

ECONOMIC COUNCIL OF THE LABOUR MOVEMENT

A Successful Danish Social Model

The Flight of the Bumblebee

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Reventlowsgade 14, 1st floor

1651 Copenhagen V.

Phone: +45 33 55 77 11

E-mail: ae@ae.dk

www.eclm.dk

Editor-in-chief

Managing Director **Lars Andersen**

Editorial team

Consultant, **Sarah Steinitz** - Director of Communications, **Mikkel Harboe** - Secretariat and Communications

Officer, **Malene Michelsen**

Main authors

Chief Economist, **Erik Bjørsted** - Chief Analyst, **Mie Dalskov Pihl** - Analyst, **Sune Caspersen** - Senior Analyst, **Jon Nielsen** - Analyst, **Thomas Wilken**

Contributors

Student, MSc in Economics, **Freja Englund** - Student, MSc in Economics, **Stine Toft Pedersen** - Student, MSc in Economics, **Cathrine Falbe Pedersen** - Student, MSc in Economics, **Andreas Gorud Christiansen**

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May 2019

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Content

Introduction	5
Main conclusions of the report	7

A SUCCESSFUL DANISH SOCIAL MODEL

① Flexicurity is the recipe for a well-functioning labour market	11
Flexibility and security go hand in hand	15
The correlation between high employment benefits and unemployment is not unambiguous	18
Education and active labour market policies play an important role in the creation of job opportunities	20
A need to strengthen the flexicurity model	22
A highly organised labour market is key	25
② High-quality education for all should be a top priority	31
The vast majority of young people complete an education	32
Substantial investments in education lead to increased social mobility	36
Critical tendency: Denmark spends less on education	40
Risking an inferior and increasingly divided education system	43
Securing quality education calls for more than just fine rhetoric	47
③ Redistribution through tax and welfare provides equal opportunities	49
The Danish tax- and welfare system is one of the most redistributive	50
The American dream is alive in Denmark	56
Worrying tendency: Growing number of impoverished and heavier social inheritance	58
A less redistributive society	61
Prioritise redistribution and welfare	66
References	69

Introduction

How the bumblebee – with its tiny wings and bulky body – is capable of flying has been a mystery to physicists and mathematicians for years. However, that has not stopped the bumblebee. It just keeps on flying. In 2005, the American bioengineer Michael D. Dickinson proved what the bumblebee had known for a long time: It can fly – and there is a logical, physical explanation to it.

What the bumblebee is to physics and mathematics, the Scandinavian social model is to mainstream economic theory. A society with high taxes, high unemployment benefits, and a large public sector is not supposed to be very competitive. High taxes are supposed to reduce the incentive to work. A high level of benefits is supposed to reduce the motivation for the unemployed to take a job. Also, a large public sector, which is not as exposed to competition as the private labour market, is supposed to be an encumbrance to an effective economy. Nevertheless, the Scandinavian model has proved very competitive in the global economy – and, at the same time, capable of guaranteeing its citizens a high level of security and improved equal opportunities in life.

Denmark is among the wealthiest countries in the world and scores high in various rankings. According to the World Bank Doing Business-index, Denmark is the third-best country for doing business.¹ According to the World Economic Forum, our competitiveness is the 10th best out of 140 countries in the world.² We rank number four on The Social Progress Index, which combines indicators of people's basic needs, foundation for well-being, and access to rights and education.³ Also, for many years – together with the other Nordic countries – Denmark has ranked at the top in The World Happiness Report, which measures happiness among the world's nations based on a set of variables. In the latest report from 2019, Denmark comes in second on the "happiness barometer," only surpassed by Finland.⁴

Compared to many other countries, Denmark is a great country to live and work in. In Denmark, you are not forced out of your home if you lose your job. You have the opportunity to follow your dreams, even if you were not born with a silver spoon in your mouth. As outlined in the Sustainable Development Goals, our country is fundamentally designed not to leave anyone behind. Denmark is one of the countries which has the lowest unemployment rate, and only a few are unemployed for a long period. And finally, in Denmark poverty is low, and progressive taxes and a well-established welfare state are designed to ensure a good and safe life for the entire population –

¹ See Doing Business Index: <http://www.doingbusiness.org/en/rankings>

² See Global Competitiveness Index: <http://reports.weforum.org/global-competitiveness-report-2018/country-economy-profiles/#economy=DNK>

³ See Social Progress Index: <https://www.socialprogress.org/?code=DNK>

⁴ See World Happiness Report 2019, p. 27: <https://s3.amazonaws.com/happiness-report/2019/WHR19.pdf>

including those who might have grown up in less advantaged neighbourhoods, often maybe with a negative balance on the bank account at the end of the month.

All in all, Denmark, the bumblebee, is flying high. Despite high taxes, high unemployment benefits, and a large public sector, Denmark is – together with our Nordic neighbours – among the best-performing countries in the world when looking at both economic and business indicators as well as various social and welfare parameters.

We must have done something right in the way that we have designed our society and labour market in Denmark and the Nordic countries. In this publication, we zoom in on the essential pillars of the Danish welfare and labour market model. We take a closer look at the elements that are essential to the Danish success – and what we, as a country, need to hold on to and invest in.

Even though things are going quite well for Denmark, our country is not without its challenges. Even when it comes to the most fundamental elements of the Danish welfare and labour market model, cracks are starting to show in its foundations. Big holes in the safety net in the labour market are starting to occur; we save billions on what we need to live off in the future, namely education; we have a tax system moving in a less progressive direction, and a welfare state pressured by cost-cutting and an increase in citizens who are in need of care. Consequences are starting to show in the form of less flexibility in the labour market; an influx of private offerings – within healthcare, education, and private insurance; a rise in inequality and poverty and reduced social mobility for children growing up with a plastic spoon, and not a silver spoon, in their mouths.

There are cracks in the social model that we need to beware of and act on. At least, if we want to sustain and expand the social model, which, until now, has greatly profited the Danish people, as well as the Danish economy and Danish businesses.

Main conclusions of the report

The publication focuses on three essential pillars of the Danish social model, namely:

- 1) The Flexicurity model, providing flexibility and security to employers and employees on the labour market.
- 2) The educational system, in which we traditionally have made solid investments to ensure that all tiers of the population – and all parts of the country – have access to free high-quality education.
- 3) Redistribution through taxes and welfare, ensuring that *everyone* in society has a certain level of disposable income and access to essential public services, such as education, childcare, eldercare, and healthcare.

Each chapter is dedicated to one of the three pillars. In the first section of every chapter, we will examine how the labour market, the educational system, and the redistribution in society, respectively, contribute – and have contributed, to ensuring a good, secure, and wealthy society. At the end of every chapter, we zoom in on challenges that we see. Challenges we need to pay attention to and act on, if we want to safeguard the social model which makes Denmark one of the world's best places to live and work in– and provide those who are born at the bottom of society, with a chance to unfold their potential.

The main conclusions of the three chapters are, as follows:

Flexicurity is the recipe for a well-functioning labour market

The Danish labour market model, flexicurity, where high flexibility goes hand in hand with a seamless safety net and an active labour market policy, has been an excellent success for Denmark. Denmark has one of the lowest unemployment rates and the fewest number of long-term unemployed. Denmark is also the most efficient country when it comes to securing employment to job seekers. According to classical economic theory, high unemployment benefits can have a sedative effect on the unemployed, because the economic incentive to work is reduced when coverage rates are high. If you look at the correlation between the coverage rate (i.e., how big a share of the salary is covered by employment benefits) and the degree to which the unemployed can regain employment, there is, however, no indication that a lower coverage rate will result in more people regaining their jobs. As a matter of fact, there is a slight tendency towards the opposite: The higher the coverage rate, the greater the reemployment rate.

In recent years, the policies which have been pursued have resulted in a significant decrease in the coverage rate of unemployment benefits. And, while there are more holes in the safety net now, the government recently decided to implement substantial cuts in employment efforts. So, the

pillars of the Danish flexicurity model have been shaken. If wage earners start to demand severance pay and longer terms of notice, it will affect the flexibility of the labour market. We must stop weakening the safety net and refrain from skimping on the active labour market policy – and invest in our flexicurity model instead.

The Danish flexicurity model was created by the social partners, together with the Danish state. However, for several years, we have seen a decline in organisation, which might become problematic for Danish employees and society. Interesting studies from the IMF and the OECD show this tendency. A decline in organisation may lead to lower wages for average wage earners as well as increased inequality in society. Furthermore, societies with coordinated collective bargaining systems, just as the Danish one, typically have a greater share of the population participating in the labour force, as well as a lower unemployment rate, and are characterised by greater involvement of vulnerable groups in the labour market.

High-quality education for all should be a top priority

For years, we have made education a top priority in Denmark. We have invested large sums in providing free access to high-quality education all over the country. The great emphasis on education has greatly benefitted Denmark. A rather large share of the population has an education, and Denmark is one of the countries where social background has the least influence on children's chances of getting an education.

In recent years, we have, however, seen massive cost-savings on education. Since 2010, the share of Denmark's GDP dedicated to education has been reduced by 0.5 per cent, equalling a decline of DKK 10.7 billion. When looking at upper secondary as well as higher education programmes, the institutions in Denmark have less money available for each student than many other OECD countries. From 2015-2021, the government plans to save more than DKK 4 billion within the education sector with the so-called re-prioritisation contribution, which has prompted teachers and principals to caution that we are soon reaching the outermost limit for when the savings will affect the quality of education.

At the same time, the educational map of Denmark has become smaller. Tertiary educational institutions have been centralised, and more than 200 elementary public schools have closed since 2007. In recent years, more Danish children attend private schools. Denmark is, in fact, at the higher end of the scale when it comes to the share of children attending private schools.

There is a risk that social segregation in the educational system might influence the mutual understanding across social divides in society, and we risk missing out on the positive "classmate effect," which happens in mixed school classes. We should change our course and invest in education – instead of imposing cost-cuts – and make sure that there is wide access to education

for all and in all parts of the country. It is essential that we do not lower our ambitions when it comes to securing high-quality education for all – no matter where in the country you are located, and no matter who your parents are. The labour market of the future calls for education.

Redistribution through taxes and welfare provides equal opportunities

The tax system, as well as the welfare system, helps ensure improved equal opportunity in Denmark. In Denmark, taxes and transfers help reduce the Gini coefficient by 42 per cent. The welfare state also contributes to better equality to a great extent by ensuring that all Danes have access to a range of services. 27 per cent of all household consumption takes place in the realm of the welfare state's offerings, hospitalisations, day care, or eldercare, for instance.

The tax system and the welfare system play a key role in Denmark's top ranking when it comes to securing equal opportunity. Denmark is among the countries where the fewest people have difficulties making ends meet in the household; where the fewest people are worried that a family member is able to get long-term care as elderly or handicapped, and where losing social status or financial security is not something that the Danes fear.

In recent years, however, the tax system has become less redistributive. Inequality and poverty are on the rise in the most equal countries, and the world-famous high income mobility has difficulties living up to its reputation. At the same time, welfare is under pressure from constant cost-savings combined with demographic change, with more children and elderly in need of care. The number of public sector employees per citizen has not been this low since the 1980s. Employees in the public sector are struggling to keep up with demands, and more people are questioning whether the public welfare is good enough.

If we want to avoid a society divided into A and B teams, it is crucial that we prioritise public welfare in the coming years. We must invest in welfare and increase the progressivity of the tax system if we want to continue as a country that enables conditions for leading a good life, security, and opportunities for all.

1 CHAPTER

Flexicurity is the recipe for a well-functioning labour market

Denmark is one of the countries with the highest employment rate; where only a few are unemployed for a long period of time, and where most unemployed regain employment from one quarter to the next. The fact that the Danish labour market performs so well is due to our unique flexicurity model, combining a flexible labour market with a seamless safety net and an active labour market policy. We have to be cautious with reforms that create holes in the safety net and weaken the model. Moreover, we have to ensure continuous approval of the trade unions. A highly organised labour market is the foundation of the Danish model, which greatly benefits the entire society.

The Danish labour market, when seen from the outside, may seem like a mystery. How can a country where it is possible to receive high unemployment benefits when unemployed, at the same time, count as one of the countries where the participation in the labour market is the highest, unemployment is low, and where only a few are unemployed for a long period of time?

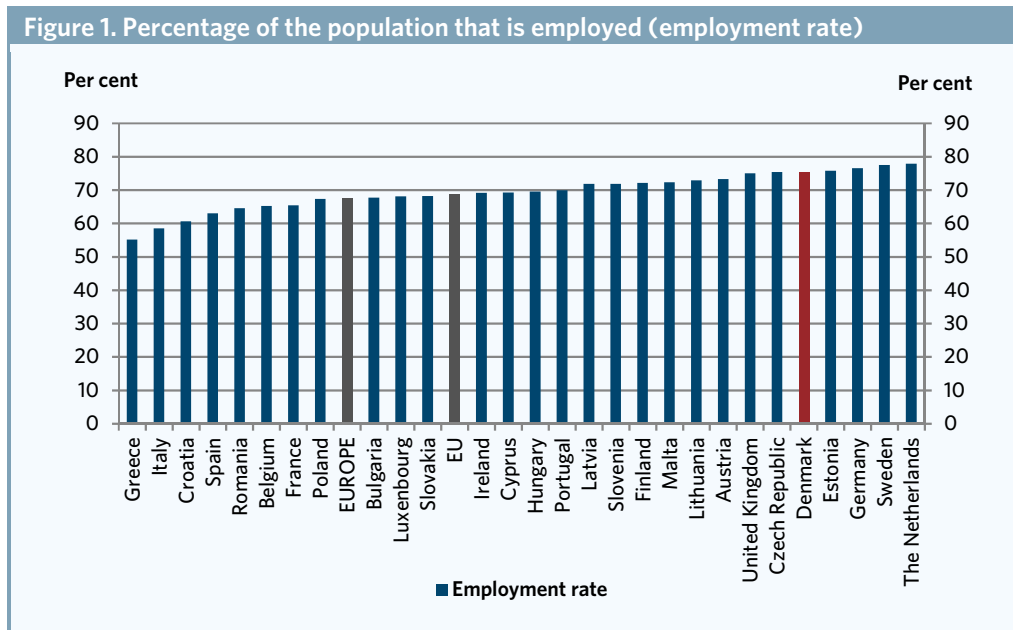
① Mystery: How do high unemployment benefits go hand in hand with high labour force participation?

From time to time, the debate also emerges here in Denmark: Is it really worthwhile working in Denmark, when you can receive unemployment benefits or cash benefits if you are unemployed? Yes, it is. In fact, Denmark is one of the countries with the highest employment rates when looking at the population. That can be seen in figure 1. The employment rate is a measure of the share of employed persons of a given population group. In the model, we focus on the population group aged 15 to 64 years old.

① Denmark is one of the countries with the highest employment rates when looking at the population.

As can be seen, 75.5 per cent of Danes aged 15-64 years are employed. That is significantly more than in Southern Europe, where there is a stronger tradition for women to stay at home, because options for childcare, eldercare, etc., are entirely different from those in Denmark. The share of employed Danes is at the top when we compare ourselves with other EU countries. Clearly, the high employment benefits are not holding Danes back from working.

① 75.5 per cent of Danes aged 15-64 years are working



Source: The Economic Council of the Labour Movement (ECLM) on the basis of Statistics Denmark, The Labour Force Survey in Denmark, and Eurostat.

Obviously, unemployment exists in Denmark. Currently, the unemployment rate is very low; approx. 3.7 per cent of the labour force is registered as unemployed. However, most of those who are unemployed, are unemployed only short-term.

① The unemployment rate equals approx. 3.7 per cent of the labour force

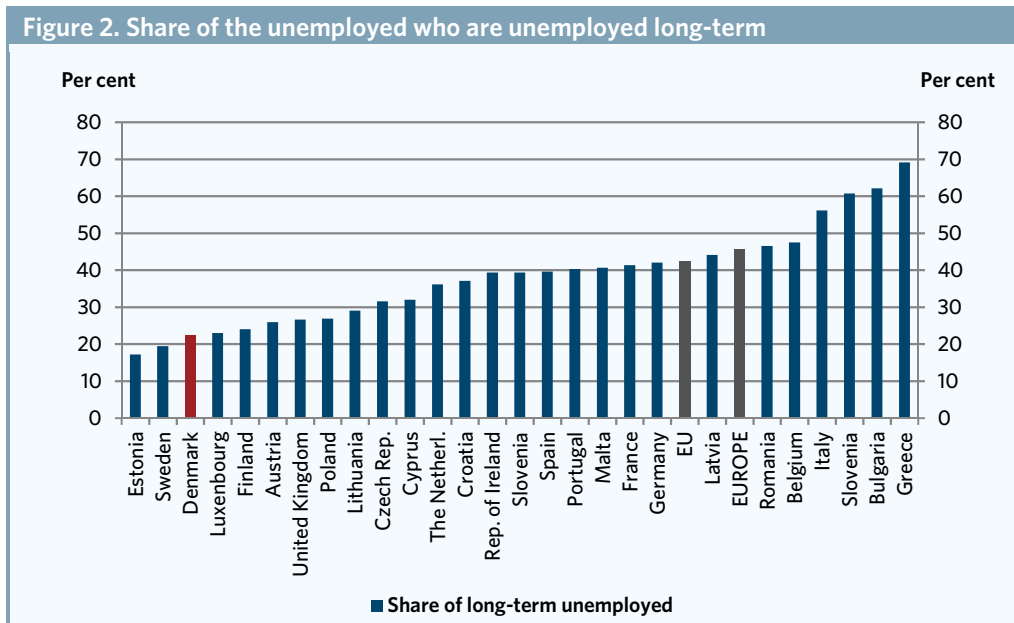
The share of the unemployed who are unemployed for a year or more, is, in fact, among the lowest in the entire EU. That can be seen in figure 2, which shows the share of long-term unemployed out of the total number of unemployed persons in Denmark and other European countries. Long-term unemployed are unemployed persons who have been unemployed for at least a year. Around 20 per cent of the unemployed in Denmark are unemployed long-term – so very few when compared internationally.

① The rate of unemployed persons, who are unemployed for a year or more, is among the lowest in the entire EU

Denmark ranks number one in the EU when it comes to reemploying the highest number of unemployed from one quarter to the next

In numbers, long-term unemployment in Denmark equals approx. 30,000 persons, and measured as a percentage of the entire labour force, long-term unemployment constitutes only around 1 per cent. Even Germany, which, with its Hartz reforms in the 2000s is often highlighted by the right-wing as a pioneer in terms of fighting poverty, has double the long-term unemployment rate of Denmark. See figure 2.

① Long-term unemployment constitutes a mere 1 per cent of the labour force



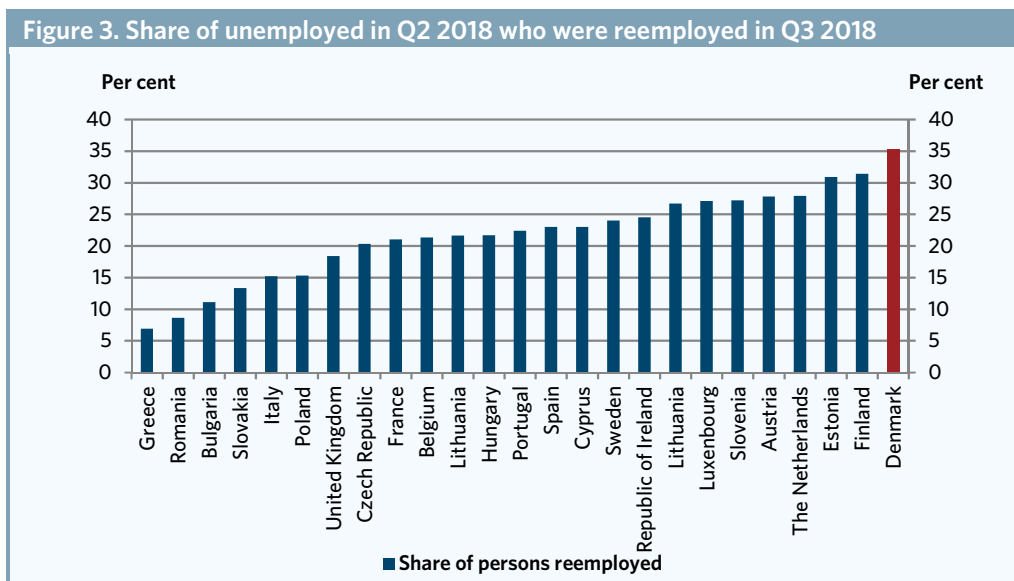
Note: The share of unemployed who have been without a job for 12 months or more. Data adjusted for seasonality, 15-64-years-old. Source: The Economic Council of the Labour Movement (ECLM) on the basis of Statistics Denmark, The Labour Force Survey in Denmark, and Eurostat.

This is linked to the fact that Denmark is very efficient in terms of reemployment. The latest numbers from the European Statistical Office shows that out of the people who were unemployed during the second quarter of 2018, 35.3 per cent had already found a job in the third quarter of 2018. That places Denmark as number one on the list of countries able to reemploy unemployed people from one quarter to the next. See figure 3.

① Denmark ranks number 1 in the EU in terms of the ability to reemploy unemployed from quarter to quarter

The fact that we are able to reemploy that many unemployed persons from one quarter to the next is one of the reasons why so relatively few are caught in long-term unemployment. The numbers show that there is high turnover in the unemployment lines. 4/5 of the unemployed have been unemployed for less than a year.

