legislation, i.e. reduced benefits to families with many children, very low job intensity etc. Those characteristics are common among all the poor and socially excluded, whether they are migrants or ethnic Danes, but relatively, they are much more common among migrants. This tendency started in early 2000 but has stopped since 2011.
- Benefits are restricted in time. The time limit for unemployment benefits, formerly up to 8 years, is restricted to 2 years. Sickness benefits formerly offered as long as the person was sick, are restricted to 1 year. Disabled benefits are now extremely difficult to gain before you are 40. The restrictions have exceptions, but they are few.
- Social security for the elderly is restricted. The age for retirement will grow over the coming years from 65 to 70 or more, depending of the middle lifetime. The age for voluntary retirement is raised from 60 to 62 years and early retirement has become less attractive, from an economic point of view.
- Cash benefits are becoming even more closely related to labour market demands and have developed from being a proper minimum income, to a smaller and more complex income, conditioned by shifting demands, set by legislation and the local authority. Activation has more or less replaced rehabilitation.
- There have been many attempts since the reforms in the 1970s and many recommendations of holistic and co-ordinated services, but no lasting or general results. Many social NGOs have reacted to the obvious needs for better services for the socially excluded. From 2011 there also has been a genuine interest from the government in co-ordinated case management, long term rehabilitation, jobs for the disabled in ordinary or social enterprises, school reforms and access to health care for all etc. The effects are still to be seen and as such, the need for better services as a route to inclusion is very clear. The answer is still to be found.

All in all these trends are leading in one direction, away from classical Danish and Nordic social welfare based on equality and solidarity to something else. What this something else is has become a question, which is still more important to answer. The aim of the study is therefore not only to describe on-going developments, but also to contribute to the answers.

1.2 Current reforms

Since 2009 governments have implemented a series of new reforms, which largely cover the entire spectrum of social benefits and securities. The reforms have been presented in relation to the Danish National Reform Plan/ EU 2020 plan and are mainly motivated by two considerations: the first is a requirement for a balanced public budget. The government wanted to finance a plan for growth and jobs, partly by reducing expenditures on social security and benefits. The second is to increase the labour force by reducing benefits, hoping this will result in higher employment.

The hope is also that cutting down taxes for citizens and companies will make them work more and invest more. And on the other hand the hope is that reduction of benefits for the unemployed will motivate them to work, maybe for lower wages. There are also huge public investments in infrastructure, construction etc. a maybe classical but also safer way to stimulate growth and jobs.

The total number of recipients of the different benefits has for many years been about 800,000 people (full year equivalents) or close to a quarter of the 18-64 year age group. In order to increase the labour force by 2020 and reduce the number of recipients, the government presented several reforms, which were adopted by the parliament.

First, **the retirement system** was reformed. The age limit for voluntary early retirement has been increased from 60 to 62 years. The retirement age, which now is 65 years, will also be increased over the coming years.

Secondly, there has been a reform of the **unemployment insurance**. The time limit for unemployment benefits has been reduced from 4 to 2 years. As this proved to result in serious economic problems for many more long term unemployed than expected, the Parliament agreed to a **temporary labour market benefit**, which is 60 percent of the unemployment benefit, and 80 percent for people with children. The benefit is not dependent on family or property income. The temporary labour market benefit includes unemployed who exhaust their unemployment benefits in the first half of 2014 to the end of the first half of 2016.

Thirdly, there has been a reform of **benefits and jobs for disabled**, so-called early retirement pensions and flexjobs, meaning that people under 40 in general no longer get early retirement pension, but instead will be offered individual and holistic help by rehabilitation teams and a long resource process, based on the individual's resources and needs, hopefully leading to jobs instead of leaving them isolated from the labour market. It is foreseen that many of them will need flexjobs, where disabilities are compensated by public subsidies, so they can be paid according to collective agreements, even if they only have very limited capacity to work. During the process and until they perhaps have a flexjob, they will still re-

ceive cash benefits. Financing is restricted, indicating that the number of persons also will be restricted.

Fourthly, there is a Cash benefit reform primarily with consequences for **young people under 30 years**. The hope is that this reform will motivate young non – educated people to get an education and a thereby have better opportunities on the labour market. The reform implies that educational help, which are nearly 50 % lower than cash benefits for persons over 30 year, will replace their cash benefits. Job centres can order youngsters to be educated and reduce their benefit if they deny.

Young educated persons receive cash benefit at the same level as before. They are still required to be active in job search and if they have not succeeded before 3 months, they have to work for their benefit, if the local job centre considers they can. As the real problem is the lack of jobs, it is up to the local authorities to establish unpaid jobs, called benefit or utility jobs, in Danish: nyttejob, in cooperation with private and public enterprises. If youngsters refuse, the jobcentre can reduce the benefit.

Fifthly, the government has restricted **sickness benefit** to one year, but improved it for certain groups. Persons who are still sick after one year are guaranteed a public paid maintenance benefit equivalent to cash benefit, but not depending on wealth or spouse's income. At the same time, they are offered a customized, individual and holistic help to return to work. In addition, people with a life threatening disease will be guaranteed sickness benefit during the entire course of the disease.

Today 430,000 people receive a sickness benefit every year. The vast majority is quickly out again, and only four percent of the recipients - 27,000 people - are still on sickness benefit after one year. 19,000 are picked up by seven new extension rules, meaning that they can retain their benefit, at least partly. It is estimated that 8,000 people each year will drop out due to time restrictions, and lose their sickness benefit. Among them, 1,400 people will end up without any benefit.

