



Integrated approaches to active welfare and employment policies

Denmark

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Wyattville Road, Loughlinstown, Dublin 18, Ireland. - Tel: (+353 1) 204 31 00 - Fax: 282 42 09 / 282 64 56
e-mail: postmaster@eurofound.eu.int - website: www.eurofound.eu.int

Foreword

This report was prepared as part of the study carried out by the European Foundation for the Improvement of Living and Working Conditions on “Integrated approaches to active welfare and employment policies” (0194).

The report is part of a pan-European study involving a total of 11 countries and is concerned with Denmark. The report is part of the background material used in preparation of a European synthesis of the various national reports.

The report was prepared during spring 2000.

The Danish report was prepared by an analysis team consisting of Henrik Stener Pedersen, chief analyst, and Claus Bo Hansen and Solveig Røigaard-Petersen, analysts. Kim Møller, PhD, director, was responsible for general project management.

Copenhagen, June 2000

Kim Møller

Summary

Social services in Denmark are mainly the preserve of the Ministry of Social Affairs and the Ministry of Labour.

The Ministry of Labour is responsible for the payment of and employment schemes for people belonging to an unemployment fund and who are traditionally expected to have a close association with the labour market despite being unemployed. The Ministry of Social Affairs generally administers all other social benefits paid as a result of illness, age or unemployment if the person in question is not a member of an unemployment fund.

Denmark, in other words, has what may be called a dual system in which two parallel administrations are responsible for the payment of services and employment schemes for their target groups. Placement in one or the other system depends on the person's previous association with the labour market.

The two systems have many points in common despite their parallel construction. Both are built around an active line, where the principal goal is to create a link to the labour market via employment schemes. Many of the tools are identical, and the various players in the area are represented in both systems.

The dual system in Denmark arose as a result of a long-term social development and many years of various reforms and initiatives. But there has been discussion in recent years on whether it is necessary to maintain this system, or whether it would be fruitful to initiate a higher level of co-ordination between welfare and employment policies.

The sharp differentiation between employment policy and welfare policy has therefore been retained in the preparation of this report in order to describe and understand the context in which employment schemes, and hence co-ordination, must be seen.

Transfer payments in Denmark

There is a range of transfer payments in Denmark intended to provide compensation for lack of own income. The income of people who have previously been linked to the labour market and who are also members of an unemployment fund is unemployment benefit.

The number of recipients of unemployment benefit has been falling since the start of the 1990s, which is attributed to falling unemployment in Denmark. There are slightly more women than men among recipients.

A person who does not have unemployment insurance is assigned to the welfare system, where the municipality assesses the benefit to which the person is entitled. An objective of all social benefits is to preserve/establish as close a link to the labour market as possible.

The welfare benefit on which this study is primarily focused is cash benefit. The number of recipients of cash benefit has fallen since 1993. This is attributed, as is the case with unemployment benefit, to a general rise in the level of employment, and specifically in relation to cash benefit to a drop in youth unemployment. Since 1993, there have been slightly more women than men among recipients of cash benefit.

With regard to welfare benefits in Denmark, those benefits which are aimed at reintegration into the labour market generally receive a high level of reimbursement from the state and are only payable for a brief period, while more passive benefits, such as early retirement schemes, receive a lower level of reimbursement and consequently represent a heavier burden on municipal budgets if many allocations are made.

Budgetary incentives have thus also been created to motivate the municipality to apply active measures rather than passive ones in the assessment of which benefit a person should be granted.

Employment scheme policies in Denmark

The active line pursued in Denmark in recent years has meant that employment schemes exist within both the employment system and the welfare system. Recipients of unemployment benefit and recipients of cash benefit, who belong under separate systems, are helped back into work with the aid of practically identical tools, as the same principle regarding a speedy return to the labour market applies to both groups.

With regard to a person who is insured against unemployment and who loses his or her job, the greatest possible effort is made to return the person to employment before he or she loses the right to unemployment benefit and has to be transferred to cash benefit within the welfare system.

With regard to people on cash benefit, the greatest possible effort is made to find employment for them before they have been away from the labour market for too long or have developed other problems in addition to their unemployment.

The need for co-ordination is most evident in the case of unemployed people on the borderline of each system. There is a need within the welfare system for improved co-operation with the Employment Service in respect of unemployed people who are essentially ready to enter the labour market, while within the employment system, there is a need for increased co-ordination with local governments in respect of unemployed people who are not genuinely available for work.

With regard to employment schemes in Denmark, the greatest possible effort is thus generally made to assist a person in retaining and re-establishing his or her links to the labour market, irrespective of whether the person in question belongs under the employment system or the welfare system.

Co-ordination of employment scheme policies – the institutional perspective

The Danish division between employment policy and welfare policy has an impact on co-ordination within and between the two political areas.

Employment policies are the responsibility of two vertical control channels. One is the administrative channel, where the National Labour Market Authority is responsible for the general administration of regional employment services. The second vertical channel is the political structure in which the National Labour Council sets the goals and required targets for the regional employment councils.

The National Labour Council and the regional employment councils can be described as institutionalised initiatives for the promotion of co-ordination. Both organisations may be said to serve as organs of horizontal co-ordination at both central and regional levels in so far as most labour market players are represented on them. To this should be added that it is also possible to co-ordinate with welfare policies at the regional level, as the cash benefit recipients registered with the Employment Service may also belong to a regional employment council prioritised target group.

The Danish tradition of local self-government within welfare policies means that the scope for vertical steering is relatively limited in this area. This is true in the case of the administrative control channel, where the Ministry of Social Affairs has only very limited powers vis à vis municipal governments, but also of the more politically structured control channel where the powers of the Social Council vis à vis the local co-ordination committees are also very limited.

With respect to the horizontal approach, however, significant initiatives have been introduced in the interest of co-ordination, especially with regard to the formation and statutory regulation of the co-ordination committees in 1998. Political influence has been secured for a wide range of interested parties at both local and central levels. The new structure opens the possibility of increased co-ordination with employment policies, both by linking unemployment cash benefit recipients to the Employment Service at the local level and by co-ordinating the efforts of municipal governments, private business, trade unions and the Employment Service with regard to recipients of sickness benefit.

There is no institutionalised co-operation between welfare and employment policies at central level, and no formal co-operation between the Ministry of Social Affairs and the Ministry of Labour; nor do the National Labour Council and the Social Council meet and exchange experiences.

Some parties seek to protect the dual system in Denmark, and there is no indication that it is moving towards unification, although several players expressed the view that they could see advantages in unification.

There is nevertheless some interplay between the two political areas. For one thing, the welfare system has been adjusted in many ways to resemble the employment system in structure and tools, and secondly, the people representing the organisations on the National Labour Council and the Social Council are to some extent the same people. In other words, representatives of the “other system” are members of both councils.

There is no doubt that players from both the welfare policy system and the employment policy system can see advantages in more co-operation, and that many are likely to wish to move in this direction in future.

Co-ordination in practice

All municipalities in Denmark must establish a social co-ordination committee, either independently or jointly. Among the members of these committees will be representatives from the labour market parties, the Employment Service, local governments and others.

The co-ordination committees included in the case studies have shown that it has taken time to establish what the committees should be used for, and they have experienced teething problems.

Objectives and working methods are, however, similar. The goals of all three municipalities included in the case studies are in line with the goals generally set in connection with the promotion of the flexible labour market, i.e. to reduce access to early retirement schemes, improve monitoring of recipients of sickness benefit and promote prevention, retention and integration measures for at-risk groups in the labour market.

Co-ordination efforts have mainly focused on field work and the dissemination of information to advise of the possibilities for retaining and integrating people in the workforce as well as on various initiatives to promote collaboration between municipal governments and the Employment Service. The case studies also show that the co-ordination committees play only a limited role in the effort to get cash benefit recipients into work.

Municipal employment measures are defined to some extent by municipal conditions. There is, however, evidence in all municipalities of good support for increased collaboration with the Employment Service, and hence with the employment system. The intentions underlying the strict division into welfare policy and employment policy are not always clear to the three municipalities which are all co-operating with the Employment Service and considering extension of this partnership.

The partnership ranges from shared facilities to joint employment projects and collaboration based on personal relations.

Conclusions

Three general conclusions emerge with regard to the co-ordination of welfare and employment policies in Denmark:

Firstly, there is the question of collaboration between the welfare and the employment policy systems, and the debate on the future possibility of establishing a single system. Currently, this collaboration is mainly practised at local level.

Secondly, there is the concept behind and the realisation of the flexible labour market, in other words a highly employment-oriented welfare policy involving many players, which be said to constitute a form of co-ordination between welfare and employment policies.

Thirdly, both social welfare and labour market policy considerations are already addressed in both welfare policies and employment policies, e.g. the considerable emphasis placed on employment in both of them.

Structure

This report is structured as follows:

Chapter 1. This chapter opens with a brief overview of employment and welfare transfer incomes in Denmark, the number of people receiving such incomes and the administration responsible.

The second part of Chapter 1 presents a more detailed description of who is eligible to receive the income, for how long, etc.

Chapter 2. This chapter reviews the employment measures implemented for each individual transfer income and provides a brief description of the administration responsible for payment or for the employment scheme. The various benefits are described one by one in order to provide the best possible overview.

Chapter 3. This chapter opens with a brief historical description of employment policies, followed by a description of the institutional structure of the political arena. Then follows a brief historical description of welfare policies and an account of the players involved in the area. This explains why and how the system acts as a dual system and the institutionalised attempts which have been made to co-ordinate the two policy areas.

The last part of the chapter is based on interviews with players involved in the co-ordination of welfare and employment policies at central level. This will show how the players perceive the co-ordination.

Chapter 4. This chapter is based on three case studies involving three different municipalities in Denmark. The case studies contain a description of how co-ordination and employment measures are realised under different local conditions.

Chapter 5. This chapter contains the most important conclusions drawn from the studies, and offers perspectives on future co-ordination.

Chapter 1. Transfer payments in Denmark

The Danish transfer payment system can be defined as a dual system, containing both an employment policy and a welfare component. The main purpose of this chapter is to show how many people receive the various benefits and to indicate which system the benefit belongs under. The chapter therefore opens with a brief overview of the most important transfer payments, followed by a more detailed review of the various benefits.

Section 1: General overview of the various transfer payments

When a person in Denmark loses his or her income either because of unemployment or other social circumstances such as illness, he or she may be entitled to either a labour market or a social welfare transfer income.

Labour market transfer incomes

Unemployment benefit

Unemployment benefit is paid to unemployed people who are insured with an unemployment fund and who have held a job for a minimum of one year. The basis on which it is paid is governed by the Act on Unemployment Insurance (*Lov om arbejdsløshedsforsikring*), the Act on a Labour Market Fund (*Lov om en arbejdsmarkedsfond*) and the Act on Active Employment Policies (*Lov om aktiv arbejdsmarkedspolitik*).

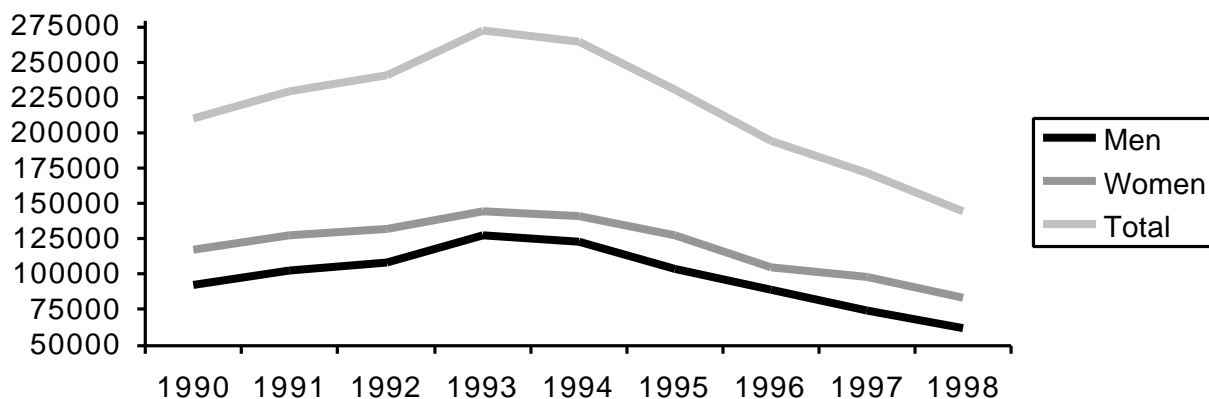
The authorities involved in the payment of unemployment benefit are¹:

- the Ministry of Labour
- the National Labour Market Authority
- the Employment Service
- the Unemployment Insurance Directorate
- unemployment funds
- the National Labour Council
- regional employment councils.

As the figure below shows, the number of people receiving unemployment benefit has fallen significantly since 1993. This is due partly to a rise in employment and partly to a general reduction in the period in which a person is eligible for unemployment benefit, a point to which we return later in this report. Slightly more women than men were receiving unemployment benefit throughout the period.

¹ The composition and activities of the authorities involved in the payment of unemployment benefit are reviewed in chapter 3.

Figure 1. Unemployment benefit: number of full-year recipients for the period 1990-98 by gender.



Source: Danish Central Bureau of Statistics

Unemployment benefit is financed partly by members and partly by the government as explained in further detail later in this chapter.

Social welfare transfer payments

Five different social welfare benefits will be described: cash benefit, rehabilitation benefit and flex jobs, all three of which are governed by the Act on Active Welfare Policies, sickness benefit governed by the Act on Sickness and Maternity Benefits (*Lov om dagpenge ved sygdom og fødsel*), and early retirement pensions, which are governed by the Act on Social Pensions (*Lov om social pension*). All social welfare benefits are paid by the recipient's municipality of domicile; some benefits are reimbursed by the government. The question of financing and refunding of social welfare benefits will be discussed in greater depth later in this chapter.

Cash benefit

Cash benefits are the payments made to people who are the victims of a social event such as unemployment and who are not eligible for unemployment benefit. The authorities responsible for cash benefit are:

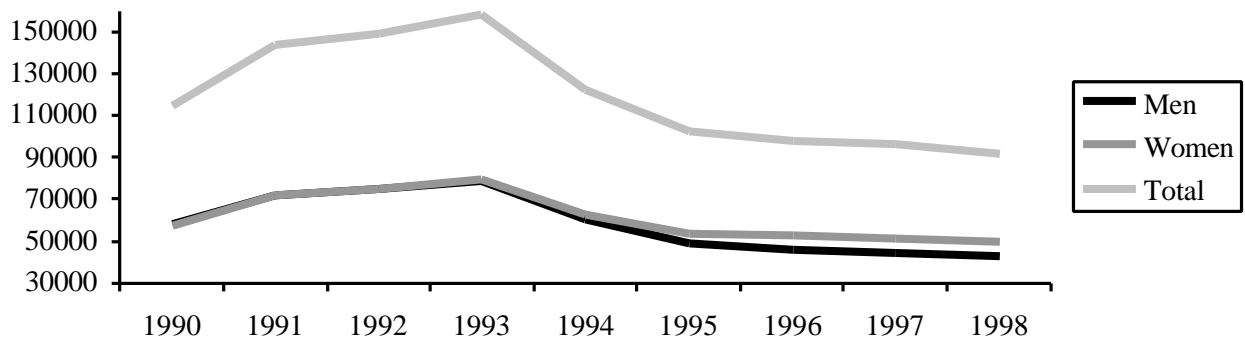
- the Ministry of Social Affairs
- the municipality of domicile
- the Employment Service
- the social co-ordination committees
- the Social Council (the central co-ordination committee).

The figure below shows that the number of people receiving cash benefit has fallen since 1993. As was the case with unemployment benefit, this is due to a rise in employment and particularly to a fall in youth unemployment. Since 1993 slightly more women than men have received cash benefit.

Figure 2. Cash benefit: Number of full-year recipients for the period 1990-98, by gender.

Source: Danish Central Bureau of Statistics

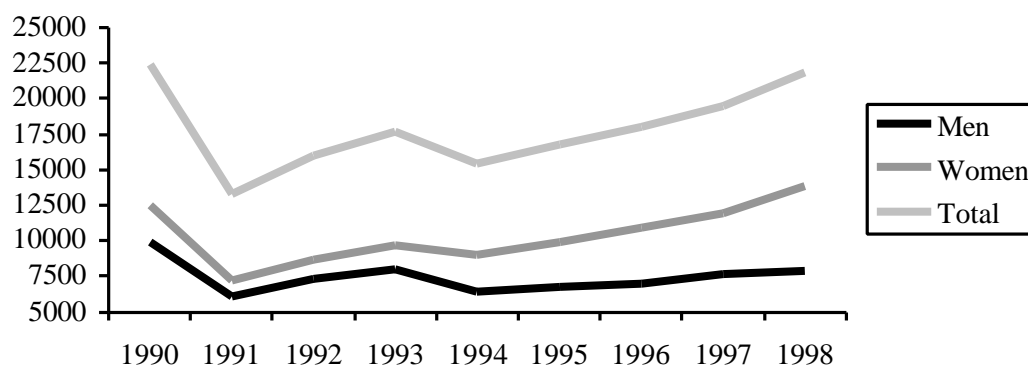
Rehabilitation benefit



Rehabilitation benefit is paid to people with reduced working capacity who are undergoing rehabilitation in order to re-enter the labour market. The authorities responsible for rehabilitation are:

- the Ministry of Social Affairs
- regional government
- the municipality of domicile
- the social co-ordination committees
- the Social Council (the central co-ordination committee).

Figure 3. Rehabilitation: Number of full-year recipients of benefit for the period 1990-98, by gender.



Source: Danish Central Bureau of Statistics

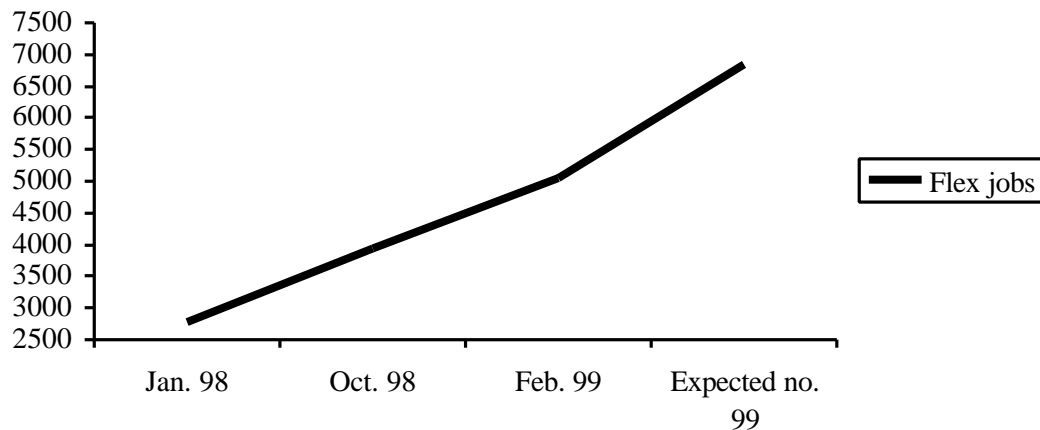
The figure shows that the number of people receiving rehabilitation benefit in the 1990s has varied, which is due among other reasons to a number of legislative changes, but the number has been increasing since 1994. There were more women than men on this benefit throughout the period.

Flex jobs

A flex job is a job offering special conditions, with a wage subsidy paid by the local municipality. The responsible authorities are:

- the Ministry of Social Affairs
- regional government
- the municipality of domicile
- the employer
- the social co-ordination committees
- the Social Council (the central co-ordination committee).

Figure 4. Number of flex jobs, 1998 to 1999



Source: The Ministry of Social Affairs/the Social Appeals Board (*Sociale Tendenser 1999*)

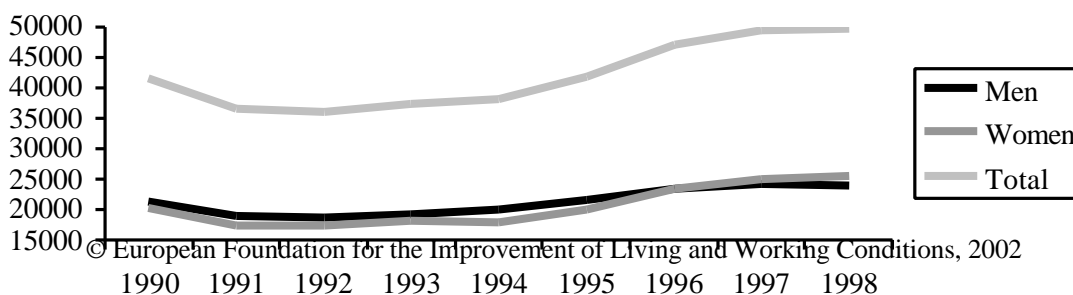
The above figure shows that the number of flex jobs has been increasing since 1998, when the flex jobs scheme was established with the adoption of the Act on Active Welfare Policies. The number of flex jobs is increasing because the scheme is relatively new, and several campaigns have been launched to increase the number of flex jobs, as will be discussed in more depth later in this report. There were some flex jobs right from the start in 1998 because the scheme replaced the “50/50” job scheme, which changed its name to flex jobs in 1998.

Sickness benefit

Sickness benefit is paid to people in the labour market or in the labour market support system who register as sick. The responsible authorities are:

- the Ministry of Social Affairs
- the municipality of domicile
- the employer
- the social co-ordination committees
- the Social Council (the central co-ordination committee).

Figure 5. Sickness benefit: number of full-year recipients for the period 1990-98, by gender.



Source: Danish Central Bureau of Statistics

The above figure shows that the number of people receiving sickness benefit has been increasing since 1992, and that the distribution between men and women is practically even.

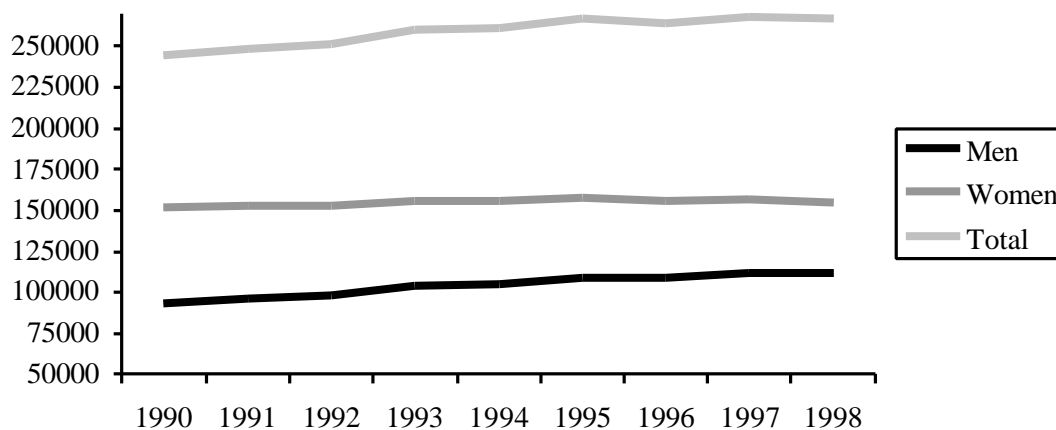
Early retirement

An early retirement pension is paid to people who permanently leave the labour market before reaching 65 years of age. We have included the early retirement scheme because recipients of this benefit are also included in some employment measures (light jobs). The authorities responsible for the scheme and the relevant light jobs are:

- the Ministry of Social Affairs
- the municipality of domicile
- the employer
- the social co-ordination committees
- the Social Council (the central co-ordination committee).

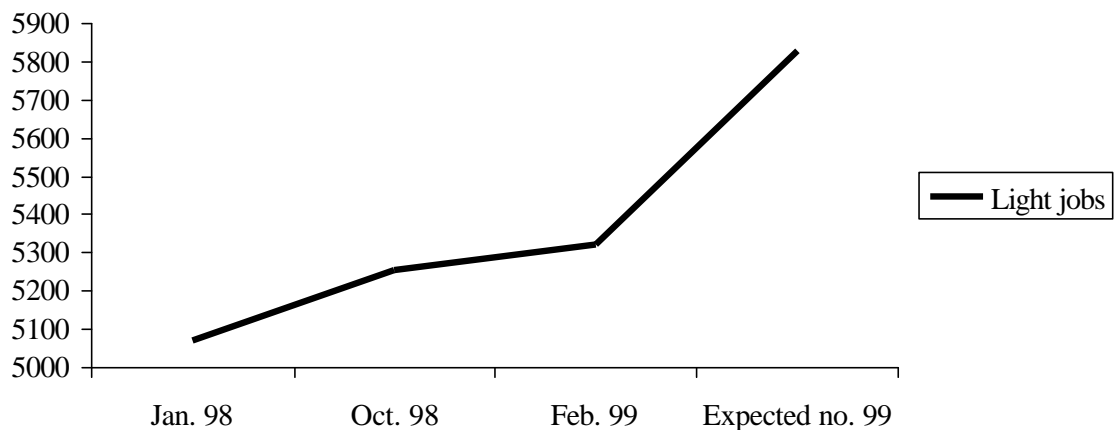
The figure below shows that the number of people receiving early retirement pensions has increased slightly since 1990 and that there are more female than male early retirees. The figure also shows that the number of light jobs has also increased since 1998. In light jobs, as in flex jobs, the scheme is relatively new, and much is being done to promote the generation of more light jobs in the future.

Figure 6. Early retirement pensions: number of full-year recipients for the period 1990-98, by gender.



Source: Danish Central Bureau of Statistics

Figure 7. Number of light jobs 1997-1999



Source: The Ministry of Social Affairs/the Social Security Appeals Board (*Sociale Tendenser 1999*)

Section 2: Detailed description of transfer payments in Denmark

The following section presents the above transfer payments under the following structure:

- Who is eligible to receive the benefit?
- How long can a person continue to qualify for the benefit?
- How is the benefit financed?

This section will focus particularly on unemployment benefit and cash benefit, as it is between these to benefits (and systems) that is some coordination. Another four social welfare benefits are also included as responsibility for awarding these lies with the social co-ordination committees². In addition, these benefits may be seen as representative of the general political strategy in the welfare and employment area.

Unemployment benefit – labour market transfer payments

Unemployment benefit is paid to unemployed people who are insured with a government-approved unemployment fund. Although membership is voluntary, about 3/4 of the Danish workforce are members of an unemployment fund. According to the Unemployment Insurance Directorate, 2,377,791 contributions were registered for January 2000, a figure which corresponds to the number of members. Unemployment insurance is administered by a total of 36 unemployment funds, of which 34 are for wage earners and two are for self-employed people. The individual unemployment fund's area

² The social co-ordination committees' composition and activities are reviewed in Chapter 3.

of activity is delimited by professional criteria and largely coincides with those of the trade unions, and most Danish people are members of both.

Under the Act on Unemployment Insurance, a member with full-time insurance is eligible for the highest rate of payment, currently DKK 570 (€76,58)³ a day or DKK 2,850 (€382,90) a week, but not exceeding 90% of the member's previous earnings. A member with part-time insurance is eligible for 2/3 of the highest rate, which is DKK 380 (€51,05) a day or DKK 1,900 (€255,27) a week. Newly qualified members receive 82% of the highest rate, corresponding to DKK 467 (€62,74) a day or DKK 2,335 (€331,71) a week. Unemployment benefit is a personal benefit and is thus determined by the member's previous earnings, and not by the family's total income.

The unemployment insurance system is administered by the Ministry of Labour, where the Unemployment Insurance Directorate is responsible for government supervision of unemployment funds.

Who is eligible to receive the benefit?