① 4/5 of the unemployed have been without a job for less than a year

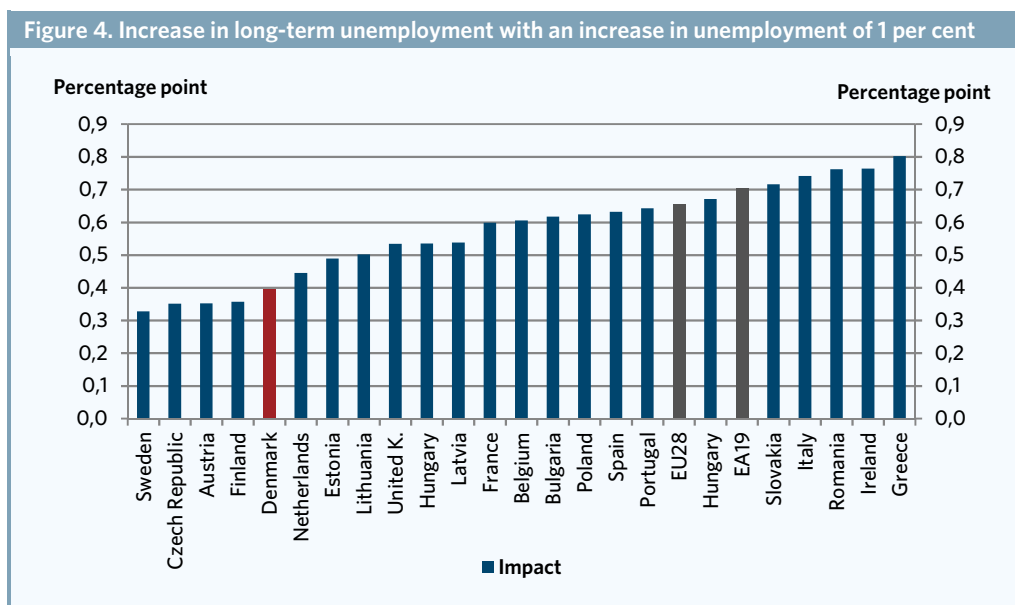


Note: The share of unemployed in Q2 2018 who found jobs in Q3 2018. Source: The Economic Council of the Labour Movement (ECLM) based on Statistics Denmark, The Labour Force Survey in Denmark, and Eurostat.

Even during the financial crisis, when many people were hit by unemployment, the rise in long-term unemployment was relatively moderate. Before the onset of the crisis, long-term unemployment in Denmark constituted approx. 0.5 per cent of the labour force. In 2012, the long-term unemployment rate peaked at approx. 2.2 per cent of the labour force – an increase equivalent to 1.7 percentage point.⁵ Compared to the substantial increase that we saw in the unemployment rate, the increase in the long-term unemployment rate was relatively moderate compared to other EU countries. This can be seen in figure 4, showing the increase in the long-term unemployment rate in relation to the increase in the unemployment rate. When the increase in the long-term unemployment rate is high in relation to the increase in unemployment, the impact of employment on unemployment is substantial – that is to say, many unemployed become unemployed long-term.

⊙ Even during the financial crisis, when many employees lost their jobs, the increase in long-term unemployment was moderate

For the EU as a whole, the impact of unemployment on long-term employment was around 65 per cent during the crisis. In several indebted countries, the rise in long-term unemployment equalled more than 70 per cent of the rise in total unemployment. In Denmark, the increase in long-term unemployment equalled around 40 per cent of the unemployment rate; that is, at the lower end compared to other countries in the EU.



Note: Impact of unemployment on long-term unemployment has been calculated as the relation between the changes in long-term unemployment nationally, bottom to top, from 2007 to 2014 seen in relation to the change in the overall unemployment nationally, bottom to top during the same period. By looking at the change in unemployment and long-term unemployment from bottom to top, instead of the development over the same period, you compensate for the adjustment which inevitably will be there, in order for unemployment to feed through to long-term unemployment. Germany has seen no increase in long-term unemployment and is therefore not included in the figure.

Source: ECLM based on Eurostat

⁵ Calculations are based on the unemployment rates of the Danish Labour Force Survey (AKU) in order to be able to compare the increase with other countries. It is possible to count as unemployed in the AKU-statistics, even though that person is not eligible for unemployment benefits or cash benefits. Therefore, the outcome of the unemployment benefit system should not affect the AKU-unemployment rate in principle, if persons who are no longer a part of the unemployment benefit system, continue to meet the AKU-criteria for unemployment.

But what is the explanation as to why Denmark has such a relatively low rate of long-term unemployment – and is able to reemploy those who are unemployed, so effectively? The answer lies in our flexicurity model.

⊙ The Danish flexicurity model is key

Flexibility and security go hand in hand

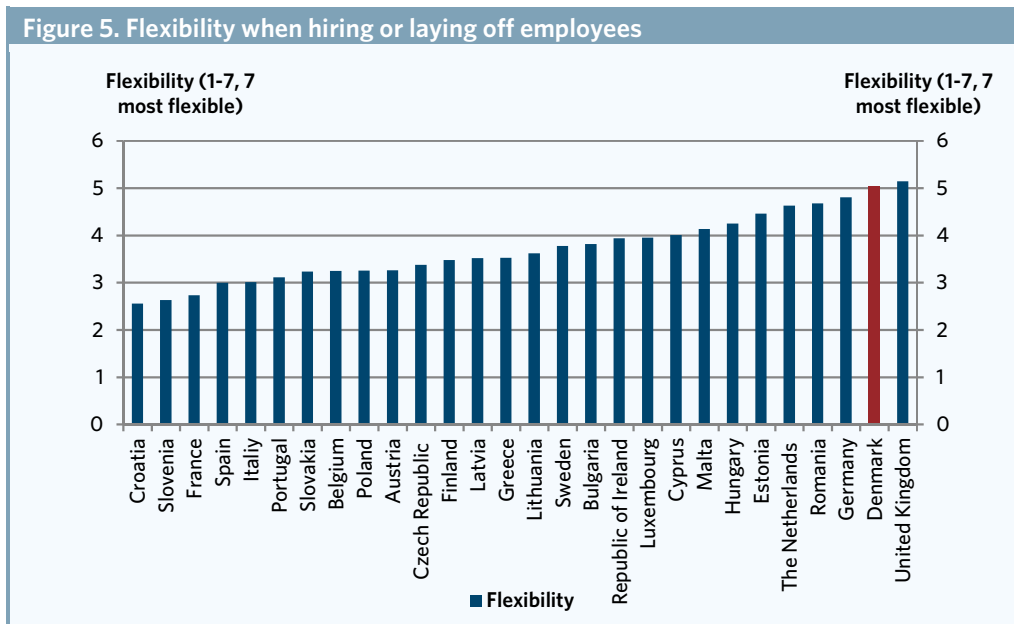
The Danish labour market is characterised by flexible regulation when it comes to laying off and hiring labour. According to the World Economic Forum, Denmark ranks number 8 on the list of countries with the most flexible regulations for laying off and hiring in the world, and when looking specifically at the EU countries, Denmark takes second place, as can be seen in figure 5. The ranking is based on an index between 1-7, with 7 corresponding to the most flexible rules for laying off and hiring.

⊙ Denmark has a very flexible labour market, where laying off and hiring employees is fairly easy

It is also inexpensive to lay off employees in Denmark, compared to other countries, where substantial severance pay is more common.

Evidently, this flexibility gives companies an advantage, as they can adjust to the economic climate more easily, but flexibility also has its advantages for employees, as there are no great risks involved for the companies when creating new jobs. Because of this flexibility and much lower costs when laying off employees, companies are more inclined to create new jobs, compared to companies in countries with low flexibility and high severance pay. In this way, flexibility helps to ensure more job openings in the economy – even during bad times.

⊙ The flexibility ensures more job openings in the economy – also during bad times



Source: ECLM based on World Economic Forum's "Global Competitiveness Report 2018".

A high level of flexibility requires a seamless safety net for the employees as a way to provide for them in case they face unemployment. Compared to other countries, you get a relatively high share of the lost salary income reimbursed if you become unemployed. Without a safety net in the form of unemployment benefits and cash benefits, all other things being equal, employees would demand longer terms of notice and higher severance pay. The safety net is an important reason why employees accept entering into a contract by which they risk being laid off at short notice.

① The high level of flexibility requires a seamless safety net for the employees

Denmark is the country in the OECD with the highest expenditure on active labour market policies

However, in Denmark, in order to receive employment benefits, cash benefits or the like, you need to participate in various types of activation. Due to the active labour market policy, you cannot simply cash your employment benefit or cash benefit without providing a return. Requirements are strict in terms of the number of job applications to send out, when to come in for meetings, take part in training, and making yourself available to the labour market. The active labour market policy also strengthens the qualifications of the unemployed and increases their chances of reemployment.

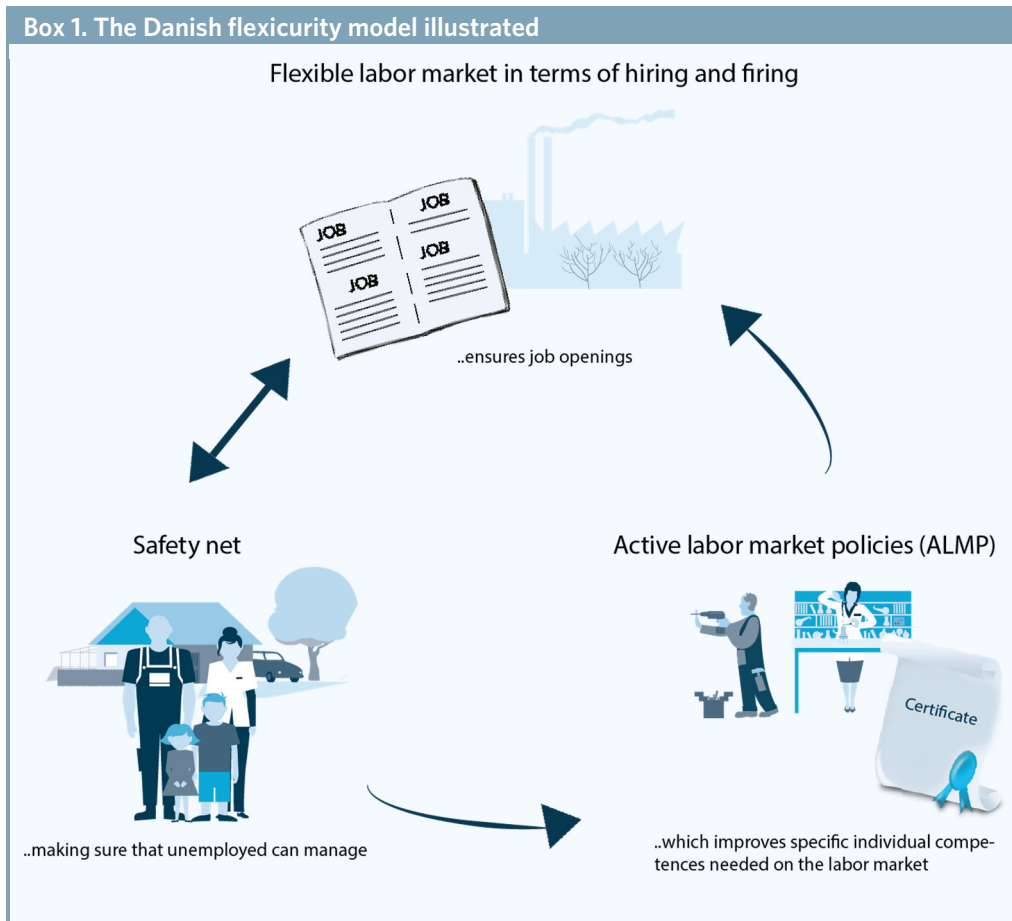
① The active labour market policy requires that unemployed workers make themselves available to the labour market, participate in relevant training, etc.

Denmark is the country in the OECD with the highest expenditure on active labour market policies, measured as a share of GDP.

① Denmark is the country in the OECD with the highest expenditure on active labour market policies

The combination of flexibility, an excellent safety net, and an active labour market policy is exactly what characterises the Danish labour market model, the flexicurity model, as illustrated in box 1. None of the pillars can stand alone, and together, they are the explanation as to why Denmark has such a dynamic and flexible labour market.

① The flexicurity model is characterised by a high level of flexibility, an excellent safety net, and an active labour market policy.



In addition to various classes and company-aimed training for those who are unemployed, as part of the active labour market policy, Denmark provides excellent opportunities for continuing training. That way, both unemployed and people in the workforce can educate themselves further to their own benefit as well as for the sake of the prosperity of society.

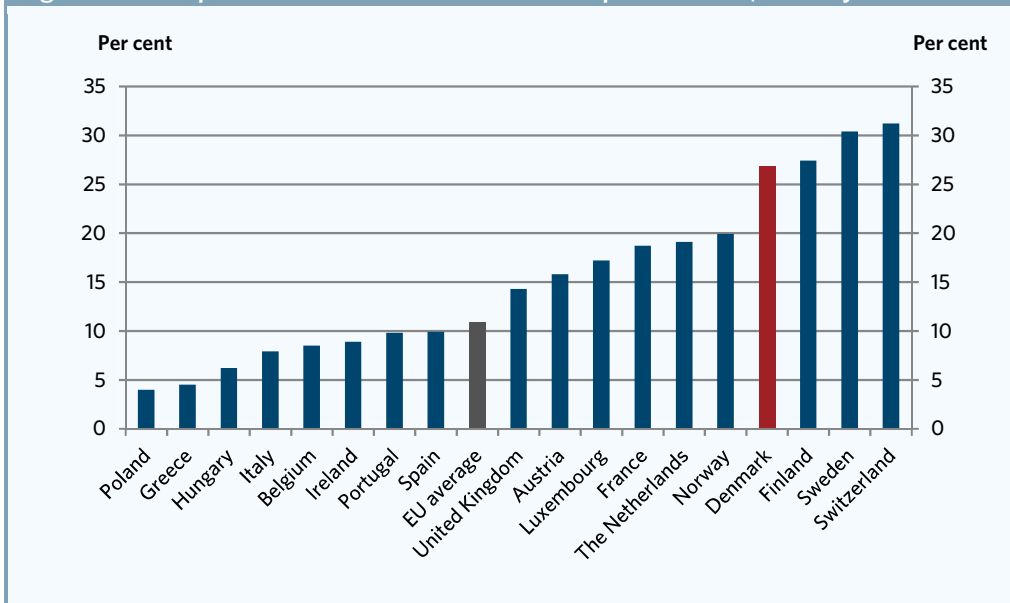
① In Denmark, in general, there are great options for continuing education and adult education

In its commission report from 2014, the EU has commented that Denmark has one of the highest participation rates in adult education. Denmark ranks fourth and significantly above the EU average; see figure 6. Denmark's participation in adult education is also significantly higher than the EU 2020 goal of 15 per cent participation. The EU also notes that participation in adult education among low-skilled workers is the second-highest in the EU⁶.

① Denmark has one of the highest participation rates in adult education

⁶ See EU "Education and training monitor country analysis" 2018.

Figure 6. Participation in adult education within the past 4 weeks, 25-64-years-old



Note: EU countries among 23 selected OECD countries.
Source: ECLM based on Eurostat, trng_lfse_03

The correlation between high employment benefits and unemployment is not unambiguous

You often hear critics say that high unemployment and cash benefits do not make it worthwhile to work because the coverage rate (the share of the salary covered by the benefits) is high. Classical economic theory also suggests that generous employment benefits can have a sedative effect on the unemployed. However, there are multiple reasons to question that.

① Critics claim that high unemployment and cash benefits do not make it worthwhile to work

First, you cannot simply cash your employment benefit or cash benefit without providing something in return. If there is a sedative effect from high employment benefits, activation can galvanise the unemployed (See OECD (2006) and Filges & Toft Hansen (2017)).

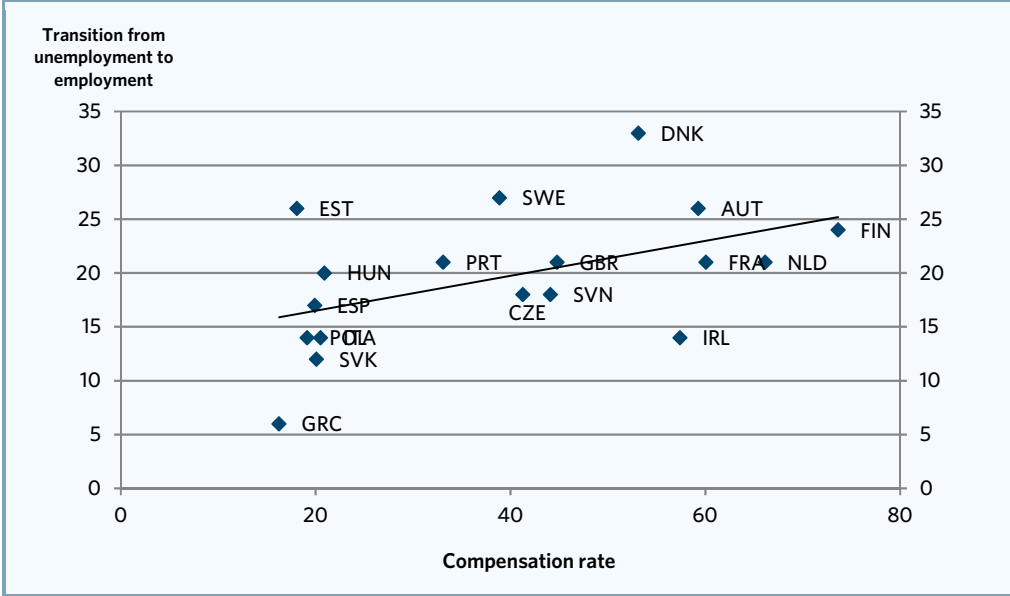
Second, when looking at data from the OECD, it is not very clear that the transition from unemployment to employment declines in the case of an increased coverage rate. If there is a correlation between the transition from unemployment to employment and the coverage rate, it may seem to be reversed at first sight. Figure 7 shows the correlation between the transition from unemployment to employment and the coverage rate for a range of OECD countries (coverage rate is also called compensation rate).

① It is unclear whether the rate of transition from unemployment to employment declines in the case of an increased coverage rate

As can be seen in figure 7, there is, in fact, a slight tendency that the greater the coverage rate, the greater the share of unemployed persons regaining employment.

① There is a slight tendency that the greater the coverage rate, the greater the share of unemployed persons regaining employment

Figure 7. Coverage rate and transition from unemployment to employment

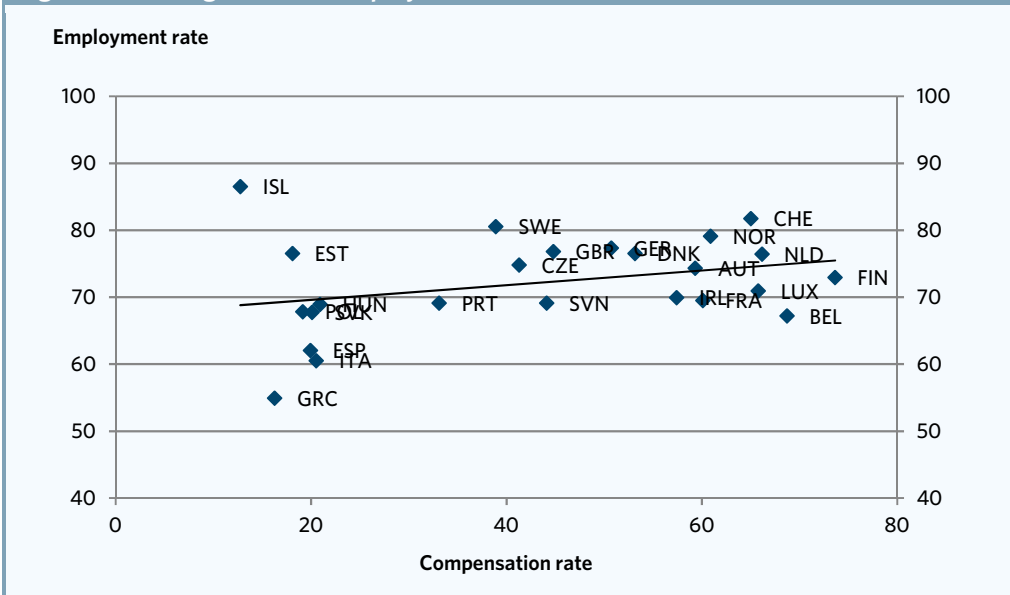


Note: Observations from 2015
 Source: ECLM based on OECD and Eurostat.

Countries with high unemployment benefits have high employment rates

When you compare the level of unemployment benefits with the percentage of the population that is employed, there does not seem to be a negative correlation; see figure 8.

Figure 8. Coverage rate and employment rate



Note: Observations from 2015. Although, for Germany, observations are from 2013.
 Source: ECLM based on OECD and Eurostat.

The correlations are not significant, and the figures should be interpreted cautiously as they are not causal analyses. However, Howell et al. (2007) have conducted a more rigorous analysis, which shows that a high compensation rate does not lead to a high unemployment rate. On the contrary, when comparing across countries, you see a tendency towards a high employment rate for countries with high unemployment benefits.

⊙
On the contrary, when comparing across countries, you see a tendency where high employment causes governments to increase the unemployment benefits

The research literature does not present unambiguous results either. Even though the studies that find a negative correlation between coverage rates and the probability in transitioning from unemployment to employment predominate in microeconomic studies, they cannot estimate the total effect on the employment rate. For instance, they do not take into account any increased relapse into unemployment and increased transition to other types of benefits. Overall, the effect which the coverage rate and the active labour market policy have on the employment rate is not strongly highlighted across microeconomic studies in general.