Finally, as part of a new tax reform there is a change in the way benefits and other social securities are regulated. During the last 20 years, they have been adjusted to wage levels on the labour market, yet with a variable yearly reduction, called sats regulation. From 2014 to 2020 they will be adjusted to prices. The effect of this change, especially in the long term, is rather difficult to foresee.

The many reforms affect the level of the individual benefits and the access to benefits for a lot of people. In relation to minimum income schemes there are some important questions. For example: it can be expected that the number of cash benefit recipients will grow, due to the restricted time limits for other benefits, but will the reforms result in fewer recipients all in all as foreseen by the government? Will there be a growth in the number of low paid or working poor, due to an increasing labour force in a labour market still in crisis? What happens when the young non-educated try once more to take part in the education system, which has already has excluded them, how many will succeed? The demands for educational and labour market activities are growing heavily, but without any financing?

It might be too early to look for precise answers especially of the long-term effects, but indicators as mentioned below, can be useful in the coming political process.

2. Assessment of the Danish minimum income scheme

In the EU context minimum income schemes are essentially defined as income support schemes which provide a safety net for those who cannot work, have no access to a decent job, are not eligible for social insurance payments or those whose entitlements to these have expired. Minimum income schemes are the last resort schemes, intended to ensure a minimum standard of living for individuals and their dependents, when they have no other means of financial support.

In the Danish case, this ultimate safety net is the social assistance system including the cash benefit. The cash benefits are the lowest level in the social safety net, and are only paid when there are no other available support options. Support from social assistance schemes is available to claimants who comply with the following minimum criteria:

Access to social assistance schemes is now based on a residency principle and people need not be Danish citizens to receive it. Citizens are only entitled to cash benefits if their social circumstances have undergone significant change leading to deprivation of the means of self-support. This may be unemployment, illness or separation. Thus, people are not entitled to cash benefit because of low income if, for instance, they are low-paid or students.

Citizens are only entitled to cash benefits if they do not have access to any other sources of income. Firstly, cash benefits are subsidiary to other benefits and securities. This implies that, if the need can be met in other ways - such as unemployment benefit, sickness or maternity benefits or study grants – cash benefit will not be granted. Second, cash benefits are subsidiary to private means of support. If a person or his or her spouse has assets, more than DKK 10.000(€ 1.300) or the spouse has income of a certain magnitude, cash benefits are not available. People who have funds, for instance pension savings or property, are normally not entitled to cash benefits.

The many reforms mentioned earlier, would most likely all result in growing numbers of people in need of cash benefits. For them maybe the most serious effect is that they have no access to cash benefit as long as they have private means. This is completely opposite to the basic ideal, when the Danish social system was reformed in the 1970s. At that time cash benefits were meant as an economic minimum scheme, but also as part of a scheme for prevention and rehabilitation. Cash benefit was seen as a temporarily benefit offered until the recipients could support themselves again. The connection is still visible in the Act on Social Rights, but today's realities are far from ideal. Links to rehabilitation and the labour market are weak for those who are in need for help. Recipients of cash benefits often experiences disrespect and control, when they are looking for hope and perspectives. Numbers of long-term recipients are growing. The public opinion expressed in the media can be very harsh and excluding.

Legal rights are weakening. Up to 2001 cash benefits were simple in that there were different economic levels offered to persons with children, persons without children and young persons less than 25 years old. But since 2001 there have been a number of changes and

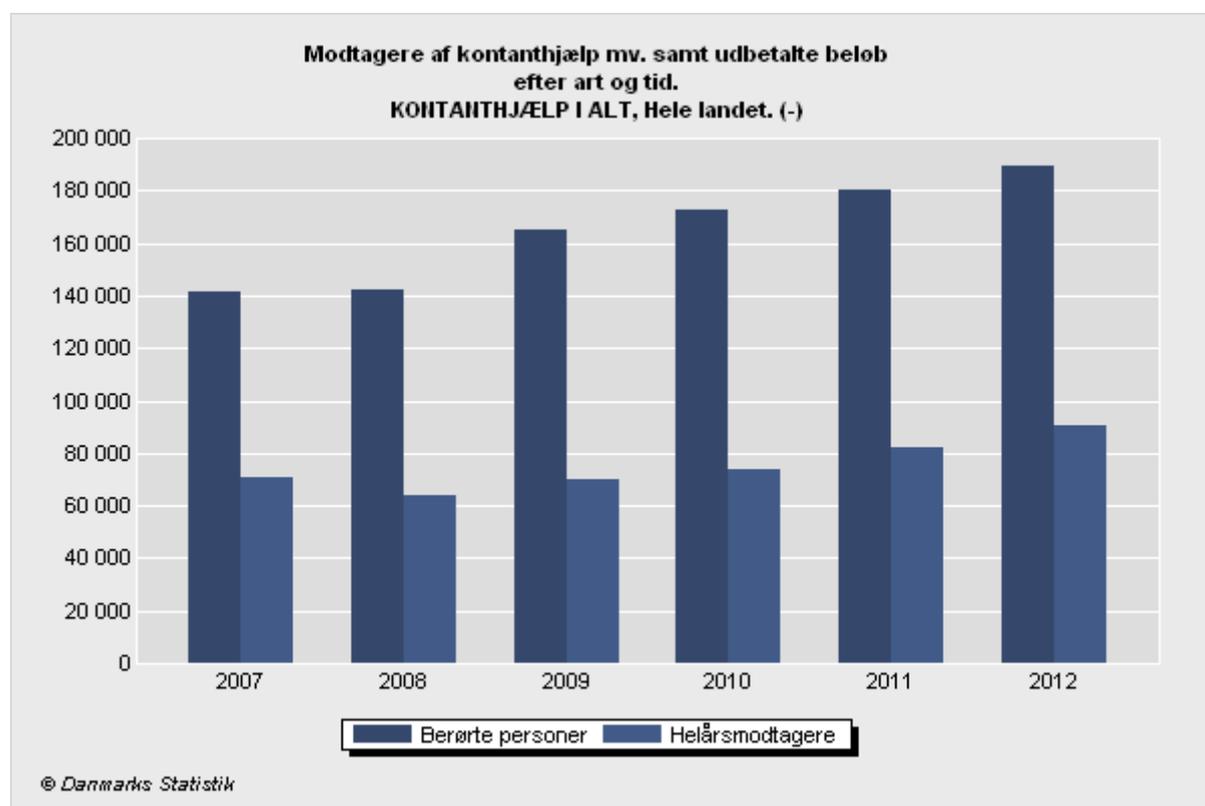
adjustments, including conditions, award criteria for each benefit and criteria for services to specific groups. Instead of being simplified, the system now is characterized by a variety of benefits, rates, criteria and sanctions. It is complicated, often inconsistent. It is rather difficult to calculate how much recipients have a right to receive. The effect is seen in growing numbers of complaints, errors, faults and in a difficult labour milieu for social workers.