Under the Act on Unemployment Insurance, a person must, in order to qualify for the benefit, be between 18 and 65 years of age and resident in Denmark. The following conditions also apply:

- Applicants must have been a member of a recognised unemployment fund for at least one year. People who have completed a vocational course of at least 18 months duration (newly qualified) are, however, entitled to the benefit one month after completing their course.
- Applicants must have had full-time work for a minimum of 52 weeks within the previous three years or have been self-employed to a significant extent, i.e. approximately 30 hours a week, for at least three financial years. Applicants with part-time insurance must have had the equivalent of 34 weeks of full-time work within the previous three years.
- Applicants must be registered as a job applicant with the Employment Service.
- Applicants must be available for the labour market.

There are various ways of ensuring that the unemployed are available. In Denmark, The Unemployment Fund controls the availability of the unemployed. Previously, the unemployed were every 6 months were invited to a personal interview, where the person concerned was required to present evidence e.g. copies of job applications showing that he or she have been seeking a "suitable" number of jobs. The labour market reform, which has been implemented in three phases since 1994, has, however, led to considerable tightening in the area of labour market policies, including the criteria of availability.⁴

³ The rate of exchange (100 DKK = 744,3100 €) is given by The Nationalbank of Denmark 19. Okt 2000

⁴ The labour market reform is reviewed in Chapter 3.

To be available means that the unemployed can take over a job at a day's notice, is ready to receive a facilitated job outside the persons subject area, that the person takes part in preparing action plans and respects the meetings and activities arranged by The Employment Service. The Employment Service has to inform The Employment Fund if a member refuses to take a facilitated job or stay away from meetings etc., after which the Employment Fund consider the consequences for the person's right to unemployment benefit.

According to the Act on Active Labour Market Policies, which is a part of the Labour Market Reform, participation in employment projects is the way in which an unemployed person demonstrates his or her availability. Thus the total period in which an unemployed person is eligible to the benefit is now split into a period of max. two years in which the unemployed person is given the opportunity of participating in employment projects, and an active period of three years in which the unemployed person has the **right and the duty** to take part in employment projects. To be available is no longer only connected with jobseeking, but highly linked to participating in employment projects and the increased duty to receive facilitated jobs outside the subject area.

If an unemployed member turns out to be unavailable e.g. by refusing to participate in an employment project or fails to attend, his or her right to the benefit lapses until evidence is presented of employment to the extent described above.

How long can a person continue to qualify for the benefit?

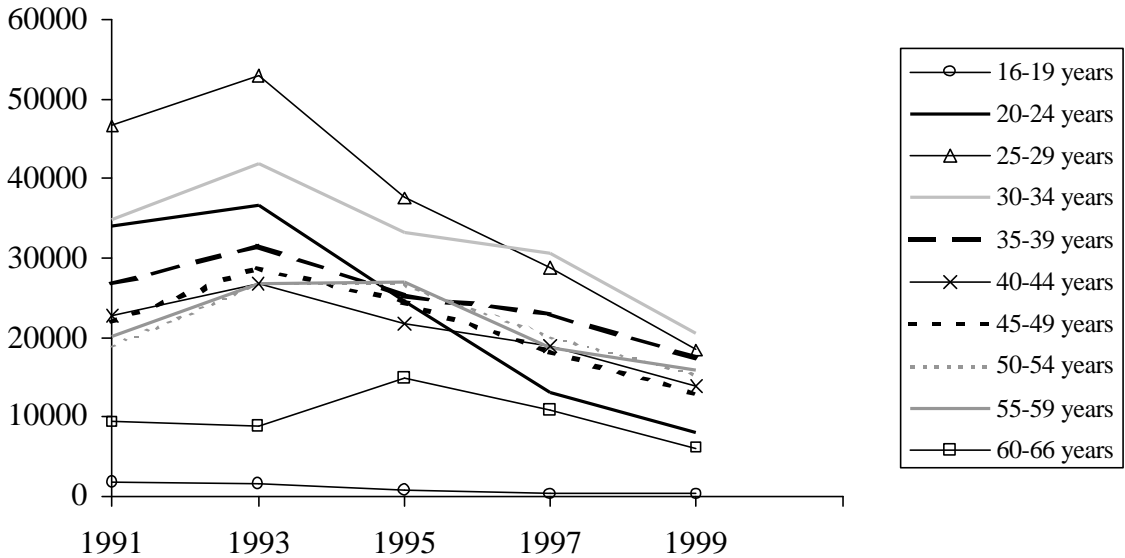
The maximum period in which a person may receive unemployment benefit is five years, and this period will be reduced to four years during 2001. As mentioned above, the total period is split into a passive and an active period.

The passive period lasts max. two years (after 2001 max. one year). The person then enters the active period of max. three years, during which he or she has a right and a duty to participate in employment measures. If, after the active period, the unemployed person still has no job, he or she will lose the right to receive unemployment benefit and be transferred to the social welfare system via the cash benefit system. For young people between 18 and 25 years of age, the length of the passive period is only six months and the active period is three and a half years. Young people with no vocational qualifications who are eligible for membership of an unemployment fund have the right and the duty to accept an offer of vocational training lasting minimum 18 months after six months of unemployment.

The graph below shows the number of persons who receive unemployment benefit distributed on age in the period 1991 – 1999. It illustrates that relatively few of the youngest are receiving unemployment benefit. This is not because there is no unemployment in this group, but rather that they have had no time to qualify for unemployment benefit and therefore receive cash benefit instead. In addition, it

emerges that there is a decrease in the number of recipients in all age groups, especially the age groups between 20 and 30 years are reduced remarkably. The sharp decrease is caused partly by the favourable market conditions in recent years where more jobs have been created and partly because of the curtailment of the total period when a person is eligible to receive unemployment benefit. Persons who have not found a job after the maximum period of 45 years will now subsequently receive cash benefit from the social welfare system.

Figure 8 Average number of full-year recipients of unemployment benefit distributed on ages in the years 1991 - 1999



Source: Danish Central Bureau of Statistics

How is the benefit financed?

Most transfer payments in Denmark are financed by the public sector via the taxation system. With regard to the labour market area, there is a certain degree of self-financing of unemployment insurance.

The National Labour Market Fund, administered by the Minister of Finance, finances the costs of the labour market policies. This concerns mainly benefit payment costs and employment measure costs.

The Fund also finances certain employment projects within the social welfare system, such as the government's costs for rehabilitation.

Under the Act on a Labour Market Fund, the Labour Market Fund receives funds from:

- the unemployment funds, which pay a contribution per member. The funds collect the sum by levying a membership fee on members.
- labour market contributions levied on wage earners and self-employed people. The contribution is collected via the tax system and makes up about 8% of the Labour Market Fund's total funding.
- self-employed and insured employers' insurance payments, payable under the Act on Sickness and Maternity Benefits.
- DKK 3,300 million (€443 million) in government funding.
- government funding in the event of adjustments.

Member-financing amounts to approx. 28% of the total cost of financing unemployment benefit.

Cash benefit – Social welfare transfer payments

In Denmark, every man and every woman has a duty to support him- or herself plus spouse and children under 18 years of age. The aim of the Act on Active Social Welfare Policies is to create a financial safety net for people who are unable to provide the necessary support for themselves and their families in any other way. The act is intended to ensure that no person in Denmark is without the necessary means of support through no fault of their own. Cash benefits are paid and administered by the local municipality to people who, for one reason or another, are unable to comply with their duty of support. In other words, the scheme is a grant in aid.

Another aim of the act is to enable the person receiving the benefit to resume responsibility for self-support. The assistance which is granted by the municipality in cases of need and distress therefore takes three forms.

1. **Advice and guidance.** The municipal government must immediately assist, advise and guide applicants on available options for handling short-term problems themselves, or on how applicants can improve their situation and, for example, their chances of finding work again.

2. **Cash benefits** which constitute a monthly allowance of :

DKK 9,317 (€1251,76) for people with children to support

DKK 6,998 (€940,20) for other people aged 25 and above

DKK 4,489 (€603,11) for people below the age of 25 who are not living with their parents

DKK 2,195 (€294,90) for people under the age of 25 who are living with one or both parents.

3. **Job offer or employment measure** aimed at integrating applicants into the labour market, thus enabling them to support themselves.

The act also provides for cash benefit to be paid in special cases for:

- **Housing.** People with high rent or a heavy duty of support can obtain assistance if it is impossible to find cheaper housing for the person receiving cash benefit.
- **Extraordinary expenses.** Assistance can be given to a person who has experienced changes in his or her life and where the expense involved will make it difficult for the person to support him- or herself in the future. Assistance is normally only offered if the expense could not have been foreseen.
- **Medical/dental treatment.** Assistance may be offered for treatment, medicine and dental work or similar if the expenses are not covered by other legislation and the treatment is recommended by a doctor.
- **Moving.** The municipality can provide assistance to people moving house if the move will improve the person's housing or job situation and the applicant or the applicant's spouse has no personal means of paying for the move.
- **Repatriation.** Instead of assistance with moving house, a subsidy may be paid to foreign nationals who wish to move permanently to their home country or former country of residence if they are unable to finance the move on their own.

Who is eligible to receive the benefit?

The Act on Active Social Policies provides that any person legally resident in Denmark may receive cash benefit as a grant in aid if the following conditions are fulfilled:

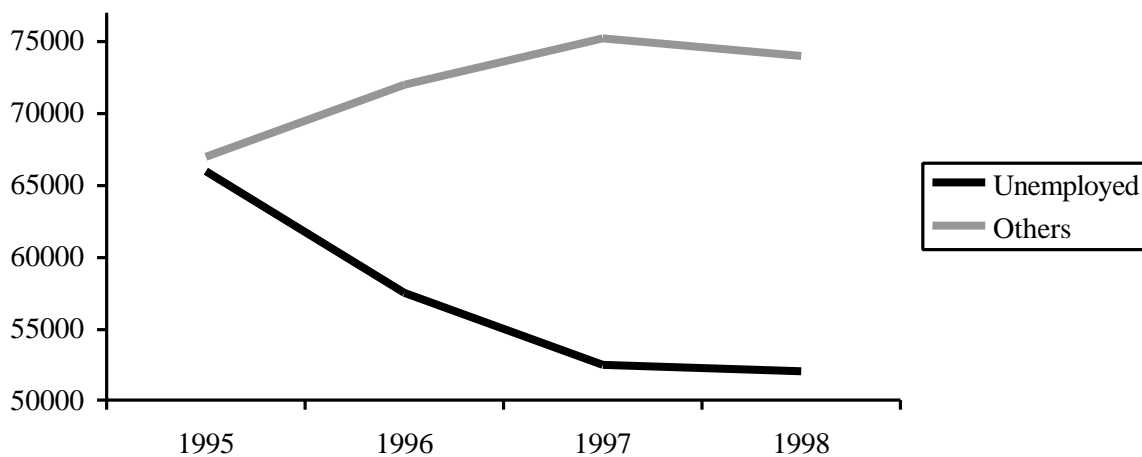
- the applicant has been the victim of a major change in social circumstances, e.g. marital breakdown, sickness or unemployment, if the applicant is not insured with an unemployment fund
- the change has been such that the applicant has no possibility of supporting self or family
- the need cannot be covered via other benefits.

It is a condition for qualifying for cash benefit that applicants utilise every opportunity of obtaining a job. The municipal government is responsible for assessing whether a person receiving cash benefit is making use of the opportunities available. If a person receiving cash benefit rejects a job offered by the Employment Service or absents him- or herself from a job interview or a contact meeting, the municipal authorities must assess whether the person continues to qualify for cash benefit. Cash benefits are therefore only available to applicants who have had no reasonable job offer. Another requirement is that the spouse of the person receiving cash benefit must also utilise his or her job opportunities. Cash benefits are thus linked to the family's total income.

People receiving cash benefit who have lost the physical or mental ability to perform an ordinary job may be offered rehabilitation if there is a realistic chance that the person may partly or fully re-enter the labour market.

People receiving cash benefit are divided into two categories: those whose problem is unemployment (hereinafter called “unemployed recipients of cash benefit”), and those who have additional problems besides unemployment (hereinafter called “other recipients of cash benefit”). As the figure indicates, there has been a fall in unemployed recipients of cash benefit in recent years and an increase in the number of other recipients.

Figure 9. Recipients of cash benefit: unemployed recipients and other recipients – full-year



equivalents

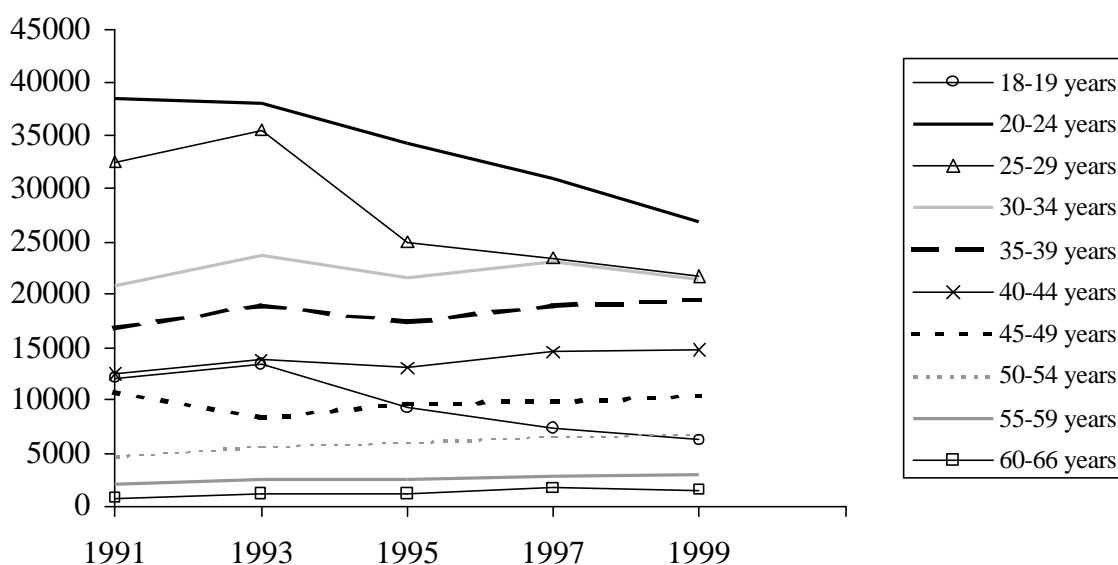
Source: Danish Employers’ Confederation, special printout from the Danish Central Bureau of Statistics

The reason for this trend is probably that the high employment rate of recent years has made it easier for unemployed recipients of cash benefit to find a job, while the gradual tightening of unemployment benefit combined with the shorter passive period of benefit payments has meant that what may be called the “most problematic” unemployed people have fallen out of the system and moved on to cash benefit.

There has also been a marked drop in the number of young unemployed people since the introduction of the right and the duty to participate in employment measures, and there has been a political desire to reduce the unemployment among young people. The youngest group, i.e. people between 18 and 25 years of age, are often on cash benefit because they have not had time to qualify for unemployment benefit. The implementation in recent years of immediate employment measures, the job training requirement and the high employment rate have led to a marked fall in youth unemployment in

Denmark. This is apparent in the number of recipients of unemployment benefit, but is also reflected in the graph below, which shows the number of recipients of cash benefit according to age.

Figure 10 Average number of recipients of cash benefit distributes on ages in the years 1991 -1999



Source: Danish Central Bureau of Statistics

How long can a person continue to qualify for the benefit?

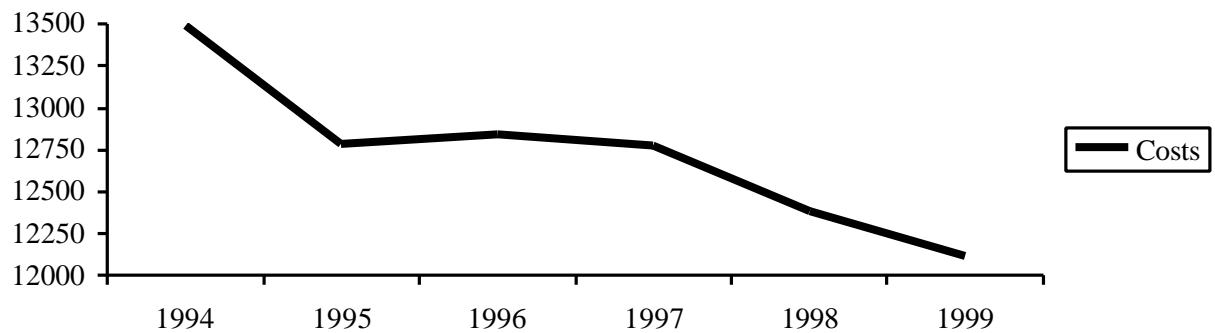
In contrast to unemployment benefit, there is no time limit on how long a person may receive cash benefit. As noted above, the cash benefit system is the Danish social safety net aimed at ensuring that no person is left without an income through no fault of their own. A person who appears to have no realistic chance of obtaining an ordinary job or a flex job after a considerable period of living on cash benefit while participating in an employment measure will normally be able to qualify for an early retirement pension. The municipality of residence decides which benefit should be granted. Early retirement is not, however, granted to people who have not applied for it. The criteria for obtaining an early retirement pension are discussed in the section on early retirement.

How is the benefit financed?

Cash benefits are paid by the municipality with no reimbursement by the state, and the municipality also pays the costs of guidance, case handling and administration. The municipality's income is

comprised primarily of a block grant from the state plus municipal taxes. The figure shows that total expenditure on cash benefit has fallen over the last five years, primarily because the number of people receiving cash benefit has also fallen during this period.

Figure 10: Cash benefit – expenditure in million (fixed prices) (100 €= 744,31 DKK)



Source: Danish Central Bureau of Statistics

Rehabilitation benefit – social welfare transfer payments

Who is eligible to receive rehabilitation benefit?

The Act on Active Social Welfare Policies provides that people whose fitness for work is reduced because of physical or mental circumstances may be offered rehabilitation. Rehabilitation comprises job-oriented activities and financial assistance offered to people whose fitness for work is limited. The aim is to retain such people in the labour market or enable them to enter it. Rehabilitation is job-oriented, and every individual assessment focuses on whether rehabilitation is viable, what options the person has despite his or her limitations, and what fitness the person may acquire through rehabilitation. The objective is thus to qualify the person to hold a normal job.

The financial assistance offered to a person seeking rehabilitation can take four forms.

1. **Rehabilitation benefit**, which, under the Act on Active Social Welfare Policies, must be calculated on the basis of the highest unemployment benefit rate which, under the Act on Unemployment Insurance, is DKK 2,545 (€341,93) per week. (Rehabilitees below the age of 25 receive only half this amount).
2. **Full or partial wage subsidy**, which means that the municipality pays a full or partial wage subsidy calculated on the basis of the lowest standard wage in the area.
3. **Special support**, which covers payment of expenditure necessary for participation in the rehabilitation programme, primarily books and other teaching materials.

4. **Support to establish own business**, which means interest-free loans if it is judged that the rehabilitee has the necessary professional and commercial skills for running a business.

How long can a person continue to qualify for the benefit?

Rehabilitation programmes should be completed in as brief a span of time as possible, and such that the needs of the rehabilitee are met. The municipality can plan a rehabilitation programme under which the rehabilitee receives rehabilitation benefit for a maximum of five years unless special circumstances such as sickness, lack of child care or other social circumstances justify a longer time.

How is the benefit financed?

Rehabilitation benefits are paid by the municipality, which also pays a wage subsidy if, as part of the programme, the rehabilitee is placed with a private or public employer. The municipality does, however, receive a 50% state reimbursement of its costs. The National Labour Market Fund is responsible for the state's expenditure on rehabilitation.

Flex jobs – social welfare measure

Who qualifies for a flex job?

The Act on Active Social Welfare Policies provides that people with permanently reduced fitness for work may be offered a job specially structured to be performed by a person with limited physical or mental fitness for work, and this is thus an “active” alternative to early retirement. Flex jobs are paid by the employer, who receives a municipal wage subsidy, the size of which depends on the employee's degree of fitness (max. 2/3 of the minimum standard wage in the area). The condition for obtaining a flex job is that the candidate's fitness for work is permanently reduced in relation to any job and cannot be improved through rehabilitation. Early retirees do not qualify for flex jobs, but if they so wish they can place an early retirement pension already awarded “on hold” and take up a flex job, possibly supplemented by a disability benefit.

Flex jobs may be established with both private and public employers, and there are no limits to the type of job which may be offered as a flex job.

How long is it possible to stay in a flex job?

There are no statutory limits for how long a person may hold a flex job.

How are flex jobs financed?

The cost of a flex job to the municipality depends on the candidate's degree of fitness for work: the fitter the person, the higher is the proportion of the wage which the employer must pay. The municipal subsidy may not, however, exceed 2/3 of the minimum standard wage. The government has, however,

established a central pool from which the wages of flex jobs in state institutions are paid. For state institutions, all wage costs which are not refunded by the municipalities are thus covered.

The state also refunds 100% of the municipality's expenditure on wage subsidies, which should be seen in connection with the ambition to reduce the number of people taking up early retirement. The flex job scheme thus constitutes the provision of subsidised employment as an alternative to a transfer income.

Sickness benefit – social welfare transfer payments

The Act on Sickness and Maternity Benefits is the basis of the benefit payable in the event of sickness, including accidents or child birth and adoption. This is intended as a short-term benefit and it is replaced with other social welfare benefits, a flex job or early retirement if there is no prospect of the recipient again becoming fit for work.

The employer pays the benefit for the first two weeks of an employee's illness, after which it will be paid by the municipality. The benefit is calculated on the basis of the wage received in the same manner as unemployment benefit, but it may not exceed DKK 2,846 (€382,37) a week. The benefit is personal, which means that it is determined by what the person was earning before falling ill and is independent of the total family income.

Who qualifies for sickness benefit?

Private and public employers are required to pay sickness benefit for two weeks of absence due to illness. The employee must, however, have been employed for a minimum of 13 weeks before the first day of illness and have been declared unfit for work by a doctor.

When a sick employee is again fit for work, the right to sickness benefit lapses. This also applies if the employee fails to report back for work. The right to sickness benefit also lapses if the employee refuses medical treatment which could re-establish his or her fitness for work. There is, however, scope for receiving *reduced* payment in cases of partial unfitness. The reduction is decided on the basis of a medical assessment of how much the employee's fitness for work is impaired.

Jobless people on unemployment benefit also receive sickness benefit in the event of illness, while a recipient of cash benefit who is sick does not receive sickness benefit but continues on cash benefit. Despite falling within the social welfare system, sickness benefit is only paid to people with a link to the labour market.

Self-employed people are entitled to sickness benefit from the first day of absence after three weeks of illness. They may, however, take out an insurance with the municipality entitling them to benefit from the first day of absence due to illness.

How long is it possible to stay on sickness benefit?

The right to receive sickness benefit lapses if a person has been sick for 52 weeks within the last 18 months unless:

- the person is waiting for rehabilitation, in which case he or she will be transferred to rehabilitation benefit.
- the person is waiting for medical treatment of a kind which will be able to restore his or her fitness for work in a relatively short period.
- an industrial injury compensation case is pending
- an application for early retirement is pending
- there are special circumstances.

If, after the 52 weeks, there is no prospect of the patient again becoming fit for work, the municipality will consider whether an early retirement pension should be awarded.

How is sickness benefit financed?

Responsibility for the financing and administration of sickness benefit rests with the municipality and employers. The employer pays sickness benefit for the first two weeks, after which the municipality takes over. The municipal costs are refunded 100% by the state for the first eight weeks. Thereafter the state refunds 50% up to and including the 52nd week, after which the municipality is responsible for the full cost. This reimbursement structure should be seen as part of the implementation of the “active line” in so far as it creates incentives for the municipality to limit long-term support on sickness benefit.

There is thus considerable financial benefit for the municipality in reintegrating sickness benefit recipients into the labour market before 52 weeks have elapsed, as the municipal costs will increase markedly thereafter.

As is the case with unemployment benefit, the source of state funding for sickness benefit is the National Labour Market Fund, which is under the administration of the Minister of Finance. The Fund receives income from the unemployment funds and the labour market contributions paid by wage earners, state subsidies etc. (see the section on the financing of unemployment benefit).

Early retirement pensions – social welfare transfer payments

Pensions are paid to people who are no longer presumed to be part of the Danish workforce. The people who qualify for a pension in Denmark under the Act on Social Pensions are Danish citizens and foreign nationals with right of permanent residence in Denmark or who have lived in Denmark for at least 10 years between the ages of 15 and 65.

Danish social welfare pensions comprise the old age pension and early retirement pension. Age and disability are thus the primary reasons for pension payments in Denmark.

The early retirement pension is an income payable to people whose fitness for work is reduced to such an extent *before* they reach 65 years of age that they are in need of permanent support. In order to qualify for the pension it is, however, a condition that all available treatments, employment measures and rehabilitation measures have been tried, and that the person's fitness for work is incapable of permanent improvement.

A distinction is made between two categories of early retirement pensions, health-related early retirement pension and a needs-related early retirement pension:

- a **health-related early retirement pension** is granted to applicants with reduced fitness for work of at least one half because of physical or mental disability. In addition it is a requirement that the condition is permanent, and cannot be improved either spontaneously or by treatment. All possibilities for the improvement of fitness for work by employment measures, rehabilitation measures, treatments and the possibilities for flexi jobs must be explored and exhausted. When these conditions are met, it will be evaluated which kind of early retirement pension the person is entitled to, a factor of which is how the person's fitness was previously relevant to his or her work.
- a **needs-related early retirement pension** is granted to applicants on the basis of purely social indices or on the basis of combined health and social indices. The criteria for receipt of such pension are that the need for support is permanent, and that the applicant and a possible cohabitant's subsistence level not surpass the max. amount which can be paid as sickness benefit under the Act on Sickness and Maternity Benefits. Persons between 18 and 50 years can only be allocated to the needs-related early retirement pension scheme if their fitness for work, after an individual and concrete assessment, is reduced by at least half. 50 – 65 year olds can be allocated to the needs-related scheme on social and health-related indices (which also means age, education and working conditions) after a total assessment seems to be right. Some 20% of the awarded early retirement pensions in Denmark are needs-related. (Social Security Appeals Board: Early retirement pensions 1999 and Confederation of Danish Employers: Social Policy and the Labour Market 1999)

This table shows, for different age groups in 1998, the proportion of the assigned early retirement pensions that were categorised as needs-related and health-related. From this it appears that there are very few young applicants for needs-related pensions, while nearly half of the applicants between 60 and 65 years are assigned a needs-related pension.

Assigned early retirement pensions by ages and type (1998)			
Per cent 1998	Health-related early retirement pensions.	Needs-related early retirement pensions	In total
-29 years	97	3	100
30 – 39 years	89	11	100
40 – 49 years	88	12	100
50 – 59 years	87	13	100
60 – 66 years	51	49	100
In total	83	17	100
Source: Social Security Appeals Board, here taken from Confederation of Danish Employees: Social Policy and the Labour market. 1999			

There are four types of early retirement pension plus a disability pension:

1. The **highest early retirement pension** is a *health-related* pension of DKK 12,285 (€1650,52) a month for single people and DKK 10,132 (€1361,26) for married people. The payment comprises a basic income, a disability allowance, a vocational disability allowance and a pension supplement. This pension is paid to people between the ages of 18 and 59 who are totally disabled.
2. The **medium early retirement pension** is also a *health-related* pension of DKK 9,666 (€1298,65) a month for single people and DKK 7,513 (€1,009,39) for married people. The payment comprises a basic income, a disability allowance and a pension supplement. This pension is paid to people between the ages of 18 and 59 whose fitness for work is reduced by 2/3 and to people between the ages of 60 and 65 who are totally disabled.
3. The **general early retirement pension** is a pension granted for both *health-related and needs-related reasons*. The payment comprises a basic amount plus a pension supplement and is DKK 7,768 (€1,043,65) for single people and DKK 5,615 (€753,39) for married people. The following criteria apply to the granting of this pension:
 - as a *health-related* allowance awarded to people between 18 and 65 years of age whose fitness for work is reduced by a minimum of 50% on health grounds.
 - as a *needs-related* allowance awarded to people between 18 and 65 years of age whose fitness for work is reduced by a minimum of 50% on both health and social grounds.
 - as a *needs-related* allowance awarded to people between 50 and 65 years of age whose social circumstances and health so dictate.