⊙
It is not very clear to what extent the coverage rate and the active labour market policy may affect the employment rate

When unemployment benefits are followed up with public efforts of activation and availability-for-work requirements, the level of benefits is expected to have less influence on the job search of the unemployed. Empirical studies indicate the same. Macroeconomic studies from the OECD (2006) show that the effect of lowering the coverage rate in Denmark - from a statistical point of view - is not significant, because, in Denmark, we have supplemented our safety net with availability-for-work requirements and activation. Researchers from the Danish National Centre for Research (SFI) also conclude that the negative effect which the coverage rate has on the unemployment rate, is reduced when unemployment benefits are supplemented with activation requirements, as is the tradition in Denmark. (Filges & Toft Hansen 2017).

⊙
When unemployment benefits are followed up with public efforts of activation and availability-for-work requirements, the level of benefits is expected to have less influence on the job search of the unemployed

In recent analyses, the OECD does take a "systemic approach" and takes an overall look at the various labour market institutions and employment objectives (OECD 2017 and 2018). These analyses emphasise a tendency towards high levels of employment among countries with high unemployment benefits.

⊙
Countries with high unemployment benefits often have high levels of employment

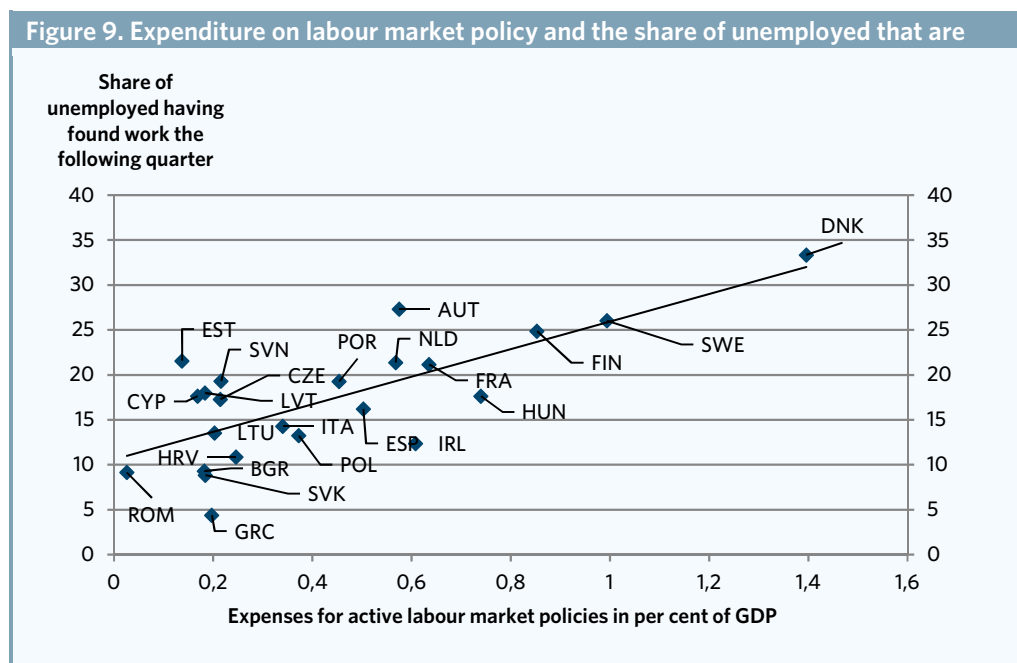
Education and active labour market policies play an important role in the creation of job opportunities

While the correlation between the rate of the unemployed who regain employment and the compensation rate does not seem to be that obvious, there is, however, a clear correlation between how much money a country spends on active labour market policy and the number of unemployed who regain employment. Figure 9 shows the amount of money that each country spends on active labour market policy and the share of the unemployed who find employment during the next quarter.

⊙
There is a clear correlation between how much money a country spends on active labour market policies and the number of unemployed who are reemployed

Countries which spend a lot of money on active labour market policy also tend to have a larger number of unemployed who regain employment. Denmark is one of the countries which spends the most on active labour market policies. Denmark is also best when it comes to getting the unemployed back to work.⁷

⊙ Denmark spends the most on active labour market policy - and is best at reemploying the unemployed



Note: This figure looks at the share of unemployed who are reemployed the following quarter seen in relation to the expenditure on the active labour market policy in per cent of the GDP. Average numbers for the year 2011 – 2016 (included) are applied. Source: ECLM based on Eurostat.

Again, this is not a causal analysis, but the correlation in figure 9 is consistent with studies of the employment effect of an active labour market policy. As mentioned, activation, etc., can effectively eliminate any sedative effect from generous unemployment benefits. Participation in activation programs, etc., also help the unemployed to escape the unemployment lines in other ways than just by giving them a push. Studies find that job seekers find jobs more easily if they participate in activation programs (see Filges et al. 2018 and Vooren et al. 2019). For instance, early efforts, including interviews and private wage subsidy schemes and short-term work placements, seem to have an effect (The Danish Ministry of Finance 2018). Education, in particular, also seems to have an effect on the unemployed open to re-entering the workforce (jobeffekter.dk).

⊙ Activation, etc., can effectively eliminate any sedative effect from generous unemployment benefits

Since 2013, the Danish economy has benefited from a substantial increase in the employment rate. Almost all groups have seen a significant rise in employment, except non-skilled workers. Despite the economic recovery of the Danish economy, the employment rate of non-skilled workers has de facto decreased slightly; a decrease of 0.9 percentage points from October 2013 to October 2017, to be exact. On the other hand, the unemployment rate for skilled workers has increased by 2.5 percentage points. Table 1 shows the development in the employment rate for skilled and unskilled

⊙ Almost all groups have seen a significant rise in employment since 2013, however, not the non-skilled workers

⁷ The reason why "share of reemployment" in figure 8 does not correspond with the "share of reemployment" in figure 3, is that figure 8 covers a longer time period. In figure 8, average numbers for the years 2011- 2016 (included) are used for improved accuracy in the calculations.

workers. Despite the overall recovery of the labour market, unskilled workers now have a weaker link to the labour market. It clearly shows that education is a key factor in terms of labour market participation.

Table 1. Development in employment rate at the beginning of the economic recovery

	2013	2017	Change (percentage point)
Unskilled labour	43.5	42.6	-0.9
Skilled labour	70.3	72.8	2.5

Note: Full time employment in percentage of the population aged 18 - 64 years. Students are excluded. Persons with an upper-secondary education or no mention of educational background are not included. For both years, the employment rate for October is used.

Source: ECLM based on Statistics Denmark's databases.

A need to strengthen the flexicurity model

The flexicurity model has served us well, but for the past several years, it has been significantly weakened. The unemployment benefit coverage has been reduced, and wage earners get an increasingly lower share of their salary income covered in case of unemployment.

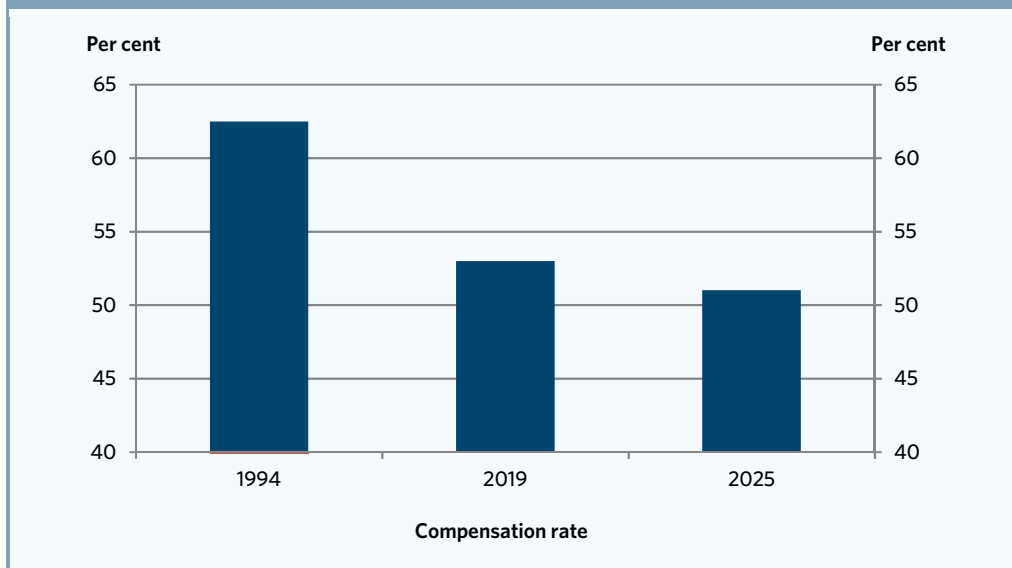
⊙ The flexicurity model has served us well, but for the past several years, it has been significantly weakened

On top of the bigger holes in the safety net, the government has also taken cost-cutting measures when it comes to employment efforts

For a worker and member of the Danish Federation of Trade Unions (LO), the unemployment benefits covered 62.5 per cent of the salary in 1994. By 2025, the coverage rate will have declined to around 50 per cent. That means, there is a greater risk in being unemployed, which might affect the flexibility of the labour market.

⊙ In 1994, unemployment benefits covered 62.5 per cent of the salary for a working member of the Danish Federation of Trade Unions (LO). In 2025, the coverage rate will have declined to around 50 per cent.

Figure 10. Unemployment benefits cover a diminishing share of the salary of a trade union member



Note: Net replacement rates.

Source: ECLM based on the Danish Confederation of Trade Unions and the trade union, 3F.

In addition to the fact that employment benefits now cover a smaller share of the income than before, the maximum amount of time that you can receive benefits has also been shortened. Even though the reinstatement of the right to receive benefits which has been established is more flexible than was initially intended in the employment benefit reform of 2010, still today we are left with an unemployment benefit system where approx. 7,000 people will fall through gaps in the system every year, according to the Danish unemployment benefit commission (Dagpengekommisionen). Wage earners' insurance against unemployment has become significantly worse. In fact, in 2010, severance pay became a part of the collective bargaining agreements of the industrial sector. If more wage earners demand severance pay and longer terms of notice, it will affect the flexibility of the labour market. This will be to the detriment of both wage earners and employers.

①
If more wage earners demand severance pay and longer terms of notice, it will affect the flexibility in the labour market

For the same reason, Karsten Dybvad, who was the CEO of the Confederation of Danish Industry (DI) until recently, has advised the politicians against further cuts in the unemployment benefits, since we have now "cut to the bone" and "there will be risks if taken further", referencing reforms set out to increase the labour supply by weakening the unemployment benefits further. As Karsten Dybvad commented to Danish daily Børsen (2018): "It might be that you can gain something at the margin, which perhaps - for calculation purposes - might increase the labour supply a little. But you will begin a process, where we start to change our labour market model. And that will be much more costly for us."

①
The former CEO of the Confederation of Danish Industry has advised against further cuts in unemployment benefits

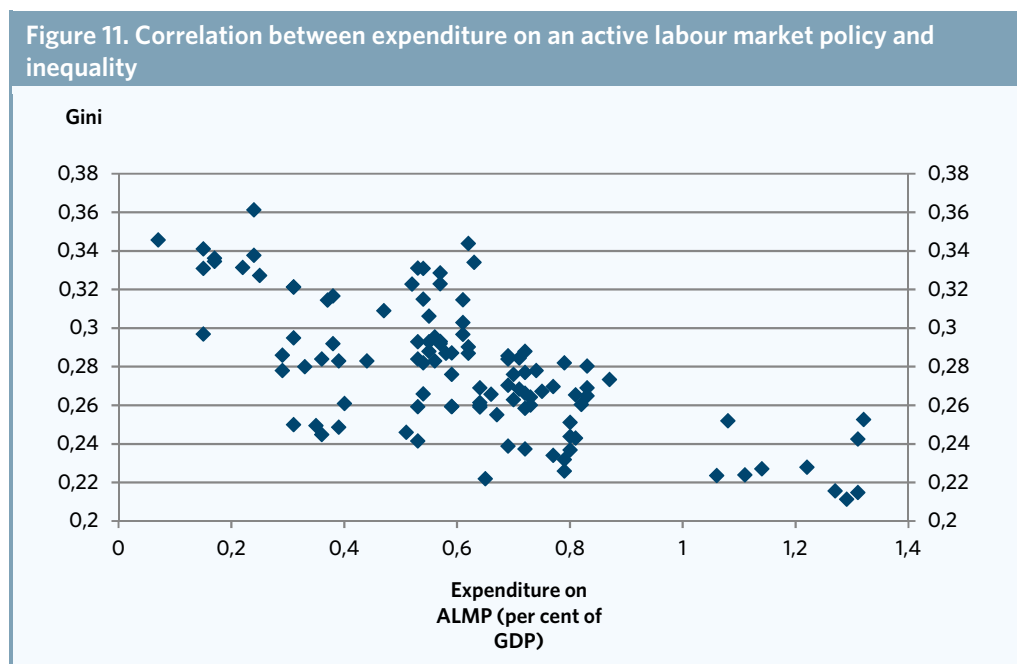
①

Besides the fact that there are more holes in the safety net on the labour market following the reduction in unemployment benefits and the cash benefit limit, affecting especially families receiving lower benefits as a result, the government has also taken cost-cutting measures when it comes to employment efforts. As a result, the active labour market has been weakened. As per the Agreement on Business and Entrepreneurial Initiatives from 2017, the government, the Danish People's Party, and the Danish Social-Liberal Party will remove DKK 1 billion from the employment efforts of the Danish municipalities in 2020, the equivalent of 20 per cent of the operating expenses in 2017. In other words, they are undertaking brutal cost-cutting of one of the pillars of the Danish model.

The government has taken substantial cost-cutting measures when it comes to employment efforts

Substantial cost-cutting of the active labour market policy may also affect equality in society. Besides an increase in employment, the active labour market policy may also help reduce the inequality in society – because the least wealthy in society have access to training and up-skilling paid for by the state. Figure 11 shows the correlation between inequality – measured by the GINI coefficient – and costs of the active labour market policy, measured in per cent of GDP. As the model shows, societies with a higher expenditure on active labour market policies typically have less inequality.

⓪ Cost-cutting of the active labour market policy may affect equality in society



Note: Observations of the following countries are included: Denmark, Sweden, Norway, Finland, France, Greece, The Netherlands, Italy, Spain, and Germany. The dots illustrate the relationship between the Gini coefficient and the expenditure on active labour market policies in the selected countries at different times from 1995 to 2012. Observations after 2012 are not included due to data breaks.
Source: ECLM based on OECD.

Our flexicurity model is built upon the willingness of wage earners to work under terms of short notice periods and with limited or no severance pay. That makes the labour market flexible. At the same time, the active labour market policy is an effective tool to get the unemployed back to work

⓪ The flexicurity model builds upon the willingness of wage earners to work under terms of short notice and with limited or no severance pay

– and helps reduce inequality by providing the least wealthy with an opportunity to participate in training and up-skilling paid for by the state.

Whether your income comes from working or benefits, a secure and stable income is a prerequisite for every individual's security and stability. Denmark is characterised by the fact that Danes have less fear of losing their job than other Europeans – despite how easy it is to lay off employees. The explanation is that the average Danish person counts on relatively high benefits in case of unemployment. If the insurance against unemployment becomes insufficient, the flexibility of the labour market is in danger.

⓪
A steady and stable income is a prerequisite for security – for those who are employed as well as the unemployed

It is crucial that the essential elements of the Danish flexicurity model are kept intact. The positive interaction between the economic safety net (including the unemployment benefits system), the minimal employment protection, and the active labour market policy needs to be preserved. As pointed out by the so-called "wise men", it is essential that transfer benefits are not looked upon as a burden or a significant expense for the state. The safety net, in close interaction with the active labour market policy, ensures that the majority of the unemployed can return to work quickly and provides security and increased equality to Danish employees.

⓪
It is crucial that the flexicurity model is kept intact. The safety net is now cut to the bone.

A highly organised labour market is key

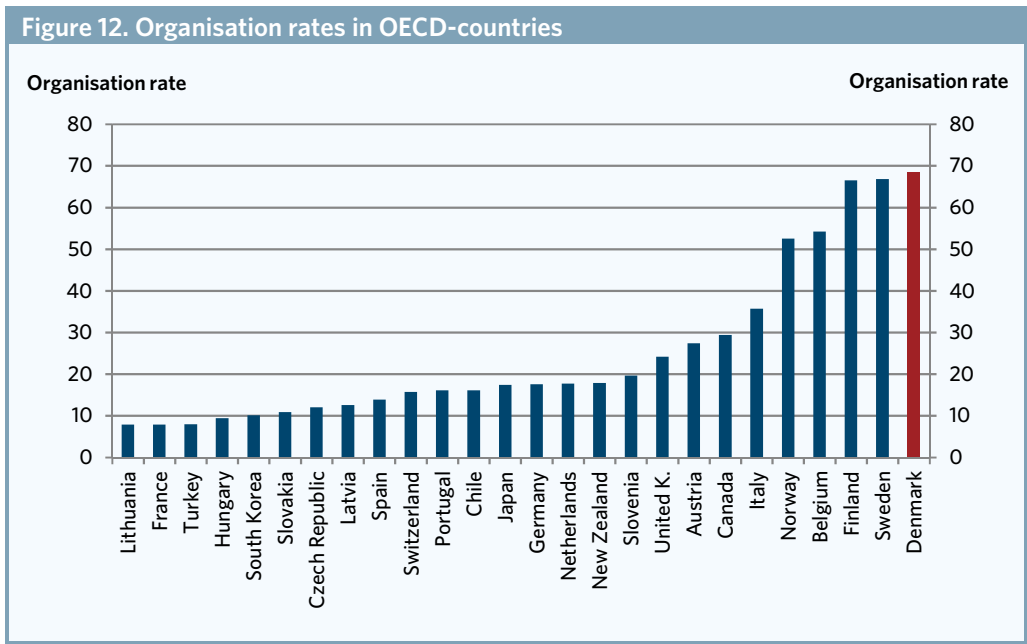
The Danish flexicurity model was created by the social partners, together with the Danish state. The "September Compromise" in 1899 laid the foundation for the Danish collective bargaining agreement model, which is characterised by decentralised negotiations of the terms and conditions of the labour market, including salary, through sometimes long and hard collective bargaining negotiations between employers and workers.

⓪
The Danish flexicurity model was created by the social partners together with the Danish state

A decline in the organisation rate may lead to lower salary levels for the average wage earner and increase inequality in society

A prerequisite for it to become a reality is that a large share of the labour market – on the workers' side and the employers' side alike – is organised in unions or employers' associations. However, in recent years, we have seen a decline in the organisation rate across the OECD countries. Figure 12 shows the organisation rate among 25 OECD countries. Nearly 70 per cent of Danish employees are organised in a union. Generally, the trade union movement stands strong in the Nordic countries.

⓪
A prerequisite for it to become a reality is an organised labour market



Note: 2015 numbers. Organisation rates only available in the OECD database for the 26 countries included. 2015 is selected in order to increase the number of observations. If we had chosen data from a year when the organisation rate for Iceland had been included, Denmark would take second place, but would still rank near the top.
Source: ECLM based on OECD

Two interesting studies from the IMF and the OECD show that, for a number of years, there has been a decline in the organisation rate, which might prove problematic for Danish employees and society.

① A declining organisation rate may prove problematic

In an analysis from 2015⁸, led by the world-renowned economist Olivier Blanchard, the IMP found that a decline in the organisation rate among employees of 10 percentage points will lead to a five per cent rise in income for the wealthiest 10 per cent.⁹ The reason behind this is, first, that the share of the total growth in a society paid out as salary (the wage share) decreases when the organisation rate lowers. As a result, the average wage for all wage earners decreases.

① A decline in the organisation rate of 10 percentage points will lead to a 5 per cent increase in income for the wealthiest 10 per cent

Second, a decline in the organisation rate will affect the distribution of labour earnings between wage earners, meaning that a larger percentage of the wage share will go to the top of the distribution of labour earnings. According to the IMF, income growth for the wealthiest will take place at the cost of the 90 per cent with a lower income. The IMF also points out that, in economic literature, there is broad consensus that high organisation rates normally entail higher average pay for employees.

① Higher levels of organisation rates lead to higher salaries for wage earners

①

⁸ See Buitron, Carolina Osorio & Jaumotte, Florence, (2015). "Inequality and Labor Market Institutions". IMF staff discussion note.
⁹ This result is robust when checked against the coverage rate of wage earners whom the unions negotiate salaries for. The analysis is also robust when checked against the influence of globalisation and new technology on inequality as well as sectoral composition, the importance of employment in the financial sector and an overall increasing level of education across countries. The IMF even applies an instrument in their estimation to try to avoid problems with so-called endogeneity, which is why the IMP suggest that the results may be interpreted causally - meaning that the organisation rate is influencing income distribution.

Thus, a decline in organisation rate may result in a decrease in the average wage earner's salary and lead to an increase in inequality. The inequality might further increase, as the political pressure which the trade union movement might exert on the politicians, will become less powerful if the trade union movement is weakened. Trade union movements across the countries in the OECD typically work towards a progressive tax system, where those with the broadest shoulders bear the greatest burden. Hence, a strong trade union movement ensures that added growth in a society benefits everyone.

A decrease in the organisation rate may lead to a reduction in the average wage earner's salary and lead to an increase in inequality

A well-organised labour market – for wage earners and employers alike – is a major benefit to the employees, who will receive a greater share of the growth created, but also for the society as a whole.