The benefit system in Denmark, compared to other EU countries, has a significant impact on equality. Denmark and the Nordic countries have the highest equality and lowest degree of people in risk of poverty due to the benefits. With the reforms there is a risk for increasing inequality of the income distribution and in the number and proportion of individuals who are at risk of poverty.

An expert group established by the government has recently delivered a report, recommending an official poverty threshold of 50 % of the median disposable income. Citizens who are living more than 3 years under this line are seen as poor. The threshold is lower than EU's 60 %, but in a Danish context it is important and can provoke the next debate: what happens to the poor, will they be met by rehabilitation and job programs, or left behind?

Increase in the number of people on social assistance receiving cash benefits.

Since the economic crisis in the middle of 2008, the number of people on cash benefit has been steadily growing. Before that there was a decade where numbers were lower, but stable, indicating that many recipients of cash benefits cannot find jobs, even during booms. From 2008 to 2012, the number has been growing from 200,000 to 248,000 persons, in full-year equivalents from 128,000 to 165,000.



Fi 1: Receivers of cash benefits - affected persons and full year equivalents. 2007-2012

The number of persons affected has increased from 142,000 in 2007 to 190,000 in 2012, i.e. an increase of nearly 50,000 persons after the breakout of the economic crisis. In full year equivalents, the total number has raised from 70,000 to 91,000 in the same period.

2.1 Recent changes with regards to coverage, take-up and adequacy

In general the Danish Minimum Income Schemes are covering all citizens in need. There are very few non-take-ups, compared to what is seen in other countries. The exceptions are undocumented migrants, which are offered no help, except from NGOs.

The challenge in Denmark is more about adequacy and equality - especially among young people and until recently also migrants.

Migrants. In 2001 – 2009, there were specific rules for migrants. Residence and duration criteria were the basis for very low cash benefits, called introduction – and start, help. Persons had to live legally in Denmark for more than 8 years and had to have worked at least 450 hours per year, before they could gain the full cash benefit. Until then they got 50 %. From 2012 these discriminatory rules have been removed. Migrants are now treated in the same way as ethnic Danes who are in the same situation. Criteria are the same.

Young persons up to 30 years. Non-educated are ordered to take education or activation, leading to education, if they are ready. The educated over 25 year olds are ordered into activation as other grown ups. The economic consequences are shown in table 1 and 2.

Table 1: The Minimum income scheme for young person below 30 years old compared with the current cash benefit (DKK pr month).

	Ready for education		Ready for activation	
	Benefit	Change	Benefit	Change
Below 25-years, living at home	2.479/ €326	- 786/ -€103	3.265/ €430	0
Below 25 years, not living at home	5.753/ €757	-1.014/ -€133	6.767/ €890	0
25-29 years old	5.753/ €757	-4.747/ €635	10.500/ €1382	0
Lone parents	11.505/€1514	-2.447/ €322	13.952/ €1836	0
Parent living with a person on Educational Help	8.051/€1059	5.901/ €776	13.952/ €1836	0
Other parents	5.763/ €758	-8.199/ -€1079	13.952/ €1836	0

Ready for education are young non – educated people who are ready for education or activation leading to education. Ready for activation are educated and non – educated, not ready for education.

Table 2: Minimum scheme for educated youth below 30 years old- (DKK pr month)

	Ready for job		Ready for activation	
	Benefit	Change	Benefit	Change
Below 25-years, living at home	3.265/ €430	0	3.265/ €430	0
Below 25 years, not living at home	6.767/ €890	0	6.767/ €890	0
25-29 years old	6.767/ €890	-3.733/ -€491	10.500/ €1382	0
Single parents	13.335/€1755	-617/ -€81	13.952/€1836	0
Parent living with a person on educational help	9.330/ €1228	-4.622/ -€608	13.952/ €1836	0
Other parents	6.767/ €890	-7.185/ €945	13.952/ €1836	0

Recipients with certain mental diseases get higher benefits than other under 30 year olds.

The reform implies a new kind of benefit, called **Educational Help** for all non-educated below 30 years. The amount is approx. 50% of the cash benefit for grown – ups. Until the reform this was the reality for youngsters up to 25 years old. The idea is to give a clear signal to young people and motivate them for education or, if needed, an activation leading to education. If they do not follow the order/instructions from the local Job center, the help is withdrawn. The intentions are praiseworthy, but without evidence. Most youngsters have probably failed already in the primary school and in vocational training several times. Those for whom education is clearly unrealistic are activated. Educated youngsters have 3 months to find a job and if they have not succeeded - they are activated. It has become a fundamental requirement that young people must be educated or work.