4. The **general increased early retirement pension**. People below 60 years of age are normally paid the general *increased* early retirement pension under the same criteria as the *general* early retirement pension, that is to say, people below the age of 60 who fulfil the above criteria receive DKK 8,759 (€1,176,79) (single people) or DKK 5,616 (€754,52) (married people).

The level of income awarded in the individual case is determined by the degree to which the person's fitness for work is reduced and by the person's personal income and age. In the case of applicants under the age of 60, the more their level of fitness for work is reduced, the higher the pension awarded.

How long is it possible to stay on an early retirement pension?

The early retirement pension ceases on the day on which the person reaches the age of 65, when he or she is entitled to the old age pension. A person who has been granted an early retirement pension is not eligible for any other payments and cannot return to the labour market.

How are the early retirement schemes financed?

With the amendment of the Act on Social Welfare Pensions of December 1998, the proportion of municipal expenditure on early retirement payments was reduced from 50% to 35%. It should be noted in this context that the state refunds 100% of municipal costs for flex jobs which, as noted, are seen as an alternative to early retirement. As a result of the restructuring of Danish pension schemes in recent years, the responsibility for the granting of early retirement pensions was moved away from regional governments, with sole responsibility being placed with municipal governments. As it is the state and the municipal government which finance the cost of early retirement pensions, regional counties can be seen as a "neutral" institution in the assessment of whether early retirement should be granted.⁵

The restructuring has thus resulted in greater cohesion between the granting of pensions and the costs involved, with the local municipal government being responsible for both. In addition, since July 1998 there has been no direct access for people to apply for an early retirement pension. Rather, it is up to the responsible local government to apply a holistic approach in its assessment of the most appropriate support basis. The criterion applying to the granting of an early retirement pension is that all available treatments, rehabilitation and employment measures must have been tried, and that the person's fitness for work is incapable of permanent improvement. The new refunding structure has thus created financial incentives for local governments to grant this passive support payment only when absolutely necessary.

Disability Benefit. This benefit should be listed in addition to the above types of pension. It is given to disabled people who are fully active in the labour market even though their disability is so serious

⁵ The relationship between state, county and municipality is reviewed in Chapter 3.

that they are entitled to the *medium* or *highest* early pension scheme, if their income does not exclude them. The health-related obligations to be awarded to the disability pension are the same as for the medium early retirement pension. The disability pension is a payment in compensation for the additional costs associated with a disability.

The disability must reduce the fitness to work in relation to the nature of the work currently carried out by the applicant. If the applicant's disability does not significantly affect his ability to carry out his/her current job, he or she cannot be awarded the disability benefit, even though his/her fitness for a different job would be reduced significantly by the disability.

Under exceptional circumstances, the disability benefit can be paid to persons receiving rehabilitation benefit or unemployment benefit.

The disability benefit is DKK 2,021 (€271,53) a month for a single or married person, whose partner is not receiving disability benefit, and DKK 1,641 (€220,47) for a married person whose partner is receiving disability benefit. (Social Security Appeals Board: Guide to case work about early retirement pensions.)

Interim conclusion

The Danish social support system comprises two parallel systems, the welfare system and the employment system, through which people who are not active in the labour market are able to obtain an income.

The system into which an unemployed person is placed depends on whether the person is insured against unemployment through his or her previous work record.

If a person finds him or herself in unforeseen social circumstances such as sickness, unemployment, etc., the municipality will assess the social welfare payment which the person is entitled to receive. One of the goals of all social benefits is to establish/retain the person's association with the labour market as far as possible.

Benefits such as rehabilitation benefit, which are strongly targeted at reintegration into the labour market, attract a high level of state refunding and may only be paid for a relatively short period, while the more passive benefits such as early retirement attract a lower rate of state refunding and are thus a heavy burden on municipal budgets if given to large numbers of people.

Financial incentives have thus been created for municipal governments to apply active rather than passive measures in their assessment of the kind of benefit to be given to local residents.

Chapter 2. Employment measure policies in Denmark

The last chapter presented the various possibilities for receiving transfer payments in Denmark. This chapter will review the employment measure policies moulding the two systems, the employment system and the welfare system. The main emphasis is placed on measures to get benefit recipients and on people on unemployment benefit into work, the reason being that both systems have undergone development from mainly passive to primarily active support and because the borderline between these two target groups is the obvious area for co-ordination between social welfare and labour market policies.

The chapter opens with a brief description of recent years' trends in the Danish labour market, followed by a description of the employment measures formulated by employment and welfare policy-makers.

Section 1: Brief summary of trends in the Danish labour market

Throughout the 1990s, Denmark experienced falling unemployment, which is now around 5.3%, and a rise in the level of employment, which is now one of the highest in the EU. The result has been a shortage of labour in certain areas and within certain sectors, the "bottleneck" problems which are particularly evident in sectors requiring high levels of skill and expertise. Demographic forecasts also indicate that there will be a shortage of skilled labour due to the small generations of young people now entering the job market. The following section is based on figures from the Danish Central Bureau of Statistics and municipal key figures prepared by the Danish Ministry of the Interior.

From 1996 to 1998, the number of workplaces in Denmark fell from 300,742 to 286,921, a drop of 4.6%. Most workplaces were lost in the farming, fishing and raw materials extraction industries. The number of workplaces within these areas fell by 9.5% from 1996 to 1998. In 1998, farming, fishing and raw materials extraction thus provided 18.1% of all workplaces. Trade, hotels and restaurants accounted for 24.4% of all workplaces in 1998, while public and personal services, finance etc. on the one hand and business services on the other accounted for 18.1% and 17.4% of all Danish workplaces.

Apart from farming, fishing and raw materials extraction, there were no major shifts in the number of workplaces in Denmark in the period 1996 to 1998. The number of workplaces in the building and construction industry did, however, increase by 0.5% from 1996 to 1998. This area thus accounted for 8.3% of all workplaces in 1998 against 7.9% in 1996.

In the period 1996 to 1998, a further 96,813 new jobs were created, an increase of 3.3%. In 1998 there were thus 2,991,885 jobs. More than a third of all jobs in Denmark are in the public and personal service sectors. This area thus grew by 42,906 new jobs from 1996 to 1998, an increase of 4.1%. Trade, hotels and restaurants etc. and industry, energy and water supplies each accounted for about

18% of all jobs in Denmark in both 1996 and 1998. Thus 17,661 and 3,743 new jobs were created in these two areas. Within finance etc. and business services, another 30,343 new jobs were created between 1996 and 1998, an increase of 9.0%. In 1998 this area accounted for 12.2% of all jobs in Denmark.

The average number of jobs per workplace increased from 9.63 in 1996 to 10.43 in 1998. Within industry, energy and water supplies there was an average 21.6 jobs per workplace in 1998 against 20.3 in 1996. Within the public and private service sectors there was an average of 20.8 jobs per workplace in 1998, while in 1996 there was an average of 19.5. There have been no major shifts in any other areas with regard to the average number of jobs per workplace.

This brief description of developments in the Danish labour market, with rising employment and falling unemployment, reflects among other things the fact that both labour market and social welfare policies in Denmark have been distinguished by a shift from passive to active support in recent years. The main elements in the active line have been the efforts to avoid marginalisation of people with no association with the labour market and the heavy focus on updating skills to enable the workforce to match the needs of the labour market.

Section 2: Employment measures in Denmark

Players in employment policies

The administration and payment of unemployment benefit and getting people on unemployment benefit back into work is carried out in close co-operation between the unemployment funds and the relevant local employment service. People who are not registered with the Employment Service have no right to unemployment benefit. A person who loses his or her job must therefore register immediately with the regional employment service in order to demonstrate his or her availability to work.

The Employment Service is a state institution but regionalised with the same geographic boundaries as the 14 counties, and its central everyday administration is the responsibility of the National Labour Market Authority under the Ministry of Labour. As a player in the labour market policy forum, the Employment Service's most important task is to establish contact between job seekers and employers and to be responsible for getting unemployed people for whom they are unable to find jobs onto an employment scheme.

The Employment Service is also responsible for finding jobs for people on cash benefit, i.e. unemployed people with no unemployment insurance whose unemployment is their only "problem", that is to say people in the social welfare system. Municipalities also often buy in employment projects from the Employment Service for this group, which also has access to employment schemes via certain instruments in the Act on Active Employment Policies. This cooperation arose because people

receiving cash benefit whose unemployment is their only problem and people receiving unemployment benefit are very similar target groups for the employment measures. People receiving cash benefit who have other problems in addition to unemployment are helped to find work solely by the municipality's application of welfare employment measure instruments, which often are aimed socially more widely than bringing people back to the labour market.

The municipalities are still responsible for the people receiving cash benefit, and the Employment Service and the Employment Funds are responsible for the people receiving unemployment benefit. Exchange of target groups will therefore mean reimbursement from the responsible authority.

Players in welfare policies

The administration and payment of all social benefits and employment measures for social clients is the responsibility of the municipality in which the client lives. The delegation of powers among local, regional and state authorities in relation to social welfare benefits is governed by the Act on Active Social Welfare Policies and the Act on Legal Security and Administration in Social Affairs.

Local and regional boards which are elected every four years are responsible for the planning and implementation of local and regional welfare activities within legislative frameworks. This also applies to initiatives under labour market auspices, primarily initiatives aimed at assisting people to enter or remain in the labour market.

With regard to the five different social benefits outlined in the previous chapter, municipal governments are responsible for:

- the payment of **cash benefit** and employment measures. "Unemployed cash benefit recipients" must register with the Employment Service, and the municipality is responsible for their doing so.
- taking steps to ensure that offers of **rehabilitation** are given and for the payment of benefits to rehabilitees. Rehabilitation is, however, also available regionally for people whose problems are such that they cannot be rehabilitated through municipal programmes.
- the payment of **sickness benefit** after two weeks of sickness and follow-up on progress after eight weeks of sick leave at the latest.
- taking steps to ensure that a **flex job** is offered to people who are not receiving a social pension and who cannot obtain or retain employment on special terms.
- the awarding and payment of **early retirement pensions** and making light jobs available to early retirees.

Section 3: Employment measures

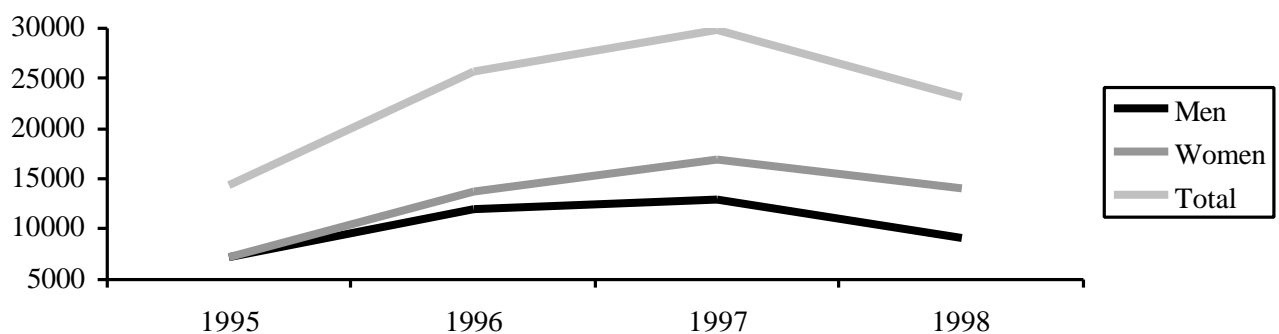
From passive to active labour market policies

The labour market reform of 1994 marked a shift from passive to active labour market policies.⁶ Passive benefits may be seen primarily as a compensatory income in cases where a person loses his or her job. Employment measure programmes before the reform were of shorter duration, and their primary purpose was to enable the jobless taking part in the programmes to regain their right to unemployment benefit. It was possible in this manner to qualify for unemployment benefit for as long as nine years.

The active labour market policies aim to ensure that employers have the labour they need and to actively increase the opportunities of the unemployed for re-entering the labour market, and thus to reduce the number of long-term unemployed. This is done primarily through a flexible and needs-oriented scheme comprising *inter alia* offers of places on employment schemes to update and retrain unemployed people in accordance with regional labour market needs.

Whereas previously the primary task of the Employment Service was to implement centrally fixed rules on the kind of provision available to the unemployed at certain fixed times during unemployment, the employment measures now on offer to the unemployed are far more adapted to individual needs.

Figure 11. Employment Service employment measures: number of participants in the period 1995-98



Source: Danish Central Bureau of Statistics

The figure shows that the number of people participating in Employment Service employment measures increased in the period 1995-1997 and fell again from 1997 to 1998. The increase was

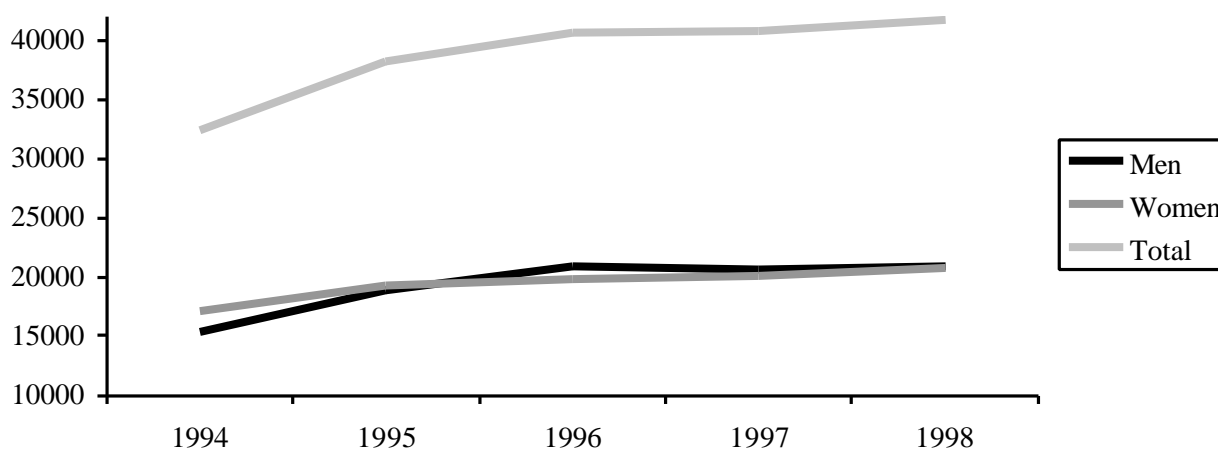
probably linked to the stricter availability rules which meant an earlier and longer active period; a greater proportion of Employment Service cash benefit recipients thus took part in employment measures. At the same time, the number of Employment Service cash benefit recipients was dropping throughout the period, which fact, however, has only recently begun to be reflected in the number of Employment Service participants in employment projects.

From passive to active social welfare policies

As is the case with labour market policies, social policies have moved from stressing mainly passive support to a primary emphasis on active benefits. The Act on Active Social Welfare Policies which was passed in 1998 builds on an intention to create a more flexible labour market in which every individual takes on a more active role in society.

The impact of the “active line” is evident in practically all areas of social welfare policies. In the following pages we provide a review of employment measures for each of the five benefits, where some of the measures may be seen as results of the active line.

Figure 12. Municipal employment measures: number of participants for the period 1994-1998



Source: Danish Central Bureau of Statistics

The above figure shows that the number of people receiving cash benefit who take part in municipal employment projects has increased since 1994. The increase should be seen in light of the fact that the number of people receiving cash benefit has generally fallen (cf. Chap. 1) with the introduction of a right and a duty to participate in employment measures, which has meant that a greater proportion of people on cash benefit are now taking part in employment programmes.

⁶ The labour market reform and the shift from passive to active labour market policies is considered in greater depth in Chapter 3.

Section 4: Specific tools in employment measure policies

Employment measure tools in labour market policies

The Employment Service has a range of tools available for its work in getting people on unemployment benefit or cash benefit registered with the Service into work.

These tools are:

Individual action plans. Unemployed people may have an individual action plan drawn up on the basis of their individual qualifications and the needs of the regional labour market. The plan contains the job goals which the person may entertain and often includes the offers of places on employment schemes as described below. Young people below 25 years of age who have no vocational qualifications have the right and the duty to receive a vocational training plan instead of an action plan. The unemployed person must comply with the agreements entered into in connection with the action plan, while the plan may be subject to ongoing revision. If he or she fails to do so, this may affect the payment of benefits.

Education. Unemployed people can be offered a place on a course while continuing to receive benefit payments equal to their cash benefit payment. This applies primarily to relatively short courses such as general adult education, labour market courses, folk high school courses and private courses. Language courses may also be offered if it is judged that the unemployed person's lack of language skills is an obstacle to employment. The course must, however, comprise at least 20 class lessons a week or otherwise be approved as a full-time course. If the unemployed person wishes to take a medium-long course or a tertiary degree course, he or she must leave the cash benefit system and will qualify instead for the government's student allowance (SU)⁷.

Job training is given to unemployed people with the direct aim of reintegrating them into the labour market. When a person is placed with a private or public employer for the purpose of job training, a wage subsidy is payable by the unemployment fund in cases where it is a person on unemployment benefit who is being helped back into work, and by the municipality in cases where it is a person on cash benefit. Private employers are given a subsidy of DKK 48.84 (€ 6,56) per hour and public employers a subsidy of DKK 89.28 (€ 11,96) per hour (February 98). This means that public institutions receive a municipal subsidy covering practically the whole wage, whereas private employers must pay about half themselves. Job training placements must comply with the standard wage and general accords applying to the area, but may not exceed the highest cash benefit rate.

⁷ SU: Every Dane over the age of 18 is entitled to public support for his or her further education regardless of social standing. Tuition in all approved educational institutions is free, and it is possible to apply for a government student allowance to cover living costs. Practically it means that the student gets a "clipcard" depending on how many years his or her education is expected to last. In 2000 the government student allowance is DKK 3,907 (€524,92) a month. It is permissible to work while receiving SU, if the student earns less than DKK 5,049 (€678,35) a month. If the student wants to earn more it is possible to cancel SU for some months.

Placements with private employers must be of a minimum six months duration. Regional governments and the state must provide a certain number of job training places in public institutions. The number is fixed for one year at a time by the Minister for Labour and the National Labour Council.⁸

Job rotation is a collaborative arrangement between the Employment Service and companies, under which employees are given the opportunity of taking leave for in-service training if there is an unemployed person available to replace them for the requisite period. The same rules apply for the appointment of an unemployed person as for a placement in job training.

Individual job training. Individual job training is offered primarily to the weaker among the unemployed, those who do not feel equipped to take part in ordinary job training. This tool is used only to a very limited extent with those who are insured against unemployment. Individual job training places are specially planned job projects with private or public employers or with organisations. Such jobs do not normally attract a salary. They may involve working for adult education organisations, sports associations etc. The employer receives a subsidy in the same manner as for ordinary job training programmes.

Traineeships are a scheme under which unemployed people are offered a traineeship of 2-4 weeks duration with a view to subsequent ordinary employment or job training with the same company. While in training, the trainee is paid a weekly amount equal to the unemployment benefit by the unemployment fund.

Service jobs are jobs in the public sector on ordinary terms of employment, attracting an ordinary wage. This tool is specially geared to the needs of older people among the unemployed and is therefore only offered to people over the age of 48. The scheme, which came into force in January 2000, is a two year trial project under which state, regional and municipal governments are granted DKK 100,000 (€13,435,26) in annual state subsidy per full-time position. Service jobs are jobs which do not require any specific qualifications, but where a lifetime's experience and practical experience can count as qualifications.

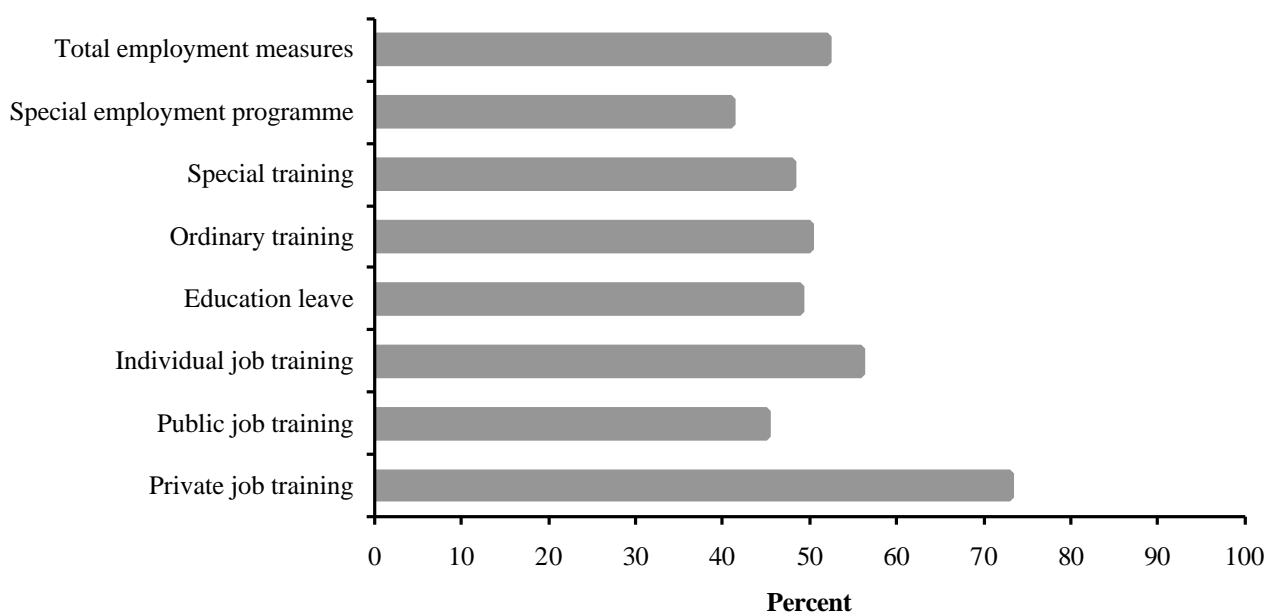
Reintegration into the labour market

The figure below shows the proportion of participants in employment projects within the unemployment benefit area who have gained a job after completing an employment measure placement. The survey includes all people who completed an employment programme in the fourth quarter of 1995. Their means of support were determined on the basis of their status in November 1996, i.e. about one year after the employment programme finished..

⁸ The National Labour Council's composition and expertise are reviewed in Chapter 3.

The survey shows that slightly more than half of all participants in employment programmes were in jobs one year later. As the figure shows, the various employment tools differ in their effects. Thus private job training is particularly successful, which is probably largely due to the fact that this tool is offered primarily to the more resourceful among the unemployed and is intended as a trial period for permanent employment.

Figure 13. Employment measures – people on unemployment benefit



Source: Danish Employers' Confederation, special printout from the Danish Central Bureau of Statistics

How are the active labour market policies financed?

The costs of employment projects for people on unemployment benefit are paid by the National Labour Market Fund.⁹

Employment measure tools in social policy

Cash benefit

The adoption of the Act on Active Social Welfare Policies means that *all* people receiving cash benefit now have a **right and a duty** to take part in employment programmes. The principle is thus also enforced in the case of “other people on cash benefit”, among whom many have never had any

⁹ The Labour Market Fund's income is reviewed in Chapter 1.

involvement in the labour market. If a person on cash benefit rejects a job offer or refuses to take part in an employment measure, the municipality will assess whether the person is still entitled to receive the benefit. The municipality may stop payment of the cash benefit, reduce support (but not by more than max. 20%) or pay out the support subject to a repayment obligation. People on cash benefit are obliged to be available for work and must therefore leave an employment programme if the opportunity of an ordinary job arises.

“Unemployed people on cash benefit” are in many ways comparable with people on unemployment benefit, and the purpose of employment measures is likewise to establish or re-establish contact with the labour market as soon as possible.

Helping both “unemployed” and “other” people on cash benefit back into work is a municipal responsibility. “Unemployed people on cash benefit” must, however, also register with the Employment Service for the purpose of obtaining a job. The municipality may also buy places/courses from the Employment Service to help unemployed people on cash benefit back into work.

Responsibility for employment measures for “other” people on cash benefit, i.e. people with problems in addition to unemployment, such as alcohol or drug abuse, debt, housing problems, language difficulties, mental or other problems of social adaptation, falls solely on the municipality. As far as these cash benefit recipients are concerned, the primary aim is to prevent or protect against social ostracism and to stabilise the person’s long-term situation with a view to employment. The aim is thus to re-establish the person’s self-esteem, strengthen his or her social network and integrate the person into society.

Together with the person on cash benefit, the municipality prepares a *written plan* along the lines of the action plans prepared by the Employment Service. The plan must take as its point of departure the options available to the person concerned with regard to education, training or work. If this does not appear to be a realistic goal, the plan may concern how the person’s situation in life can be stabilised or improved. The person must comply with the agreements entered into in the written plan or face consequences with regard to the payment of cash benefit.

Attempts have been made in recent years to bring the labour market and welfare employment measure systems closer together. Like the labour market system, the welfare system is now also held together by the overriding principle of reciprocal rights and duties, and the employment measure tools made available are largely the same for the two systems. The long-term plan is for increased co-operation between the Employment Service and municipal governments, such that in addition to being able to buy courses from the Employment Service for the purpose of helping “unemployed recipients of cash benefit” back into work, the municipalities must also assist the Employment Service with “at risk” unemployed people with unemployment insurance.

In practical terms, the right and the duty of cash benefit recipients to participate in employment measures means that the *duty* applies from day one or from the date on which the municipality is ready with an offer. A target group for fast-track assistance is young people below the age of 30 on cash benefit, who must be offered a place on an employment programme within 13 weeks of becoming unemployed, at which point the *right* to a place comes into force. Many municipalities are, however, aiming at “immediate placement”, meaning placement on a programme within one week of unemployment, especially for young people below the age of 25. Cash benefit recipients above the age of 30 also have a duty to attend employment programmes throughout the period, but their right to a place only comes into force after one year of unemployment.

The following tools are available to the municipality for helping cash benefit recipients into work:

Short-term guidance programmes including *inter alia* special courses for unemployed people on seeking a job, preparing action plans or written plans, introduction to available employment programmes.

Job training, which is an offer of an employment measure place made to unemployed people with the direct intention of re-integration into the labour market. The person’s working conditions should be the same as for standard appointments, except that working hours are set by the municipality.

Individual job training is a special job training programme specially planned according to individual needs. It can take the form of placement in jobs which do not normally attract a wage, e.g. with adult education institutions, sports organisations, residents’ and tenants’ associations etc. Cash benefit recipients placed in job training, whether ordinary or individual, receive the benefits to which they are entitled, but not less than DKK 31.52 (€4,23) per hour plus a work subsidy of DKK 10.24 (€1,38) per hour .

Specially planned courses in general education. The act provides the scope for unemployed people to attend courses in adult education at secondary level, such as lower secondary certificate, higher preparatory examination, adult vocational courses, vocational training schools, folk high schools, day high schools, domestic science colleges, schools of needlework and “open education courses”¹⁰.