① A well-organised labour market is a major benefit to the society as a whole

That aspect becomes apparent in an analysis by the OECD from autumn of 2018, where the OECD compares how different collective bargaining systems perform.¹⁰ The OECD finds that the bargaining systems that have extended coordination between sectors and negotiation parties – which is the case of Denmark – generally perform better. In concrete terms, the OECD shows that the unemployment rate in bargaining systems, such as the Danish one, is lower on average, including young people and persons with little education. The Danish bargaining system also has one percentage point fewer involuntary part-time workers.

① The OECD finds that bargaining systems with extended coordination between sector and negotiation partners generally perform better

According to the OECD, the Danish bargaining system brings less wage dispersion. The wages agglomerate between the top and the bottom and between the mid-range salaries. The effects on wage dispersion are significant but limited.

① According to the OECD, the Danish bargaining system brings less wage dispersion

If the average Danish worker wants to continue seeing improvements in working conditions and benefit from the growth generated by technology, for instance, then workers need to stand together and make demands

The OECD believes that these effects might stem from the fact that the coordination of salary warrants that the social partners take the macroeconomic situation into account to a greater degree: "Are we dealing with an economic crisis? Is the economy recovering?" The current economic situation has much influence on wage development, which makes the economy more competitive as a whole and ensures a high level of employment over time.

¹⁰ See Farber, Henry, Daniel Herbst, Ilyana Kuziemko, and Suresh Naidu, (2018). "Unions and Inequality Over the Twentieth Century: New Evidence from Survey Data". NBER Working Paper Series, 2018, 24587.

Finally, the OECD points to the fact that continuing education efforts across sectors can secure a smoother transition between jobs – and more flexibility in the labour market.

⓪ Continuing education negotiated between the social partners can secure a better transition between jobs

All in all, the OECD indicates that societies with coordinated bargaining systems, such as the Danish system, have a greater share of the population participating in the labour market, less unemployment, and are characterised by greater involvement of vulnerable groups in the labour market.

⓪ Societies with coordination bargaining systems have a greater share of the population participating in the labour market

If the average Danish worker wants to continue seeing improvements in working conditions and to benefit from the growth generated by technology, for instance, then workers need to stand together and make demands. If we look across the Atlantic to the United States, then the average American is not able to take maternity leave or an increase in real wages for granted. For decades, real earnings have not increased. Luckily, employees in Denmark are still among the best organised in the OECD, but the trend is regrettably downwards.

⓪ If the average Danish wage earner wants to continue seeing improvements of working conditions, then workers need to stand together and make demands

It is paramount that Danish wage earners know how much it matters when social and health service helpers at the nursing home, construction workers at the building site, metalworkers in the industry, and the nurses at the hospitals organise themselves and collaborate to achieve decent working conditions in the labour market and society in general.

⓪ It is paramount that Danish wage earners realise the importance of the labour movement

We must stop the cost-cutting of the active labour market policy and refrain from creating holes in the safety net – instead, we need to invest in our flexicurity model

The Danish model has provided Danish employees with great access to maternity leave, an increase in (real) wages over time, retirement savings, and employment benefits if we lose our jobs, holiday entitlement, regulation on occupational safety and health, and access to continuing education. With the Danish model, we have created one of the most flexible labour markets in the OECD. As this chapter has highlighted, Denmark is among the countries with the highest

⓪ The Danish model has ensured a number of rights and created one of the most flexible labour markets in the OECD

employment rates, and only a few are unemployed for a long period of time. Moreover, company competitiveness is great.

However, these past few years have shaken some of the fundamental pillars of the Danish labour market model, flexicurity, which has been negotiated by the social partners through the years. At present, the government is executing cost-savings worth billions on the active employment effort and has made significant cuts to the safety net.

As the former CEO of the Confederation of Danish Industry (DI) Karsten Dybvad says, we have now cut to the bone. We must stop creating holes in the safety net and refrain from cost-cutting the active labour market policy. Instead, we need to invest in our flexicurity model to the benefit of employers, employees, and the entire society.

①
We need to invest in the
Danish labour market model

2 CHAPTER

High-quality education for all should be a top priority

Denmark is among the countries where social background has the least influence on children's chances of getting an education; where relatively few young people are without a job or an education, and where the dispersion of competencies in the population is relatively small. Education is free in Denmark and has been highly prioritised for many years. However, in recent years, Denmark has taken a plunge in rankings when it comes to the amount of money we spend on education. Several countries can educate a greater proportion of young people than us. That is why high-quality education for all should be a focal point on the political agenda.

For many years, free and equal access to education has been the cornerstone of the Danish welfare society. In Denmark, we have chosen to prioritise and spend relatively large sums on education to ensure that children in the entire country have access to education within a reasonable distance of their homes and that educational programmes - from elementary school to university level - follow high-quality standards and are free of tuition fees.¹¹

Prioritising education has provided results. Only a few young people are left without a job or an education, and the chances of completing an education depend less on where you were born than in many other countries. Education makes it easier to get into the labour market, and that makes Denmark wealthier. Especially in a labour market, such as the Danish one, where employers increasingly demand a specialised labour force, education becomes a more important ticket to a working life.

Ensuring high-quality education is one of the UN's Sustainable Development Goals, and according to the UN, education is: *“one of the most powerful and proven vehicles for sustainable development”*.¹² For this Sustainable Development Goal, one of the concrete targets is: *“By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.”*

① Denmark has a strong tradition of free and equal access to education

① High-quality education for all is one of the UN's Sustainable Development Goals

¹¹ However, a survey from *Folkeskolen* shows that, in recent years, the 'user-pays' principle has become more common in relation to payment for school camps, etc. <https://www.folkeskolen.dk/624611/ny-undersogelse-brugerbetaling-breder-sig-paa-folkeskolerne>

¹² <https://www.verdensmaalene.dk/maal/4>

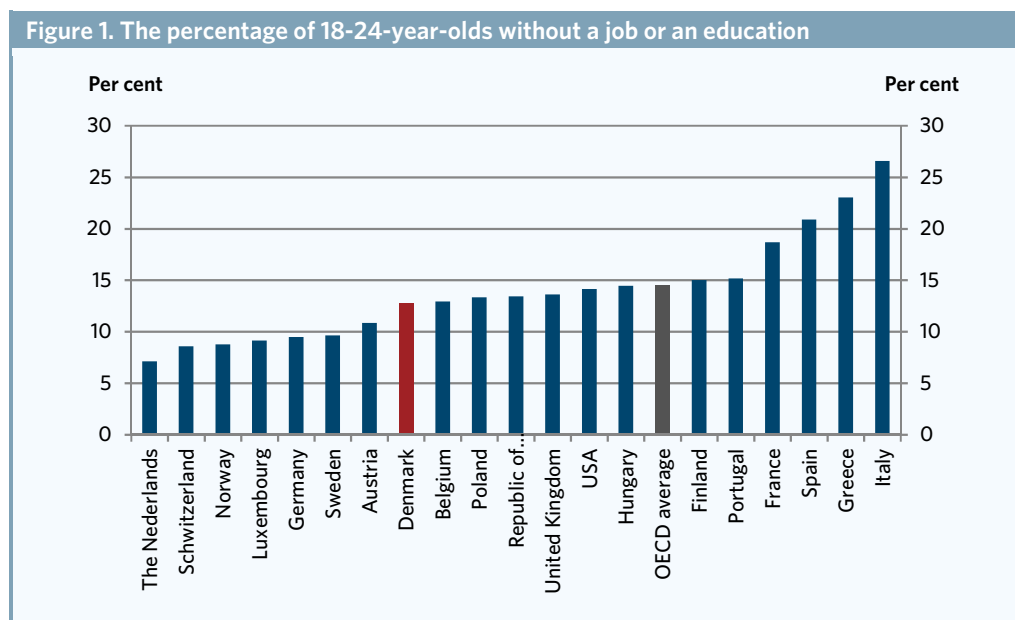
In Denmark, we follow suit, as education has been ranked at the top of the list of political priorities and government budget items for a long time. Ensuring high-quality and free education for the entire country requires significant investments. However, although large deposits from the state are needed, it is an investment that should not be compromised. An investment in education is a worthwhile investment.¹³

The vast majority of young people complete an education

In Denmark, the free education system ensures that the vast majority of young people are not left behind and that they get a job or an education. In Denmark, we have a set target that, by 2030,¹⁴ 90 per cent of all 25-year-olds must have completed a secondary education. According to the latest numbers from the Danish Ministry of Education, 84 per cent of a year group are expected to complete a secondary education or higher¹⁵. We are on our way, but there is still a way to go before we reach our target.

⓪
84 per cent of a Danish year group of young people are expected to complete a secondary education

If we look at the reverse situation, i.e., how many young people between 18-24 years of age find themselves outside the education system or without a job, Denmark's total equals 12.7 per cent, cf. figure 1. That is less than the OECD average of 14.5 per cent. However, it can reasonably be argued that 12.7 per cent of such a large group is too many. Still, compared to other countries, there are only few young people in Denmark who stand outside of the labour market and the education system.



Note: The percentage of young people without a job or education (incl. formal training). 23 selected OECD countries minus the Czech Republic, Korea, and Japan, as data was not available for these countries. The 12.7 % covers unemployed (3.4 percentage points) and inactive (9.3 percentage points), i.e., not working, studying, or not registered as unemployed.

Source: ECLM based on OECD, EAG18, A2.1

¹³ See for instance <https://www.ae.dk/analyser/uddannelse-er-en-guldrandet-investerings>

¹⁴ <https://uvm.dk/reform-af-de-forberedende-tilbud/lovgrundlag/aftalens-maalsaetninger>

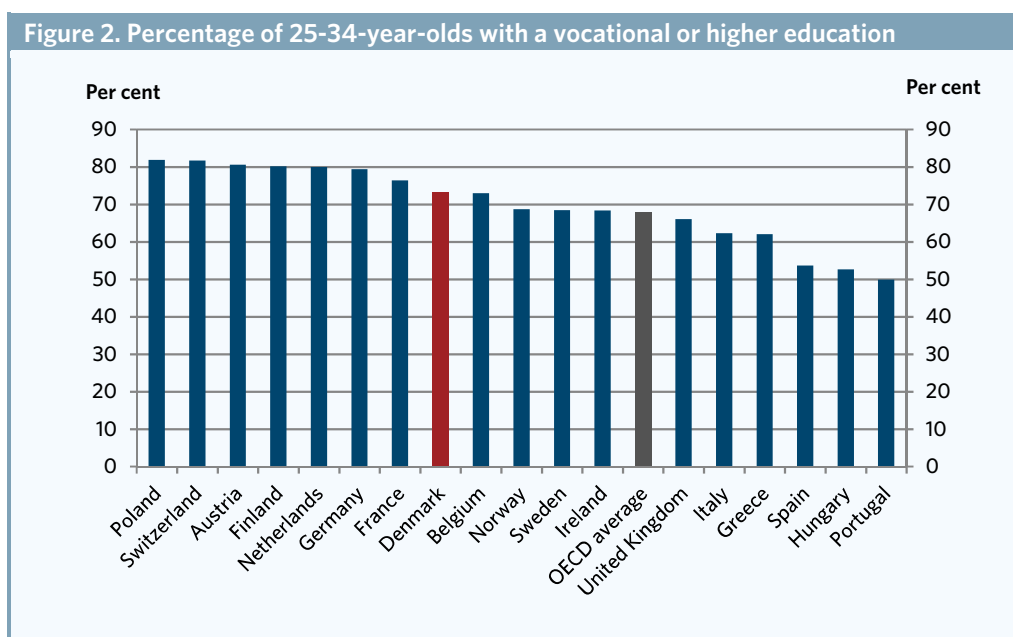
¹⁵ <https://uvm.dk/statistik/tvaergaende-statistik/andel-af-en-ungdomsaargang-der-forventes-at-faa-en-uddannelse/profilmodel-den-uddannelsespolitiske-maalsatning>

When looking at how educated young people are at the age of 25, the prospects are looking good, but there is room for improvement. Figure 2 shows the total share of 25-34-year-olds with a level of education that grants access to the labour market, either a secondary vocational education or a tertiary, higher education.

①
73 per cent of Danish youth complete a vocational education or a higher education

Countries that educate a greater share of young people than Denmark succeed in getting more young people to complete a vocational education

The figure shows Denmark at the top of the ranking among several Central European countries, which have a long educational tradition, like Denmark. In Denmark, 73 per cent of 25-34-year-olds either have an upper secondary, vocational education, or a tertiary, higher education. That is well above the OECD average and considerably higher than several Nordic and Southern European countries.

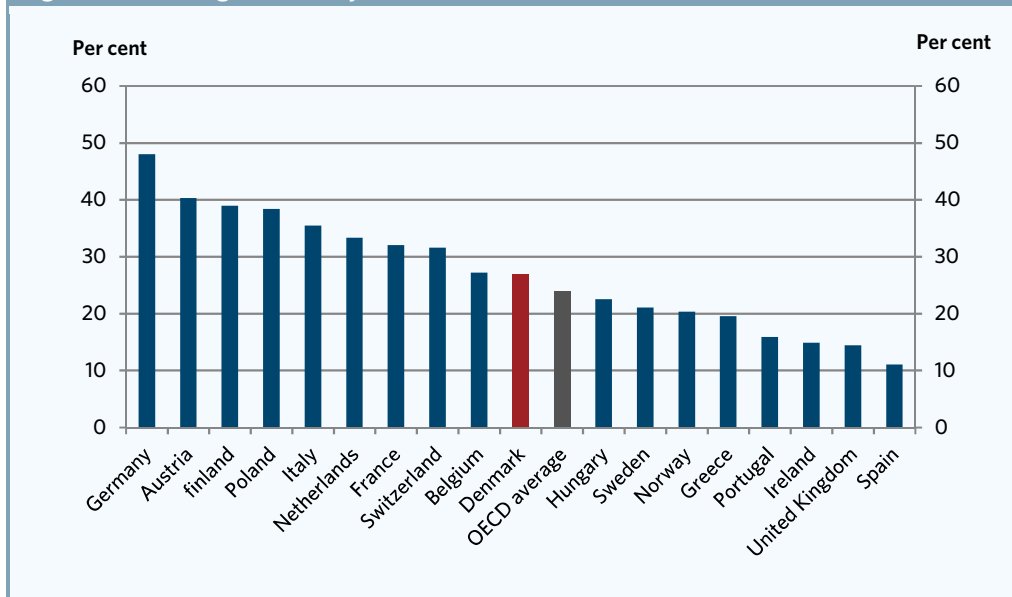


Note: 2017 data. 23 selected OECD countries minus Korea, Luxembourg, Japan, USA, The Czech Republic, as data was not available for e.g., vocational education for these countries. The data covers "Vocational education" under "Upper secondary", while "higher education" covers "Tertiary education". It is to be noted that this share very much depends on the countries' individual educational structures.

Source: ECLM based on OECD Stat "Share of population by educational attainment".

As the figure shows, a couple of countries are placed high on the list. Around 80 per cent of 25-34-year-olds in Poland, Switzerland, Austria, Finland, the Netherlands, and Germany, have a secondary or tertiary degree. If we look into why these countries are able to ensure that so many young people have access to the labour market through education, it shows that these countries succeed in getting young people to complete a vocational education, cf. figure 3.

Figure 3. Percentage of 25-34-year-olds with a vocational education



Note 2017 data. 23 selected OECD countries minus Korea, Luxembourg, Japan, USA, and the Czech Republic, as data was not available for these countries. The data covers "Vocational education" under "Upper secondary".

Source: ECLM based on OECD Stat "Share of population by educational attainment".

In Germany, nearly one half of 25-34-year-olds have a vocational education degree. Denmark is above the OECD average, but only barely; nearly 27 per cent of 25-34-year-olds in Denmark receive a vocational education. In recent years, politicians across parties, employers' confederations, and trade unions have advocated that more young people should get a vocational education. At ECLM, we have made calculations indicating that Denmark will have a shortage of skilled and educated labour in the future.

⊙ In Denmark, nearly 27 per cent of the 25-34-year-olds have a vocational education

Politically, and from the unions' and employers' association side, there is a wish that more young people chose a vocational education

There was a decline in applications for vocational schools for years. However, there has been a small increase in applications in 2018 and 2019. In 2019, 20.1 per cent of young people who graduated from "Folkeskolen" (lower secondary education) applied to a vocational school. There is still a way to go in order to reach the political target of a 25 per cent application rate by 2025 – and even further to reach the impressive share of skilled vocational workers which we have seen in the past, constituting about one third of a year-group of students.¹⁶

⊙ For the first time in years, there is a small increase in applications to vocational schools

¹⁶ <https://www.uvm.dk/aktuelt/nyheder/uvm/2018/mar/180320-nu-stiger-soegningen-til-erhvervsuddannelserne> and the ECLM analysis https://www.ae.dk/sites/www.ae.dk/files/dokumenter/analyse/ae_rekordlav-andel-af-de-unge-gaar-den-faglaerte-vej.pdf

It is important to stress that, when comparing the shares of young people attending various schools of education in the OECD countries, the results may be affected by differences in the countries' education systems. Education systems can be challenging to compare, cf. Box 1. In some countries, it is possible to choose a vocational specialisation already in the early stages of the education programme, whereas, in other countries, there is a tradition of a more general approach where specialisation takes place later. In international statistics, attempts are made to compare numbers by the same yardstick. However, it is difficult to ignore that the differences have an effect on the results, and it is important to be cautious when coming to conclusions based on the figures here.

⓪ Differences in the countries' educational systems may affect comparisons

With that said, the overall picture indicates that Denmark is among the tier of countries prioritising education the most and provides professional, vocational, or higher education to more than 70 per cent of 25-34-year-olds.

A high percentage of Danes are educated, even though too many young people are without education, even as adults. Our tradition of investing widely in education and making sure that as many as possible complete an education is a way to secure a certain level of equality in society. When more people are educated, they have improved chances of securing a better income later in life. The fact that we are relatively good at providing education to so many allows for a more even distribution of income in society.

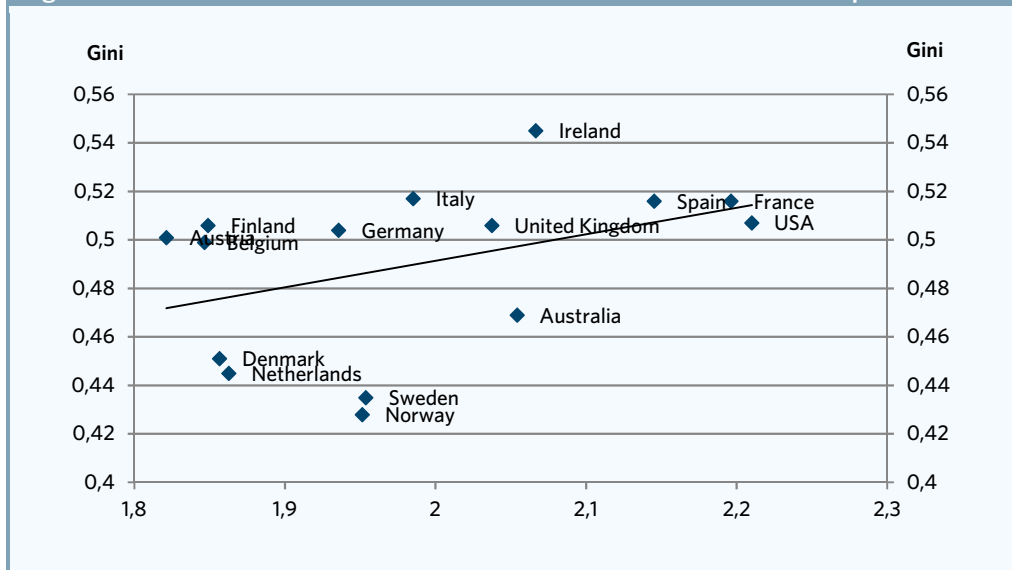
⓪ Denmark is doing well in terms of education, but an even greater percentage should be completing an education

Education ensures more equality in society

As outlined in figure 4, there is a relatively close correlation between the distribution of income and the distribution of education in society. Denmark is among the OECD countries with the evenest income distribution and the lowest distribution of competences in society, measured by mathematical attainment among adults. The Nordic countries, in general, have a small income distribution and a small competence distribution. At the other end of the spectrum, we see countries such as the United States, France, and Spain with very wide income and competence distributions. Thus, a substantial investment in education that secures education for all (or at least a significant majority) is a way to ensure more equality in society.

⓪ There is a close correlation between the distribution of competences and the distribution of income

Figure 4. Correlation between income distribution and distribution of competences



Note: Distribution of competences is measured by mathematical attainment, i.e. the difference between the lowest 5 per cent score and the highest 95 per cent score, by PIAAC 2013. Inequality is measured as Gini coefficient for market income in 2016 or the latest available year. Western countries.

Source: ECLM based on numbers from "In It Together - Why Less Inequality Benefits All" OECD 2015 and OECD Skills Outlook 2013

Box 1. Reservations when comparing education between countries

In its report on inequality related to education, the OECD notes that part of the reason why the number of young people with higher education is not higher could be that the Danish education system at an early stage divides young people into a vocational group and a more academic group. Not all education systems are structured that way. A system where students need to choose a specialisation at an early stage, might influence the education completion rate.

A second factor that might affect the result is that young people in Denmark are often older when they complete their education than is the case in other countries. That might be a factor in terms of underestimating the education completion rate in Denmark. At the age of 34, some might not have completed their education yet.