Cohabiting couples where both partners are at least 25 years old will have mutual dependents. Today the rules for dependent apply only if you are married. Adults over 30 years get cash social benefits as today.

The new cash benefits compared with the poverty- lines

It is hard to say what will be the consequences of the many reforms, especially for young people. In the short term it is most likely that there will be more poor people. The government's expectations are that for every young who gets a job, four young people will still be on Educational Help. Of course some will succeed, but it is more likely that many will stay on benefits all their lives. Earlier investigation of experiments with lower social benefit for the socially excluded shows such negative effects. They are feeling more excluded, not less. They are giving up, not motivated. (Ejrnæs m. fl, 2010)

If you compare the disposable income of cash benefit after tax for young people with the OECD's poverty-line of 50% and the EU's 60%- risk at poverty line, this shows that the disposable income per month in 2013 of all the new cash benefits for young people fall below

both lines, except parents for activation and lonely parents ready for jobs who are above the 50%-line, but below the 60% line.

In table 3 we have calculated the disposable income for the different cash benefits and in table 4 the poverty lines – 50 % and 60%.

Table 3: The disposable income of the cash benefits after paying tax, for people under 30 years. Benefit per Month, DKK, 2013

	Benefit pr. Month 2013		
	Ready for education	Ready for job	Ready for activation
Below 25-years, living at home	2.497/ €329	3.265/ €430	3.265/ €430
Below 25 years, not living at home	5.064/ €666	5.708/ €751	5.708/ €751
25-29 years old	5.064/ €666	5.708/ €751	8.082/ €1063
Lonely parents	8.712/ €1146	9.884/ €1301	10.276/ €1352
Parent living with a person on educational help	6.525/ €859	7.338/ €966	10.276/ €1352
Other parents	5.064/ €666	5.708/ €751	10.276/ €1352

Table 4a: The poverty line: 50%-line and 60%- line. Yearly disposable income – income after tax, DKK. Personal level and family level 2011 – 2013.

	2011	2011	2013	2013
	Personal	Family	Personal	family
Median	215.000 €28.289	195.000 €25.658	225.000 €29.605	204.000 €26.842
50% -line	107.400 €14.132	97.700 €12.855	112.300 €14.776	102.100 €13.434
60%-line	128.900 €16.961	117.200 €15.421	134.800 €17.737	122.500 €16.118

Table 4b: Monthly disposable income after tax, DKK, 2013

	2013	2013
	Personal	Family
Median	18.750/ €2467	17.000/ €2237
50% -line	9.358/ €1231	8.508/ €1119
60%-line	11.233/ €1478	10.208/ €1343

3. The link between minimum income and the other two pillars of active inclusion: Quality services and an inclusive labor market

The main elements of the cash benefit reform are as follows:

- All non – educated young people below 30 years old are instructed to have vocational training and must as far as possible work and support themselves until the training starts. Young people who lack skills must be available for activation aimed at education.
- Single parents can receive support and higher financial help to get education. The Job Centre meets educated young ones and people above 30 years with clear requirements and expectations. The first three months are focused on intensive job search. The Job Centre must meet the individual over the three months to support their job search.
- After three months, those who can work are faced with a requirement to work for their cash benefit in a utility job for up to 13 weeks at a time. Utility job is a new term, but not a new phenomenon. It means that the unemployed work in a job paid only by the benefit and which is associated with forced labor.
- Persons who are able to work will be sanctioned if they do not meet the requirements to apply for a job or do not show up for activities ordered by the Job Centre. Sanctions can be reduced benefits or daily control meetings.
- Those with complex problems who cannot live up to the demands might not be punished, but can be offered a holistic and coordinated help and have the right to a coordinating case manager. It's up to the Job Centre to judge whether a person has complex problems.
- Vulnerable persons are activated, nobody will be left alone.

As one can see, the elements are about the unemployed, the job center and the process between them. There are no considerations about the outer world, the excluding educational system and labour market. As such the reform is a thought-provoking example of how vulnerable unemployed are excluded. Not necessarily, but as a predictable tendency.

The important link for those who cannot adapt without help, e.g. single parents or persons with complex problems, is the offer of holistic help and case managers. This possibility is strengthened in the reform, but only in words, not in legal competence for the case manager and only slightly in improved, earmarked finances. The possibilities are as such unchanged and have been present in many years, especially after 2007, where local governments became responsible for delivering and coordinate nearly all kind of services.

To evaluate the reforms in a more broader scope, it can be relevant to see how they match with the Danish labour market model, often labelled as the *“flexicurity model”*, due to the three-sided mix of (1) flexibility on the labour market combined with (2) relatively high benefits and (3) an active labour market policy with rights and obligations for the unemployed.

Roughly speaking, what happens is that the Danish model and the labour market are changing. The process has been going on for many years, but right now it is going faster: Many

jobs available for citizens who are not so well educated or flexible disappear to other countries or are taken by more qualified, but lower paid workers from other countries. At the same time, benefits are restricted, time limited and reduced. The labour market policy is with few exceptions reduced to education, activation or forced labour, paid by benefits, which for citizens up to 30 years old are approximately 50 % below the risk- of-poverty line.

The situation is far from the ideal and values of the welfare state, as described in relation to the social and local government reforms in the 1970ies. There is still a vast majority in the Danish population who support the ideals of universality, equality and solidarity. (Reference: Goul Andersen m.fl. 2013). But it seems obvious, that more basic reforms of the social security and service systems are needed. 6 former social ministers signed a plea for such a reform in 2013. (Socialpolitisk Tidsskrift, 2013)

Other reactions are seen in the civil society. The reforms in the 1970ies implied that nearly all social services were paid for and delivered by public or public like institutions, leaving a smaller role for civil and voluntary social organizations. But since then, and especially the last 10 – 15 years, there have been a growing number of initiatives from NGO, aimed to include and help vulnerable groups, by offering specialized advice, services and supporting communities. Social enterprises are started, aimed to qualify and hire unemployed and to produce goods and services, sold on the market. Private enterprises recruit, train and hire unemployed people as part of their business model. In all or most cases, there are contracts between the providers and the local authorities concerning payments for the services and control of the service quality and rights of the citizens.