¹⁰ Folk High Schools are adult boarding schools offering classes in almost all subjects including history, arts, music, sports, philosophy, theatre, photography, social science etc. Folk high schools have no connection with high schools or other kinds of higher education. A folk high school is open to all adults regardless of previous knowledge and has no examination. Normally the pupils stay at the school for the duration of the course, which can last from one week to one year, but most courses have a duration of half a year. The folk high school movement is about 150 years old and is based on the belief that an enlightened and educated population is necessary for democratic debate. Domestic science colleges and schools of needlework are folk high schools specialized in cooking, ecology, textile and design, and day high schools are non-residential folk high schools where students live their everyday life at home. A stay in a folk high school does not entitle one to a government student allowance, but there are other options for financial support.

Courses in this category rarely lead to specific qualifications, but are aimed primarily at preparing the people for other programmes of a more vocational nature such as job training schemes. If a person wishes to undertake full-time vocational study, he or she will move on to the government's student support scheme, which is the responsibility of the Ministry of Education.

Specially planned employment programmes. These involve some combination of work and education in the form of guidance and training and are used mainly with "other" cash benefit recipients.

Voluntary and unpaid activities which the municipality considers to be important for society. The activity must, however, take place within a well-defined project, and the activities involved must fall within a broad spectrum of social relevance, e.g. charitable, cultural, sport, environmental, communication or similar. The voluntary aspect is that the person is allowed to refuse such an offer and apply for another.

Adult education or in-service training of own choice. This provision is available to unemployed people above the age of 25 who have received cash benefit for six months. Such people may seek leave for educational purposes, which means that they need not be available for work for the duration of the course on which they want to embark, and hence do not risk having to break off their course in order to take up a job.

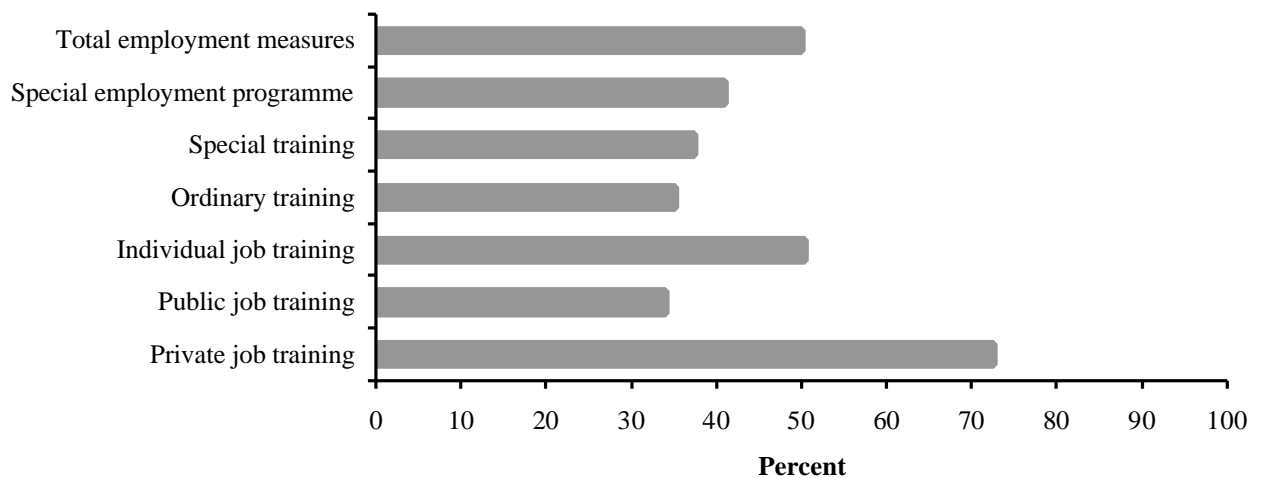
Job rotation is a scheme in which an unemployed person steps into a job in a company in place of one of the permanent employees, who is thus given time and opportunity for further education or training. Job rotation requires close collaboration between municipalities and companies.

Re-integration into the labour market

The figure below shows the proportion of cash benefit recipients who participated in an employment measure and gained a job thereafter. The survey includes all people who completed an employment programme in the fourth quarter of 1995. Means of support were determined on the status of the people involved in November 1996, i.e. about one year after the programme finished.

"Open education" is a possibility of education in universities and other education institutions, for students who would not normally be admitted under ordinary conditions. Most of the classes take place in the evening outside regular hours, with some self-financing, because in Denmark one is entitled to only one free master degree.

Figure 14. Employment measures – people on cash benefit



Source: Danish Employers' Confederation, special printout from the Danish Central Bureau of Statistics

As was the case with employment measures under the labour market system, the survey shows that about half of all cash benefit recipients were in jobs the following year. Similarly, it is also private job training which shows the greatest success rate in the social welfare system. Specially planned employment programmes, which often have broad social goals and no immediate employment aim, will therefore not stand out in the statistics on re-integration into the labour market, although the employment programme may have had a considerable effect.

Rehabilitation

In order to qualify for rehabilitation benefit, a *career plan* must be prepared which the rehabilitee must follow, or face consequences with regard to the payment of the benefit. Rehabilitation benefit is thus only payable as an active benefit.

A rehabilitation programme can contain the following activities:

- fitness testing
- maturing or clarifying activities¹¹
- education and training
- job training with private or public employers

¹¹ Maturing and clarifying activities can be described as the opportunities the municipality can offer a rehabilitee in the pre-rehabilitation phase. It can e.g. be fitness testing, a stay at a folk high school, day high school or vocational training school, vocational introduction courses, "settle-in-job-projects", tuition at 9. – 10 class level, upper secondary school and higher preparatory examinations etc. and other preparatory activities deemed necessary to clarify the rehabilitation opportunities.

- assistance to establish own business.

Rehabilitation often takes place in professional workshops or other rehabilitation institutions, and job training placements can also be included. Since 1999, Danish municipalities have been obliged to strengthen the job placement element in rehabilitation. In other words, the municipalities must seek to place as great a part as possible of the rehabilitation programme in a company where the rehabilitation institution then contributes support in the form of consultancy services and follow-up.

In order to strengthen rehabilitation on the job, all municipalities have established co-ordination committees with the aim of improving collaboration between the municipal authorities and local business.¹² The purpose of giving greater priority to rehabilitation on the job is to take another step towards realisation of the “flexible labour market”. Emphasis must therefore now be placed on local resources and needs, and municipalities may involve private organisations and local ideas people in the task of generating opportunities.

There may, however, be cases where a rehabilitation programme is not enough to enable the rehabilitee to hold a down job on ordinary terms. There may also be cases where a person’s previous work record and other circumstances indicate that the reduction in his or her fitness for work is of a permanent nature, and that rehabilitation would be fruitless. In such cases the municipality will offer the person a flex job or an early retirement pension. The “active line” taken in recent years in social welfare policies does, however, indicate a strong desire to strengthen employment programmes and reduce access to early retirement.

Flex jobs

Like rehabilitation, flex jobs are an active measure. Flex jobs are offered to people who are not fully fit for work and who therefore require special conditions, e.g. with regard to particular functions, reduced time, etc. The opportunity of holding a position in the labour market on special terms should be seen as an “active” alternative to early retirement. Flex jobs can be established with both private and public employers. They are subsidised by the municipality according to the level of fitness retained by the employee. Recent years have seen a massive effort to increase the number of flex jobs, including via campaigns to induce companies to act with social responsibility.

Sickness benefit

The area of sickness benefit is highly influenced by the active line in social welfare policy, the purpose of which is mainly to reverse the trend of many years towards a very low level of re-integration of people on long-term sick leave, the result of which was that many of these people went on to early

The main thing is that the offer has a concrete vocational maturing and clarifying purpose with relation to the individual rehabilitee.

¹² The co-ordination committees’ aims and composition and the concept of the “flexible labour market” are explained in Chapter 3.

retirement instead of returning to the labour market. One of the objectives of the active social welfare policies has thus been to retain the links of people on sick leave with the labour market.

The first step towards this is increased monitoring of people registered as sick by the municipal authorities. A rule has thus been introduced under which the municipality must reassess the situation of people who are registered as sick not later than eight weeks from the first day of illness, and at least every eight weeks thereafter. The assessment must decide whether there is a need for treatment, retraining, rehabilitation or other social measures. Not later than six months after the first day of illness, the municipality must prepare an individual follow-up plan formulated as a programme for the person's gradual return to the labour market.

There are various ways of helping people retain their links with the labour market in the event of illness. The possibilities are enshrined in both the Act on Active Social Welfare Policies and the Act on Sickness and Maternity Benefits.

When an employee who has suffered illness is to return to the labour market on special terms, the following options may be used:

- registration as partially sick or partially well which, under the Act on Sickness and Maternity Benefits, may entitle the employee to a smaller amount than the full benefit. This will mean that the employee is working reduced hours and is paid the reduced benefit as compensation for the working hours lost.
- trials in other job functions where, under the Act on Sickness and Maternity Benefits, the municipality pays sickness benefit during the trial period.
- rehabilitation as a specially planned programme in which job training and education may form a part. Under the Act on Active Welfare Policies, participation in a rehabilitation programme carries entitlement to rehabilitation benefit, subsidised wages etc.
- flex jobs and light jobs which, under the Act on Active Welfare Policies, are jobs subsidised by the municipality for people with reduced fitness for work. People employed in flex and light jobs are paid their wages by the employer, who then receives a subsidy from the municipality in compensation for the employee's reduced working capacity.
- under the Act on Active Social Welfare Policies, the municipality provides special tools or equipment for the workplace if this means that the person can retain his or her link to the workplace.

Early retirement

Early retirement is traditionally a passive benefit, in so far as it is only available to people who have left the labour market. The "active line" in social welfare has, however, left its mark on the scheme.

Despite the fact that early retirees are not seen as part of the workforce, various initiatives have been introduced in recent years in order to enable them to maintain their contact with the labour market.

There are two possibilities by which early retirees can continue to play a role in the labour market. These are flex jobs and light jobs.

As already noted, a flex job is a job which is planned so that it can be filled by a person with a 75% or 50% work capacity. It is not normally possible to hold a flex job and receive early retirement pension at the same time. There is, however, a possibility of placing an early retirement pension already obtained “on hold” (for max. three years) and taking a flex job instead.

Light jobs are jobs on special terms which are offered *only* to early retirees. Whereas flex jobs are made available to people with max. 50% reduction in work capacity, light jobs are reserved for people who have retained only 1/3 of their working capacity. Light jobs can be established with both public and private employers. The employer pays the employee’s wage but receives a subsidy from the municipality depending on the level to which the employee’s work capacity is reduced.¹³

The municipality decides whether it is possible to allow an early retirement allowance to be placed “on hold” so that the person can take up a flex job. An early retiree has no right to a flex job, and it is the municipality which makes the decision to make a flex job available if the retiree so desires. Regional governments can also establish flex jobs and light jobs if agreed with the municipality.

As part of the transformation from passive to active social welfare policies, a marked change has taken place with regard to the financing structure of social welfare benefits. The Danish financing structure which differentiates the level of state refunding available to local government with respect to the various benefits enables the state to create inducements for local governments to rank some benefits above others. Early retirement is essentially a passive benefit, and in line with the “active line” of recent years, inducements have been created to grant this passive benefit as little as possible.

Interim conclusion

The active line pursued in recent years in Denmark has meant that employment measures form part of both the labour market system and the social welfare system. People on unemployment benefit and “unemployed people on cash benefit”, who belong in separate systems, are helped using substantially the same tools, as a speedy return to the labour market is an important objective for both groups. The need for co-ordination is seen most clearly in the case of unemployed people in the border areas between the two systems. The welfare system has a need for better co-operation with the Employment Service concerning unemployed people who are actually ready to enter the labour market, while the

¹³ Cf. the financing of flex jobs.

labour market system has a need for better co-ordination with local government concerning unemployed people who are not genuinely available for work.

Cash benefit recipients with problems in addition to unemployment, and others with reduced fitness for work, may be placed on rehabilitation programmes, in flex jobs, or be given other assistance to obtain a job on special terms.

The financial restructurings of recent years and increased municipal powers in the welfare area have had a strong influence on whether municipalities apply passive or active measures to their clients. When a client registers for help, the municipality has a number of different options with regard to benefits and employment measures with which to assist the person. In general, the greatest possible effort must be made to ensure that the person retains the strongest possible links with the labour market.

What follows is a brief summary of the general goals with regard to employment measures for clients receiving the different kinds of benefits.

With regard to people who are insured against unemployment and who lose their job, the greatest possible effort is made to return them to employment before they lose their benefit entitlement and require support in the form of cash benefit under the social welfare system.

With regard to people on cash benefit, the greatest possible effort is made to return them to employment before they have been away from the labour market for too long or have developed other problems in addition to unemployment.

With regard to people on sickness benefit, the greatest possible effort is made to monitor the person's state of health and develop a plan for the person's return to the labour market, possibly via a rehabilitation programme.

With regard to people who are unable to enter the labour market under ordinary conditions, the greatest possible effort is made to enable the person to play a role in the labour market on special terms, e.g. via the flex job scheme.

Only when all possibilities of rehabilitation and employment measures have been exhausted will the person be granted an early retirement pension, but this scheme also allows active participation in the labour market via the light job scheme.

Chapter 3. Co-ordination of employment measure policies – the institutional perspective

As will be evident from the previous chapters, Denmark has a dual support system in which the unemployed person's placement depends on his or her previous association with the labour market. Both systems use employment measures, which are targeted towards the labour market, and target groups are exchanged on the basis of individual needs rather than on previous links to the labour market. In order to trace the background of the dual system in Denmark, this chapter will outline the employment and welfare policies context. The two political areas are described first via a short historical review, and then via an outline of the institutional set-up which characterises the two areas. This will involve a description of the various players and organs and their powers with regard to administration and policy formulation. After the presentation of the two areas' histories and institutions there is a section on co-ordination between the two areas at central level. This part of the chapter is based on interviews with players in the relevant co-ordination bodies and ministries.

A - The labour market policies context

This section opens with a brief definition of the area, followed by a historical description with special emphasis on the labour market reform of 1994. The political labour market history is relevant for understanding the origins of the dual system as well as the scope for, and barriers to, greater co-operation with social welfare policies.

The political history of the labour market

“Labour market policies” is the term for political measures directly aimed at influencing the labour market. Such policies may include provisions on the working environment, holiday entitlements etc., or more distribution-oriented questions such as how to guarantee the workforce a basic income. The area also includes political measures aimed either at influencing the demand for or the supply of labour, or influencing the manner in which these two aspects match (Brünicke-Olsen, 1998).

It was not until the 1960s that Denmark developed a fully fledged labour market policy. Until the establishment of the Ministry of Labour in 1958, questions pertaining to social and labour market policy had been gathered together in one ministry.

Labour market policy emerged as an independent political area in a period marked by growth and full employment, and policy efforts were thus concentrated on providing the required workforce. Labour market policies were therefore mainly concentrated on providing benefits and measures to promote mobility in order to ensure a flexible workforce and measures to improve its distribution. The effect of these measures was, however, relatively limited, as mobility did not increase significantly, and even today it remains resistant to change via labour market policy measures. The 1960s also saw the laying

of the foundation for the labour market system we know today. In addition to other measures, the unemployment insurance system was strengthened, as were labour market courses, and the national Employment Service was established (Brünicke-Olsen, 1998).

The political measures introduced in the 1960s reflect a period with buoyant business activities and low unemployment. Labour market measures were therefore largely facilitating ones. The labour market course organisation was established in order to promote job mobility, and the Employment Service was established in order to improve contacts between the unemployed and employers. The benefits granted were expected to be short-term and therefore relatively high, based as they were on the principle that unemployment should not be allowed to cause any great fall in people's living standards.

The perspectives changed in labour market policies with the oil crisis of the 1970s, because unemployment rose rapidly as demand dropped and women entered the labour market, thus substantially increasing the workforce. Whereas the labour market policies of the 1960s had focused on allocating and facilitating labour, the support aspect now became paramount. Those responsible for labour market policies remained relatively passive, however, as unemployment was considered to be a transitional phenomenon which would disappear as consumer demand again began to rise (Brünicke-Olsen, 1998).

Unemployment remained at a very high level, however, and actually continued to increase until 1993, when it peaked. Support for the unemployed had represented a major burden on the public coffers, and despite various measures introduced in the 1980s, it was difficult to break the unemployment curve. Measures introduced included, on the one hand, attempts to reduce available labour by introducing early retirement packages and prolonged leave, and on the other hand, attempts to boost the demand for labour through wage subsidies and employment projects. Labour market policies have been subject to considerable fluctuation since the 1970s due to various governments' attempts to reduce unemployment and to problems of adjusting to recession after 15 years of growth and full employment.

With the 1979 Act on Employment Opportunities for the Unemployed, the first tentative steps were taken towards an active labour market policy, and in the mid-1980s the regional labour market boards were established for the purpose of supervising regional labour markets and promoting co-operation between local authorities and the Employment Service. The establishment of these boards may be seen as the first tentative step towards including the labour market parties in the problems surrounding the Employment Service's contribution to employment schemes.

Throughout the 1980s and 1990s, the recognition spread that major structural problems in the Danish labour market formed a barrier to the struggle against unemployment. The structural problems were

evident in the fact, among others, that certain sectors and regions lacked labour while other regions and other sectors still suffered high unemployment. The shortage of workers was evident in the care sector, while West Jutland suffered a marked shortage of labour at the same time as marginal areas such as the island of Møn suffered high unemployment. In 1993, when the labour market reform was adopted, unemployment in Denmark was 12.5% or 350,000 people, the highest ever seen in Denmark.

The labour market reform of 1994 – from passive to active labour market policies

In 1992, the Danish government established the “Committee for Clarification of the Structural Problems in the Labour Market”, normally called the Zeuthen committee after Hans E. Zeuthen, its chairman. The committee’s conclusions and recommendations formed the basis of the labour market reform which was adopted in 1993, and was to be implemented in three stages from 1994 onwards (Ministry of Labour, 1999).

The Zeuthen Committee’s ambition was to design a labour market policy with two goals:

1. securing business the labour it requires
2. preventing long-term unemployment.

The shortage of labour and long-term unemployment were identified as two of the labour market’s most serious structural problems and barriers to growth and a booming economy. Another problem was the absence of inducements for those without a job to seek employment of their own accord. The Zeuthen Committee’s report therefore recommended that a new line be adopted in labour market policy, a line implying a far more active effort.

The difference between passive and active measures is that active measures aim influence the workforce’s employment opportunities or the total employment rate, for example by job training programmes or training opportunity schemes. The passive measures do not attempt to influence the employment rate or the employment opportunities, but guarantee the unemployed maintenance. (Brünicke-Olsen 1998)

As noted, the efforts adopted prior to the reform were not entirely passive. Indeed, Denmark introduced the first active measures in 1970, when the first Act on Employment Opportunities for the Unemployed was implemented (Ministry of Labour, 2000). The difference between employment measures before and after the reform is mainly that one purpose before 1993 was that the unemployed person could use employment measures to re-qualify for unemployment benefit and thus change between passive and active support for up to nine years. Another difference was that the choice of tools was decided centrally, which meant that legislative rules prescribed what programmes an unemployed person was entitled to at any given stage. The task of the Employment Service with regard to measures was thus merely to implement programmes which were tightly regulated from the centre.

Efforts prior to 1993 may also be characterised as primarily focused on job creation and on increasing demand for the labour which happened to be on the market. Thus schemes were established offering subsidised cleaning and other work in private homes (the home service scheme) as well as various kinds of subsidies for people starting their own business. The reform introduced a new line which was much more strongly oriented towards changing available labour by such means as re-schooling, updating of qualifications and in-service training, the purpose of which was to prevent situations where there was a shortage of labour, as such situations were seen as major barriers to the creation of new jobs.

In order to reach the goals of ensuring business the required workforce and preventing long-term unemployment, the Zeuthen Committee made the following specific recommendations:

- that employment measures be directed much more strongly towards reintegration into the labour market instead of towards re-qualifying for unemployment benefit
- that employment measures take as their point of departure the qualifications of each unemployed person, and that they should match the needs of the local labour market as closely as possible
- that a new management model be introduced with regard to labour market policies: one in which decisions were taken as close as possible to the unemployed and the employers (Zeuthen Report, 1992).

Under the new management model, the labour market parties were strengthened, the responsibilities of the Employment Service were decentralised, and goals and a framework structure were introduced for the work of the Employment Service. The reform thus involved a degree of restructuring and reallocation of powers. As a result, the then National Labour Board was extended with regard to both its members and its powers, and its name was changed to the National Labour Council. The regional labour boards also became regional labour councils. The composition and powers of the National and regional labour councils are discussed later in this chapter.

The management of labour market policies, which is governed by the Act on Active Employment Policies following the recommendation of the Zeuthen Committee, is now such that administrative responsibility for labour market policies lies with the Minister, the National Labour Market Authority and the Employment Service, while political responsibility lies with the Minister, the National Labour Council and the Regional Labour Councils.

The phases of the Labour Market Reform

It was clear from the start that the Labour Market Reform should be introduced in three phases over approximately five years. The period following 1994 has, however, been marked by a booming economy, which has made it necessary for the government to introduce certain “adjustments” in addition to the planned phases, e.g. tightening of the availability rules and shortening of the period in

which a person qualifies for benefits. These adjustments were introduced in connection with the annual adoption of the budget.

1994. Phase 1

In the first place, the primary change was that the right to re-qualify for unemployment benefit through participation in employment programmes was abolished, so that re-qualification could only be gained through employment in an ordinary job.

Employment measures were decentralised, so that the regional employment councils plan and set priorities regarding the programmes within a set budgetary framework and subject to general rules. The law specified that measures should take as their point of departure the unemployed person's individual qualifications and the needs of the regional labour markets. The regional employment council was given the competence to set priorities regarding tools and nominate target groups, and rules were introduced with regard to individual action plans, thus creating new demands on the Employment Service.

1995. Phase 2 "Regular maintenance inspection"

Shortly after the implementation of Phase 1, conditions in the labour market changed following changes in the economic situation. Unemployment fell and a labour shortage was beginning to emerge in certain professions such as nursing, and in certain regions in Jutland. Availability rules were therefore tightened from 1995, including the introduction of the principle of the right and the duty to participate in employment measures. The period in which a person was entitled to receive unemployment benefit was reduced to a maximum of seven years against the previous nine, and the period in which an unemployed person has a right and a duty to participate in measures was introduced, in the first instance after four years of unemployment (Ministry of Labour, 1999).

1996, 1997 and 1998. Adjustments adopted in connection with the budget

In the years following the "regular maintenance inspection", labour market policies were marked by efforts to adjust to the economic situation which was gradually assuming the features of a boom. A drop in unemployment created a need for further strengthening of availability and more stringent demands with regard to situations in which an unemployed person must accept a job offer outside his or her particular vocation.

The changes introduced in this period were primarily:

- the right to an employment measure place and the duty to attend (the active period) was moved forward to apply after only two years of unemployment

- special measures were introduced with regard to young unemployed people so that the right and the duty of education and training was made to apply to people below the age of 25 after only six months of unemployment
- the requirement regarding the period in which a person must be employed in order to qualify for unemployment benefit was tightened considerably, i.e. the period of qualification was increased from six months of employment to a full year
- the cut-off date for when an unemployed person must accept a “reasonable” job (a job outside his or her vocation) was moved forward to six months against the previous 12 months
- the establishment benefit, which was a subsidy for people wanting to start their own business, was abolished.

(Ministry of Labour, 1999).

1999. Phase 3 of the Labour Market Reform

The third phase of the labour market reform continued the “active line” which had already been put on the agenda in 1994. The main elements were that the employment measure period was moved another step forward, and the total period in which a person was eligible for unemployment benefit was further reduced.

The effect of Phase 3 was that:

- the total period in which a person is eligible for unemployment benefit was shortened from five to four years, the change to be implemented gradually by the year 2001
- the employment measure period was moved forward to start after one year of unemployment instead of two. For young people below the age of 25, however, the employment measure period starts after only six months
- special rules were introduced regarding limited employment measures for unemployed people above the age of 50. The age limit has now been moved to include only those above 55 years of age, which means that the same rights and duties apply in respect of employment measures to people aged between 50 and 55 as to other unemployed people
- stricter requirements were introduced with regard to Danish language teaching for both Danish and foreign citizens. This is to counter the fact that despite the fall in unemployment, immigrants and second generation immigrants still have a much weaker hold in the labour market than Danes.

2000. Adjustments introduced in connection with the budget

The adjustments made in connection with the budget in the year 2000 can be said to be primarily administrative changes and attempts to correct the system where it may be said to be working contrary to intention.

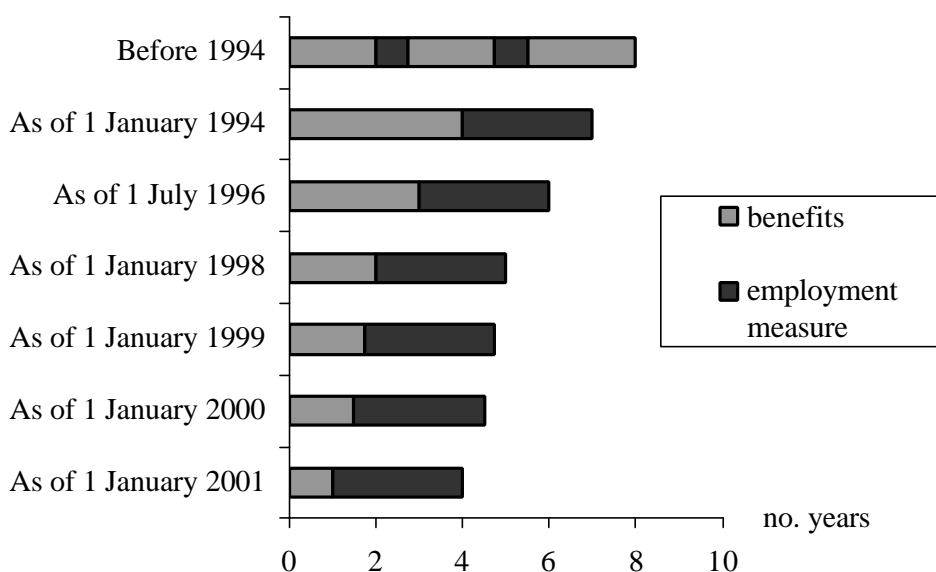
This primarily concerns the abolition of a rule under which there must be a maximum of one month between offers of employment measure places. The rule was introduced to create continuity in employment programmes, but it turned out in practice to exert a pressure on the Employment Service which made it focus more heavily on meeting the time limit than on putting together an employment programme adapted to individual needs. It is now left to the regional employment council to define what the time limit should be.

The pool job scheme and public job training were combined into one tool as the difference between them was minimal, and two new tools were introduced – job training and service jobs in partial replacement of pool jobs ([www.ams.dk/Justering af arbejdsmarkedsreformen – hvad sker der?](http://www.ams.dk/Justering%20af%20arbejdsmarkedsreformen%20-%20hvad%20sker%20der?)).

All in all, the labour market reform has resulted since 1994 in a new active approach, a significant tightening of the availability rules, a reduction in the period of eligibility from nine to four years, and the restructuring of competence within and management of the area since its introduction in 1994.

The graph below shows the reduction in the period of eligibility for unemployment benefit and the bringing forward of the employment measure period since the implementation of the labour market reform in 1994.