In terms of the vocational education programmes, it is important to note that there can be significant differences in the way that the education systems are structured in the various countries - in terms of the type of education, educational steps, and the share of mandatory education. Denmark - just like Germany, Norway, and Switzerland - has vocational education programs emphasising practical experience, where segments of the education take place at the companies. That is not the case with other countries, and differences in educational structure might affect the results. As an example, the difference in structures means that the percentage of young people, who have completed a vocational education, might be incompatible with some countries, which do not offer this type of education. Because of these difficulties in comparing education systems across countries, one needs to exercise caution when drawing conclusions from the results.

Substantial investments in education lead to increased social mobility

The fact that the Danish education system provides education to a lot of young people and creates equal opportunities in society by ensuring that relatively few are without a job or an education is - obviously - a great advantage. One thing is the rate of education. Another critical parameter is Denmark's ability to ensure social mobility and how well we are able to create equal opportunity for all children and young people to receive an education - no matter what their social backgrounds are.

① Education helps secure social mobility

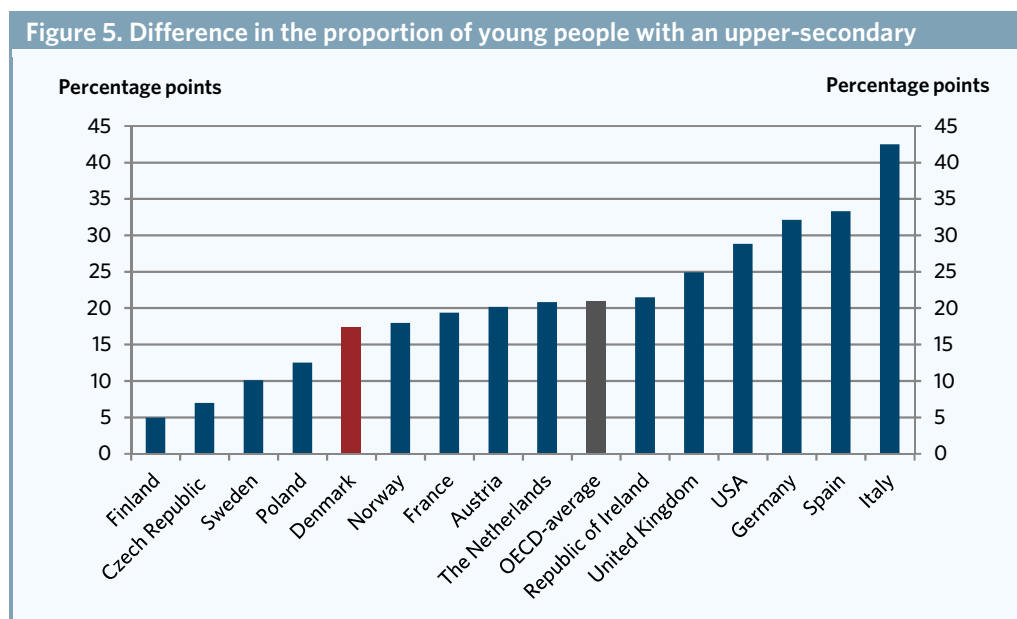
In the past couple of years, the OECD has published several reports on social mobility.¹⁷ The overall conclusion of the reports is that social mobility in the Nordic countries, including Denmark, is high, both in terms of income, but also in terms of social class and education.

① The social mobility in the Nordic countries, including Denmark, is high

Social mobility in Denmark and the other Nordic countries is relatively high

The chances of getting an upper-secondary education, seen in relation to whether the parents have an upper-secondary education or not, is reflected in figure 5. In Denmark, the proportion of young people with an upper-secondary education is 17 percentage points higher among the group whose parents have completed post-elementary school education, than the group whose parents are unskilled workers. 17 percentage points is at the lower end when compared with other OECD countries; the average difference in the OECD equals 21 percentage points, and for the United States, the difference reaches 29 percentage points, one of the highest in the OECD.

① Out of the group, whose parents are unskilled workers, 17 per cent fewer receive an education

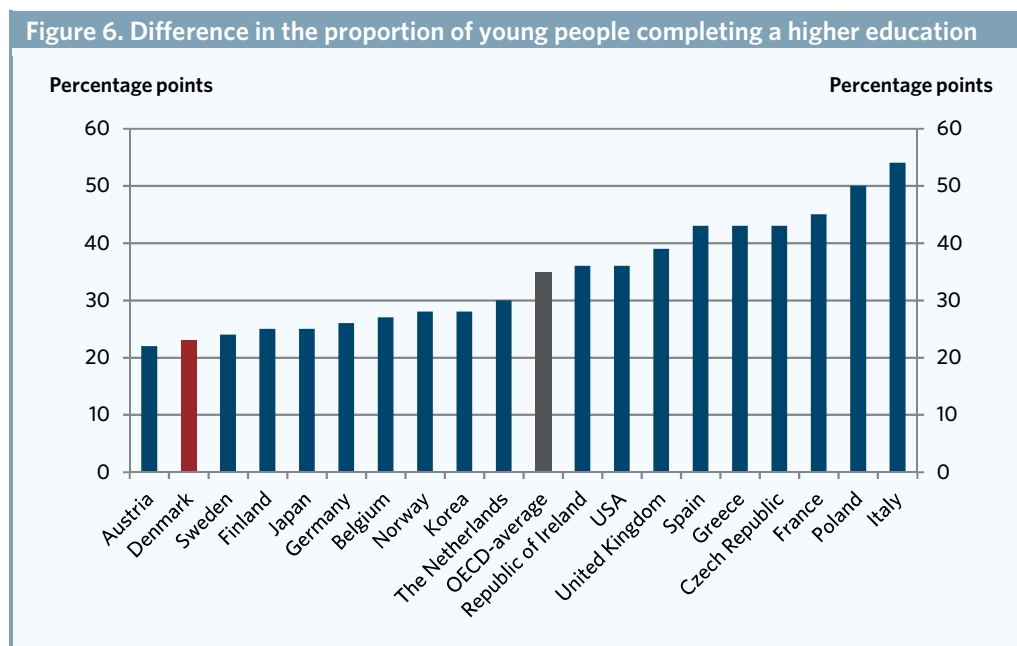


Note: The table shows the difference in the share of 25-44-year-olds who complete - as a minimum - an upper-secondary education between those whose parents have not completed an upper-secondary education as a minimum, and those whose parents have completed an upper-secondary education or higher. Data originating from 2012. In order to calculate the share of parents who have completed an upper-secondary education as a minimum, we have used weights deriving from 2009 (EAG12) covering 25-34-year-olds. The countries featured are among the 23 selected OECD countries and based on where data has been available. The OECD average is a simple average based on the featured countries in the figure.
Source: ECLM based on the OECD-database, 2019.

¹⁷ See OECD: "From one generation to the next: Mobility of socio-economic status" 2018, "A broken social elevator? How to promote social mobility?" 2018 and "Education at a glance" 2017.

Denmark is even better placed, when looking at the importance of the background of the parents, or the lack thereof, when it comes to higher education. As figure 6 shows, there is a difference of 23 percentage points between those whose parents hold a higher education degree, and those whose parents do not have degrees. There is a significant difference in the chances of obtaining a higher education degree, depending on the educational background of the family. However, 23 percentage points is in the absolute lower end of the scale. In fact, in "Education at a Glance" from 2017, the OECD concludes that, in Denmark, there is remarkably little difference in terms of the effect that the parents' educational background has on the rate of young people completing higher education.

⓪ Denmark is one of the countries, where the education of parents has relatively little influence on children's chances of completing an education



Note: Data from 2012. 30-44-year-olds. 23 selected OECD countries minus Hungary, Portugal, Luxembourg, and Switzerland, where data is missing. Covers "tertiary type A or advantaged research programme". The United Kingdom includes England. Source: ECLM based on OECD, Education at a glance 2017.

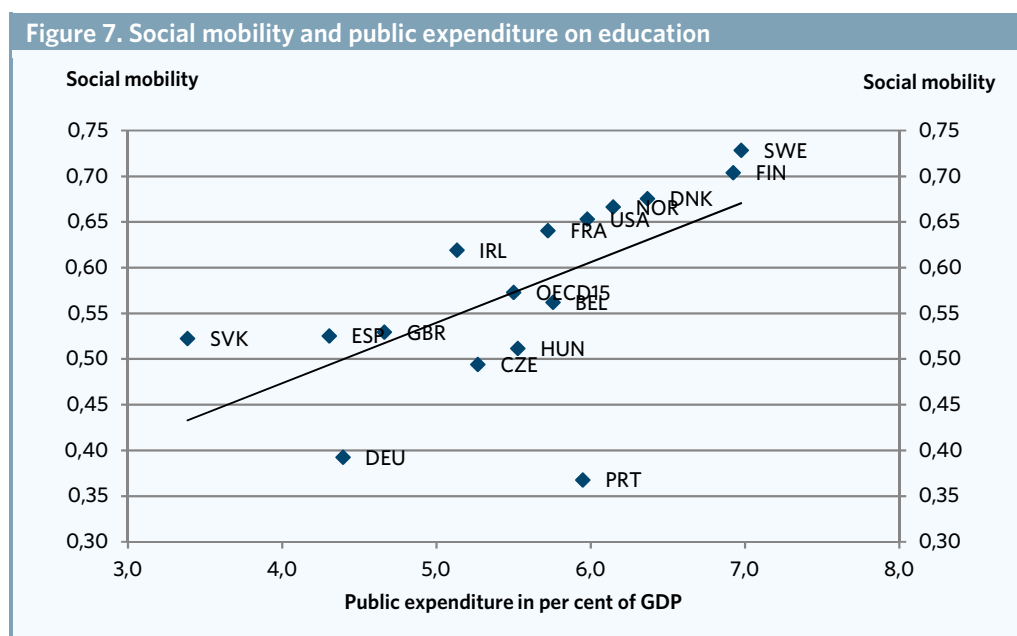
When looking at the population aged 26 to 65 years old, it is possible to calculate the odds of obtaining higher education at some point in life. In Denmark, when your parents have a higher education degree, the chances of achieving a higher education degree are five times greater. In the United States, the educational background of the parents has an even greater importance - there, chances are ten times greater, if your parents have a higher education degree.

⓪ In Denmark, chances of achieving a higher education degree are five times greater if your parents have a degree. In the United States, chances are ten times as great.

An investment in free education for all is a worthwhile investment when it comes to raising the level of social mobility

Our free education system has helped ensure that the chances of achieving a higher education degree are less tied to the educational background of your family. Free education for all is very costly. However, it is an investment that is worthwhile when it comes to providing children coming from disadvantaged homes with an opportunity to receive an education – and raise the level of social mobility in society. As can be seen in figure 7, there is a correlation between how much money a country spends on education and social mobility. Countries which have made substantial investments in education have the highest rates of social mobility. The numbers listed derive from an OECD publication from 2018. As the graph shows, countries that have invested substantially in education typically have a higher rate of social mobility. The social mobility in the graph is measured by the extent of influence that the parents' level of education has on their children's level of education as 35-55-year-olds. When social mobility is high, the educational level of the parents has relatively little importance.

⓪ Countries investing substantially in education have the highest social mobility



Note: The table is reproduced from the OECD report "A broken social elevator" (2018). Social mobility is measured as a minus-one correlation between the children's and the parents' educational levels determined by the number of years of school attendance in a regression in the group of 30-55-year-olds. That way, the mobility shows, i.e., how much of the children's education is not defined by the parents' education. Public expenditure on education in percentage of GDP measured in 1995. Source: ECLM based on OECD

Even though figure 7 derives from an OECD publication dated 2018, public expenditure on education in percentage of GDP was measured in 1995. That was a while ago. Denmark no longer spends as high a share of its GDP on education as we did back in the 1990s.

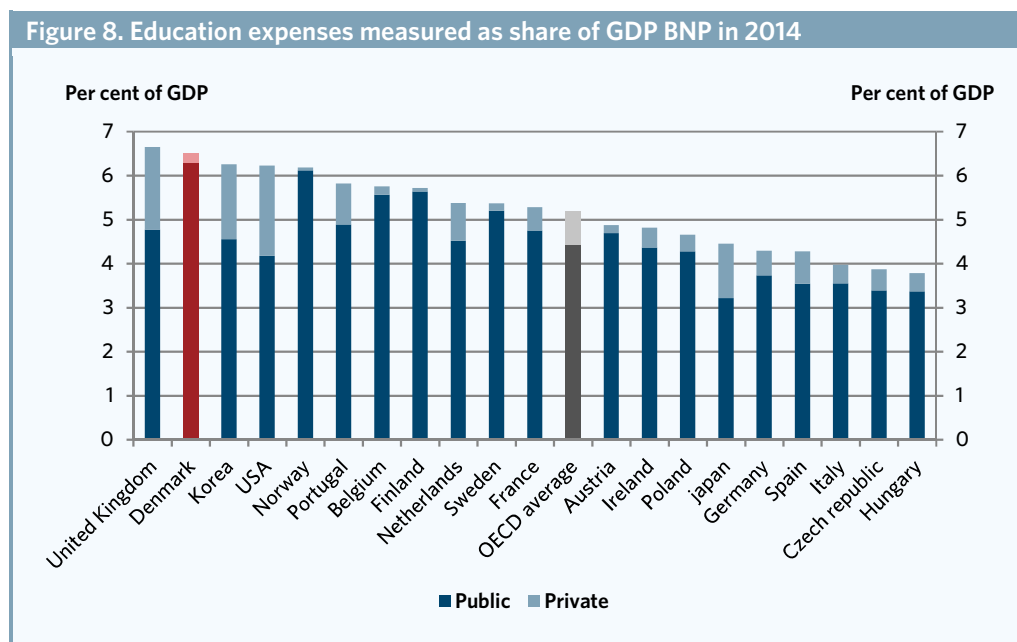
⓪ Today, Denmark no longer spends as high a share of the GDP on education, as we did back in the 1990s

Today, Denmark no longer spends as high a share of the GDP on education as we did back in the 1990s

Critical tendency: Denmark spends less on education

For many years, Denmark has perceived itself as one of the countries which spend the most on education. That was previously the case. In 2014, Denmark was the country in the OECD spending the most resources on education – only surpassed by Great Britain, whose investments consisted mostly of private grants. In 2014, Denmark was the country which spent the most state funds on education, just ahead of Norway.¹⁸

⓪ In 2014, Denmark was the country in the OECD spending most state funds on education



Note: 23 selected OECD countries - minus Switzerland and Greece where data has not been available. The table shows the total costs of educational institutions according to the distribution of the OECD. The distribution does not follow the distribution under Statistics Denmark, i.e., the national accounts, but follows international guidelines in this area. The distribution includes research & development, investments expenditure, etc., but excludes SU (The Danish students' Grants and Loans Scheme). Source: ECLM based on OECD, report on education "Education at a glance", 2017, indicator B2.

However, when taking a further look at the amount of money spent per student in 2014, the situation looks different. In 2014, Denmark ranked number 15 in terms of spending the most on upper-secondary education out of the 22 countries, which the OECD was able to provide numbers for.¹⁹ As can be seen in figure 9, Denmark spends significantly less per student in terms of upper-secondary education than most of the countries which we usually compare ourselves with, such as Sweden and Germany. The table shows the total expenditure on upper-secondary education, measured per student in 2014. Private as well as public funds are included, meaning the total expenditure on educational institutions funded by the state or through private funds.²⁰

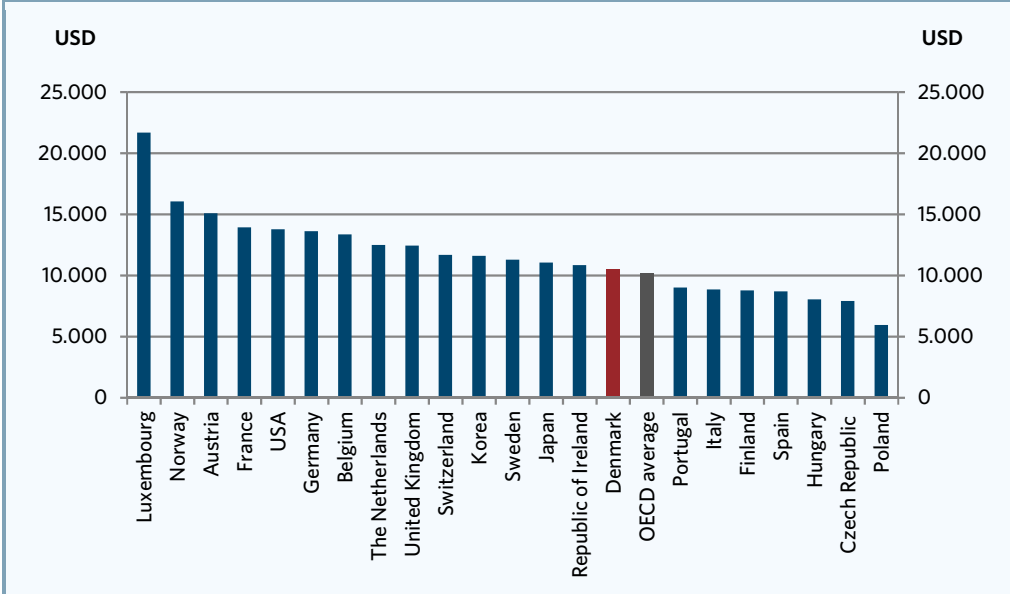
⓪ In 2014, Denmark only ranked number 15 in spending the most on upper-secondary education per student

¹⁸ See "Education at a glance 2017" Indicator b2. These are the most recent numbers on Denmark's expenditure on education. There is no data available about Denmark in the 2018 edition.

¹⁹ The 15th place in 2014 was a decline since 2011, when Denmark ranked number 9 in highest expenditure on upper-secondary education per student (Education at a glance 2011, table b1.1a).

²⁰ Different types of expenses are accounted for. In addition to the core activity - teaching - the assessment also covers expenses associated with additional activities (transportation, meals and accommodation provided by the institutions) and expenses for research & development. Expenses for SU (The Danish students' Grants and Loans Scheme) is, however, not included in this assessment.

Figure 9. Expenditure on upper-secondary educational institutions per student (2014)

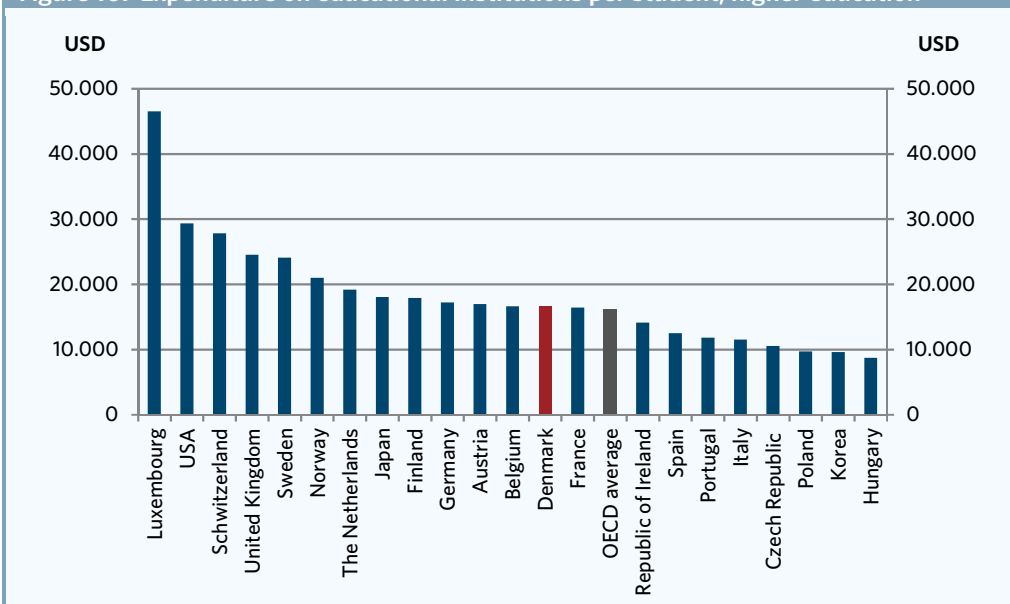


Note: 23 selected OECD countries minus Greece, where no data was available. Includes all public and private expenditure on education. The assessment includes expenses for the educational institutions and covers, in addition to core activities for teaching, miscellaneous expenses for research & development and additional expenses such as meals, transportation, and accommodation. The assessment covers upper secondary education.
 Source: ECLM based on OECD, report on education "Education at a Glance", 2017.

When it comes to higher education, Denmark's ranking is not impressive either, when looking at the resources spent per student in 2014. As shown in figure 10, in 2014, Denmark ranked number 13 out of the 22 countries included in the comparison – just above the OECD average. This represents a significant decline from 2011, when Denmark spent the 6th most resources per student in the area of higher education.