4. Identification of obstacles to the implementation of adequate minimum income schemes and suggestions on how to overcome these obstacles

4.1 Adequate minimum income

There have been interviews with different stakeholders to identify obstacles and possible improvement to an adequate minimum income scheme, representing social Ngo's, trade unions, employers and the Council of Socially marginalized People and researchers. (See annex 1)

Trade unions are of the opinion that their members should have the right to an adequate minimum income at the level of the maximum unemployment benefit, i.e. 90% of the minimum wage in the labour market. That's what unions believe their members need at least to live off when you normally have had earned income.

For the social NGOs the perception is that the general cash benefit level – the level before the reforms – is sufficient. It provides an economy, which ensures that one can maintain a standard of living for a short period. But if you stay longer on cash benefit there is a risk of poverty and exclusion. There may be problems with the purchase of goods and limited means of action. The problem is that many stay on social assistance for many years.

Employers are in favor for temporary cash benefits for those in need, but underline the importance of having an economic difference between cash benefits and wages according to collective agreement, a difference which is big enough to motivate recipients to go from unemployment to employment. How big the difference should be, or how low cash benefit should be, is not seen as legitimate questions for employers associations. Their main interest is to have a difference, awarding people for having a job, instead of being unemployed. From their point of view, the reforms have increased the motivation for recipients in general, but not enough for single parents and families.

Cash benefit is a temporary benefit and ideally it should not last for more than 3 months, until you have a job or while it is clarified what kind of benefits and services are needed for helping recipients back to self-support. But it turns out that people stay for a much longer time, up to several years, because the clarification of social and health problems takes all too long.

A study of the impact of the lowest cash benefits showed that they led to both deprivation and abandonment. (Ejrnæs, 2011). The level but also the duration of being on benefit is important to be aware of when discussing minimum income. Duration is also one of the parameters discussed in the expert group on a Danish poverty line.

The obvious biggest change is that recipients under 30 years see their income reduced to student level (except for the young people who are ready for activation). It is incomprehensible that the government, which abolished the so-called poverty benefits, introduces something similar as an incitement for young people in times of crisis and lack of jobs.

The social NGOs are highly dissatisfied with the new low benefit levels for the 25-29 years old age group and find it too low. It is not possible to pay a rent and other expenses for those receiving the minimum income, and there is a risk that many young people will stay too long on the same low benefit. In addition the new benefits will lead to more poverty among young below 30; there are also social actors that highlight the risk that this will lead to more young people into homelessness, abuse and maybe crime.

Social NGOs points on two groups who come to them for help: the first group is of single mothers on social assistance who cannot afford the daily expenses and cannot afford to buy things for housing, clothing and new goods, when the old things are worn out or broken, or things for their children. Single mothers also have problems when the child turns 18 years old and they lose the child benefits. Many have problems and can no longer afford the rent.

The second group is of young people who live by themselves and are in education. There is the same level of spending, but they have a lower income. The rent is often the biggest expense. The main reason is that the amount of the benefit is insufficient and that you have to contract a new loan or have to lease things for the household. The conditions are often expensive and difficult to foresee.

One of the NGOs has started a young team of 15-25 year old persons. Their debt problems are often worse because young people tend to take out loans, first of all because they need the money, and it is all too easy to borrow - but also because they often don't care enough about the consequences. Debts can be due to rent, which is not paid, leasing contracts, fines for not paying tickets in trains etc.

4.2 Upgrades

According to NGO's and Trade unions, transfer payments should be indexed as labor income, i.e. as wages - and prices increases. It is not the case now, when every benefit, including cash benefit, unemployment benefits and pensions, is adjusted with a special rate adjustment. Employers are in favor of the changes.

In the new tax reform the rates will solely be adjusted to prices. This adjustment is considered by the social actors as not sufficient.

"The adjustments seem almost to be suspended. Cash benefit is no longer seen as the basis of support the community helps the weakest with. Instead it is seen as an obstacle or motivation for job seeking". (Researcher)

4.3 Coverage

All citizens are covered according to the law. But there are exceptions, some groups who do not fulfill the conditions, like undocumented immigrants or people from EU countries who come to Denmark for finding jobs, but end up as homeless. Their problems need interna-

tional action, but it is an understanding that NGOs can do something and can help otherwise than the local authorities.

Persons who are married can have specific problems. If single persons lose their unemployment benefit, because of time limits, they can get cash benefits if they fulfill the demands. But not if they are married and their spouse has an income. This rule is also now extended to include people living together without being married.

In addition, cash benefit is tied to the condition that one must be available for work and municipal discretion may exclude some socially vulnerable groups from help, for example if they fail to appear at meetings or do not react to letters from job centers because of mental illness or abuse.

There are more homeless with no permanent home and no social security number, especially young people. Shelters and town halls can be used as general postal delivery addresses, but not everyone knows this. There is a slight improvement in the reforms, implying that a letter cannot sanction you, there must also be an oral interview. The municipality may not impose penalties without talking with citizens, but what happens if they do not have or do not use sufficient time?