Schematic illustration of the effect of bringing forward the employment measure period



B – Management of labour market policies – levels of co-ordination

The labour market reform can be said to comprise two general reform elements, an employment measure reform and a management reform. Whereas the former relates to all the changes which followed from the introduction of the right and the duty principle, the flexibility in programmes offered and the new targets for employment measures, the management reform can be said to involve the changes which followed from the increased influence of interested parties, regionalisation and the introduction of goals and framework regulation. The provisions on employment measures have been tightened up a number of times since the reform's early phase, while the management of labour market policies has remained practically unchanged since 1994 (National Social Research Institute, 1998).

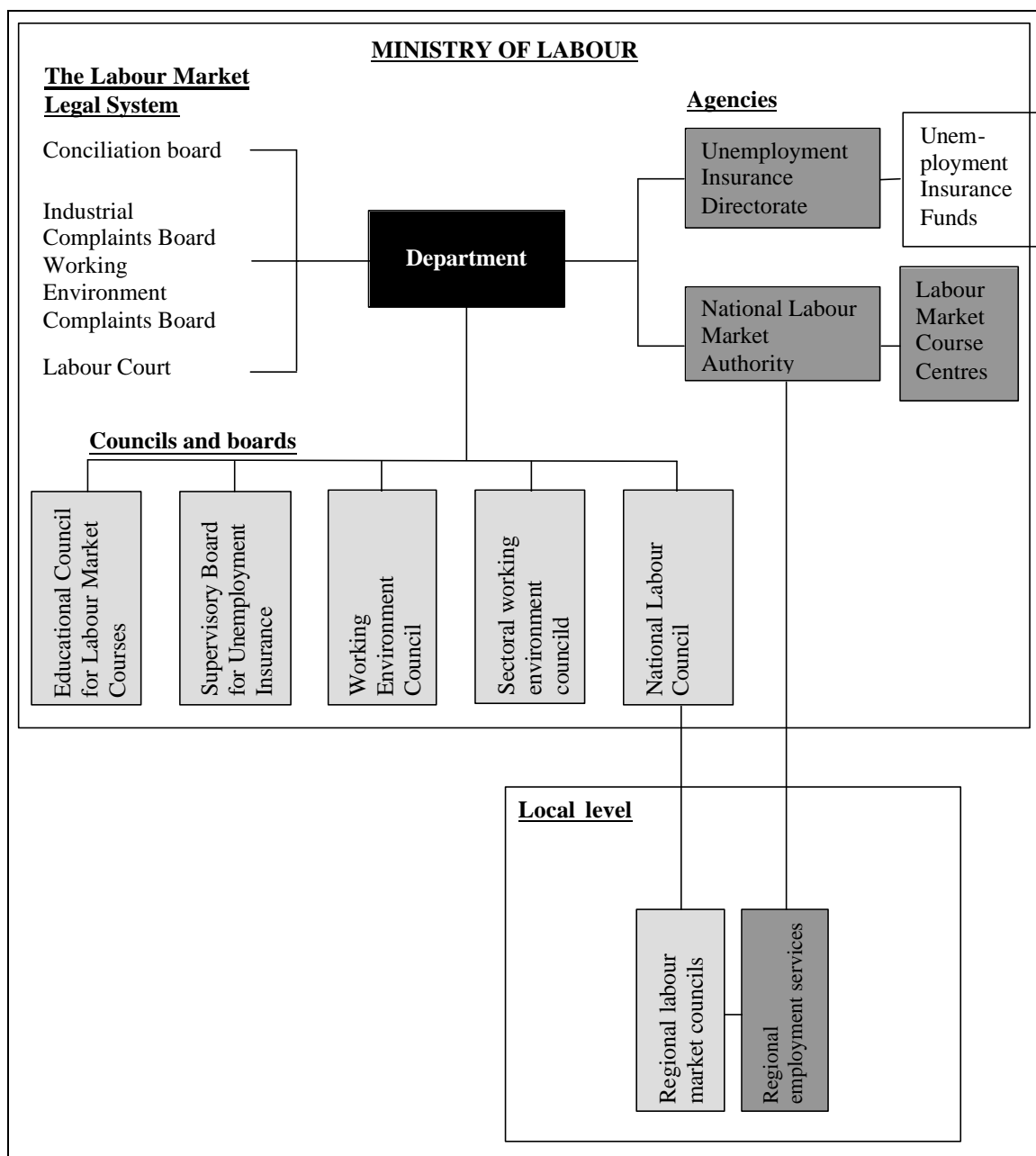
It was important, according to the Zeuthen Committee, to secure the influence of the various interested parties in the form of representation by labour market organisations on the committees with responsibility for policy formulation, in order to improve the quality of the programmes, by drawing on the parties' close links to the labour market and individual workplaces. The committee also held that regionalisation was essential because of the advantages to be reaped from better co-ordination between municipal measures with regard to cash benefit recipients and labour market policy measures with regard to unemployment benefit recipients. In order to achieve this, it would be necessary for both municipalities and regions to be made responsible for their own decisions.

It was also the view that an essential condition for the effectiveness of measures was that the decisions were taken as close to the business sectors and the unemployed as possible. The committee finally agreed that the detailed regulation must be replaced by regulation by goals and framework directives, which would give much more influence to the various regional entities (Zeuthen, 1992).

The labour market policy goal and framework model contains three elements:

- the setting and announcement of goals and targets
- regular supervision of practical measures, including reporting of results in connection with the monitoring of regional labour market authorities' activities/results
- a simplified system of resource allocation and funding with in-built financial incentives.

The primary reason for the introduction of goals and frameworks was to ensure flexible conditions for the planning of labour market policy work. In practical terms, the National Labour Council and the Minister are responsible for the creation of goals and frameworks; they set and announce objectives and targets and make recommendations with regard to the allocation of funding to the regional employment councils, which then set priorities regarding the regional market policy programmes within the set framework. There is also continuous central and regional monitoring of the labour market, and the regional employment councils report to the National Labour Council on areas where more stringent measures may be required.



The above chart shows the labour market policy institutions in Denmark and the links between them.

Section 1: National/Central level

The Ministry of Labour

The Ministry of Labour is the highest responsible labour market policy authority. The ministry comprises one department, seven separate agencies, the Employment Service, and the labour market training scheme. There is also a number of associated councils and committees which advise the

minister on political issues. Finally, there are another three bodies associated with the Ministry of Labour, namely the Conciliation Board, the Industrial Court and the Industrial Appeals Board.

The National Labour Market Authority

The National Labour Market Authority is the agency under the Ministry of Labour responsible for the daily administration of the Employment Service and the Labour Market Training Scheme.

The National Labour Market Authority has general responsibility for the administration of government funding for the Employment Service, the employment measure programme, service jobs and the various leave schemes, in 1999 totalling DKK 16.4 billion (€2,2 billion) plus DKK 2.5 billion (€336 million) for the labour market training scheme. The authority is also responsible for the administration of a range of labour market policy subsidy schemes/pools totalling approximately DKK 220 million (€29,5 million), and for the administration of subsidies from the European Social Fund (approximately DKK 700 million (€94 million) in 1999) (www.ams.dk).

The National Labour Market Authority is also responsible for providing secretarial services to the minister and the National Labour Council, including, among other things, the regular preparing of reports to the Minister on the Employment Service's compliance with the National Labour Council's goals and target requirements.

The National Labour Council

The National Labour Council is an advisory body to the active labour market programme. The Council comprises representatives from trade unions and employer organisations and from the municipal organisations. The Council's powers and composition are set out in the Act on Active Employment Policies.

The members of the National Labour Council comprise:

- eight from the Danish Employers' Confederation
- eight from the Danish Federation of Trade Unions
- one from the Confederation of Employers' Associations in Agriculture
- one from the Salaried Employees and Civil Servants Confederation
- one from the Central Organisation of Academic Staff
- one from the Joint Representation of Managerial Employees
- one from the Association of County Councils in Denmark
- three from the National Association of Local Authorities in Denmark
- one jointly from the Cities of Copenhagen and Frederiksberg.

In addition, the Council has three appointed members from the Ministry of Labour, one from the Ministry of Finance, one from the Ministry of Social Affairs, and one from the Ministry of Education.

The National Labour Council was established in 1994 as part of the labour market reform. The Council replaced the former National Labour Board whose task was also to monitor the labour market, make recommendations and take new initiatives. Apart from the minor name change, the difference between the two bodies includes the number of members, which was extended from 14 to 25, and the fact that local and regional governments are now also represented.

The Council's main task is to advise the Minister of Labour on the general planning and organisation of market policy measures, including setting priorities regarding measures and programmes and recommendations for legislation and rules within the area of labour market policy.

In addition to the above, the National Labour Council also monitors the work of the regional employment councils, including in response to the reports by the regional employment councils. The National Council prepares budget proposals for the labour market measures and proposals concerning goals and target requirements for the regional work and for the Employment Service's ordinary activities, as well as proposals for the criteria to apply to the regional distribution of employment measure funding. The basis for the Council's proposals in this area must include the proposals made by the 14 regional employment councils for the same areas. The National Labour Council's proposal to the Minister of Labour with regard to the planning of labour market work as a whole will thus be based on an interaction between the ideas, wishes and considerations of labour market organisations at regional and central levels (National Social Research Institute, 1998).

The National Labour Council issues an annual labour market policy report on developments and measures in the labour market, including the Employment Service's ordinary activities.

Section 2: Local level

The regional employment councils

There are 14 regional employment councils with the same demarcations as the counties. Under the Act on Active Employment Policies, the members of the Regional employment councils comprise:

- five from the Danish Employers' Confederation
- five from the Danish Federation of Trade Unions
- one from the Confederation of Employers in Agriculture
- one from the Central Organisation of Academic Staff

- one from the Joint Representation of Managerial Employees
- three from the county council
- four jointly from the municipal and county councils.

The regional employment councils replaced the regional labour market boards whose responsibility was also to monitor the labour market, but which did not have the competence to plan the work in the region.

The regional employment councils' general planning includes:

- planning of regional labour market policy work, including setting goals and targets
- ongoing monitoring of the work
- determining the scope of and setting priorities regarding labour market policy tools and the Employment Service's ordinary activities
- co-ordination of Employment Service and regional government labour market measures, including job training and individual job training
- co-ordination of education, training and job guidance and employer canvassing work
- decisions to prepare labour market analyses and prognoses for trends in the regional labour market
- decisions to introduce pilot and development activities in the region within the area of labour market policies (the Act on Active Employment Policies).

The councils' tasks primarily include the planning of labour market work in the region by setting priorities regarding the available tools. In addition, the councils must decide who among the people receiving unemployment benefit in the individual region should be offered an early flexible programme as specified in the relevant legislation. The decision is made on the basis of an assessment of who among the unemployed are particularly at risk of long-term unemployment (National Social Research Institute, 1998).

The regional employment councils' secretarial needs are the responsibility of the Employment Service's regional head, who is appointed by the Ministry of Labour and who is responsible for daily management of the regional employment service.

The Employment Service

The regionalised state employment service is responsible for implementation of the policies formulated by the regional employment council. At the central level, the National Labour Market Authority is responsible for central administration of the Employment Service and at the regional level it is the regional head, who is appointed by the Minister of Labour and who must be independent of wage-earner and employer interests.

The activities of the Employment Service comprise two areas, its ordinary work and its employment measures. The Service's ordinary activities comprise first and foremost the facilitation of jobs. Included in ordinary activities are also establishing contact with employers, providing advice on training to companies, and monitoring of developments in the labour market, including the prevention of bottlenecks.

With the introduction of the labour market reform, employment measures have assumed a much bigger role in the Service's work. Employment measures were previously based on the "Act on Employment Opportunities for the Unemployed". Under this act, the measures applied to the unemployed were more uniform, as there was an advance definition of the tools which should be applied to whom, in what order, and for what lengths of time, and there was also a definition of which businesses and educational institutions should be involved in training courses.

After the reform, the measures became more holistic in the sense that consideration must now be given to the wishes of the individual unemployed person and to the needs of the regional labour market. In order to comply with this requirement it was necessary to introduce a more flexible planning process. Thus individual action plans were introduced as part of the reform. They were planned on the basis of a broad range of possibilities for using various labour market policy employment measure tools, the lower limits for the length of the period for employment measures were removed, and the scope was created for combining various measures.

Overall, the reform has meant that in addition to the principle of the right to a place on and the duty to participate in an employment measure being introduced, practical work has shifted from being based mainly on the principle of due process of law to being based on the principle of assessment, and this has placed new demands on individual case officers in the Employment Service system (National Social Research Institute, 1998 and the Zeuthen Report, 1992).

Section 3: Interim conclusion– horizontal and vertical co-ordination

Danish labour market policies may be said to have two vertical control channels. One is the administrative, where the National Labour Market Authority is responsible for administration of the regional employment services. The second is the policy-making channel, where the National Labour Council sets goals and target requirements for the regional employment councils.

The National Labour Council and the regional employment councils can be characterised as institutionalised initiatives for reasons of co-ordination. Both structures may be said to serve as organs of horizontal co-ordination at central and regional levels in so far as a large section of the labour market interests are represented on them. In addition, it is possible at regional level to co-ordinate with

social welfare policies as the cash benefit recipients who are registered with the Employment Service may be included in the regional employment councils' prioritised target groups.

A – The social welfare context

This section opens with a brief definition of the area followed by a historical description of Danish social policies with special emphasis on the social reform of 1998. The history of social welfare and, not least, the traditional management principles of the Danish social welfare policies are relevant for understanding the possibilities of and barriers to co-ordination between welfare and employment policies.

The political history of social welfare

“Welfare policies” is the term for the political measures by which the state intervenes in market mechanisms to create a range of social rights for its citizens, to affect the distribution of economic resources and to further its goal of providing good living conditions for all population groups. Social welfare policy defined as measures to assist society's poorest members has existed since the turn of the last century, but the present understanding of the term, in which sense it is the very foundation of the welfare state, is one which has only gained ground since the Second World War (Plovsing, 1998).

Social policies include principally two main types of benefit. One is transfer payments, the purpose of which is to even out differences in income or to guarantee all citizens temporary or permanent support. The second type is the various service benefits which include care, treatment, practical assistance, advice, childcare, etc. All transfer payments are based on the rights principle, under which the law specifies when a citizen is entitled to which benefits, while most service benefits, such as places in nursing homes, are based on an assessment principle. When a service benefit is awarded, it is therefore necessary in the majority of cases to make an individual professional assessment.

The focus of this report is restricted primarily to those welfare policies which form the framework for financial compensation: in other words, transfer payments.

Social welfare policies in the 1970s and 1980s

The foundation stone for the social welfare policies we know today was laid with the social and municipal reforms of the 1970s. The main element in the municipal reform of 1970 was the merging of 1386 municipalities into 275, with substantial consequent administrative restructuring. One gain was a fully professional local administrative apparatus, and considerable additional powers were vested in the municipalities in the belief that decisions concerning the individual citizen should be made close to him or her (Bogason, 1997).

The social reform of the 1970s was devised in a period with high economic activity and focused on security and well-being. Its fundamental principle was that social events such as unemployment should

not be allowed to involve major changes in living standards. Decentralisation and a higher degree of administrative professionalism at the municipal level resulted in many state institutions being closed and the local municipality becoming the main player in the social welfare area. The 1970s social reform also contained the foundation stones of the complaints system we have today, where the regional complaints boards and the Social Security Appeals Board are the only authorities in the area. Formerly there were more than twenty different complaints avenues in the area of social security (Plovsing, 1998).

Various currents began to make themselves felt within welfare throughout the 1980s, which were marked by a low level of economic activity. One such current was widespread dissatisfaction with passive support and the heavy bureaucratic system which some felt made it easy to exploit the system. Another was the fact that as unemployment continued to grow, it became increasingly difficult to continue to consider it a transitory problem. This failing support for the system is often spoken of as the “legitimacy crisis of the welfare state”. On top of this, public expenditure on social support had gradually become a heavy burden on the public purse.

Two main lines in Danish social policies since the 1980s have therefore been a reassessment of the “provider society” and a development away from passive support. The principles presently underpinning social welfare policies are that the state’s main task is to help people to help themselves, and that considerable efforts must therefore be invested in enabling people to provide for themselves. Basically, each citizen is considered responsible for his or her own situation in life, at the same time, however, as society has a responsibility to all, and must provide an opportunity for all to play a part in society (Plovsing, 1998).

On the basis of these principles, and strongly inspired by the good results of the active labour market policies, the work to develop an active and labour market-oriented welfare policy has been strengthened over the last couple of years, most recently with the social reform of 1998.

The social policies of the 1990s

The currents which influenced the debate in the 1990s included a new economic situation with a potential shortage of labour. Apart from this, the active line taken as regards labour market policy had met with considerable success and had come to form the basis of the new active social policy.

The social policies of the 1990s also reflect the ambition to move from passive to active support and to devise a labour market with space for all, the so-called “flexible labour market.”

The “flexible labour market”

The flexible labour market is part of the conceptual basis of the social welfare policies of the 1990s. Designation of the labour market as “flexible” means on the one hand that it must be opened to people

with reduced fitness for work, and on the other that space must be created for people who may possess the physical work capacity, but may have other problems which prevent them from playing their part (Ministry of Social Affairs, 1998).

The flexible labour market builds on three elements:

- preventing rejection by the labour market
- retaining at-risk groups in the labour market
- integrating people who find it difficult to find a place in the labour market.

In order to realise these goals, a wide range of options for participating in the labour market was devised in the 1990s for people with restricted fitness for work, including flex jobs and light jobs, partial sick leave etc. The higher priority given to rehabilitation may similarly be seen as another attempt at retention.

The creation of a flexible labour market requires more, however, than changing the law and establishing new channels of income. The flexible labour market is mainly a question of changing attitudes and fighting prejudices, and these aspects require a commitment from businesses and trade unions.

The flexible labour market, in other words, cannot be realised unless it has broad support and unless there is an extensive basis for constructive collaboration among the players involved.

The social reform of 1998 – from passive to active social policies

The changes which followed the new legislation in 1998 are often called the social reform of 1998, and in many ways they constitute an institutionalisation of the flexible labour market. First and foremost, a series of new bills were introduced which now form the basis of the active social policies. The most important acts in this area of social policy are now:

- the **Act on Active Social Welfare Policies**, which contains the provisions governing the payment of cash benefit, rehabilitation and flex jobs. The new element introduced with this act was the increase in active measures based on rights and duties associated with employment measures, also for people above the age of 25 and for people with problems in addition to unemployment. Another new element was the more stringent incentives to make use of rehabilitation and flex jobs.
- the **Act on Sickness and Maternity Benefits**, which contains the provisions governing sickness benefit. The main new element in this act was the duty of municipalities to follow up on sickness after eight weeks and the lapse of state refunding after 52 weeks. Municipal follow-up work must be done in collaboration with the sick person, medical doctors, hospitals and rehabilitation institutions, businesses, the trade unions and the Employment Service.

- the **Act on Social Pensions**, which contains the provisions governing early retirement pensions. The new elements in this act are that municipal authorities have now been given full competence to award early pensions while this was previously done in collaboration with the regional authorities, and that the level of state funding was reduced from 50% to 35%.
- the **Act on Legal Security and Administration in Social Affairs**, which contains the provisions on administration and complaints channels for the area. The most important element in this act is the provision that all municipalities have a duty to establish a co-ordination committee comprising representatives from the municipal authorities, the labour market organisations, doctors and the Danish Council of Organisations of Disabled People.

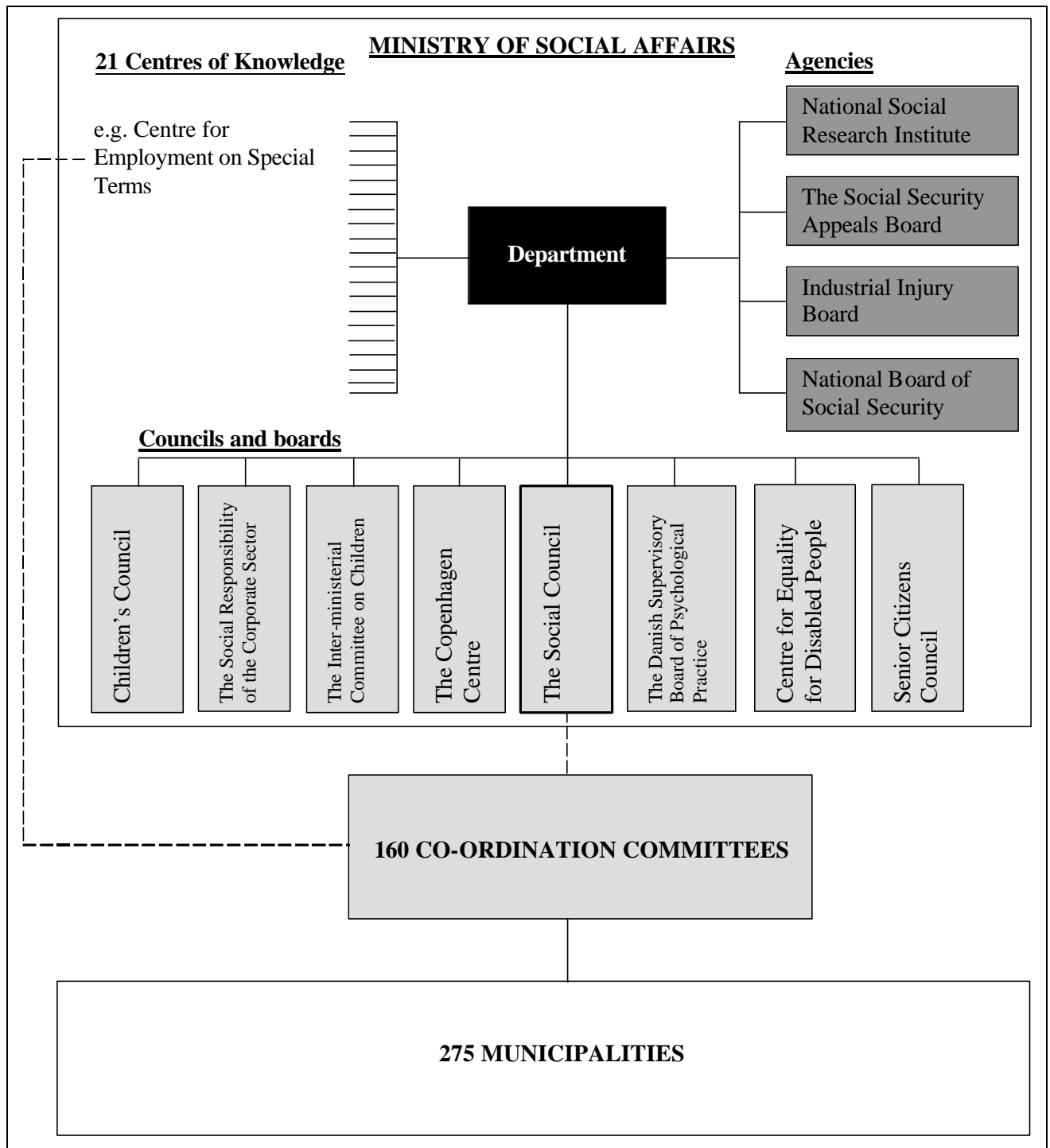
A few amendments were subsequently made to the Act on Active Welfare Policies, including a provision requiring more collaboration between municipalities and the business sector. This is reflected *inter alia* in an amendment aimed at strengthening municipal use of rehabilitation on the job, and another amendment which governs the municipal duty of providing a consultancy service to local business. The latter amendment has meant that almost all municipalities are now in the process of appointing consultants to advise local business on the possibilities created by law for appointing people on special terms.

In general terms, the social reform of 1998 may be said to be based mainly on a wish to return strong unemployed people to the labour market while making a greater effort with regard to the weak, and thus to reduce the number of early retirees. This is done partly by placing all management with municipalities and ensuring that the focus is on the client, that case handling follows a holistic approach, and that the requisite incentives are in place for increasing the application of active measures as well as various measures to increase the level of co-operation between municipalities, workplaces and other relevant players.

The welfare debate in Denmark is currently marked by divergent attitudes to a new approach to the welfare society where, among other issues, the roles of businesses and trade unions are being taken up for reassessment. All sides agree that passive support is very often the first step towards marginalisation in the labour market, and that it can well lead to further marginalisation firstly from the public system and in the last instance from all social networks. This must be prevented as far as possible, and it is therefore important that all sides contribute with regard to prevention, retention and integration.

The creation of a flexible labour market, which is the precondition for a successful active social welfare policy, thus stands and falls on the question of whether society as a whole will support the initiatives, and whether the will exists to face the challenges, especially with regard to integration.

B – Administration of social welfare policies – levels of co-ordination



The figure shows the social welfare institutions in Denmark and the links between them.

Section 1: National/Central level

The Ministry of Social Affairs

The Ministry of Social Affairs comprises a department, a research institute and three agencies: the National Board of Industrial Injuries, the Social Security Appeals Board, and the National Board of Social Security, as well as seven commissions and committees. These commissions and committees vary in status according to whether they hold independent powers or they are “merely” a forum where a group of interested parties can focus on a given area. In addition, there are 21 different knowledge centres associated with the Ministry of Social Affairs.

The government task in relation to welfare policy is largely to make legal decisions and handle complaints. As the vast majority of decisions within the welfare area are made at the municipal level, the complaints avenues are either with the state or regional governments. The complaints authorities are specified in the Act on Legal Security and Administration in Social Affairs, and in Annex 1.

The Social Council

The central authorities have established a co-ordinating and advisory body termed the Social Council. The Council is responsible for monitoring and advising municipal governments with regard to their work on employment measures, rehabilitation, flex jobs, light jobs etc. The municipal co-ordination committees collect their information on what the money has been spent on, and present it in annual reports which the co-ordination committees submit to their local councils and the Social Council.

The Social Council’s full title is “the Council for Social Measures in the Flexible Labour Market”, and it has the following members:

- the Danish Employers’ Confederation
- the Danish Federation of Trade Unions
- the Joint Representation of Managerial Employees and the Central Organisation of Academic Staff
- the Danish Council of Organisations of Disabled People
- the National Association of Local Authorities in Denmark
- joint representation of the Cities of Copenhagen and Frederiksberg
- the Ministry of Labour.

The Social Council advises the Minister of Social Affairs on questions concerning social security measures in the flexible labour market. It thus plays an advisory and co-ordinating role in connection with central policy formulation, the setting of goals, and needs analyses concerning new measures. The Council also supports the work of the local co-ordination committees for preventive labour market measures.

The Social Council became a statutory body and was strengthened as of 1 April 2000, when the Central Co-ordination Committee, which has existed since 1998, was abolished. The Central Co-ordination Committee had held some of the same functions as the Social Council but it also had to act in an advisory capacity with regard to the general practice of the Social Security Appeals Board. With the abolition of the Central Co-ordination Committee, the responsibilities were divided between two bodies, the Social Council with responsibility for monitoring of the co-ordination committees and the Central Practice Committee with responsibility for advising the Appeals Board with regard to its general practice.¹⁴

The establishment of the Central Co-ordination Committee/the Social Council may be seen as inspired by the labour market policy body, the National Labour Council. The Social Council holds far fewer powers, however, in relation to the municipal co-ordination committees than the National Labour Council possesses in relation to the regional employment councils. This difference can be seen as reflecting the tradition of decentralised control within the welfare area.

Section 2:Local level

The municipality

The municipality is the most important institution with regard to social services. It forms the framework of local democracy and is the public authority closest to the citizen. Denmark has 275 municipalities; the smallest (the island of Læsø) has a population of approx. 2,400, while the biggest (Copenhagen) has a population of close to 500,000.