⓪ Denmark's expenditure on higher education ranks 13 out of 22

Figure 10. Expenditure on educational institutions per student, higher education



Note: 23 selected OECD countries, minus Greece, where no data is available. The table is based on expenses for education in 2014. Includes research & development.
 Source: ECLM based on OECD, 2017

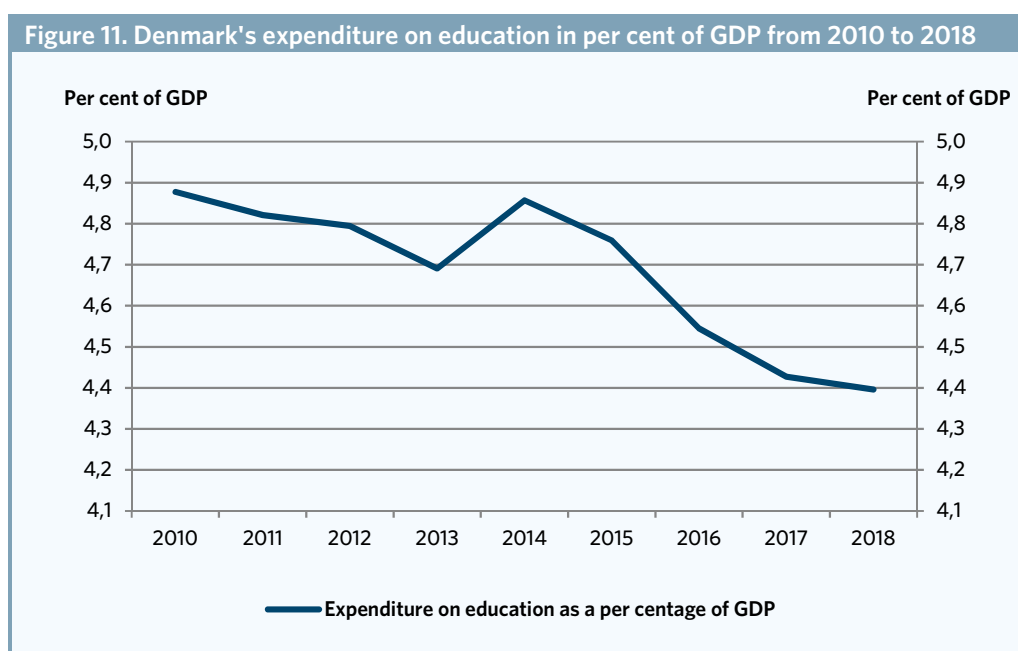
Even though Denmark spent a substantial share of its GDP on education in 2014 compared to other countries, the investment was not proportional to the number of students. In 2014, a vast number of young people were students – and the number is still high today. Unfortunately, the OECD cannot provide numbers for the Danish educational funding more recent than 2014. Thus, it is difficult to find out how Denmark ranks today. However, we can say this: At present, we spend a significantly smaller share of GDP on education compared to 2014, and the years before that. See figure 11.

⊙ Although Denmark spent a high share of its GDP on education, the investment was not proportional to the number of students

By 2021, cost-savings on upper-secondary education and higher education will total more than DKK 4 billion

Since 2010, the share of Denmark's GDP dedicated to education has declined by 0.5 per cent. That may not sound like a lot, but converted into DKK, the 0.5 per cent corresponds to a decline of DKK 10.7 billion. That is a rather substantial reduction, after all.

⊙ Since 2010, Denmark's expenditure on education has seen a decline of DKK 10.7 billion a year



The table shows the total public expenditure on education according to the COFOG distribution measured in per cent of GDP at the prices of the year. The table shows the total public expenditure on education according to the COFOG distribution, i.e., the national accounts. SU (The Danish students' Grants and Loans Scheme) is not included.
Source: ECLM based on Statistics Denmark

Especially under the Liberal Government and the succeeding government consisting of The Danish Liberal Party, The Liberal Alliance, and The Conservative People's Party, there have been major cuts to the education budget. With the so-called reprioritisation contribution, all state-funded educational institutions have been required to cut costs to the equivalent of 2 per cent annually in 2016, 2017, and 2018; cost-savings which, according to the plan, will continue until 2021. Beginning in 2019, vocational education programmes are exempt, but overall, the educational area has been

⊙ With the so-called reprioritisation contribution, yearly savings of 2 per cent have been implemented

held back. By 2021, savings on upper-secondary education and higher education will total more than DKK 4 billion, cf. table 1.

	2016	2017	2018	2019	2020	2021	2022
	DKK billion						
Upper-secondary education, etc.	-0.4	-1.1	-1.5	-1.7	-1.9	-2.1	-2.1
Higher education	-0.4	-0.8	-1.2	-1.5	-1.9	-2.2	-2.2
Total	-0.8	-1.9	-2.7	-3.3	-3.8	-4.3	-4.3

Note: DKK billion, 2018 place. The table shows the total cost-savings of the educational area, measured as reductions in grants for upper-secondary education institutions, incl. VUC (adult education centres) as well as higher education institutions. Includes the annulment of the reprioritisation contribution concerning vocational education institutions beginning 2019. Reductions in 2022 have been set at the level of 2021. See box 1.

Source: ECLM based on data from the Ministry of Finance, the Ministry of Education, and the Ministry of Higher Education and Science.

Since the 2014 comparisons of educational funding by the OECD, there have been massive reductions in Denmark – in terms of upper-secondary education as well as higher education. In 2014, Denmark had a mediocre place on the list ranking how much the OECD countries invest in education per student. It appears that we have now fallen further down the list. We are no longer a country which spends large sums on education – at least not when the number of students is taken into account.

①
There have been massive cut-backs the last few years – on upper-secondary education as well as higher education

Risking an inferior and increasingly divided education system

Can we see a tangible impact of the fact that, today, we spend fewer resources on education? If you ask the teachers, the answer is: yes. If you ask the researchers, the answer is: We are not able to tell yet, because there is always a delay in data.

Recently, the Danish Economic Councils' so-called "wise men" have published a report concluding that the reductions and redistributions of subsidies to the "gymnasier" (upper-secondary schools) allocated in 2007-2012 have had no impact on the quality, the drop-out rates, or the number of students continuing to higher education programmes.²¹ In the on-going debate, several right-wing voices have used this report to justify the current cutbacks in education programmes.²²

①
The so-called "wisemen" have concluded that reductions and redistributions of subsidies to the Danish upper-secondary schools (gymnasier) in 2007-2012 have had no effect on the quality of education

But, as the Danish principal, Jens Boe Nielsen of Nørre Gymnasium points out in an opinion piece, there is a substantial difference between the situation at that time and the situation at present, as the educational system has been subject to cost-savings for years now. *"Anyone should be able to realise that with the constant yearly cost-savings, there will be a breaking point eventually. (...) Around this time, an additional 200 upper-secondary teachers are being let go. They have to sit at home and*

①
However, there is a substantial difference compared to the situation today, where the educational sector has been subject to cost-saving for the past many years

²¹ The "wisemen's" productivity report 2019: <https://dors.dk/vismandsrapporter/produktivitet-2019/sammenfatning-anbefalinger>

²² See for instance Bertel Haarder's article in the Danish media outlet, Altinget: https://www.altinget.dk/artikel/haarder-takker-vismaendene-mere-er-ikke-altid-bedre?ref=newsletter&refid=30703&SNSubscribed=true&utm_source=nyhedsbrev&utm_medium=email&utm_campaign=altingetdk

apply for jobs, while the remaining teachers must absorb their workload going forward. The coming year will show if now is the time when the educational sector finally meets its breaking point.”²³

According to the "wise men's" report, an average upper-secondary school spends 78 per cent of the state-funded "taximeter"-based subsidies on salaries.²⁴ That means that, after these many years of cost-savings, there are not a lot of other options than to cut back on salary expenses for teachers.

ⓘ After many years of cost-savings, there are not a lot of other options than to cut back on the teacher salary expenses

At the moment, we see several indicators that the breaking point has been reached in terms of when the savings will affect the quality of education. In April of 2019, an upper-secondary school principal in the city of Viborg quit his job, stating that he was unable to defend the political cutbacks.

ⓘ We see several indicators that we are reaching a breaking point

The higher education programmes have been much affected by cost-reductions, and many primary and lower secondary schools have closed

“On the one hand, the politicians demand that schools can adapt to the future and deliver high-quality education, and on the other hand, the schools are subject to substantial cost-savings. (...) Education is relational work, and that takes a toll. To me, the cost-savings in the educational sector have come too far, and I am no longer able to defend the political decisions that I have been hired to put into practice,” was the message from the departing principal.²⁵

In addition to the cost-savings, the educational map of Denmark has shrunk in recent years. ECLM has studied the geographical distribution of educational offers over a period of 20 years from 1995.²⁶ Since 1995, the number of municipalities offering short- or medium-cycle tertiary education has decreased significantly. There has been a reduction of 32 per cent in the number of municipalities offering a short-cycle tertiary education, and a reduction of 25 per cent in the number of municipalities offering medium-cycle tertiary education.

ⓘ In recent years, the educational map of Denmark has gotten smaller

On many occasions, the government consisting of The Danish Liberal Party, The Liberal Alliance, and The Conservative People's Party, has focused on creating a more well-balanced Denmark by relocating state jobs and educational programmes. But, even though the government has allocated

ⓘ The government imposes major cuts in education

²³ See Jens Boe Nielsen's opinion piece: <https://www.altinget.dk/uddannelse/artikel/reaktor-vi-ved-endnu-ikke-om-besparelser-overskrider-smertegraensen>

²⁴ Page 106 in the "Wisemen's" productivity report 2019, chapter 3: https://dors.dk/files/media/rapporter/2019/p19/kapitel_3/p19_kapitel_iii.pdf

²⁵ <https://viborg-folkeblad.dk/viborg/Rektor-traeder-tilbage-i-protest/artikel/421179>

²⁶ See the ECLM analysis "Færre kommuner udbyder korte og mellemlange uddannelser" ("Fewer municipalities offer short- and medium-cycle tertiary education") - November 2017.

DKK 160 million through its relocation plans in 2018 to establish and operate education programmes throughout the country, it is not enough to even out the massive cost-savings which the educational institutions need to find with the reprioritisation contribution. Government savings on short- and medium-cycle tertiary education constituted approximately DKK 365 million in 2018 compared to the 2015 level. More than DKK 700 million of costs need to be cut in 2021.

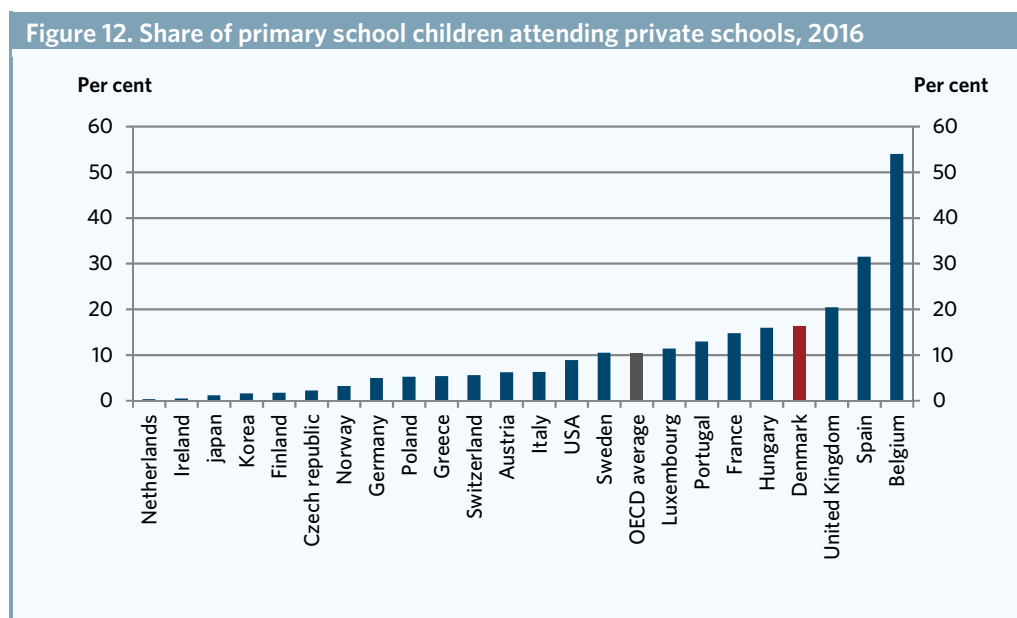
So, despite the relocation of education stations, we see major savings in short- and medium-cycle tertiary education in the entire country – including outside Copenhagen.²⁷

Higher education programmes have been much affected by cost-reductions and a year-long development towards increased centralisation, and many primary and lower secondary schools (folkeskoler) have closed. More than 200 public primary and lower secondary schools have closed in the past 11 years, especially in the regions of South Jutland, North West Jutland, East Funen, and Lolland-Falster²⁸ – and at the same time, more children move to private schools.

⓪ More than 200 primary and lower secondary schools have closed in the past 11 years, and more children move to private schools

In an international context, OECD's numbers show that 16 per cent of school children from preschool to 6th grade attend a private school in Denmark; see figure 12. In fact, Denmark is among the top tier of the OECD countries. Within the OECD, an average of 11 per cent of schoolchildren in preschool to 6th grade attend a private school.

⓪ 16 per cent of schoolchildren in the 0th-6th grade attend a private school in Denmark



Note: 23 selected OECD countries. Covers primary school ISCED1, 0th-6th grade. The OECD average is calculated as a simple average among the countries included in the table.
Source: ECLM based on OECD, database

²⁷ See ECLM analysis "Trods udflytning sparer regeringen på uddannelse i hele landet" ("Fewer municipalities offer short- and medium-cycle tertiary education") - November 2017.

²⁸ https://www.ae.dk/sites/www.ae.dk/files/dokumenter/analyse/ae_over-200-folkeskoler-er-lukket-de-seneste-11-aar.pdf

Even though children attending private schools in Denmark have a broader social background than in many other countries, still it is mostly children with wealthy parents who attend private schools. In 2009, 13.5 per cent of children starting in 1st grade attended a private school – 10 years later, in 2018, that number has increased to almost 17.4 per cent.²⁹ Also, increased subsidies for private schools have become a political priority in the past few years; another factor which has propelled this development.

⊙ Children with wealthy parents, in particular, attend private schools in Denmark

There is a reason to be concerned by the increase in the move towards private schools, which contributes to an increase in the divide between schoolchildren in Denmark. The OECD shares this concern.³⁰ There is a real risk that we end up dividing schoolchildren into A and B teams, where those who can afford it have access to a better education that they pay for. Moreover, meeting classmates across different social backgrounds is important for our society; it is vital for our understanding across social divides in society that children do not meet only social copies of themselves in the schoolyard. The benefit of socially mixing classes is that resourceful students can lift up children with fewer means. We miss the positive "classmate" effect if schools are more socially divided.

⊙ There is a real risk that we end up dividing schoolchildren into A- and B teams and miss the positive "classmate" effect of socially mixed classes

The social divide of the education system may risk affecting mutual understanding across the divides in society, and we risk losing the positive "classmate effect," which occurs when resourceful children lift up children of fewer means

However, Danish schools have become more divided in recent years – including the public primary and lower-secondary schools (folkeskoler). The reason is that we tend to live more divided lives when we live in areas where the neighbours are similar to us. There are a lot fewer schools today than just ten years ago where children from the top and the bottom of society mix.³¹ When school classes are more socially divided, not only does it mean that the least resourceful students can learn from the stronger students. It also means that some schools and classes are more challenged, and it may be more difficult to ensure that everyone is included and follows along.

⊙ Today, there are a lot fewer schools, where children from the top and the bottom of society mix, than ten years ago

²⁹ <https://www.ae.dk/analyser/flere-penge-og-flere-boern-til-privatskolerne>

³⁰ See Nusche et al. 2016: <http://www.oecd.org/education/School-choice-and-school-vouchers-an-OECD-perspective.pdf>

³¹ https://www.ae.dk/sites/www.ae.dk/files/dokumenter/publikation/ae_den-stigende-polarisering-rammer-boernene.pdf

The OECD also focuses on how divided the schools are and to what degree disadvantaged children tend to group in disadvantaged schools. Disadvantaged pupils are defined as the 25 per cent most socioeconomically disadvantaged pupils, and disadvantaged schools are defined as schools which score among the lowest quartile in the socioeconomic PISA school index. In Denmark, approximately 46 per cent of disadvantaged pupils attend disadvantaged schools, whereas the average of the OECD is 48 per cent. Denmark is placed a little under average, while the United States and several central European countries rank a bit higher.³² What is also worth noting is that our Scandinavian neighbour countries – Finland, Sweden, and Norway – do significantly better when it comes to mixing the most socio-economically disadvantaged children with more resourceful children.

① Our neighbouring Scandinavian countries do significantly better when it comes to mixing the most social economically disadvantaged children with children who are in a better position

An education policy aiming for high-quality standards and inclusion for all is the population's way into the labour market in the future

In its report “Equity in Education” from 2018, the OECD warns that disadvantaged pupils huddle together in disadvantaged schools. Often, less financial and human resources will be allocated to each pupil. Even the pupil's performance may suffer if there are many disadvantaged pupils in a class, which can cause a negative “classmate” effect – meaning that the performance level of the entire class is pulled down. Therefore, the OECD recommends that sufficient resources should be allocated to disadvantaged schools and that countries acknowledge the risk of disadvantaged pupils huddling together in the same schools.

① OECD warns that disadvantaged pupils huddle together in disadvantaged schools

Securing quality education calls for more than just fine rhetoric

As this chapter has shown, Denmark has been successful at creating an education system which is free, accessible throughout the country, fairly mixed across social classes, and a system which has been able to ensure that, today, a large share of the population holds a diploma as proof of a completed education. The Danish education system has also contributed to Denmark's position as one of the countries in the world where the background of the parents has the least impact on their

① The Danish educational system has made Denmark one of the countries in the world, where the parents' background has the least impact on their children's chances of getting an education

³² None of the countries has an average value which is significantly different from the OECD average of 48 per cent.

children's chances of getting an education. That has not come cheap. Denmark used to count as one of the countries that would spend the most on education.

But not anymore. Cutbacks worth billions of kroner throughout the entire educational sector have been pushed through; cutbacks which we will not be able to properly measure the effect of, until a few years from now – but already now, we see the consequences in the form of protesting teachers, principals, and students.

①
Cutbacks worth billions of kroner throughout the entire educational sector has been pushed through

Meanwhile, we move towards a more divided school system. We have fewer public primary and lower-secondary schools that are socially mixed, and disadvantaged children tend to huddle together to some degree in disadvantaged schools, while more children are moving to private schools. The social divide of the educational system risks affecting the mutual understanding across social classes in society, and we risk losing the positive "classmate" effect which occurs when resourceful children lift up children of fewer means.

①
We move towards a more divided school system

We need to get back on track. We must invest in education – and refrain from cutbacks – and we need to make sure that education is widely accessible for all, in all parts of the country. Prioritising education should be at the top of the political to-do list. An education policy aiming for high-quality standards and inclusion for all is the population's way into the labour market in the future. That does not come cheap, but it is the way forward if we want to secure the Danish level of competitiveness and provide all Danes – including those who come from disadvantaged homes – with the best conditions for following the path they dream of in their work life.

①
We must invest in education – and refrain from cutbacks – and we need to make sure that education is widely accessible for all, in all parts of the country

Free and equal access to education is one of the pillars of our welfare society. It is crucial that we do not lower our ambitions to secure high-quality education for all – no matter where in the country you live, and no matter who your parents are.

①
Free and equal access to education is a pillar of the welfare society

3 CHAPTER

Redistribution through tax and welfare provides equal opportunities

In Denmark and Scandinavia, one's potential is less determined by the wealth of your parents. The tax system and the welfare state play a key role in Denmark's high ranking internationally, when it comes to securing equal opportunities for all. In recent years, however, the tax system has become less redistributive, and we have fewer public sector employees per citizen. Inequality tends to rise in the most equal countries of the world, and the world-renowned high income mobility is less capable of living up to its reputation. We need to invest in welfare and increase the progressiveness of the tax system if we want to continue to be a country that secures opportunities for all.

“To me, the Scandinavian welfare model is this great, ideal society. You need to uphold it. When you complain about the state of things, it is simply because you have not lived anywhere else but in the inner ventricle of the welfare state. If you had, you would know how great a system you have created. My message to Danish politicians is clear: Take good care of your social model – it is something truly unique.”

Those are the words of the South Korean economist, author, and Cambridge professor, Ha-Joon Chang about the Danish social model during his visit to Denmark in 2016. Here, he refers to how Denmark, and the other Scandinavian countries, have succeeded in finding a balance, where the economy is highly competitive and at the same time ensures a fair allocation of resources among the citizens.³³

The welfare state was created from the ideal of securing equal opportunities for all despite one's social background – and to guarantee that help is available if you, for one reason or another, find yourself in a situation where you are no longer able to support yourself. The tax system has been designed in accordance with the principle that the heaviest burdens should rest on the strongest shoulders. Those who earn the most should contribute the most to the public purse– and those who earn less should pay less. That way, you balance out a share of the economic inequality in society – which will benefit those at the top, as well as those at the bottom of the income scale.

①
The welfare state was created from the ideal of securing equal opportunities for all despite one's social background – and to guarantee that help is available, if you are unable to provide for yourself

³³ <https://politiken.dk/debat/art5637530/I-aner-slet-ikke-hvor-unik-jeres-velef%C3%A6rdsstat-er>

As Kate Pickett and Richard Wilkinson showed in their book, *The Spirit Level*, from 2009, equal societies perform better based on a wide range of parameters. Equal societies have lower crime rates and fewer homicides, lower infant mortality, fewer teen births, fewer people who are overweight, and fewer drug addicts. In general, the populations are healthier, happier, better educated, more trusting, and live longer lives. Thus, it is to the benefit of the entire society when inequality is kept at a minimum.³⁴

①
Equal societies perform better based on a wide range of parameters

The OECD also came out with a report in 2019 showing that Danish society provides social security for its citizens on a range of parameters.³⁵ Denmark is the country where the fewest people indicate they have difficulties making ends meet in the household and paying their bills. Together with Norway, Denmark is one of the countries where the fewest people worry that a family member has access to long-term care as elderly or handicapped. And, finally, the Danes have no real fear of losing their social status or financial security either.³⁶

①
An OECD report from 2019 shows that Denmark is the country, where the least people indicate they have difficulties making ends meet in the household and pay all their bills

Analyses in the report also indicate that there is strong support for the welfare state in Denmark. Denmark is one of the countries where the majority agrees that they receive the welfare that they need, for their tax money.