4.4 Non take-up

Although everyone is entitled to help, there are some who do not get help. The meeting between vulnerable citizens and the system may malfunction, so that people are scared away or feel that the system cannot or will not help them. There are offers, but they do not reach the citizens who are in need. There have been projects and programs addressing this important question and it seems quite evident that the solution is to work with fieldwork, meeting people on the street, be more proactive. In spite of evidence, there are clear shortcomings and fieldwork is often reduced when it comes to economic cutbacks.

The result is that those who receive help are those who can manage the situation themselves or have relatives or others to help them. People who do not get help are the ones who do not respond to inquiries from the municipality, are lonely and maybe mentally ill.

A study made by the social ministry in 2013 showed errors in 95% of the cases where citizens complain about sanctions from job centers. NGOs appeal from time to time and often they are acknowledged to be right. There is a need for local voluntary counseling to help people to raise cases, and advice and help them through the long process leading to self-support.

Disincentives

For NGO's and researchers it is obvious that the main obstacle for people on cash benefit is the lack of jobs, particularly low qualified jobs. Virtually everyone who is on cash benefit would like to live a normal life with a job, but the labor market has high demands for qualifications and flexibility.

It is a common perception that the cash benefit level is not a disincentive. There are exam-

ples of interaction where it barely pays to take work economically, but it is not a major obstacle. There are other more important factors, such as health problems, which mean that people cannot handle a job, but also social problems can be an obstacle. For them, sanctions for failing to appear at the Job center seem hard.

The Council for Socially Marginalized has pointed to the high marginal tax rates for recipients as an obstacle. If they work and earn money, their benefit is reduced likewise.

There is a hope that flex jobs can be a part of the solution. A flex job is a flexible job, which are adapted individually to each person's disabilities as well as abilities. There are many who want to work but cannot live up to market conditions. For them it could be helpful to expand the opportunities available in flex job. Flexjobs are from 5 hours per week, and the payment is according to the normal collective agreements. For some disabled persons, sheltered work is a good solution. They only are paid a little, besides having their pension, but the job and colleagues gives better life quality.

Debt is an obstacle for many. There are laws for debt relief, but they presuppose a job income and people on cash benefit can therefore rarely get debt relief.

Some stakeholders call attention to the fact that poverty has a demotivating effect in itself. Research shows that low social benefits do not motivate for activity and job, on the contrary. If you have poor health or social problems it can be difficult to respond to low social benefits. Studies show that recipients of low social benefits, instead of being motivated, were actually discouraged. (Ejrnæs m. fl. 2010)

The Danish Association for the Disabled is preparing a shadow report to the Disability Convention on why people with disabilities do not get education and work and how they are discriminated against by the lack of disability compensation. For example disabled people have the same sickness benefit rules as people without disabilities and many lose their benefit due to the duration rule of 120 days. The European Court has just ruled in favor of a disabled woman, saying that is discriminatory to place the disabled on an equal footing with the non-disabled in that matter.

Psychiatric patients suffer because there is too much focus on psychiatric diagnoses and medical treatment and not on their potentials. There are now allocated funding for research including job centers in the mental psychiatric treatment.

The disabled actors suggest the use of social mentors, who turns out to be of great assistance to disabled persons and their integration in the labor market.

5. Suggested next steps to improve adequacy, coverage and/or take-up of minimum income schemes

The public opinion in Denmark has for many years been in favor of a decent and universal minimum income. Opinion polls in 2010 showed that a majority of 2/3 was in favor of a minimum income slightly above EU's 60 % poverty threshold. The tendency has been confirmed in later studies. There is a clear majority who wants welfare instead of tax reliefs and prefers economic equality, because it gives a better society for all. But studies also show that opinions are related to income. The wealthier people are, the weaker is their solidarity. (Ugebrevet A4, 30th January 2013).

In spite of the public opinion, the government has reduced all benefits and underlined the link between minimum income and growth in jobs and education. The main argument is that a decent minimum income prevents the socially excluded from taking jobs and being educated. There is no evidence for this belief. Research mainly points out the opposite effect: lower income gives more apathy, despair and exclusion. (Ejrnæs m. fl, 2011)

The societal effects are well known, as demonstrated for example in the book of Richard Wilkinson and Kate Pickett, "The spirit level". More inequality is followed by more insecurity, crimes, illness etc. The effects are seen extremely clear right now in Greece and other member states with growing inequality.

Most stakeholders interviewed look at minimum income as an expression of solidarity, cohesion and conflict prevention. For citizens facing many social problems a stable and decent minimum income is essential, the frequent changes create uncertainty. Minimum income contributes to integration and cohesion and is therefore a very important tool. There is a need for redistribution in favor of the poor - this is one of the most central objectives in a welfare society. Minimum income should not be seen as a tool of the labour market policy, but as a benefit to ensure acceptable living conditions. Society provides minimum income available to individuals with confidence, that the money is used as intended. It is important to maintain the social policy aspect for the minimum income. Cash benefits are a solution not a problem. It ensures survival and stability.

All these subjects, related to minimum income are on the political agenda, when the Parliament debates an expert report about a Danish poverty threshold in the coming year.

5.1 A Danish poverty line

The Government established in 2012 a committee of Experts on Poverty, which had to come up with proposals for a Danish poverty line. In the beginning of June 2013 the Expert Committee on Poverty published their report containing a recommendation for an economic poverty line. The recommended poverty line includes two overall criteria: economic criterion- with an income limit fixed as 50 % of the median for the disposable income of the population, and a duration criterion - a disposable income for 3 consecutive years below the 50 % of the median income. In addition to these general criteria, wealth including property must not exceed 100,000 DKK (€13.158) per adult. Students and their

families are not included in the group of economically poor.