The municipal right of self-government is enshrined in the constitution and dates back to the first free constitution of June 1849. A number of political and administrative changes have, however, been introduced since, particularly in connection with the municipal reform in the early 1970s, when Denmark's 1,388 municipalities were combined into 275 and the number of regional governments was also reduced from 25 to 14 (Bogason, 1997).

Apart from the restructuring of municipal boundaries, the municipal reform introduced major changes in the allocation of responsibilities among state, regional and municipal governments. It is generally true to say, however, that the last 30 years have seen solid support for local self-government, and that more and more tasks are delegated (www.kl.dk).

Among their other responsibilities, the municipalities are now responsible for the administration of practically all welfare benefits. If a person in Denmark has a problem, it is first and foremost the municipality which must try to solve it. The regional authorities are only involved if special expertise

¹⁴ See annex on the complaints system.

is required. Apart from social benefits, the municipality is responsible for the operation of schools and for childcare, the integration of refugees and all care of the elderly.

The delegation of powers is also a matter for individual municipalities. This may be seen in the fact that each individual municipal school, institution etc. has its own elected user representation. An institution's user board has considerable influence over the manner in which it handles its responsibilities, as the board holds considerable competence with regard to the daily running of the institution.

This decentralisation of government has naturally led to greater local political responsibility for local politics. The municipal council is elected every four years by ordinary election and has general responsibility for the municipality's social policies. The size of the local council varies from nine to 31, depending on the size of the municipality. The municipal budget is the key to the council's scope for management. Its management tools are therefore the levying of taxes and the right of funding.

Major political, economic and administrative responsibilities have thus been placed with the municipalities. Danish municipal authorities are actually responsible for half of all public expenditure in Denmark. Calculated in other terms, it may be said that the total expenditure of Danish municipalities equals 31% of the gross national product (www.kl.dk).

The municipalities finance most of their expenditure in the following three ways:

- levying taxes
- subsidy schemes among rich and poor municipalities¹⁵
- state subsidies in the form of block funding and repayment schemes.

The manner in which state funding is allocated is often a matter of debate. This is because the manner of allocation offers certain opportunities for control. Repayment schemes have been widely used *inter alia* in schools and the health sector, but they have been abolished in many cases because it was found that state refunding gave rise to certain unwanted incentives for the municipalities to concentrate their expenditure as much as possible on areas where state refunding was obtainable. State refunding is payable merely on the basis of documentation of costs. The last ten years have therefore seen a trend away from refunding schemes and towards block funding and own income, with a corresponding increase in municipal responsibility for budgetary decisions. Today, practically the only area in which refunding schemes remain is social services, where they have been deliberately used as control tools for the last couple of years.

¹⁵ The subsidy scheme among municipalities means that relatively large amounts of money are transferred from rich municipalities to poor. The subsidy scheme is based on the difference between the tax base and the need for expenses. The tax base is calculated pr. citizen and the need for expenses is calculated on basis of the composition of the population and some social criteria e.g. unemployment and the composition of the housing stock.

In 1992 the refunding of social benefits was “harmonised” in such a way that municipalities are refunded 50% of their expenditures on cash benefit, early retirement schemes and sickness benefit. This step was motivated by the attitude that people should be given the benefit best suited to their needs without consideration of special incentives influencing the municipality’s choice (Bach Jørgensen, 1994). Prior to 1992, 100% state refunding had been available for early retirement schemes, with the result that many people felt that the municipal authorities often granted early retirement pensions to people who were not genuinely entitled to them.

With the social reform of 1998, one objective of which was to reduce the number of people granted early retirement, a number of new changes in state refunding schemes was introduced, so that:

- cash benefit expenditure is defrayed by the municipality alone
- 30% of early retirement expenditure is refunded
- 50% of rehabilitation expenditure is refunded
- subsidised flex job wages expenditure is refunded 100%
- sickness benefit to employed and unemployed people:
 - full state refunding for the first eight weeks
 - for the next 42 weeks, the state refunds 50% of municipal costs
 - after 52 weeks, the municipality alone pays all sickness benefit
- the old age pension, which is given to all people over the age of 65, is refunded 100% by the state.

The economic incentive has thus been created for municipalities to promote the use of rehabilitation and flex jobs and to ensure that cases involving sickness benefit do not take years to settle.

When a citizen applies to his or her municipality for a social benefit, it will be assessed on the basis of the Ministry of Social Affairs guidelines on the interpretation of the welfare acts, in order to decide to which benefit the person is entitled. Local authority employees, called case officers, will carry out the assessment. The case officer often has an education as a social worker.

Social worker education in Denmark has a duration of 3 years, and there is tuition in 4 subject areas:

Social guidance and social guidance methodology;

Development and interaction of human beings;

Juridical regulation;

Society, politics and economics.

Many municipalities encourage that one social worker be assigned and follow through a particular person’s case in order to find the best solutions to the problems. In addition, it is a condition that there is a good cooperation and understanding between the social worker and the applicant.

Regional government

Denmark has fourteen counties whose primary responsibility is the operation of hospitals, upper secondary schools and other education, regional business development, road construction and other tasks requiring a population base bigger than that of a municipality.

As noted above, municipal authorities handle practically all tasks within the social welfare sector. The counties only step in to solve tasks requiring either more specialised expertise or a larger population base.

The county authorities are, for example, responsible for institutional care and housing schemes for:

- people with physical or mental disabilities
- the mentally ill
- children and young people with behavioural problems
- the homeless and victims of domestic violence
- rehabilitation and light jobs

As experts within these areas, the counties also act as consultants to the municipalities (www.kl.dk).

As a major employer, the counties also have a certain obligation in relation to welfare policies to establish light jobs and flex jobs, and to make places available for public sector job training etc., and as educational authority to ensure the availability of programmes for target groups with loose or no association with the labour market (www.arf.dk).

Local co-ordination committees

In order to promote the development of a “flexible labour market”, it was determined by law in 1999 that all municipalities should establish a co-ordination committee with responsibility for local preventive work in the labour market.

This work must be directed primarily at increasing job opportunities for people in danger of losing their links with the labour market or people who have difficulty obtaining a job on ordinary terms. The co-ordination committees therefore advise the municipal authorities on measures with regard to employment measures, rehabilitation, subsidised light jobs and monitoring of cases involving sickness benefit, and they also act as advisers to private businesses and organisations.

Under the Act on Legal Security and Administration in Social Affairs, co-ordination committees generally comprise seven members:

- one appointed by the municipal council from among its members

- one from the Danish Employers' Confederation
- one from the Danish Federation of Trade Unions
- one from the Joint Representation on Managerial Employees
- one from the Association of General Practitioners
- one from the Danish Council of Organisations of Disabled People

The committees may have both more and fewer members, and small municipalities may join forces and establish a joint co-ordination committee.¹⁶

The purpose of the co-ordination committees is to develop co-operation between the municipality and local parties with an interest in labour market measures. The co-ordination committees are intended as a contribution towards the promotion and co-ordination of the social partnerships which are often forged in connection with local projects while also connecting such partnerships to the relevant general co-ordination and decision-making processes in a given municipality.

In connection with the recent upgrading of job-related rehabilitation, the co-ordination committees' funding was increased and they will receive DKK 145 million (€19,5 million) in funding in the year 2000 for specific job-related rehabilitation activities, against DKK 95 million (€12,8 million) in 1999.

The municipal council sets the general framework for preventive social labour market measures in the local community. Within this framework, the co-ordination committee decides what the money should be used for, and the municipal administrative machinery is responsible for implementation of the co-ordination committee's decisions.

The obligation to have a co-ordination committee should be seen in light of the fact that all Danish municipalities now have the competence to award all available early retirement pensions. The municipalities therefore now have at their disposal all support schemes provided under the Act on Sickness and Maternity Benefits, the Act on Active Social Policies and the Act on Social Pension Schemes.

This increases the need for co-ordination of the various social security measures.

¹⁶ It may be remarked that only one user group (Danish Council of Organisations of Disabled People) is represented in the local co-ordination committee whose core work is to prevent exclusion, to retain and integrate all risk groups in the labour market. It has to be said that it is possible, according to the legislation, to invite other interest groups e.g. groups of immigrants, groups of alcoholics, groups of drug abusers, or other groups who find it difficult to find a place in the labour market. This has been the case in several municipalities, but only by special arrangement such as on project days etc. and not as a permanent representation.

The permanent representation of The Danish Council of Organisations of Disabled People is presumably due to the fact that they represent a very significant user group, are acknowledged as an organisation, and have a country-wide network.

Section 3: Interim conclusion – horizontal and vertical co-ordination

The Danish tradition of local self-government in the welfare area means that the degree of vertical control is relatively restricted. This applies to both the administrative control channel where the Ministry of Social Affairs exerts some limited control over the municipal agenda, and also to the more political channel where the powers of the Social Council in relation to local co-ordination committees are also highly limited.

In contrast, important steps must be said to have been taken towards horizontal co-ordination, not least with regard to the establishment and regulation of the co-ordination committees in 1998. Influence has been secured for a wide range of parties with an interest in social policies at both local and central levels. Steps are being taken, not least at local level, to increase co-ordination with labour market policies, partly with regard to the links of unemployed cash benefit recipients to the Employment Service and partly in the form of co-operation among municipalities, companies, trade unions and the Employment Service with regard to the monitoring of sickness benefit recipients.

C – The “rhetoric” of co-ordination

This section is based on interviews with players from the National Labour Council and the Social Council. The section is structured so that we first describe the players’ attitude to co-ordination in connection with the labour market policies, then the players’ attitude to co-ordination in connection with welfare policies, and finally the players’ attitude to co-ordination between the two areas.

Co-ordination in relation to labour market policies

Co-ordination among players in relation to labour market policies formally takes place in the National Labour Council and the regional employment councils. With the establishment of these councils, a level of institutionalised co-operation among the various relevant labour market parties has been secured. Given that the task of the National Labour Council is to set goals and targets for the regional employment councils, it is necessary that all members make an effort to build a level of shared understanding of and strategies for solutions to the labour market’s structural problems. In formal terms, the National Labour Council only plays a role in relation to unemployed people within the labour market system. In practical terms, it does, however, also have some significance for certain groups in the social welfare system, namely for cash benefit recipients whose only problem is unemployment and who must therefore also be registered with the Employment Service.

However, whether the National Labour Council can continue to focus exclusively on the unemployed in the labour market system, or whether the Council should also begin to concentrate on welfare issues, is hotly debated both internally in the National Labour Council and generally in labour market policy forums. This issue raises fundamental questions with regard to the way in which unemployed

people are divided by the system into one group which is helped back into work via municipal measures and another which is the responsibility of the Employment Service.

In our search for answers to this question we have interviewed the following members of the National Labour Council:

- Tina Voldby from the Danish Employers' Confederation
- Tommy Kjeldsgaard from the Association of County Councils
- Ulrik Pedersen from the National Association of Local Authorities in Denmark

and

- Jesper Hartvig Pedersen from the Ministry of Labour, and the Ministry's representative on the National Labour Council
- Merete Bingen-Jakobsen from the National Labour Market Authority, and the Authority's representative on the National Labour Council.

The players' objective as members of the National Labour Council

The National Labour Council's objective with regard to employment is to ensure that employers have the labour force they need and to prevent long-term unemployment.

The National Labour Council has, however, held internal discussions on whether the second goal should not be divided into two, one focussing on the prevention of long-term unemployment among those groups who are in the labour market but at risk of losing their foothold there, and another on the integration of unemployed people locked into unemployment.

The Danish Employers' Confederation's main objective for its presence on the National Labour Council is to ensure that employers are able to obtain the workers they need. This objective makes the second goal relevant as well, because people who have suffered long-term unemployment often do not return to the labour market on ordinary terms, and they are thus in danger of slipping out of the ordinary workforce. The smaller and weaker the workforce is, the harder it is to achieve the objective regarding workers to fill available jobs.

The Federation of Danish Trade Unions' objective is full employment and the creation of space for those who are presently kept out of the labour market: in other words, to secure labour market links for as many people as possible.

With a statement of objectives such as these, the traditionally opposing labour market parties must be said to have narrowed the gap between them considerably with regard to their labour market policy goals.

Apart from the Danish Employers' Confederation and the Federation of Danish Trade Unions, other players are also represented on the National Labour Council, namely representatives for the Association of County Councils and the Association of Local Authorities in Denmark.

These two associations have several reasons for sitting on the National Labour Council. First and foremost they represent various regional and local entities in Denmark to which they each have an obligation to ensure a reasonable level of available manpower for employers in the area. Secondly, they are both very big employers (in some municipalities, the municipal authorities are in fact the biggest local employer). Thirdly, both are public authorities; and finally, both are interest organisations working to protect as high a level of local self-government as possible.

The municipality has an added interest in ensuring that as few people as possible fall out of the labour market system, requiring cash benefit and thus municipal support. The regional and municipal representation in the National Labour Council can also be seen as an attempt to co-ordinate with welfare policies as the municipalities are responsible for a very high proportion of welfare implementation. Regional authorities also play a social welfare role, and although it is somewhat smaller, they are responsible for part of the rehabilitation programme and they have the expertise in special cases.

Both the Association of County Councils and the Association of Local Authorities have a somewhat ambivalent attitude to their membership of the National Labour Council. They are partly there to ensure the influence of their members, while both organisations also seek to protect local self-government. Both associations therefore work to ensure that the National Labour Council has as little influence as possible, or at least that the framework which the National Labour Council formulates for the regional employment councils is as broad and as non-binding as possible.

The need for co-ordination

All parties represented on the National Labour Council believe there is a need for more co-ordination between social and labour market policies. The main argument is that Denmark is facing a shortage of workers in the near future, and that we must therefore begin to look around for other places to find labour than the traditional labour market system.

Several members of the National Labour Council point out that the way in which unemployed people are categorised and placed either within the social welfare or the labour market system should be reassessed. Under the present system, it is the income basis which decides who is responsible for employment programmes. Yet several of the members interviewed pointed out that the two groups are beginning to resemble each other more and more. As unemployment has dropped markedly, it is now largely only the "most problematic" unemployed who are left in the Employment Service system.

These are people about whose availability for work serious doubt may be entertained, although they are members of an unemployment fund and currently fall within the labour market system.

Several voices claim that these people are a “product” of the labour market system itself, in so far as it was possible under the old system (prior to 1994) to continue to earn the right to unemployment benefit by participating in employment programmes. Many unemployed people in the Employment Service system have thus been riding the employment measure merry-go-round for years and have continued to receive unemployment benefit, although they have had no contact at all with the labour market. Several of these most problematic unemployed now face other problems in addition to unemployment, and more extensive co-operation with the municipal authorities could be relevant in resolving this issue.

Given that the two target groups are almost identical, many feel that there is little point in maintaining the dual system. Many voices also point out, however, that merging the two systems into one would be a politically highly sensitive issue.

Firstly, it has been difficult for the labour market parties to acknowledge that not all people in the labour market system are fully available to the labour market, and that it may therefore be useful to be able to benefit from municipal expertise, for example in devising measures to assist a person on unemployment benefit who has other problems in addition to unemployment. Secondly, there are many interests involved in the protection of the “Danish model”, where the vast majority of labour market problems are resolved by the labour market parties with the least possible interference by the state.

All National Labour Council members do, however, point to a need for more co-ordination between welfare and employment policies in certain areas. The most urgent need is in the area of sickness benefit. In May 2000, for the first time, Denmark will be in the position of having a greater number of people registered as sick than as unemployed. This is due among other things to the fact that sick leave has increased in step with the fall in unemployment and increase in employment. There are, however, many opportunities for participating in the labour market despite reduced fitness for work, and all parties in the National Labour Council are working to ensure much more use of these opportunities than is the case today. As sickness benefit cases belong under welfare policies, and as the scope for labour market programmes to deal with this is now being created in order to provide the requisite labour force for employers, we may speak of an urgent and increased need for co-ordination of welfare and employment policies.

Co-ordination in relation to welfare policies

Co-ordination in relation to welfare policies is formally the province of the Social Council and before that the Central Co-ordination Committee, and at the local level the social co-ordination committees. With the establishment of the council, institutionalised co-operation has been secured among various players relevant to welfare policy implementation. A couple of members of the Council, the labour market parties, must be seen as relatively new partners in relation to welfare implementation.

For the purpose of this report we interviewed the following members of the Social Council:

- Tina Voldby from the Danish Employers' Confederation
- Michael Jacobsen from the Federation of Danish Trade Unions
- John Møller from the Council of Organisations of Disabled People

and

- Eva Pedersen from the Ministry of Social Affairs, the Ministry's appointed representative on the Council.

The players' objective as members of the Social Council

The purpose of the Social Council is specified in the Act on Legal Security and Administration in Social Affairs. The objective is primarily to act in an advisory capacity to the Minister with regard to the flexible labour market, and additionally to support local efforts anchored in the local co-ordination committees. It is important to stress, however, that welfare policies in Denmark are primarily implemented at local level, and that the Social Council therefore only acts in an advisory capacity, which means that its powers are more restricted than those of, for example, the National Labour Council. The role of the Social Council is thus not to prepare specific guidelines for the local co-ordination committees, but rather to serve as a forum where attitudes can be changed and understanding developed for the views of other members. The ambition with regard to the Social Council is thus not to control the social co-ordination committees but to strengthen them.

The National Association of Local Authorities is a natural member of the Social Council, in so far as it is the local authorities which carry the primary responsibility for social welfare policy implementation. For this Association it is important that the Social Council works on securing the links with and integration into the labour market, to leave as few people as possible to be supported by the municipality. Employer and employee organisations may be seen as relatively new players in social welfare policies and they have traditionally always been concerned with people with links to the labour market. It has therefore meant an extension to their traditional areas of activities to be involved in the integration of people outside the labour market. The Federation of Trade Unions' goal is the same as for employment policies, to secure labour market links for as many people as possible, and

additionally, if it proves impossible to integrate all people, to ensure that those remaining outside have a proper basic income.

The welfare goal of the Danish Employers' Confederation is the same as its employment goal, namely to ensure that employers have access to the labour they require. In the Confederation's view this is closely linked to proper welfare policies, as many long-term unemployed and sick people never return to the labour market. Indeed, sickness is the single biggest marginalisation factor in Denmark. It is important to the Confederation that measures be taken to prevent people from moving down the marginalisation ladder as shown here:

Unemployment benefit/cash benefit – sickness benefit – rehabilitation – flex job – early retirement scheme.

The further down the ladder (to the right as depicted above) a person is, the more marginal is his or her position relative to the labour market. The Confederation thus has considerable interest in both employment and welfare policies, but not in those parts of the welfare policies which are not labour market-oriented.

The Council of Organisations of Disabled People may be said in certain ways to represent the user group, representing as they do a large proportion of people who should preferably be integrated into the labour market. The Council's general goal is to secure sectoral responsibility for problems involving disabled people. According to the Council it is the limitations of employment policies which determine how many people are forced to fall back on the welfare system, meaning that far too many employment problems are turned into welfare problems. The Council's objective for its work with the Social Council therefore includes the aim of influencing attitudes and creating understanding and e.g. having the flex job scheme moved into the labour market system.

One of the barriers preventing the Social Council from making more binding statements in the manner of the National Labour Council is the municipal self-government and funding system. The state funds a large part of the labour market services, with self-financing by the unemployment funds being relatively limited. This makes it possible to issue far more directions and guidelines centrally. The government's welfare priorities are felt much more strongly directly in the municipalities because of the refunding system. There will therefore naturally be more reluctance on the part of the municipalities to being obliged to obey central directions.

Interim conclusion: co-ordination between welfare and employment policies

There is no formal body for co-operation between the welfare and employment sectors at central level. The Ministry of Social Affairs and the Ministry of Labour do not formally collaborate and nor do the National Labour Council and the Social Council meet to exchange experiences.

Some parties in Denmark protect the dual system and there is nothing to indicate that it is moving towards integration, although several players expressed the view that they could see advantages in this.

There is nevertheless some interaction between the two political fields. For one thing, the welfare system has been adjusted in many ways to resemble the employment system in structure and tools, and the same people are to some extent players in both fields, acting as representatives for the various organisations on both the National Labour Council and the Social Council.

There is no doubt that players from both the welfare system and the employment system can see an advantage in more co-operation, and that many are likely to direct their efforts accordingly in the future.

Chapter 4. Co-ordination in practice

Co-ordination within and between the two systems was described above at a more institutional and political level. This chapter is a description of how the dual support and employment measure system functions in practical terms. On the basis of three case studies, an account is given of concrete co-ordination initiatives and of the motives, possibilities and barriers which exist for increasing co-ordination between social and labour market policies.

Introduction and method

Three municipalities, each with its own unique features and its own individual framework, have been selected for this case study. The first municipality to be described is the municipality of Ravnsborg on the island of Lolland, an area which has been marked for many years by low growth, high unemployment and a relatively large number of people on transfer payments. For our second case we have selected Fredericia, located in Eastern Jutland and one of Denmark's largest municipalities. Fredericia is located in the area known in daily parlance as the "triangle", an area which has been marked for many years by economic growth and relatively low unemployment. The third municipality selected for this study is Ringkøbing in West Jutland, a municipality with a relatively small population which in recent years has had very low unemployment and in some cases a shortage of labour.

In all three municipalities we have interviewed people with an insight into the work of the local co-ordination committee. As noted, the local co-ordination committees are statutory instruments of co-ordination; in other words, all municipalities are obliged by law to establish one. As they are relatively new, there is considerable difference from one municipality to the next concerning how far the committees have proceeded in their work, and there are also considerable differences in the kind of teething problems experienced. We have interviewed various members and appointed representatives of the various committees in order to form a better impression of the type of steps towards co-ordination the committees are taking.

In addition, we decided to make contact with an employment project in each municipality in order to see whether any attempts are being made to co-ordinate social and labour market policies in practice. We interviewed both the project manager and participants in all three employment projects.

Each case study is constructed as follows:

- **Section 1** is a description of the municipal framework conditions, population, geographic location etc.

- **Section 2** is a brief account of what the local co-ordination committee has introduced by way of co-ordinating measures at the local institutional level. This section is written on the basis of interviews with members of the co-ordination committees and appointed representatives.
- **Section 3** is an account of the local co-ordination measures in the municipality with special focus on employment measure policies. These sections are based mainly on interviews with the relevant people from the municipalities and the heads of the local employment services.
- **Section 4** takes as its starting point a specific employment programme, aimed mainly at helping cash benefit recipients into work. We have here an example of a project with a very broad target group, a project with a highly specific target group and an example of an employment measure in the form of a short training course in a vocational training school. These sections are based on interviews with the three project heads and written materials relating to the three employment programmes.
- **Section 5** discusses the effect of the employment measure and is based mainly on interviews with participants.
- **Section 6** is a summary of and interim conclusion to the case study, where we present a brief outline of the problems and advantages inherent in the way in which the municipality has approached the question of co-ordination.

The chapter concludes with a comparison of the three cases.

A: The individual case studies

Case no. 1: Ravnsborg

The municipality of Ravnsborg was included in the study because given its local conditions such as high unemployment and few jobs compared with the nation as a whole, it has special incentives for increasing co-ordination between welfare and employment policies.

Section 1: Local context

Ravnsborg is a rural municipality of 197 km². The municipality extends across north western Lolland north of Nakskov, also including several smaller islands. It has approx. 5,750 residents and a population density of 29 people per square kilometre (Danish Central Bureau of Statistics).

Ravnsborg is part of Storstrøm County, which is marked generally by relatively high unemployment. West Lolland, which is often classified as one of Denmark's marginal areas, has had very low economic growth for many years and many business closures, including a large shipyard in Nakskov.

This has led to the area having one of Denmark's highest unemployment rates. In 1998 it was 19.7% (Danish Central Bureau of Statistics).

In 1998 there were 1,700 jobs in Ravnsborg or, in other words, 26 jobs per 100 residents, which is a very low figure compared with the rest of the Denmark (Danish Central Bureau of Statistics).

We interviewed three people in Ravnsborg in connection with the co-ordination committee:

- Ellis Heje from the Employment Service – Nakskov, member of the co-ordination committee
- Kirsten Quist Boysen, Head of Social Services in Ravnsborg, appointed representative of the co-ordination committee
- Lise Hansen, Project Consultant, employed by the co-ordination committee.

Unfortunately it was not possible to interview the committee members representing the Danish Employers' Confederation and the Federation of Danish Trade Unions as one was away on business and the other was absent because of illness.

We also visited the employment project "Green World", where we interviewed:

- Ole Halling, head of "Green World"
- five people on "Green World" employment measures

Section 2: Description of the co-ordination committee

The co-ordination committee in Ravnsborg is a joint committee established by four municipalities in West Lolland.¹⁷ The committee was formed in 1998 following adoption of the Act on Legal Security and Administration in Social Affairs.

In addition to the representatives from the Employment Service, the Danish Employers' Confederation and the Federation of Danish Trade Unions each has one representative, as do the four municipalities. There is also a representative from the Council of Organisations of Disabled People, while the representative from the Association of General Practitioners has resigned from the committee.¹⁸ The municipalities have also appointed representatives from the municipal administrations to the committee. Municipalities of the size of Ravnsborg are often forced to establish joint committees, among other reasons because it would be difficult to mobilise representatives from interested organisations (the Danish Employers' Confederation, the Federation of Danish Trade Unions and the Council of Organisations of Disabled People) for each municipality. A joint municipal committee

¹⁷ The four municipalities are Ravnsborg, Nakskov, Højreby and Rudbjerg.

¹⁸ The resignation of the representative from the Association of General Practitioners is not exclusive to Ravnsborg, it has also occurred in many other municipalities. This may be due to the fact that many general practitioners do not consider the meetings in the local co-ordination committees sufficiently compensated compared to the lessons, and that their practices need to be closed during meetings. In addition the Association of General Practitioners does not have the same network structure as e.g. the organizations representing the two sides of industry, which are much better suited for political work at a local level.

means, on the other hand, that municipal representatives are over-represented at the meetings relative to the various interest organisations.

The specific initiatives taken by the co-ordination committee include the implementation of projects to promote the use of adult trainees, a training course in personal care for people on sick leave, and a preliminary course for people in job training. One of the co-ordination committee's initiatives has been the appointment of a project consultant with responsibility for implementing the various initiatives. Her salary is not, however, paid by the committee, but by the four municipalities jointly.

Other initiatives have also been introduced with the purpose of giving employees in the various systems an opportunity of gaining a better knowledge of each others' avenues and tools. There is already a considerable level of co-operation between the municipality and the Employment Service, partly because there are many personal relations among employees because of the small size of the municipality.

In order to increase co-ordination between the welfare and the employment systems, the co-ordination committee took the initiative of organising a conference day with guests invited from all relevant systems to give them the opportunity to gain a broader knowledge of each others' avenues and tools.

The day was held in May this year under the name "General theme day on available instruments for keeping people in jobs", and the people invited were:

- the municipal social services administrations
- the unemployment funds
- the trade unions
- the Employment Service
- the occupational health service
- the occupational medicine clinic.

The intention behind the day was to give the various organisations the opportunity to tell each other of the possibilities they see for people participating in the labour market on special terms, the underlying principle being minimum interference with personal autonomy.

The co-ordination committee's main task is to facilitate the introduction of weak groups into local businesses as a source of labour, and to ensure that employers are aware of the subsidy schemes available for this purpose. The co-ordination committee's work thus has no direct influence on how specific employment programmes should be planned.

Section 3: Municipal employment programmes

Ravnsborg has placed most of its employment programmes in the job centre, which also serves as vocational training school. The job centre is organised on a business model with fixed starting times every day, so that people on employment measures will feel little difference from going to work. This is to demonstrate close relations to the labour market.