①
OECD's report from 2019 indicates strong support for the welfare state in Denmark

Much of the public service provided is free and universal, thereby ensuring that the entire population has access to a range of basic services, such as education, healthcare, and eldercare. The importance of equal access to healthcare and education for the entire population is highlighted by the UN in the Sustainable Development Goals and is also an important reason why social mobility in Denmark is relatively high. The tax system, as well as the welfare system, help balance the differences in income and ensure a higher degree of equal opportunities in the Danish society. In the following, we will take a closer look at *how much* redistribution stems from taxes and welfare – and what it means for our society.

①
Equal access to healthcare and education is an important reason behind the high level of social mobility

The Danish tax- and welfare system is one of the most redistributive

The progressive tax system, which ensures a krone to krone redistribution between different social classes, makes Denmark one of the most equal countries in the world.

①
The progressive tax system makes Denmark one of the most equal countries

A key indicator for measuring equality is the Gini coefficient. The Gini coefficient measures income gaps. In a fully equal society, where everyone has the same level of income, the Gini coefficient equals 0, but the other way around; it takes the value 1 (or 100 per cent) in a society where one person receives all the income and everyone else receives nothing. Figure 1 shows the Gini

³⁴ Find data presentations from the book here: <https://www.equalitytrust.org.uk/resources/the-spirit-level>

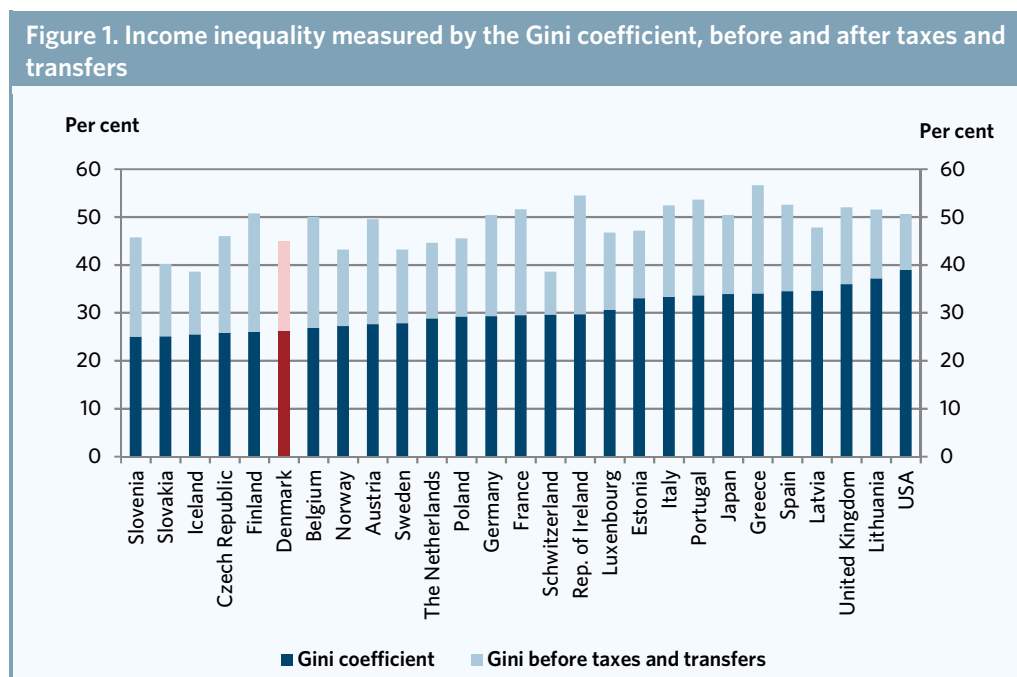
³⁵ See the OECD report "Society at a Glance 2019" here: https://read.oecd-ilibrary.org/social-issues-migration-health/society-at-a-glance-2019_soc_glance-2019-en#page69

³⁶ According to the Cambridge Dictionary, "comfort" can be defined as "the state of having a pleasant life with enough money for everything that you need". As those interviewed have been asked about a range of economic factors (financial security, adequate housing, long-term care), it appears that the way "comfort" is interpreted in this economic context is "financial security."

coefficient in a number of countries before and after tax and transfers. The shaded areas indicate by how much the Gini coefficient is reduced when redistributing taxes and transfers.

As the figure shows, taxes and transfers contribute significantly to equality in Denmark. Before factoring in taxes and transfers, our society is, in fact, less equal than for instance Norway, Sweden, Switzerland, and The Netherlands. But after the redistribution of taxes and payments of transfers, we find ourselves placed among the most equal countries – and more equal than Norway, Sweden, Switzerland, and The Netherlands. A few countries are more equal than Denmark; Iceland and Finland, among others, but also some of the less wealthy Eastern European countries, such as Slovenia, Slovakia, and the Czech Republic. However, in the case of the last three mentioned, the primary reason is that fewer people have a high income in these countries, which in itself should not be an objective. The important thing is that everyone follows along on some level and that no one is left behind without being able to take care of themselves. “Leave no one behind” is also an objective of the UN's Sustainable Development Goals. In that regard, it is fair to say that Denmark follows along reasonably well, when compared internationally.

⓪ Before taxes and transfers, Denmark is less equal than for instance, Norway, Sweden, and Switzerland. But after taxes and transfers, our society is more equal

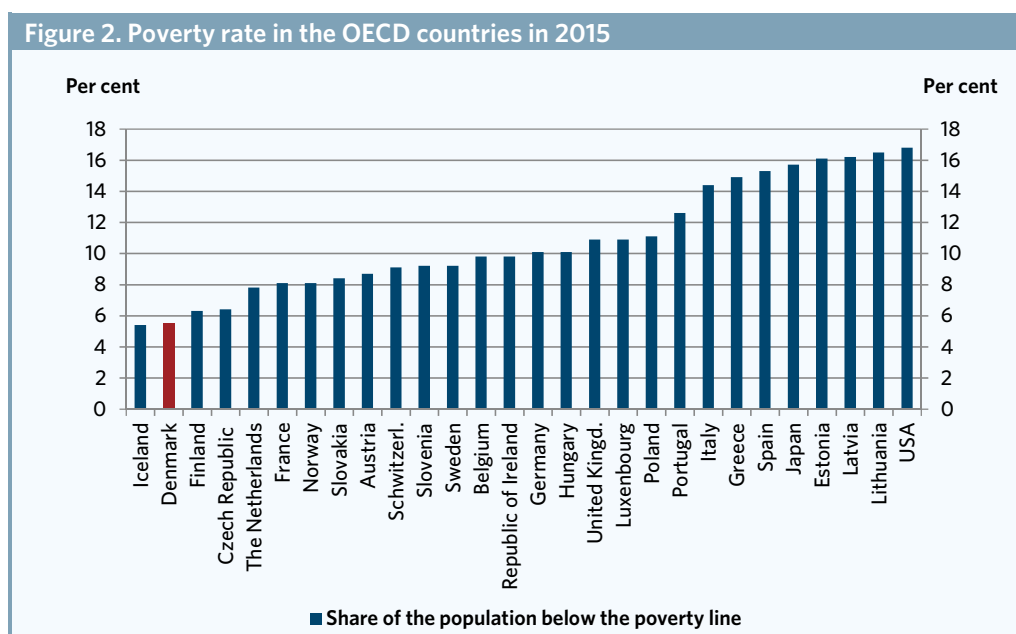


Note: Data from 2015, as there are no numbers available for 2016 by the OECD calculation method for a number of countries, including Denmark
 Source: ECLM based on numbers from the OECD.

For many years, Denmark has been able to boast a low level of poverty in the population. Figure 2 shows the share of impoverished people in the OECD countries in 2015, whereas Denmark is at the lower end. For a long time, it has been a priority in Denmark that those who are not able to provide for themselves and relying on benefits should be able to receive a level of benefits which they are able to live on. Even though you are unemployed or long-term ill, you should still be able to have a social life, buy clothes for your children, celebrate a birthday, or other things that are

⓪ For a long time, it has been a priority in Denmark, that those who are not able to provide for themselves should be able to receive a level of benefits which they are able to live off

necessary to feel that you are a part of the society. That means that transfers have been sufficiently high to make sure that those receiving benefits do not fall below the poverty line. In recent years, however, that principle has been compromised, which has led to an increase in poverty. We will return to that later in the chapter.

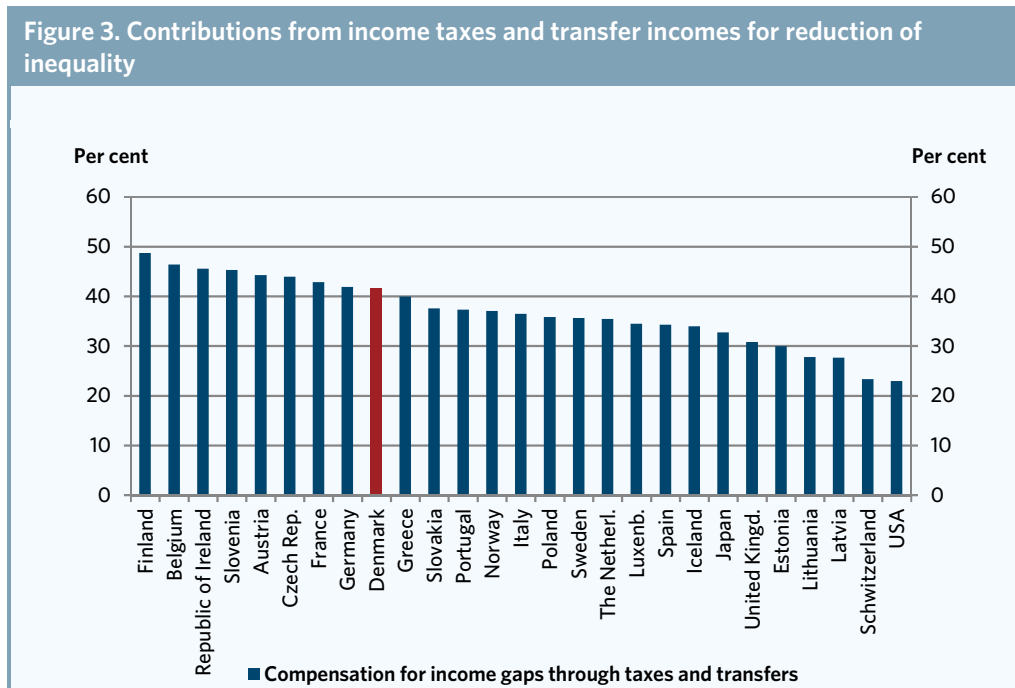


Note: Data from 2015. Poverty as defined by the OECD, meaning you are poor if your income constitutes less than half of the country's median income.

Source: ECLM based on OECD.

A substantial contribution to the low inequality and the relatively low poverty rate in Denmark derives from redistribution through income taxes and transfer incomes. As shown in figure 3, they contribute to a reduction in the Gini coefficient of 42 per cent for Denmark. The redistribution of income taxes and transfer incomes has a key role in the reduction of inequality, which is characteristic of most OECD countries. There are, however, exceptions, such as the United States, where redistribution through taxes and transfers is not that significant. If the United States, which is placed at the very bottom when it comes to inequality as well as redistribution compared to the countries featured in the chart, had the same level of redistribution as Denmark, the country would have a level of inequality the same as Germany's – and would be ranked in the middle of the featured countries.

① Redistribution through taxes and transfers reduce the Gini coefficient by 42 per cent



Note: Data from 2015, as there are no numbers available for 2016 by the OECD calculation method for a number of countries, including Denmark. The figure shows the reduction of Gini in per cent before taxes and transfers to Gini measured on disposable income.

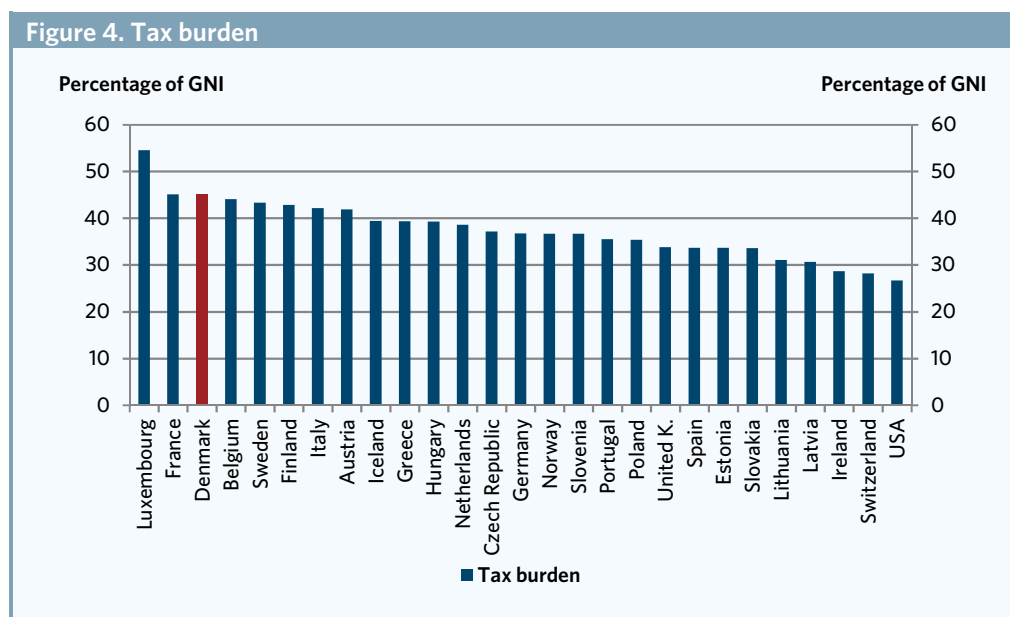
Source: ECLM based on OECD.

The welfare state ensures redistribution. The public services of the welfare state constitute 27 per cent of household consumption

When the tax system ensures this rather large redistribution, as is the case in Denmark, it has to do with the fact that there is a substantial portion of resources which can be moved around. For a long time, Denmark has had a high tax burden. As can be seen in figure 4, we have the third-highest tax burden, when calculating how much of the GNI (Gross National Income) the total of taxes constitutes (when not just counting income taxes, but also indirect taxes, such as VAT, property tax, and other taxes). GNI measures the total income of a country, including the income of the country's residents, which comes from production in the country, as well as income of the country's residents earned on production abroad. However, the high level of our tax burden also has to do

① Denmark has a high tax burden when including all taxes - also taxes on transfer incomes

with the fact that, in Denmark, we tax transfers. If you adjust numbers according to that, Denmark drops further down the list.



Note: Data from 2017. Comparisons between countries are sensitive to taxation of transfer incomes. In Denmark, most transfers are subject to tax, which, when considered separately, increases the tax burden.
 Source: ECLM based on OECD.

On the one hand, taxes finance an array of transfers; for instance, the public safety net if you become unemployed or lose the capacity to work, and the retirement pension, which forms a solid foundation for growing old. Also, transfers are provided to families with children to prevent economy from being a determining factor for having children, and financial support for students to ensure that the labour force has the necessary qualifications to tackle the challenges that will come in the future.

⓪ The high tax burden finances an array of transfers, including cash benefits, pensions, student grants, and benefits for families with children

Denmark ranks number two measured on the share of our consumption that is public services

On the other hand, taxes also finance a wide range of public services, which can be divided into collective and individual public services, cf. box 1. Collective public services include infrastructure, police, and natural areas. Individual public services include services related to the healthcare sector, education, childcare and social services, eldercare, and cultural offerings. Individual public services are services which can be used by an individual, such as sending your child to school, receiving treatment at the hospital, or going to the theatre. Collective public services benefit all of us at a societal level but cannot be split on an individual basis.

⓪ Taxes also finance a wide range of public services, collective as well as individual consumer services

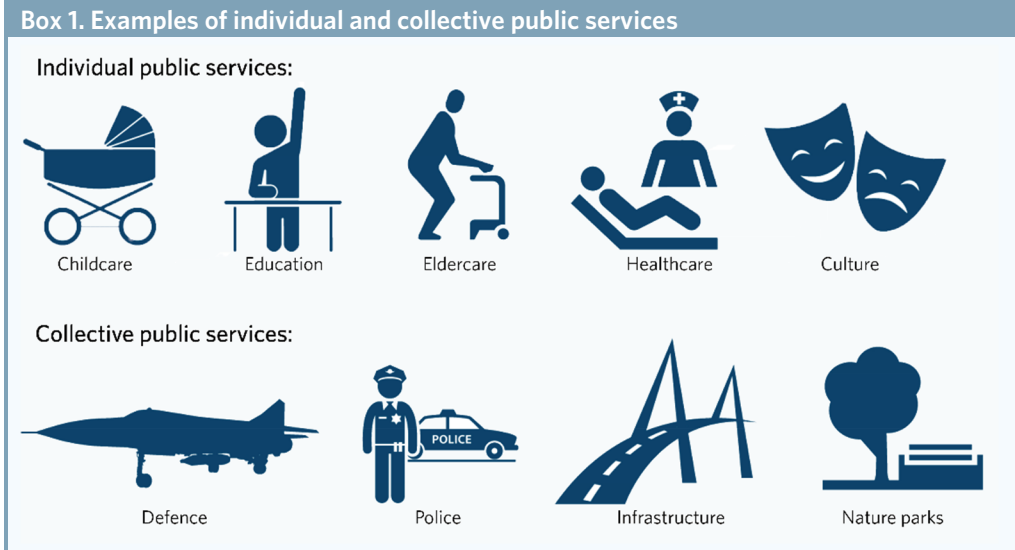
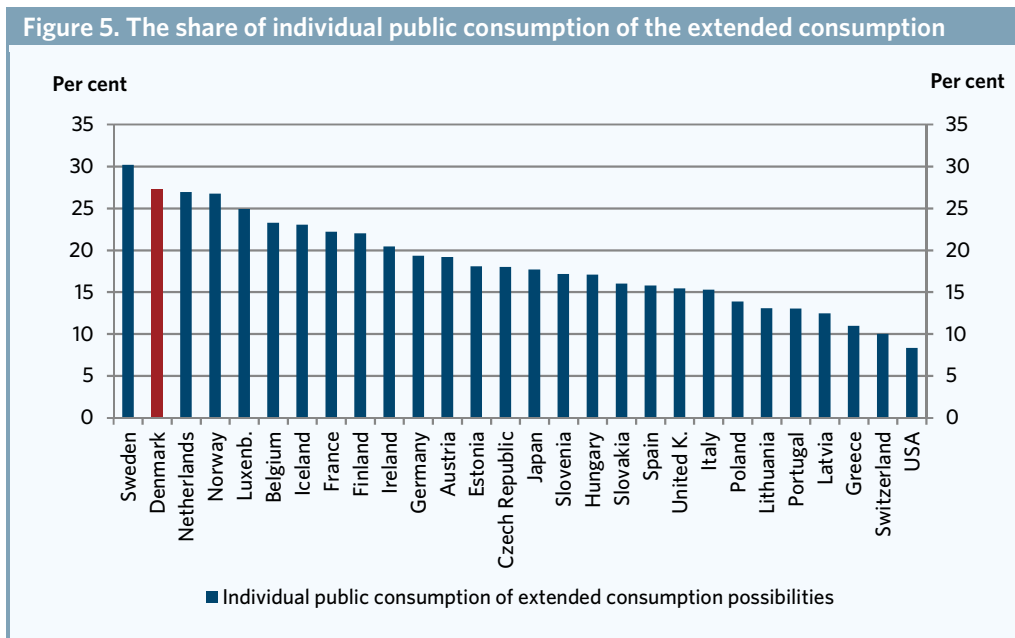


Figure 5 shows how individual public consumption in Denmark can help expand our consumption possibilities substantially. The extended consumption possibilities are the sum of the households' own consumption (or income after tax) and the individual public consumption. As the model shows, individual public consumption in Denmark constitutes 27 per cent. That means that 27 per cent of the households' consumption takes place through the welfare state's offering. The remaining 73 per cent is consumption we undertake when we shop and spend our income.

① 27 per cent of household consumption takes place through the welfare state's offering



Note: 2017 data, except data for the USA, which is from 2016. Calculated on the basis of numbers from the national accounts. The extended consumption possibilities are the sum of household consumption and individual consumption, which is different from the collective public consumption, i.e., roads, police, and defence. Source: ECLM based on OECD.

Denmark ranks number two, measured on the proportion of our consumption that comes from public services. Only in Sweden do the public services expand individual consumption even more than in Denmark.

① Public services constitute a large share of the consumption of the Danes

Individual public consumption has a big impact on inequality in a society. For those with a high income, it is not a decisive factor whether the various services are free or come with a price, as the consumption of individual public services decreases proportionally with the income. For the wealthiest, public services constitute a smaller share of their total consumption, because they consume more in general as a result of their high income. The fact that we have a model in Denmark where healthcare, education, eldercare, etc., are free and paid through taxes allows for all Danes to have access to these services. Those with the lowest incomes in society would not have access to these services if they were very expensive. That way, the public services balance out a portion of the difference in consumption possibilities which would otherwise be dependent on income.