The two main criteria are arbitrary. The calculation of poverty operates with different relative income thresholds. The OECD operates with a 50% line, while the EU sets 60% as the threshold for risk of poverty. But lines for risk of poverty are not the same as whether you can live an acceptable life for the income. With regard to duration, there is no doubt that it is an important criterion, but also there is no precise knowledge whether poverty is experienced after a year, two years or three years.

The Expert Committee points to various methods for calculation of poverty and suggests budgets to test their robustness. But the Committee does not suggest a poverty line based on the budget method.

The proposals will definitely invite debate and will be the basis for a renewed discussion of both poverty and a relevant poverty line. It is very positive indeed that the Committee's report comes up with recommendations for poverty measurements and recommendation of an annual report of the poverty situation in Denmark.

The Committee recommends an annual poverty report. This can ensure a continuous and systematic follow-up, strengthen the knowledge base, enhance political attention and help to inspire and put into perspective political initiatives. The report should therefore include a statistical review of the development in numbers, groups, related to indicators like health, education, age, and addressing the situation at national as well as regional and local level. Municipalities are essential for the socially vulnerable as they are responsible for rehabilitation, job, education, housing etc. Municipalities should therefore be incorporated in the annual monitoring of poverty, e.g. local reports and development programs.

The Committee recommends a deprivation index for both children and adults and regular robustness checks of the poverty line, based on the budget method. These checks can be advantageously carried out every few years, and the thresholds should be written with a wage index. At regular intervals, there should also be statements of budgets. Work on the budget method should be included in the annual reporting years when appropriate.

5.2 Standard budget as a minimum budget.

In Denmark, the National Consumer Agency has developed a Standard budget for a reasonable, ordinary consumption. It is not a shoestring budget, but the basis for standard budget and can be used as basis for a minimum standard of living, allowing citizens to live a decent life. Where experts in the standard budget have looked at the "reasonable" and "typical" in the definition of consumption, in relation to a minimum standard of living, it will to a greater extent be concepts such as "necessary" and "modest" or "acceptable" that governs the determination of consumption.

A budget that specifies a minimum standard of living should be based on a consumption pattern, that reflects a necessary and modest consumption needed for an active participation in society, allowing a healthy life, active and social participation in family and society, but no luxury. The budget method/ approach is based on an explicitly normative approach.

You assign a family consumption, as you consider the minimum standard of living that you do not want anyone to live under. The consumption is priced so you know what it costs to keep a minimum standard of living - this represents a poverty line.

The budget method is best known as the basis for determining the number of poor people in the U.S.A., but it is also a method behind the preparation of English and Scandinavian countries' standard budgets. These are not minimum budgets, but budgets covering a reasonable, ordinary consumption. Standard budgets include food and drink, but also the cost of clothing, personal hygiene, transportation, hobbies and groceries. Experts in each consumption areas, taking into account public standards, often determine what indicates the reasonable, ordinary consumption.

Standard budgets are used as the basis of minimum budgets in several countries. The advantage is that here we include virtually all consumer items. The problem is how, and who, should determine what goods must be in the basket and reflect the minimum standard of living. Where experts for standard budgets have looked at the "reasonable" and "typical" in the definition of consumption, minimum standard of living to a greater extent are determined by the "necessary" and "modest" or "acceptable" consumption. Some budget items are difficult to determine. Can a poor person afford e.g. any kind of vacation or acquire durable goods? There is a need to define and find out what are necessities. And secondly, is it only the 'experts' who make these decisions. In a number of countries they have set up focus groups composed of the population and / or actual poor people, who, together with the experts determine the required consumption (Bradshaw, 2011)

The advantage of the budget method is that it measures poverty by comparing the basic minimum budgets with individuals and families' disposable incomes. In the Danish context, CASA has suggested a minimum budget - that indicates a consumption, which reflects a necessary and modest consumption in relation to active participation in society. This is a consumption that, on the one hand provides the basis for living a healthy life and to participate actively and socially in family and social contexts, and on the other hand does not reflect any kind of luxury (Hansen and Hansen, 2004).

A disadvantage of the method is that it can be understood as an absolute limit of poverty, only if adjusted for inflation. If the "basket of consumer goods" is updated at appropriate intervals, and thus reflects the general welfare change in consumption opportunities, then it still is relative. Maintaining a certain 'basket of goods' as the basis of a poverty line may overestimate the cost of living for the poor, since a fixed basket of goods will not take into account substitution in consumption (at an unchanged level of welfare) as a result of changes in relative commodity prices.

Below in Table 2. is an example of the minimum budget for a single woman with a child, compared to a standard budget for a single woman with a child. A difficulty is the identification of the cost of the dwelling. Because of the large variations in the housing item (rent) and the differences in the housing item between owners and tenants, it is difficult to include a relevant standard for the housing item. Therefore the budget does not include rent.

Tabel 2.: Standard- og minimumsbudget (without housing cost) for a single mother with one child (3-6 år), monthly in DKK, 2001

	Standardbudget	'Minimum'	difference
Food	2.367/ €311	1.815/ €239	552/ €73
Drinks (1).....	357/ €47	190/ € 25	167/ €22
Clothing (2)	634/ €83	371/ €49	263/ €35
Shoes	335/ €44	166/ €22	169/ €22
Hygiene	720/ €95	596/ €78	124/ €16
Communication	584/ €77	584/ €77	0
Media	354/ €47	165/ €22	189/ €25
Exercise mv.	137/ €18	137/ €18	0
Other leisure (3).....	1.203/ €158	103/ €14	1.100/€145
holiday	399/ €53	0	399/ €53
convenience.....	284/ €37	251/ €33	33/ €4
Consumer durables.....	888/ €117	0	888/ €117
Transport	606/ €80	606/ €80	0
I alt	8.868/ €1.167	4.984/ €656	3.954/€520

Notes minimumsbudget: (1) Ex. wine, beer. (2) Incl. Wintercoat and -shoes. (3) 'Other leisure' are only gifts and card games. (CASA, Hansen og Hansen (2004).