Ravnsborg's other employment projects generally have a broader aim than to be "merely" an employment measure. A large proportion of its programmes has been based on "the environment" or "building projects" or other projects in collaboration with municipal institutions or associations. Generally speaking, Ravnsborg has followed an employment plan entitled "A greener employment policy for Ravnsborg" (Municipality of Ravnsborg, 1999: Reassessment of the employment scheme).

The employment projects initiated have thus involved maintenance of municipal buildings and the demolition of houses ripe for condemnation.

The green line in employment measures is manifest in the project "Green World", which is a tropical greenhouse with rare plants and birds, a project to start an organic market gardening business, and a project involving the maintenance of old willow hedges on one of the islands in the municipality.

Ravnsborg's employment programmes are highly project-oriented. All its employment projects are actually funded by grants awarded to specific projects as the municipality has no possibility of financing employment measures by itself.

Ravnsborg divides its employment measures into three types:

- Labour market-oriented measures for people who can be readily helped back into work.
- Indirectly labour market-oriented measures, which do not aim directly at some specific labour market placing, but where such a placing is nevertheless the final goal.
- Welfare employment measures, where there is presently no labour market perspective. Welfare employment measures have the immediate goal of improving the quality of life of the individual participant (Municipality of Ravnsborg, 1999: Reassessment of the employment plan).

We visited the employment project "Green World", which includes all three types of employment measure.

Section 4: Description of the "Green World" project

"Green World" is located in a disused commercial greenhouse property on the outskirts of the village of Købellev, the property being rebuilt into a tropical experience centre with rare birds and plants from all over the world.

The institution is a collaborative effort between Storstrøm County and the municipality of Ravnsborg to meet the county's need for daily activities for the physically and mentally disabled and the municipality's need for employment measure places. The project thus represents a co-ordination of the employment element in welfare policy and the social skills element. The project also represents a collaborative effort across the traditional delegation of responsibilities between municipality and county.¹⁹ The institution started as a project in June 1996, but was made permanent from June 1998 by a unanimous county council.

“Green World” is a “Section 87” institution, in line with Section 87 of the Act on Social Services which states that “the county council shall provide opportunities for protected employment for people below the age of 65 who are unable to obtain a job under ordinary conditions in the labour market because of reduced physical or mental abilities or because of special social problems”.

The “Green World” activities are characterised by:

- recycling
- environmentally sound solutions
- local anchorage
- a flexible workplace for people unable to gain a foothold in the ordinary labour market.

“Green World” commenced in 1996 and is now the workplace for an inter-disciplinary staff of 55. All work in teams, where each individual employee participates according to ability. The institution has become a tourist attraction with approx. 15,000 annual visitors.

The staff of Green World comprises:

- 25 clients (in this context, mentally retarded people and addicts)
- seven ordinary jobs
- six people on municipal employment measures from Ravnsborg
- two people on municipal employment measures from Nakskov
- nine people on employment measures from the Employment Service
- 2-3 people in job training

Our focus was directed mainly at the last four groups. The philosophy of “Green World” is very much “learning through doing”, among other reasons because the people on employment measures sent here have been on many courses, some of which have been at the wrong level, or which they have been unable to use in a job situation.

The duties of both clients and people on employment schemes are to provide services for the tourists and to make the centre “function”, including with regard to the care of birds and plants, construction

¹⁹ The distribution of tasks between municipality and county in the welfare area is explained in Chapter 3.

work etc. Those on the employment schemes also have an additional educational responsibility towards e.g. four clients.

“Green World” may be seen as a highly labour market-oriented employment programme, in so far as considerable effort is put into making the place function as a real workplace with regard to the skills to be performed.

According to Ole Halling, “Green World” enjoys a good working relationship with both the Employment Service and the municipalities. The same demands are placed on the people on employment schemes at “Green World”, whether they have been sent by the Employment Service or the municipal authorities. The co-operative relations with the Employment Service are also seen in the fact that the latter rings up when it has a person it wants to place on an employment scheme in “Green World”, and also when it wants a person with particular qualifications for a particular job.

Section 5: The effect of employment measures in “Green World”

We interviewed five people on employment measures in “Green World” and encountered a number of attitudes. Those interviewed represented a broad section of people placed on the scheme via different social welfare and employment measures. They included two people on unemployment benefit, two on cash benefit and one person on rehabilitation benefit.

All those interviewed saw their work at “Green World” as very similar to an ordinary job, apart from the fact that there was not the same time pressure as in an ordinary workplace and that the work therefore often proceeded at a somewhat slower pace. All agreed, however, that they were happy to be in “Green World”, although most would prefer a “real” job, primarily for financial reasons.

The general view of the institution “Green World” is that all are happy there, and that no distinction is made between people coming from one or the other system. As one of the interviewees said: *“Here at Green World we are all the same, whether we have permanent jobs, are on employment schemes or are clients”*.

Most of the interviewees support the idea of employment measures *per se*. They all agreed that it was good to have something to get up for in the morning, and to get out among other people. One of the interviewees, however, a person on unemployment benefit, felt worn out after 40 years in the labour market and was now only waiting to be allowed to take early retirement.²⁰ This person felt it to be pointless to be forced onto an employment scheme, as she had no intention of returning to the labour market.

²⁰ The early retirement pension is a retirement scheme which was introduced in 1979 in connection with initiatives for combating unemployment by limiting available labour. To take early retirement it is necessary to be over 60 years and to have been a member of an unemployment fund for at least 15 years. The early retirement pension provides 90% of the previous wage, but maximum DKK 139,880 (18,793 EUR) per annum.

There was considerable difference between the interviewees' perceptions of their contact with the municipal authorities and the Employment Service. Those registered with the Employment Service had never heard from them and said that they had had no experience of the co-operation between municipality and Employment Service. The person on rehabilitation benefit was very satisfied with the treatment and help she had had from the municipality, while three people on cash benefit had felt that the treatment received depended very strongly on the individual case officer. They expressed the view that there was nothing wrong with the rules as such; the thing that really mattered was how you got along with your case officer.

It was not the opinion of the people interviewed that employment measures at "Green World" were in any way a help in finding a job again. Opinions differed as to what it would take to return to the labour market. First and foremost there are not enough jobs in the region, and this is probably the strongest barrier. One of the people interviewed felt that the best way to return to the labour market was to have the opportunity of a month's job training, so that you and the boss could have a good look at each other before you were appointed. Another person felt that the many employment scheme places mean fewer real jobs. There was a general sense of bitterness that certain jobs are only created if they are subsidised. The person on rehabilitation benefit did, however, feel that the scheme had got her going in a sense, and that she had become clearer on what she wanted to do in the future.

"Green World" does not follow up on what happens to those who have been on an employment scheme there after they have left. It is generally thought, however, that a number of those who have been in job training there (primarily people below the age of 40) have found a job subsequently. As a two-year project, the municipality has recently appointed a new *coach* with special responsibility for the most "most problematic" among the unemployed, to help them to improve their situation. This will probably lead to better follow-up of this group after the scheme.

It is generally hard to say what particular qualifications people acquire by their assignment to "Green World". For some it is a question of being kept going, or learning to do a job every day. There are many people, however, especially those sent to "Green World" by the Employment Service, who have been many years in the labour market and who have no need to learn to get up in the morning. Many of those on employment measures are resourceful women between 50 and 65 years of age whose skills are not in demand in the area.

It may therefore be said that "Green World" is both a place where people are put on an employment scheme in order to prepare them for the ordinary labour market and a place which attempts to create a genuine workplace.

Section 6 Interim conclusion

Based on the interviews we have done, Ravensborg may be said to have a highly co-ordinated social and labour market programme. This is partly because people from both systems are placed on employment schemes in the same place without any distinction being made as to whether they come from one or the other system, and partly because the projects implemented in Ravensborg often have a broader aim within social welfare policy and the general “green” line in the municipality, such that employment measures are interlinked with other political areas.

The co-ordination committee in Ravensborg experienced a number of teething problems, especially with regard to the fact that it had to act as a joint municipal partnership. The four municipalities exhibited a number of different practices and routines which required harmonisation. These teething problems meant that the co-ordination committee had difficulty in spending its budget for the first year.

All the players with whom we spoke felt that the co-ordination committee was a promising body which would strengthen social welfare and labour market work once it got going properly. Several point to advantages of bringing administrators and politicians closer together. It was pointed out, however, that the county ought to be represented on the committee as the counties are responsible for a major share of the rehabilitation work.

The municipality and the Employment Service feel that they co-operate extensively, among other reasons because of the many personal relations among their respective employees, which are a consequence of the municipality’s small size. Their co-operation is also evidenced in the fact that cash benefit recipients whose only problem is unemployment must be registered with the Employment Service. If they fail to attend, the Employment Service must report this to the municipality, which then reduces the amount paid in benefits.

The need for co-ordination between social welfare and labour market policies derives in part from the fact that West Lolland, and thus Ravensborg, has a relatively high number of long-term unemployed in the employment service system. According to a survey of unemployed people with weak links to the labour market commissioned by the Employment Service, all long-term unemployed should be considered to be “at-risk” unemployed,²¹ meaning that the sheer fact of having been long absent from the labour market means that it is difficult to gain a new foothold in it. This means that it is not only cash benefit recipients or unemployment benefit recipients with little or no formal education who are in need of extra assistance, but also for, example, long-term unemployed graduates. The division between welfare policies and employment policies is not all that relevant today, as many of those in the employment service system have entered via the old rules under which it was possible to qualify

²¹ The study was carried out in 1998 by Storstrøm employment service.

for unemployment benefit by taking part in an employment programme.²² The same survey also showed that it cannot be taken for granted that all of those on unemployment benefit are available for work.

One barrier to better co-operation between the Employment Service and the municipal authorities is the financing of the systems. It is difficult for a municipality to grant time and money to tasks outside its area, especially when the task falls under an entirely different system such as the labour market system, which is financed by the state and by fund members.

The Employment Service would like to use more private job training, but this is a little difficult as there are relatively few businesses in the area. The Service has sometimes found that it has been in competition with the municipality to fill a job training employment scheme place. In such situations it can be difficult for the Employment Service to compete with the municipality, as the municipality can offer a higher wage subsidy than the Employment Service and make “free” labour available for a longer period.

The Employment Service therefore expresses the view that more co-operation with the municipality would be an advantage, as the target groups are becoming more and more alike and the tools are practically identical. There is already some co-operation between the two authorities, but this is largely with the municipality acting in its capacity as employer, that is to say with regard to the municipal authorities’ scope for establishing job training places, service jobs etc.

Several of the players with whom we spoke feel that it would be feasible to strengthen co-operation even more, and the establishment of a single system was an obvious possibility. There is nevertheless much to indicate that it was the local conditions, the few jobs etc. which most people in this municipality felt to be the strongest barrier to the integration of marginalised groups into the labour market, and thus not the absence of co-operation between the systems.

Case no. 2: Fredericia

The municipality of Fredericia was included in the study because it has been marked by economic growth and increasing employment over a substantial period, and because as one of Denmark’s larger municipalities it can take measures of a kind requiring a relatively large population base.

Section 1: Local context

Fredericia is part of Vejle County, and in terms of population one of Denmark’s largest municipalities. Comprising metropolitan Fredericia and district, the municipality extends over an area of 134.46 square kilometres and has a population of approx. 48,000, or 357 people per square kilometre (Danish Central Bureau of Statistics). Fredericia is in the heart of Denmark and enjoys good infrastructure in

²² Cf. Chapter 3, Section on labour market policy before the reform in 1994.

the sense that it is a busy rail and motorway junction for traffic between Jutland and Funen/Zealand as well as having a major harbour.

The area in which Fredericia is found is often called the “dynamic triangle” and it includes an area of east Jutland and west Funen which has seen high economic growth and increasing employment in recent years (www.fredericia.dk).

In 1998, Fredericia had 28,932 jobs, or in other words 57 jobs per 100 residents, and an unemployment rate of 8.8% (Danish Central Bureau of Statistics).

We interviewed the following people in connection with the co-ordination committee:

- Jørgen Rau Hansen, Fredericia’s head of employment, secretary of the co-ordination committee
- Henning Due Lorentzen, member of the municipal council, chairman of the co-ordination committee
- Hans Jørn Kjærgaard, Danish Employers’ Confederation representative on the co-ordination committee
- Jørgen Christoffersen, Federation of Danish Trade Unions’ representative on the co-ordination committee
- Bjarke Thomsen, head of the employment service in Fredericia, member of the co-ordination committee.

We also visited the employment project “Project Network”, where we interviewed:

- Anne Grethe Milwertz, head of “Project Network”
- three people who have had employment scheme places with the project.

The interviews took place between two projects in the sense that one had just finished and another one was being planned. We based our interviews on the project which had just finished.

Section 2: Description of the co-ordination committee

The co-ordination committee in Fredericia was established in 1998 in consequence of the adoption of the Act on Legal Security and Administration in Social Affairs. The committee comprises one representative from the municipal council, one from the Employment Service, and one representative each from the Danish Employers’ Confederation, the Federation of Danish Trade Unions and the Council of Organisations of Disabled People; the representative from the Association of General Practitioners has resigned²³.

²³ Compare note 18

The co-ordination committee's main responsibility has been to create awareness of the flexible labour market concept. One of the specific initiatives which the committee has taken was thus to prepare a leaflet distributed to all local households containing information on the opportunities available for obtaining a job on special terms.²⁴

Another initiative was the holding of a conference for business leaders, which included an excursion to Vejle to visit a "pioneering" firm with regard to the flexible labour market; 21 companies took part.

An issue presently before the co-ordination committee is an attempt to co-ordinate the Employment Service and municipal field visits so that their different business consultants do not "go running to the same companies" to advise on the flexible labour market. The committee has also hired an independent consultancy firm to train business consultants and to extend co-operation between the Employment Service and municipal authorities. The consultancy firm has also assisted in improving assessments, so that the co-ordination committee avoids spending its time on the "wrong" clients, that is to say the committee's resources are spent only on those who have other problems in addition to unemployment, as the committee should concentrate its work on the integration and retention of at-risk groups.

There has generally been solid support from all players in the co-ordination committee for the work aimed at maintaining the links of at-risk groups with the labour market. The reasons for this include the fact that the municipality and local businesses have had considerable success with this from a former project. To focus on the maintenance of links alone is, however, a very expensive strategy for the municipality as it can be a time consuming process to keep e.g. a sickness benefit recipient in his or her job. The co-ordination committee's biggest challenge is therefore to give prevention and integration the same high priority as maintenance.

The co-ordination committee's task is first and foremost to serve as a think tank and to open up the possibility of realisation of the options with regard to jobs on special terms. It is thus concentrating on influencing the attitudes of employers and trade union members and not on the planning of the employment programmes *per se*.

Section 3: The municipal employment scheme

Co-operation between the Employment Service and the municipality is highly developed in Fredericia, partly because the Employment Service and the municipal employment department are placed in the same building, "employment house", as it is called. This is a highly conscious effort to promote better co-operation between the two systems.

²⁴ The options for employment on special terms are described in Chapter 2, section on sickness benefit.

Fredericia's goal is to offer work to all people who possess some fitness for work. This involves close collaboration with the Employment Service, partly expressed by the fact that the two bodies share the same physical facilities and partly by the fact that they co-operate in a number of areas. For example, the municipal authorities do not leave it to the Employment Service alone to redress the bottleneck areas identified by the regional employment council, but take a share in the work. Furthermore, in co-operation with the regional employment council, the municipality also wants to intensify measures aimed at people on unemployment benefit with other problems in addition to unemployment, and they are willing to co-operate on this.

Many of the municipality's employment projects take place in the municipal job centre, and the vast majority of these projects are labour market-oriented. The municipality does, however, aim to achieve even closer links between the job centre and local businesses through:

- trainee schemes for the at-risk unemployed
- upgrading of qualifications
- upgrading social skills
- higher priority given to ordinary vocational and education guidance
- job training in the private sector
- new employment measures if numbers increase.

(Fredericia Kommune, Foregangskommunen for alle med arbejdsevne [Municipality of Fredericia, a pioneer for all who are able to work]).

A high priority is generally given in Fredericia to programmes which are highly targeted. This is done to ensure motivation among participants. One example is a special course for female members of the Union of Commercial and Clerical Employees in Denmark called "Women and logistics", aimed at a specific target group and a specific job area within the transport sector where there was a bottleneck problem.

According to the municipal authorities, cash benefit recipients are assessed very carefully in the sense that they are divided into sub-groups of persons with relatively similar problems. This division ensures that the right person takes part in the right employment programme.

The division and the number of groups are revised on a continual basis, dependent on the current composition of the group of cash benefit recipients. Examples of the subgroups are:

The creative: a group, that is not motivated for education, qualification, ordinary jobs etc., but instead is prioritising music, theatre, computers etc.

The deadlocked in relation to education: a group, that is deadlocked because of financial circumstances, children etc. and because they are not realistic in their own estimation of their possibilities, and in general need a clarification of their situation.

The Pendants: a group that is commuting in and out of the social security system. They typically have seasonal employment and are not members of an employment fund. They wish to be left alone in the active period, and are therefore difficult to keep in the employment measures.

The alcohol group: a group which mostly consists of single people – if they have children, they are not able to take care of them themselves. They have “no problem” with their alcohol consumption – it is their lifestyle. They often have no wish to change their situation, they just want acceptance and the right to be left in peace.

Section 4: Description of “Project Network”

“Project Network” falls under the category of specially planned employment programmes and is targeted at women aged between 20 and 30 who may be characterised as having no motivation but resources²⁵. General characteristics uniting the 12 or so participants in the group included their very low educational level, the fact that they had lived “in suspension” on public support for a prolonged period, had changed from one employment programme to another following an “as I please” principle, very little work experience in the ordinary labour market, and too “high” an income on cash benefit to want to consider changing to the government’s student allowance.²⁶ In addition, many of them had had a family to provide for from a very early age, either as single parents or with changing partners.

One additional problem for many of the participants was a lack of self-esteem and self-confidence, which had been a barrier to entering the labour market. Several of the participants also had yet to reach an understanding of what would be a realistic future prospect for them.

One general objective with regard to the employment project for this group was therefore that there must be room for individual solutions and a differentiated approach to the clarification of goals and means for individual participants.

²⁵ A specially organised employment programme is one of the welfare employment tools based on the Act on an Active Welfare Policies (cf. Chap. 2).

²⁶ State Educational Support: a provision administered by the Ministry of Education which, for people over 20 years in further education, is DKK 3,907 (524,92 EUR). By comparison the cash benefit is DKK 4,489 (603,119 EUR) for the same age group.

The project as such was the production of a show over a period of three months. The show, which was performed in a venue for 300 people, was the shared goal. To reach it, much else was required - co-operation, choreography, stage performance, costume making, make-up, stage props, promotion, tickets, etc.

At a more general level, the project was to include:

- concept development
- support
- learning
- guidance
- shared responsibility
- shared influence
- responsibility.

It was the intention from the start that the work should be focused on the shared goal (the show) and on each person's individual project, such as getting a job, getting out of an addiction, slimming, finding friends, etc.: in other words, goals highly oriented toward improving their social lives.

The end result of the programme was that in collaboration with case officers and labour market consultants, each participant was to have a realistic action plan drawn up targeted at the ordinary labour market, or at continued upgrading of social skills.

In projects of this kind, with a high priority given to social goals, the project leader is a vital figure. The leader's educational approach and involvement in the project must embrace many areas and are crucial for the participants' motivation. The project leaders are a highly central figure in projects such as this, where the welfare objective is paramount. The leaders of "Project Network" described their functions as comprising the following:

- administrators
- members of the show
- providers of guidance
- father/mother confessor
- whips
- educators
- advisers.

In addition, the project had a cross-sectoral municipal steering group comprising the two project leaders, the head of the job centre, and two representatives from the municipal employment measure section. One of the municipal job consultants also followed the project intensively and played a major

role in the planning of future action plans for the participants. A psychologist was also attached with the responsibility partly of supervising the project leaders and partly of making voluntary psychological assistance available to the participants.

Section 5: The effect of employment measures

We interviewed three of the participants in “Project Network”. The three interviewees had been very satisfied with the programme and all have an action plan for further education. The project evaluation materials are very thorough and include a description of each participant’s development process. In one way or another, all participants gained something which will help them to continue. There is as yet no documentation on the project’s long-term employment effect.

The interviews indicate that the aspects which helped to make the project a success for the participants included the elements of voluntary participation and shared influence.

One factor assessed to have played a major role is the fact that the participants were required to register for the project personally, together with the fact that the number of places was limited so that participants felt “selected”. All three participants said that they wanted to join because it sounded like fun and because they wanted new friends.

The participants also stressed that the project leaders had taken part in the show on an equal footing with them, which had meant a more equal relationship with the leaders compared with other employment projects. The municipal job consultant had spent a lot of time with the project, and according to the interviewees this had helped to break down some barriers in their relations with the municipal authorities. All three participants found it a problem that they often felt deprived of personal independence by the municipal authorities and that the quality of the municipal case handling depends very heavily on the personal chemistry with your case officer.

One of the interviewees said that she had often felt blocked in her efforts to escape from the system. A client’s dependence on the case officer is very considerable, as this person knows the legislative scope and decides what are realistic options for each person on this basis.

The strength of “Project Network” was that those involved in the project, participants, director and leaders, all worked towards a common clearly defined goal – the idea, that is, that all were equally valuable and that everyone was indispensable, and that their participation in the show broke down barriers for the girls, many of whom had never dared to put themselves at centre stage. All this has helped to give them more self-respect and self-confidence.

The greatest weakness of the project was the question of what came next once the show was over. Those who had found out what they wanted to do were assisted to proceed with their plans and they then left the project, while those left behind with no clear plans experienced a sense of emptiness as

friendships began to crumble and the new friends became busy doing other things. Although those left behind were given individual support, it is likely that they saw it as a defeat that they were unable to leave the project together with the others. This indicates that follow-up on participants is very important, even when the employment programme *per se* is not directed towards employment.

Section 6: Interim conclusion

The co-ordination committee in Fredericia got off to a somewhat slow start. Many working relationships already existed between the Employment Service, the municipality, private business, trade unions etc. Given this level of co-operation, which had “sprung” naturally from local roots, there was a risk that the co-ordination committee would be felt as a superfluous apparatus enforced on the municipality by central government.

Most members agree, however, that they are now beginning to see the advantages of the committee, and that it can make a useful contribution. The first major problem was that the committee was not known to enough people; as one player put it: *“The only people who knew about it were the members themselves”*.

The general impression is that the co-ordination committee does not rank highly in the priorities of its members. Meetings are often cancelled, and the Association of General Practitioners has resigned its membership. One member states that the co-ordination committee does nothing which would not be done anyway through the working relationships which have already long been in existence.

Some members of the co-ordination committee point out that the counties are absent from the co-ordination committee, particularly important as the counties are responsible for rehabilitation and because rehabilitation is organised by people whose primary expertise is sickness, but who have little experience in what is required in a workplace.

Several players also feel, however, that the co-ordination committee can be used to develop co-operation between the Employment Service and the municipality, e.g. with regard to a co-ordinated approach to private business. For one thing, it is important that the Employment Service and municipal business consultants co-operate so that they do not visit the same companies. Secondly, private businesses are sent so much material on conferences on the flexible labour market that they have difficulty finding the time to read it all. Thirdly and finally, there are so many conferences being offered that many are cancelled and many have relatively low attendance.

With regard to the central level, the only thing which the co-ordination committee receives is information material from the central co-ordination committee/Social Council. Many parties also comment, however, that they are not interested in more central control. The flexible labour market must develop from local involvement and not from rules imposed from above.

The fact that the Employment Service and the municipality share the same building means that both parties feel that they have well-developed and well-functioning co-operative relationships. No distinction is made between the people visiting the building; all are served in the best possible manner according to available expertise. The Employment Service and the municipality buy courses from each other, and where the sickness benefit system is concerned they do not distinguish between whether the client comes from the employment or the welfare system. In this area, Fredericia is relatively close to having a single system, and several players also expressed the view that there is little sense in having a dual system.

Formally, the employment system is still split, as a person's source of income decides whether he or she will be helped back to work via the municipality or the Employment Service, although the tools are largely identical. In practical terms, however, job placement is in the hands of one body, as the municipality is hardly active at all in this area.

Collaboration between the municipality and the Employment Service could be improved, however, not least with regard to client assessment. According to the head of the Employment Service, there are many clients in the municipal system who could be helped back to work through the Employment Service, but who are instead turned immediately into a "case" by the municipal authorities. The municipality has placed its department for rehabilitation and monitoring of clients on sickness benefit in "employment house", but its assessment team still has its offices in the town hall.

According to the Employment Service, the municipal assessment team could be housed in "employment house" next to the Employment Service registration office, so that unemployed cash benefit recipients could be registered at once. The municipal authorities are, however, of the opinion that they take assessment very seriously, as they divide their clients into highly specific target groups from the start.

Thus the disagreement between the two systems is not how to undertake an employment programme, but how to decide who should be placed on an employment scheme, and where and when a person can be said to have other problems in addition to unemployment of a kind that they should not be registered with the Employment Service.

Case no. 3: Ringkøbing

The municipality of Ringkøbing is included in this study because it has very low unemployment and, in certain sectors, a shortage of labour. This creates certain conditions and motivations for seeking to increase co-ordination between welfare and employment

Section 1: Local context

Ringkøbing is a rural municipality in west Jutland at Ringkøbing Fjord. The municipality is part of Ringkøbing County, which is one of the more thinly populated areas in Denmark. The municipality has a population of 17,590 and covers an area of 400.87 square kilometres, equivalent to 44 residents per square kilometre (Danish Central Bureau of Statistics).

Ringkøbing has 11,942 jobs or 66 jobs per 100 residents, which is a rather high figure, and the municipality is beginning to feel a shortage of labour. In 1998 the municipal unemployment rate was 7.5% (Source: 34K and Danish Central Bureau of Statistics).

We interviewed the following people in connection with the co-ordination committee:

- Inger Lise Munkholt, head of the Employment Measure Department
- Torben Fisker, head of Job Service and group leader of Ringkøbing's municipal activities programme
- Anne Marie Clausen, Danish Employers' Confederation consultant in Herning, who has represented the Confederation's interests on the co-ordination committee
- Ib Jensen, Federation of Danish Trade Unions' representative on the co-ordination committee
- Preben Rimmer Nielsen, head of the Employment Service in Herning, and the Employment Service representative on the co-ordination committee.

We also visited the vocational training school, which is a place where many of the municipal employment programmes are held. We interviewed:

- Henrik From, head of the vocational training school
- seven people on employment measures at the vocational training school

Section 2: Description of the co-ordination committee

The co-ordination committee in Ringkøbing is a joint municipal organ. The committee, which was formed in 1998 in consequence of the adoption of the Act on Legal Security and Administration in Social Affairs, was established jointly with the neighbouring municipality of Holmsland.

The committee has one representative from the Employment Service in Herning, who is the Employment Service representative on all co-ordination committees in the county, one representative from the Federation of Danish Trade Unions, one representative from the Danish Employers' Confederation, one member from the municipal council of each of the two municipalities, and one representative each from the Council of Organisations of Disabled People and the Association of General Practitioners, with the two heads of the municipal social services as appointed representatives.

The representation of interest groups is somewhat special in Ringkøbing. The Danish Employers' Confederation at first had difficulty in finding a representative in the municipality, and was therefore represented through a Confederation consultant from Herning, while the Christian trade union, which is not a member of the Federation of Danish Trade Unions, is very strong in this part of the country and therefore argued that the seat should go to them and not to the Federation.

The specific measures which the co-ordination committee has taken have, in one way or another, as in the other municipalities in this case study, been aimed at creating awareness of the concept the "flexible labour market", or more specifically at drawing attention to the possibilities available to local business to appoint people on special terms.

Because the municipality is experiencing a shortage of labour in some areas, it is very important to find jobs for everyone with some fitness for work.

The co-ordination committee in Ringkøbing has formulated its objectives as follows:

- ensure that people with links to the labour market remain in jobs
- ensure integration into the labour market
- improve the exchange of information among the parties
- build up a shared responsibility
- use and exchange common tools:
 - revalidation on the job
 - helping people back to work through employment schemes
 - clarification
 - prevention and treatment of addiction
 - jobs on special terms
 - job retraining courses etc.
 - subsidised wages
 - job training and pool jobs.

Specific initiatives include the following: co-operation agreements, back therapy teams, and information evenings²⁷.

Several co-operation agreements have been entered into between the co-ordination committee and companies, and a business consultant has been appointed and is being paid by the committee. The object of the co-operation agreements is to increase the number of employees appointed on special terms.

²⁷ The back therapy team was started to prevent back pain based on the conclusions from a previous project on retaining risk groups in the labour market, which discovered a back pain problem in a loudspeaker factory.

A back therapy group has been established in response to the conclusions of a former project on keeping people in jobs in which the municipality took part, and a catalogue has been prepared with personal descriptions of the various people who are ready for flex jobs. Here the employers can look up the applicants and check details of age, qualifications, fitness for work, etc.

An information evening has also been held for employers and employee representatives in collaboration with the Centre for Development of Employment on Special Terms, which has prepared various information leaflets on the flexible labour market.

The co-ordination committee in Ringkøbing has thus concentrated its work on the task of keeping people in jobs and on increasing co-operation with the business sector rather than on developing guidelines for the municipal employment programmes.

Section 3: The municipal employment scheme

Ringkøbing has a policy aimed at reducing the number of projects. Employment measures should not be projects, but should be like real jobs. Ringkøbing aims to place as many of its employment measures as possible in private business or public institutions. One objective is that at least 50% of employment measure work and rehabilitation should take place in private businesses.

The municipal employment scheme is thus highly targeted towards the labour market and it is the responsibility of the employment department.

It is a goal in Ringkøbing of both employment and welfare policies that employers obtain the labour they require. It has traditionally been the responsibility of employment policies to ensure that there was enough labour available, and the task was primarily undertaken by the employment system. In Ringkøbing, where the employment service has few labour resources at its disposal, it has also proved necessary to involve the welfare system in the solution of the structural problems in the labour market. According to the municipal authorities, all of those who remain unemployed can now be classified as at-risk because they have all been away from the labour market for a long period, and many of them have very limited or no education.

Most of the employment programmes which are not “on the job” take place in the vocational training school.

Section 4: Description of the vocational training school

The vocational training school is the physical framework around many of the municipal activities in Ringkøbing. The school functions under the Act on Vocational Training Schools as an independent institution under the Ministry of Education, where the municipality buys its places.

The school helps cash benefit recipients, sickness benefit recipients, people on preliminary rehabilitation from the municipality and people from the Employment Service system back into work. Cash benefit recipients are, however, the major group. The stay at a vocational training school is arranged to match the needs of the individual participants. The subject teacher, guidance teacher and participant work together to prepare an education plan designed to the individual participant. It is possible to begin a course at any time of the year; the courses have different durations, but seldom more than one year.

The school has five workshops: metal, wood, textiles, kitchen, and the environment and service, which is primarily involved in maintenance work. A course is planned for each participant following a personal interview and based on individual qualifications and wishes. Some of those on employment measures, especially those from the Employment Service, do, however, arrive at the school with a highly specific action plan which sets out precisely what course they must attend to be given a particular job in a particular company in the area, and they will therefore find that their course is closely tailored to the labour market.

Whether the vocational training school should keep its dressmaker's workroom in its present form is currently being discussed at the municipal level. On the one hand there is no current use for dressmakers in the area, but on the other hand it is a good activity for many women, especially those from a non-Danish ethnic background, who must first learn what it means to attend the school. The workroom can be the start of a longer employment programme, where the primary aim is to learn to speak Danish, to be among Danish people and to create self-confidence.

Much of the vocational training school's work comprises products made to order for companies in the area. Under the Act on Vocational Training Schools, the school may sell its products on terms which do not constitute unreasonable competition with private business. Total annual sales for the school's workshops are DKK 1.6 million (€215,000,00) to both private customers and businesses. So far there has been no major criticism of the school from the area's businesses or trade unions.

Apart from purely trade-related activities, the school also offers theoretical courses. Subjects offered include Danish, English and German language courses, computers etc. as desired by the students. Twice a week there is Danish for Bosnians and there are various courses in job hunting etc. Once a week the school arranges a visit to a company, a theatre etc.

People on employment measures at the vocational training school receive no employment measure subsidy. This is because the programmes constitute "specially planned training courses" as defined in the Act on Active Welfare Policies.

Section 5: The effect of employment measures at the vocational training school

We interviewed six cash benefit recipients and one sickness benefit recipient at the vocational training school.

Two of the cash benefit recipients were at the school because they had lost their jobs and not found a new one. One had moved to Ringkøbing as a cash benefit recipient. Three were Bosnian refugees and on an employment scheme primarily to improve their language skills and to be among Danish people.

The person on sickness benefit was on sick leave because of mental problems and had asked specifically to join an employment programme at the vocational training school in order to make a new start.

Those on employment schemes generally feel that they gain much from attending the vocational training school. This is because there are so many different trades represented and because they are given some clearly defined tasks at the school. The difference between being on a scheme rather than in the ordinary labour market is the freedom from time pressure. They also found it conducive to peace of mind that they were not afraid of “getting the sack” if they were absent for a short period because of social problems etc.

With regard to the concept of employment measures *per se*, those interviewed were clearly supportive if there was a purpose to the things they made, and the measure was not seen simply as being “on hold”. The activities at the vocational training school are highly labour market-oriented and the products made are often ordered by businesses in Ringkøbing. The vocational training school does not, therefore, have any problems with people feeling that employment schemes are pointless.

All of those we spoke with were happy to be on a scheme at the vocational training school, partly because it was like “real” work. The biggest dissatisfaction concerned not receiving the employment measure subsidy, which many are aware is given to those taking part in other municipal employment programmes.

Most of the people on employment schemes were satisfied with the municipal case handling. The person on sickness benefit felt that the municipal authorities had been quick to step in when he had registered sick. The sense of being deprived of one’s personal autonomy which was present in the other municipalities was not noticeable here, apart from the lack of the employment measure subsidy.

Section 6: Interim conclusion

Ringkøbing aims to achieve a relatively co-ordinated approach with regard to its social welfare and labour market policies. This is probably largely because of its local conditions, which mean that labour

must be provided from sources other than the usual channels. The employment goal to provide employers with the labour they require has thus also become a social welfare goal in this municipality.

However, co-operative efforts in Ringkøbing also include an arrangement whereby the unemployment funds, the Employment Service, municipal authorities and schools (vocational training school, upper secondary college, technical college, business college) meet about once every quarter to discuss/co-ordinate employment programmes.

Ringkøbing County has also made a considerable effort to strengthen co-operation with the municipalities and the Employment Service. The primary reason is that despite the favourable trend in employment, there remains a particularly problematic group of unemployed people within both the labour market and the social welfare systems. The regional employment council has therefore initiated a questionnaire survey of the state of co-operation between all county municipalities, the Employment Service and the county. The aim of the survey is to gain an overview of the state of co-operation, the use of employment measure tools etc.

All the parties with whom we spoke have positive expectations that the co-ordination committee will provide a fertile basis for good and fruitful collaboration in the future. It is clear, however, that solid support has rallied most strongly around efforts to keep people in jobs, so the main challenge to the committee is to strengthen the focus on integration. According to the municipal authorities, the shortage of labour must be resolved not by attracting more people to area, but through greater integration of sickness benefit recipients.

There is very limited co-operation or contact between the central level (the central co-ordination committee/Social Council) and the co-ordination committee. It concerns mainly information and invitations to courses etc. One player pointed out that it would be useful if the central level would prescribe some tools such as how the municipalities should present their statistics to the co-ordination committee to make it easier for the committee to see who needed what kind of programme.

The problem is often that the Danish Employers' Confederation and the Federation of Danish Trade Unions are most heavily focused on keeping people in jobs, while the municipalities talk of integration. One barrier to co-operation is the fact that employers still consider flex jobs and light jobs to be bothersome and requiring much time and administration, and that the municipalities are forced to make certain choices because of the statutory repayment schemes. The parties also often disagree on what degree of fitness a flex job holder has, i.e. disagreement on how big a portion of the wage the municipality should refund and how big a portion the employer should pay.

B: Comparison of the three case studies

Comparison of the three co-ordination committees

All three co-ordination committees are distinguished by the fact that it has taken time to work out what they should really be used for, and by the fact that all three municipalities have experienced teething problems which had to be resolved. Although some expressed the view that they felt that the committee had been forced on the municipality, the impression prevails that most members are now positive towards the committees and feel that they provide the basis for co-operation which will make a difference in the future.

The objectives and methods which the three co-ordination committees have developed are, however, very similar. The objectives of all three committees follow the goals generally formulated in connection with the promotion of the flexible labour market in the form of reduced access to early retirement, better monitoring of sickness benefit recipients and a strengthening of preventive measures, measures to keep people in jobs and to integrate at-risk groups into the labour market.

The methods used by the co-ordination committees have been to a greater or lesser extent to draw attention to themselves through leaflets distributed to every household, information evenings etc. They have also all appointed a person, business consultant or project co-ordinator, to perform field work, visit companies and advise on the opportunities for appointing staff on special terms etc. This is intended to result in – and has already done so in many cases– co-operation agreements between the municipality and companies.

Thus specific co-ordination measures have primarily comprised field work and liaison work to advise of the possibilities for keeping people in jobs and for integration, and initiatives to promote collaboration between the municipality and the Employment Service. In other words, there has been no involvement in municipal employment measures as such.

Comparison of the municipal employment programmes

The municipalities' employment measures are to some extent the result of local municipal conditions. It was found, however, that there is solid support in all municipalities for increasing co-operation with the Employment Service, and thus with the employment system. The purpose of the strict division into welfare and employment policies is not always evident to the municipalities, all three of which are co-operating with the Employment Service and are considering extending this co-operation.

In Fredericia this is a highly institutionalised attempt at co-operating, with the Employment Service and the municipal employment department housed in the same building. In Ravnsborg the process is less institutionalised, depending more on personal relations between the Employment Service and the municipality.

In Ringkøbing there is also co-operation, although apparently it is still in the process of formation. Here it is the regional employment council which has taken the initiative to extend co-operation with all municipalities in the county. The motivation for this is the view that it would be fruitful for the Employment Service to be able to draw on municipal expertise to give further assistance to the few “highly problematic” unemployed people in the employment system.

Comparison of the employment projects

The three employment projects we visited differed markedly with regard to structure and target group.

The “Green World” project in Ravnsborg is in an area with only few jobs and is a success in so far as the project has engendered some ordinary jobs. The target group of the vocational training school in Ringkøbing is in many ways similar to the one in the “Green World” project, but the programme as such and the other activities are aimed more strongly at getting people back out into ordinary jobs.

The project in Fredericia differs from the other two employment programmes in so far as the programme is highly targeted at a certain group with a particular set of problems. The crucial element in the planning of the programme is thus not local conditions, but to a far greater extent the personal problems of the unemployed people.

Whereas it is very important for those in the projects in Ravnsborg and Ringkøbing that they feel that they are “doing” something useful, it is far more important for those people in the project in Fredericia that they feel appreciated and are able to influence what they should be doing, and that some avenues are opened for solving the problems which they have in addition to unemployment.

We have met the view everywhere that how management and municipal staff approach a case is very important. We have met both highly positive and highly negative experiences of the “personal service” which people receive in municipal offices from their personal case officer, and it is our impression that the feeling on the part of the cash benefit recipient of being bereft of his or her personal autonomy can easily become a barrier to co-operation with the case officer.

To sum up, the case studies show not only that there is much labour market-oriented welfare policy at the practical level, but also that there is a considerable element of co-ordination between the welfare and the employment systems at the local level.

Chapter 5: Conclusions

The conclusion of this study must be that there are three aspects to the co-ordination of welfare and employment policies in Denmark.

First there is the question of collaboration between the welfare and the employment systems and the possibility of a future single system. Co-operation is strongest at the local level.

Second there is the idea and realisation of the flexible labour market, i.e. a highly labour market-oriented welfare policy which must be said to be a co-ordinating initiative between the welfare and employment policies.

Third there is the fact that both welfare and employment policies already have regard to both welfare and employment considerations, including the employment element found in both of them.

Section 1: Level, form and players

Denmark has constructed a dual system with responsibility for providing support for people outside the labour market. The dividing line between whether a person belongs in one system or the other runs between those who are insured against unemployment, which is only possible for people who have been in the labour market for at least one year, and those who are not insured. An insured person who is out of a job will receive unemployment benefit and is thus protected by the employment system. An unemployed person who is not insured and not supported by his or her spouse will receive cash benefit. It is thus the person's previous and not future association with the labour market which decides which system will be responsible for support and assistance with a return to work.

Attempts have been made in recent years to achieve better co-ordination between the welfare and employment systems. These include harmonisation of the systems, whereby the welfare policies have to some extent copied the tools and methods used in the active employment policies to implement employment measures. Another measure has been the establishment within both systems of co-ordinating bodies with responsibility for increasing co-operation between the relevant players in both the welfare and employment sectors.

At the central level, the bodies concerned are the National Labour Council and the Social Council, while at the regional and local levels they are the regional employment council and the social co-ordination committees.

The National Labour Council is a central body comprising representatives from the labour market organisations, the municipal organisations and appointed representatives from the Ministry of Social Affairs and the Ministry of Labour. It advises the minister and sets goals and targets for the regional employment councils. It is therefore important that the Council is able to co-operate to some extent

and agree on common goals. Seen in a long-term historical perspective, a council such as the National Labour Council is a remarkable construction because it forms the framework for co-operation and unanimity among traditionally conflicting players.

Like the National Labour Council, the Social Council is a central body comprising the labour market organisations, the municipal organisations and appointed representatives from the Ministry of Social Affairs and the Ministry of Labour. The Council of Organisations of Disabled People is also represented. The Social Council also has an advisory function to its minister, but unlike the National Labour Council, it has no powers at the local level, i.e. in this context regarding the municipal co-ordination committees. It is more a kind of think tank, the purpose of which is to promote the concept of the flexible labour market. The Social Council is also an interesting construction in the long-term historical perspective, in that it may be seen as a consensus body in an otherwise conflict-ridden area, and also because within it, the labour market parties are taking responsibility for a group which has no associations with the labour market.

All members of the Social Council agree that the creation of a flexible labour market is a responsibility to be shared by all. The Council bases most of its own materials on slogans such as “Our shared responsibility”, “It concerns us all” and “The flexible labour market – a labour market with space for all” etc. The aim is thus to spread the message to a very broad target group. The specific measures which the Social Council takes are all aimed at informing and inspiring others with the aim of promoting the flexible labour market, including by issuing campaign materials to the municipal co-ordination committees, the business sector, trade unions etc.

The National Labour Council and the Social Council have no institutionalised co-operation structure, and thus no function with regard to co-ordination of the two systems. The two central councils were established with the sole purpose of strengthening efforts, each in its own area.

At the local level, the regional employment councils and the social co-ordination committees were established to promote co-operation among the players involved in the two areas. The regional employment councils were primarily established to monitor the labour market and to set priorities and targets for the work of the employment services. The more co-operation there is between the Employment Service and the municipality regarding the exchange of target groups, the more influence the Regional Labour Council has on the social welfare system. In those parts of the country where there is beginning to be a shortage of labour, it will be a natural future step to make unemployed cash benefit recipients more of a target group among the regional employment council’s priorities.

As indicated by the name, the social co-ordination committees were established to strengthen and introduce co-ordinating initiatives within the social welfare area. The committees’ primary responsibility is to strengthen labour market-oriented measures within social welfare policies, to create

avenues for generating jobs on special terms, and to promote an early return to the labour market after illness. In order to achieve these goals, it is very important to establish co-ordination with the employment institutions such as trade unions, employer organisations and the Employment Service. It is clear from the case studies in Chapter 4 that the local co-ordination committees have so far focused primarily on keeping people in jobs, but that they also intended to draw attention to integration. Employment measures and integration are two sides of the same coin as participation in employment programmes will often be the first step towards the labour market. If the Employment Service and the municipalities increase their co-operation with regard to the weaker groups, insured as well as uninsured, the co-ordination committees' priorities will also begin to affect people who traditionally belong in the employment system.

As is the case at central level, there is no formalised co-operation at the local level between the social co-ordination committees and the regional employment councils, despite the fact that their work overlaps in many areas.

Section 2: Co-ordination in practice

Both the welfare and the employment systems relate to some extent to employment, in so far as the objective of both systems is that people affected by unemployment must be enabled to support themselves as soon as possible. The practical construction of these systems, understood as the concrete actions implemented by municipalities and the Employment Service to achieve this objective, must be said to be highly co-ordinated.

Practical co-ordination is mainly a question of the early exchange of target groups between the two systems. The municipality has greater experience than the Employment Service in helping unemployed people with other problems in addition to unemployment back into work; this group has become more visible in the employment service system in a period with low unemployment. The Employment Service basically has more experience in job placement and contact with employers, which gives them expertise in assisting people whose unemployment is their only problem. With regard to this target group, the Employment Service and the municipality would also benefit from more collaboration, as the municipality is also a major employer.

As revealed by the case studies in Chapter 4, there is much to be gained from co-ordinating employment measures between the two systems. An example of this is the vocational training school in Ringkøbing, where unemployed people from both systems are helped back into work together on the basis of the same objectives and methods. The goal of employment measures is here partly that the individual person must reach a decision with regard to his or her options in relation to the labour market, and partly that his or her skills must be improved to match the needs of the local labour market. In another employment programme, "Green World" in Ravnsborg, it is an explicit part of the

employment programme that “strong” unemployed people must take educational responsibility for the weaker groups.

Another form of practical co-ordination is the purely administrative co-ordination, the essence of which is that municipal and Employment Service case officers learn each other’s systems, options and tools. This element would also appear from the case studies to be relatively well developed, although with different levels of formality. In one of the case studies, Ravnsborg, the framework for co-ordination between the municipal authorities and the Employment Service depends largely on personal relationships. In Fredericia, which is one of Denmark’s biggest municipalities, a highly conscious effort has been made to institutionalise co-operation between the welfare and the employment systems. The municipal employment department and the Employment Service thus share the same physical environment with the aim of promoting familiarity with each others’ tools and avenues, and thus of strengthening co-operation. In each of the three municipalities included in the study, we found support for more co-operation with the Employment Service and the belief that the two systems can benefit from using each other.

The co-ordination initiated by the relatively new social co-ordination committees should also be emphasised. Whereas in the Social Council there is broad support for the flexible labour market concept at the central level, the challenge at the local level is very much the question of inducing the players to support it. The problems are evident from the fact that many employers nationwide are against subsidised wages in principle, and this is a barrier to the establishment of flex jobs and other forms of employment on special terms. Added to this is the fear among trade union members that some people will enter the workplace “backed by a subsidy” at the cost of some employees already there.

Section 3: Importance for the target groups

Successful co-ordination between the welfare and the employment systems will be important for the target groups because they will receive the best possible expertise with regard to their problems. If a person’s sole problem is unemployment, the best option for the person, whether insured or not, is to obtain assistance from the employment service, as this service is used to placing people in jobs and having contact with local businesses.

The best option for a person with other problems in addition to unemployment, such as language problems, housing problems or no motivation to work, whether insured or not, is to obtain assistance from the authority with the expertise to solve social problems, and in the vast majority of cases this is the municipality. With regard to target groups in the border area between the two systems, better co-ordination between the employment and welfare systems will therefore mean an improvement.

The concept of the flexible labour market and the highly labour market-oriented welfare policy carries the implication that all groups in society with some degree of fitness for work must have an opportunity of joining the labour market. Participation in the labour market ranks highly in Denmark because exclusion is seen in many contexts as the first step towards marginalisation.

The active social policies do not involve a strategy for fighting poverty *per se*, but are far more a strategy to prevent increasing marginalisation. In a country like Denmark with a high rate of labour market participation, having a job is a dominant structural element in personal identity and social networks. The purpose of the active social policies and the new opportunities for employment on special terms is therefore not only to broaden the labour force, but also to give groups such as people with minor disabilities the opportunity of playing an active part in the labour market.

Section 4: Importance for society – efficiency and costs

A certain level of co-ordination is inbuilt in both employment and welfare policies in Denmark, and this means that the cost of co-ordination is difficult to isolate from the total costs in the areas. The labour market-oriented element in welfare policies is intended to provide the best possible assistance to people on cash benefit, sickness benefit, early retirement benefit etc., to enable them to support themselves or to play as great a role as possible in the labour market. The welfare element in employment policies provides scope for planning an individual job training programme for unemployed people who do not feel prepared to take part in an ordinary job training programme. In both systems it is possible to exchange target groups by buying employment measure places from the other party etc. Thus co-ordination is to some extent built into the systems, and it is therefore very difficult to calculate what co-ordination costs or what it would cost if there was no co-ordination.

Any shortening of the period in which a person is on public support, whether unemployment benefit, cash benefit or sickness benefit, and instead earns his or her own money, will benefit the national economy, all else being equal. Effective measures with assistance adapted as closely as possible to the needs of the target group is the best approach, as it should reduce costs. It is thus very likely that the money allocated to the co-ordination committees, for example, will prove to be well spent in the long term, as the systems become more efficient in the assessment and exchange of target groups. As result of the 1999 budget negotiations, the social co-ordination committees were given a higher priority, receiving DKK 145 million (€ 19,5 million) in funding against DKK 95 million (€ 12,8 million) in 1999 .

All else being equal, the successful achievement of the flexible labour market, which will require more co-ordination between the two systems, must result in a bigger labour force. In a period where there is a prospect of a labour shortage, this will therefore be a highly positive effect of increased co-ordination.

Section 5: Co-ordination in perspective

The flexible labour market concept itself must be said to be a success, as it has received support all the way from the labour market parties to the municipal organisations and target groups represented by the Council of Organisations of Disabled People and others.

The achievement of the flexible labour market will generally require a new way of thinking of the way in which responsibility is distributed in society. It will thus represent a step on the road away from the traditional view of the public sector as solely responsible for welfare policies, companies as being solely concerned with profit making, and the trade unions as the organisations of “workers”. Social responsibility must be spread out and integrated into new contexts if this is to succeed.

The greatest barriers to increased co-ordination and the achievement of a flexible labour market may, however, prove to be the systems’ organisational structure and historical context.

As outlined in Chapter 3, local self-government is a strong characteristic of the organisation of Danish public administration and local democracy. As it is the municipal governments which are responsible for welfare policies, it is difficult within this area to issue binding guidelines from the central level. Co-ordination between welfare and employment policies must therefore have a local base, as is also the case today. Problems of co-ordination may therefore arise because the employment system has a different historical context and structure with a much stronger tradition of central control.

The entire financing system is another barrier to more exchange of target groups. This structure is currently organised in such a way that municipal governments pay all social welfare and employment measure costs and have some of the costs refunded by the state. The employment system is financed partly by membership contributions, but primarily through state subsidy. If the systems were financed by the same source, it would be a simpler matter to exchange target groups than it is today, where budgetary problems can easily arise. The municipal governments currently have no financial incentives to provide services for the Employment Service, apart from the consideration that it may have the effect of preventing the clients of the Employment Service from losing their right to unemployment benefit and having to be provided for by the municipality.

Whether the active welfare policies and the flexible labour market are a success is difficult to assess at this stage as they are still relatively new, and the results of the social reform of 1998 are not yet reflected in the statistics. The Social Security Appeals Board does, however, advise that the number of early retirement pensions awarded since 1996 has dropped by 1/3, which was also the intention, as one of the goals was to reduce recourse to passive benefits. There is also some debate on whether the present system has become so “active” that there are people who should be granted early retirement, but who are placed in flex jobs instead because it is cheaper for the municipality. This would be an unfortunate side effect of the measures to introduce a more active welfare policy, but it also serves to

confirm the view that the flexible labour market as a concept aimed to benefit both clients and the labour market can only be realised if it receives broad support and an understanding of its intent by all players in society.

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ANNEX

Social welfare complaints boards

This is a brief outline of the social welfare complaints boards in Denmark. As the municipal authorities have sole competence to award welfare benefits, the complaints avenues are to be found at a higher level in the system, that is to say at county and central government level.

The Social Security Complaints Board

Under the terms of the Act on Legal Security and Administration in Social Affairs, every county must establish a board with responsibility for handling complaints concerning municipal social welfare decisions, such as complaints concerning rejection of an application for early retirement, rejection of assistance in special circumstances, complaints with regard to employment measures etc. The board also decides cases where disagreement has arisen with regard to municipal or county obligations. The Prefect's Office acts as secretariat for the board.

The Social Security Complaints Board comprises one representative from:

- the Association of County Municipalities
- the county
- the Danish Federation of Trade Unions
- the Confederation of Danish Employers
- the Council of Organisations of Disabled People

The board's decisions are normally binding, but appeals in test cases may be submitted to the Social Security Appeals Board.

The Social Security Appeals Board

The Social Security Appeals Board belongs under the Ministry of Social Affairs and hears social security-related complaints from individual citizens. Cases heard by the board include complaints concerning the National Board of Industrial Injuries and test cases involving decisions by the Social Security Complaints Boards. The Board's decisions cannot be appealed against to any other administrative authority.

The Social Security Appeals Board's decisions are made by:

1. the Head of the Board, the deputy head and a number of appeals officers who are all qualified lawyers or who have some other social science qualifications and who may not hold other positions at the same time.

2 the Board's appointed members are appointed by the Minister for Social Affairs every four years on the recommendation of:

- the Confederation of Danish Employers
- the Danish Federation of Trade Unions
- the Joint Representation of Managerial Employees
- the Association of County Councils in Denmark
- the National Association of Local Authorities in Denmark
- the Council of Organisations of Disabled People
- the municipality of Copenhagen
- the municipality of Frederiksberg

The Advisory Committee on Social Law Practice

The Social Security Appeals Board is thus responsible for ensuring that the municipal authorities administer the law in a uniform manner. The Board therefore issues reports on its practice, i.e. the results of the cases brought before it. The central authorities established the Advisory Committee on Social Law Practice on 1 April 2000 to provide guidance for the Board's decisions. At the same time as the Social Council was given greater powers, on 1 April 2000, the Advisory Committee replaced the former Central Co-ordination Committee.²⁸

The Advisory Committee on Social Law Practice was established by the Appeals Board and comprises:

- the National Association of Local Councils in Denmark
- the Confederation of Danish Employers
- the Joint Representation of Managerial Employees
- the Federation of Danish Trade Unions
- the Association of County Councils in Denmark
- the Council of Organisations of Disabled People
- the municipality of Copenhagen
- the municipality of Frederiksberg
- the Association of Prefects
- the Social Security Agency

The Social Security Agency

The Social Security Agency also comes under the Ministry of Social Affairs and it hears applications and complaints from individual citizens with regard to parts of the social welfare legislation at

regional, national and international levels. The Agency's primary responsibility is to hear cases concerning pensions for Danish citizens living abroad or residents in Denmark applying for a foreign pension. The Agency also acts as secretariat to the Social Welfare Complaints Boards in Copenhagen and Frederiksberg.

EF/02/64/EN

²⁸ Cf. the section on the Social Council in Chapter 3.