5.3 Minimum income and inclusive labor market

An important element is how to create more jobs, which can be taken up by the socially excluded. The reforms have focused mostly on boosting the labour force. The challenge in the future is therefore to secure further coordination between the supply and demand side policies in order to make sure they complement each other so that the maximum effects of the reforms can be gained.

The major scope of the cash benefit reform is the strong focus on young people and the efforts to bring them back to the labour market and become self-supporting. The reform aims to lead 'training ready' young people to education on educational help. Some stakeholders are positive towards the compulsory education along with an enhanced educational guidance, but they foresee that if municipalities are to fulfill this ambition, it requires extra state money.

Going from cash benefit to educational help will cause some to hesitate or to lose motivation. Many young people on benefit do not have network or family who can support them, either personally or financially. For adults above 30 years who can work, the reform eliminates much meaningless activation and rigid control, but it gives no answer to their needs for prevention, long-term rehabilitation and education.

For adults with complex problems, the reform underlines the need for coordinated social work. But to ensure inclusion on the labour market it is necessary also to improve education

skills and poor health and have a strong organization between the different social pillars or strands so initiatives in one area are backed up by initiatives in related areas.

The reform opens up new possibilities but it also requires solid social competence, rehabilitation teams, a strong organization and sufficient economic means, which are not yet present. It focuses mainly on the role of the local authorities and job centers and tends to overlook the importance of other actors, especially private enterprises, taking social responsibility and social NGOs working for inclusion at the labour market and society.

Many social NGOs have open doors for the most excluded, in Danish: “vaeresteder”, where everybody can come and stay, eat, talk, etc. in the daytime. Homeless people can go to hostels. Hostels and vaeresteder have an important role in social rehabilitation and some have regular training schemes aimed to integration in education or jobs, in cooperation with local authorities.

There are also a growing number of social economic enterprises, training and employing people with social, physical or mental disabilities, such as people who are blind, suffering from autism, feeble-minded, but also non-educated migrant women and others who are far from the labor market.

5.4 Monitoring

The Cash Benefit Reform is expected by the Government to have positive education and job effects, especially for young people. But the reform contains elements that can create more poverty and lower legal security. The many elements of the reforms must be in place before the potentials can be realized and it is an open question as to whether local authorities can implement and finance the plans. There are many open questions.

Even though there is an increasing interest in evaluation and monitoring within the area of social welfare, the overall implementation of the policies does not seem to be evaluated systematically. The stakeholders recommend a greater effort in order to monitor and evaluate in a systematic way the specific measures outlined under the reforms. This will help enhance transparency and accountability and will give a more solid base for debates and political decisions in the social area as already seen in the labor market area, where there already is a comprehensive monitoring system.

It is extremely important that the area of minimum income and poverty lines is monitored closely so that the stakeholders and citizens know the effects of the legislation. Studies show clearly that there are important differences between recipients of unemployment benefits, ordinary cash benefit and the lowest cash benefits.

The Council for Socially Excluded, established by the Social Ministry, tries to reach people by education and information, but has no regular and comprehensive monitoring. It has been taken up in the Governments Expert Group on the poverty line, that there is a need for a neutral body that monitors and reports.

6. The EU structural Social Fund in Denmark

The Danish reforms are related to the European development and 2020 plans and the EU social fund can therefore be a help for development programs. The link is underlined in the EU 2020 program and budget, giving priority to inclusion of poor citizens. 20 % of the budget is aimed at inclusion.

It is a stronger priority than what has been seen before. In the period 2007 - 2012 the Danish part of the Social Fund has awarded funding to a total of 214 projects. The Fund is managed by the Business Authority under the Business and Growth Ministry and the overall objective of the ESF has been to promote growth. Support is awarded for the 4 priority areas to the following number of projects:

1 Use of new technology	7
2 Establishment and development of new business	25
3 Innovation and knowledge sharing	26
4 Human Resources Development	156

All projects in the area 1-3 concern the development of regular private companies. With regard to the 4th priority area of human resources development, emphasis is also put on the education of unemployed. Out of the many projects, less than 10 concern social inclusion of socially vulnerable citizens.

For the purpose of granting financial support in relation to the European Program and Budget for 2014-20, an inter-ministerial group has been set up where four ministries are represented, including Ministry of Social Affairs. There are no social NGOs involved. The intention is that funds from the Social Fund would be used for the promotion of social inclusion, as stated in the Danish National Reform Plan. It can therefore be expected that there will be a much larger number of projects that have socially vulnerable target groups and social inclusion as their objective.

Annex 1: List of stakeholders for interview

- Chairman Jann Sjursen, The Council for socially excluded
- Program manager Joan Münch, Salvation Army
- Consultant Karl Bach, LAP, the National Ass. of Present and Former Psychiatry Users.
- Researcher Morten Ejrnæs, University of Aalborg.
- Head of Secretariat Randi Theil, Women's Council
- Social worker Rikke Posborg, Vesterbro Settlement.
- Club president Per Støve, The National ass. for Trade and Office workers (HK)
- Consultant Susanne Gerner Nielsen, the National Ass. for child and youth pedagogues (BUPL)
- Social policy consultant Anne Petersen, National Ass. for Profession and Labor (FOA).
- Social consultant Karin Petersen, 3F.
- Brian Siggaard, Consultant, Association of local Governments (KL)
- Vice director Erik E. Simonsen, Danish Ass. of Employers (DA)

Annex 2: References

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