⓪ The public services balance out a portion of the difference in the consumption possibilities, which would otherwise be dependent on income

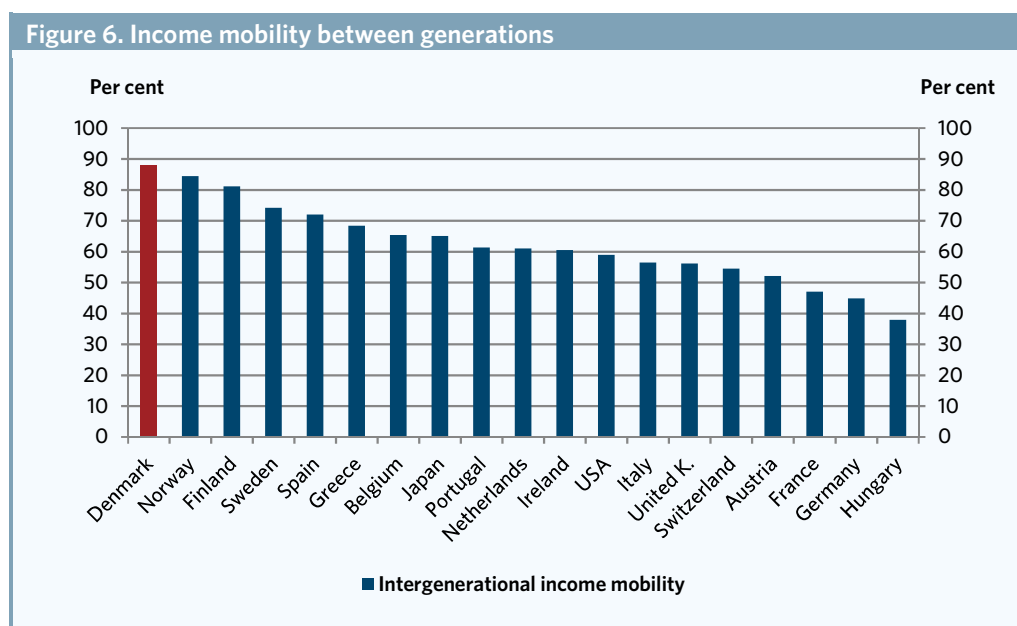
When applying the extended consumption possibilities, rather than the normal disposable income, i.e., income after tax, when calculating the Gini coefficient, inequality is reduced by approximately 2 percentage points. Access to education, especially, helps reduce the Gini coefficient.

⓪ When including the consumption which happens through income as well as public service offerings, the Gini coefficient is reduced by 2 percentage points

The American dream is alive in Denmark

“If you want to live the American dream, you should move to Denmark,” says the British professor, Richard Wilkinson, in a TED-talk.³⁷ And not without reason. Together with other Nordic countries, we top the international rankings when it comes to income mobility from generation to generation. Figure 6 shows the income mobility between generations, an indicator of how significant a share of your income is not dependent on the income of your parents.

⓪ “If you want to live the American dream, you should move to Denmark” - Wilkinson



Note: The intergenerational income mobility is calculated as 1 minus the intergenerational income elasticity between fathers and sons. The calculation method is not consistent between all countries, and comparisons should be made with caution. Source: ECLM based on OECD.

³⁷ TED talk: https://www.ted.com/talks/richard_wilkinson?language=en&fbclid=IwAR0wsLJhGphwOTqn8ifqj5-4_LfbEAOIKchuexxcX-kY8NtFDfALSmlhNP8

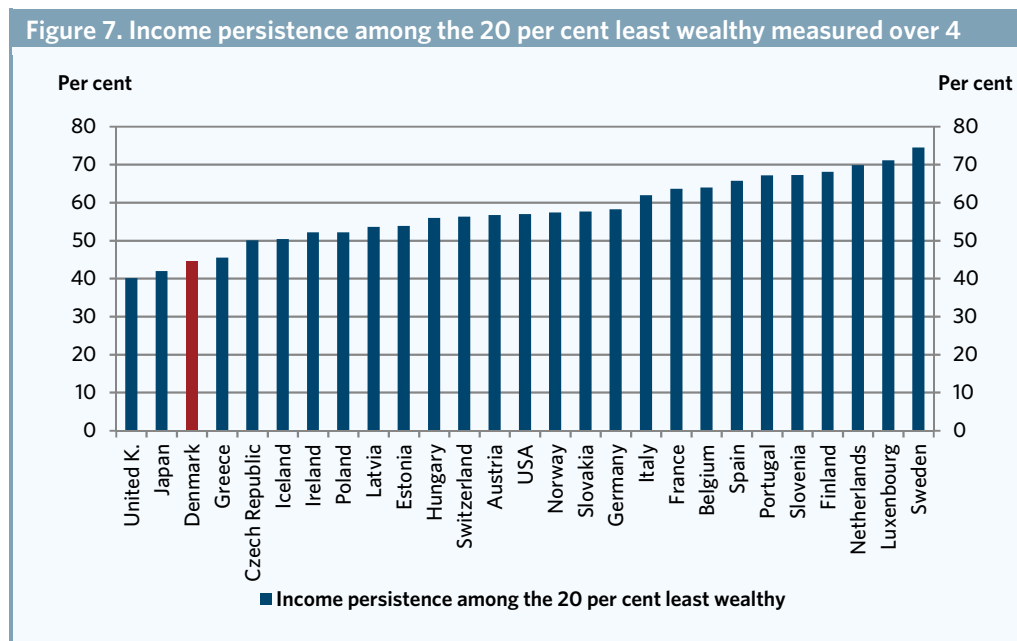
Income mobility is not only relevant to look at between generations. In the course of a working life, you may also experience income volatility in connection with unemployment, for example. Therefore, it is interesting to observe to what degree the income of the Danes is connected to persistence - i.e., the number of people who remain in a specific income group year after year.

① It is interesting to observe to what degree the income of the Danes is connected to persistence

In Denmark, around 3 out of 4 of the 20 per cent wealthiest continue to be among the 20 per cent wealthiest, four years later: there is a strong social inheritance at the top of society

Figure 7 shows considerable variation from an international perspective when measuring the percentage of people with a low income who will remain in the low-income group. In Denmark, a little less than half of those among the 20 per cent least wealthy will remain among the 20 per cent least wealthy four years later. That is better than most other countries, but on the other hand, it is a fact that almost half of the least wealthy (45 per cent) are stuck to the bottom of the income distribution.

① In Denmark, a little less than half of the those among the 20 per cent least wealthy will remain among the 20 per cent least wealthy four years later



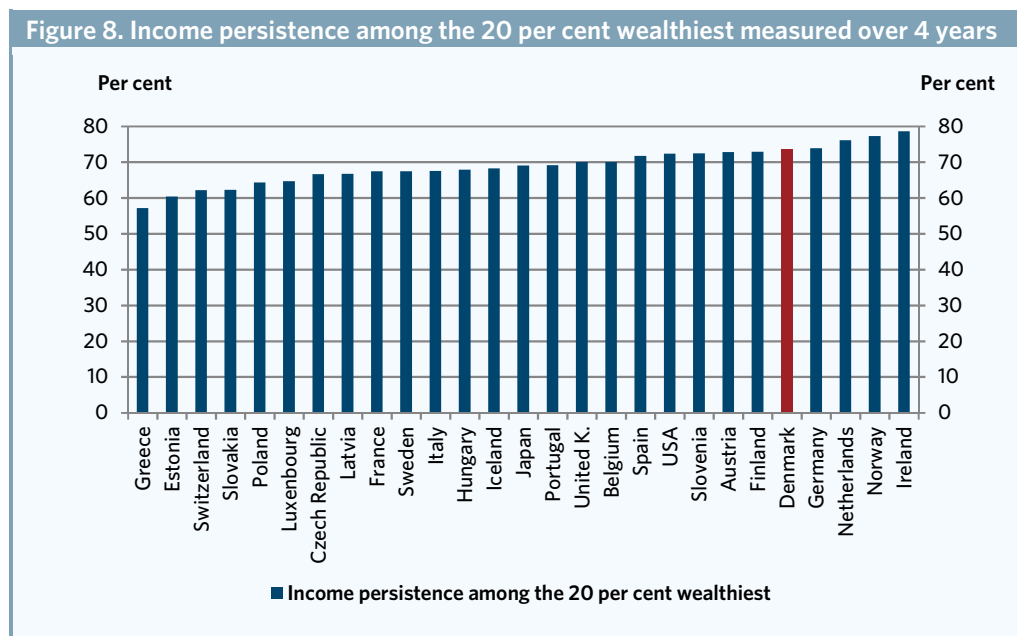
Note: 18-65-year-olds. Income persistence is calculated as the proportion which, after 4 years, is still among the 20 per cent least wealthy.

Source: ECLM based on OECD.

① 3 out of 4 of the 20 per cent wealthiest continue to stay among the 20 per cent wealthiest, four years later.

While we have relatively few with a low income that are stuck at a low-income level (although still almost half) when compared internationally, it looks different at the other end of the income scale. Here, persistency is stronger. In Denmark, around 3 out of 4 of the 20 per cent wealthiest continue to be among the 20 per cent wealthiest, four years later. Figure 8 shows that Denmark is placed at the heavier end internationally, with a relatively low income mobility among the highest incomes.

That is a relatively low income mobility among the highest incomes



Note: 18-65-year-olds. Income persistence is calculated as the proportion which, after 4 years, is still among the 20 per cent wealthiest.
Source: ECLM based on OECD.

Overall, Denmark is characterised by a high level of mobility from generation to generation, and in the course of a work life, but often the same people remain at the top of the income scale.

Worrying tendency: Growing number of impoverished and heavier social inheritance

Even though Denmark is one of the countries with the highest social mobility, there is still a strong social inheritance in Denmark. If you are born into a low-income family, there is a higher chance that you will belong to the low-income tier as an adult. If you are born into a wealthy family, the chances of staying wealthy as an adult increase significantly.

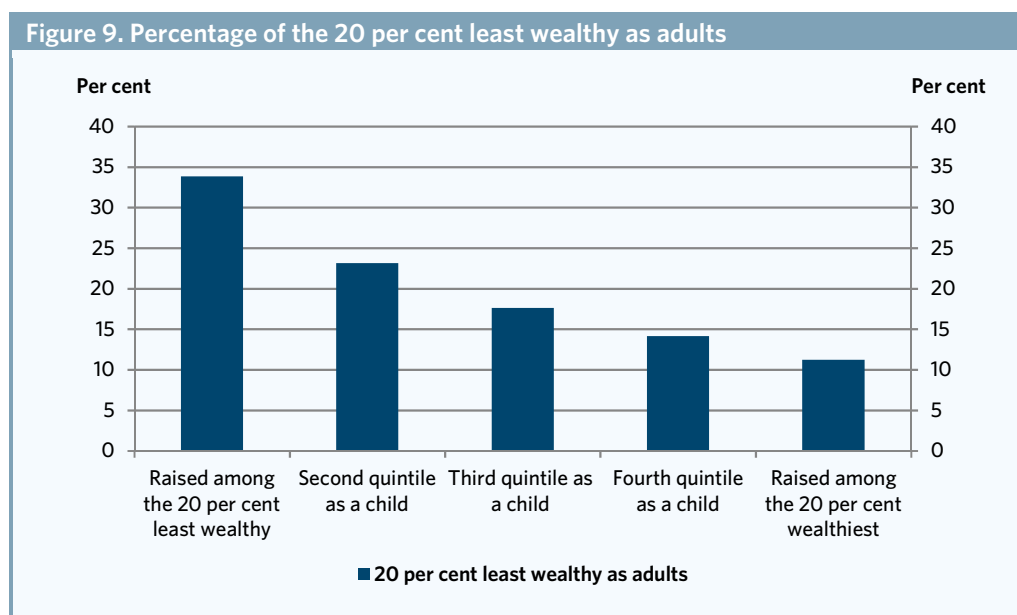
① Even though Denmark is one of the countries with the highest social mobility, there is still a strong social inheritance in Denmark

Figure 9 shows a subdivision of the 20 per cent least wealthy related to where they grew up on the income scale. We have specifically studied those of the 20 per cent least wealthy who are 35 years old, and linked them to the income group which their parents belonged to at the time when the children were 15 years old. The first quintile represents the 20 per cent of the parent group with the lowest incomes, while the fifth quintile represents the 20 per cent with the highest incomes.

①

If this was a case of perfect income mobility, all columns would constitute 20 per cent. Then everyone would have the same chances of ending up anywhere on the income scale, no matter where they grew up. However, the lower the income that your parents have during your childhood, the higher the likelihood of being among the 20 per cent least wealthy as an adult. For those who grew up among the 20 per cent least wealthy, 34 per cent are among the 20 per cent least wealthy as adults. If you grew up among the 20 per cent wealthiest, there is only an 11 per cent likelihood that you will be in the least wealthy quintile as an adult. That means, if you grew up in the least wealthy quintile, you are three times more likely to be among the 20 per cent least wealthy as an adult, than if you grew up in the wealthiest quintile.

The lower the income that your parents have during your childhood, the greater the likelihood of being among the 20 per cent least wealthy as an adult



Note: The figure is divided into quintiles based on the equivalised household disposable income. During childhood, the family income is measured at 15 years of age. During adulthood, the income is measured at 35 years of age. Only persons residing in Denmark at the ages of 15 and 35 have been included.
 Source: ECLM based on numbers from Statistics Denmark.

When looking at the likelihood of ending up among the 20 per cent wealthiest as an adult, that, too, depends on where on the income scale you grew up. Here, a factor of 3 makes the difference as well: People growing up in the wealthiest quintile are almost three times more likely to end up among the 20 per cent wealthiest as an adult compared to those growing up in the least wealthy quintile.

This shows that the probability of ending up among the wealthiest or the least wealthy is a lot greater if you grow up in the furthest ends of the scale. Social inheritance has become more prominent in recent years. Figure 10 shows the development in the share of 35-year-olds of the 20 per cent least wealthy every year from 2000-2017. The two curves represent those who grew up in the least wealthy quintile and the wealthiest quintile, respectively. The year 2000 shows the generation who, at that time, were 35 years of age and the correlation between their income in the year 2000 and the income of their parents in 1980 (when that generation was 15 years old).

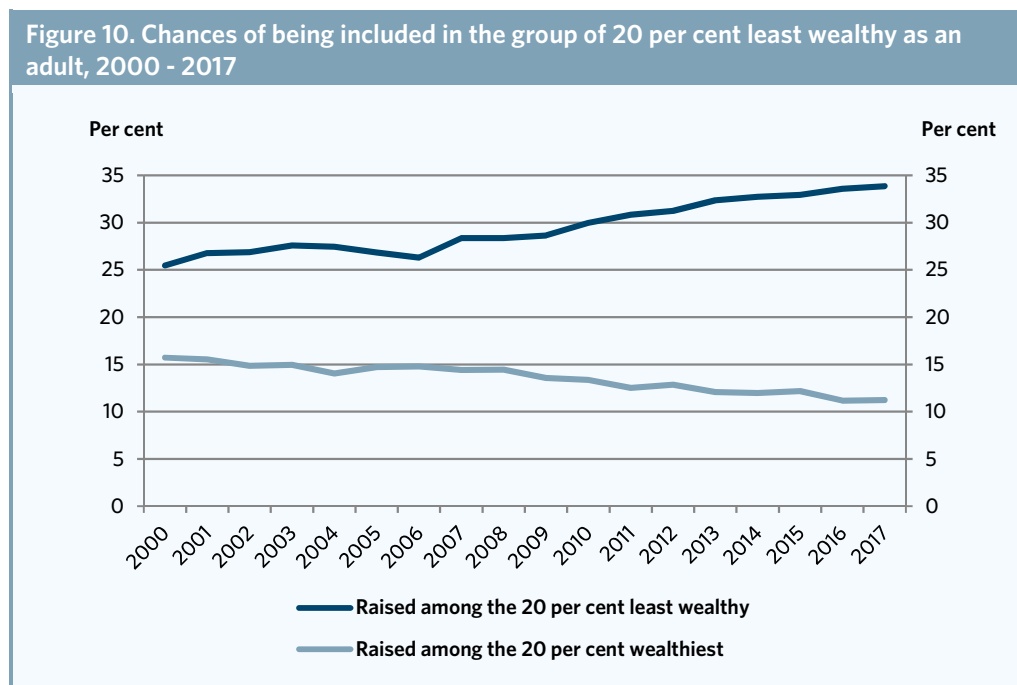
⓪ The probability of ending up among the wealthiest or the least wealthy is a lot greater if you grow up in the furthest ends of the income scale

As the model shows, 25 per cent of the least wealthy who were 35 years old in the year 2000, grew up in the least wealthy quintile. Today, that share has increased to almost 35 per cent. That means that there is a greater chance that you will be among the least wealthy as an adult when you grow up among the least wealthy quintile. The other way around, the chances of ending up in the 20 per cent that is least wealthy, has decreased for the wealthiest fifth; from 16 per cent in the year 2000 to 11 per cent today.

⓪ Chances of ending up among the least wealthy as an adult when growing up among the least wealthy fifth has become greater

Thus, in the year 2000, the 20 per cent least wealthy children were 1.5 times more at risk of remaining among the 20 per cent least wealthy as adults compared to the 20 per cent of the wealthiest children. Today, that difference has doubled to a factor of 3.

⓪ The 20 per cent least wealthy children have a three times greater risk of ending up in the least wealthy fifth as an adult compared to the 20 per cent wealthiest children



Note: The figure is divided into quintiles based on the equivalised household disposable income. During childhood, the family income is measured at 15 years of age. During adulthood, the income is measured at 35 years of age. Only persons residing in Denmark at the ages of 15 and 35 have been included.
 Source: ECLM based on numbers from Statistics Denmark.

In terms of the wealthiest, income mobility has also declined. If you grew up in a family among the 20 per cent least wealthy, there is a diminishing chance that you will count among the 20 per cent wealthiest as an adult. Conversely, if you grew up in a wealthy family, the likelihood of remaining among the wealthiest as an adult is on the rise. In the year 2000, almost 27 per cent of those who grew up among the 20 per cent wealthiest, were among the wealthiest fifth as adults. Today, that number has gone up to 33 per cent. The other way around, the proportion of children from the least wealthy quintile who are among the wealthiest quintile as adults has decreased. The social dependency between children and parents has become stronger – both at the top and the bottom of the income pyramid – since the year 2000.

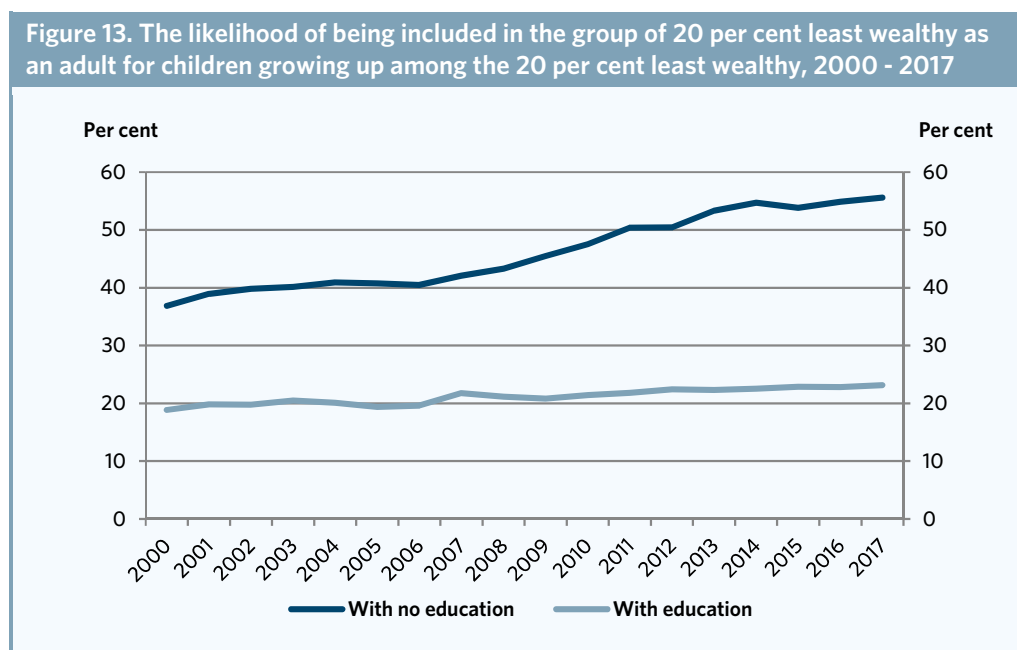
⓪ The income mobility has declined among the wealthiest

One of the essential factors which determine whether you are able to break the cycle of disadvantage across generations if you grow up among the 20 per cent least wealthy, is whether you have completed a professional qualifying education at the age of 35. As can be seen in figure 11, the 20 percent who grew up in the least wealthy families are subdivided into groups, depending on whether or not they completed a qualifying education before turning 35. For these groups, the proportion that is featured is the proportion that ends up as the least wealthy quintile as 35-year-olds.

⓪ Education is a determining factor for breaking the cycle of disadvantages across generations

The figure shows that, if you grow up among the 20 per cent least wealthy and are without education at the age of 35, then 56 per cent of the 20 per cent least wealthy will be among the 20 per cent least wealthy as adults. That is an increase from 37 per cent in the year 2000. On the other hand, if you complete a qualifying education, only 23 per cent will be among the 20 per cent least wealthy as adults. This share has increased only a little; from 19 per cent in the year 2000 to 23 per cent. As the figure shows, it is obvious that breaking the cycle of disadvantage between generations has become more difficult if you do not have an education. In other words: Education is a way to break the cycle of disadvantage between generations.

⓪ The 20 per cent least wealthy children receiving an education have a higher chance of breaking out of the group



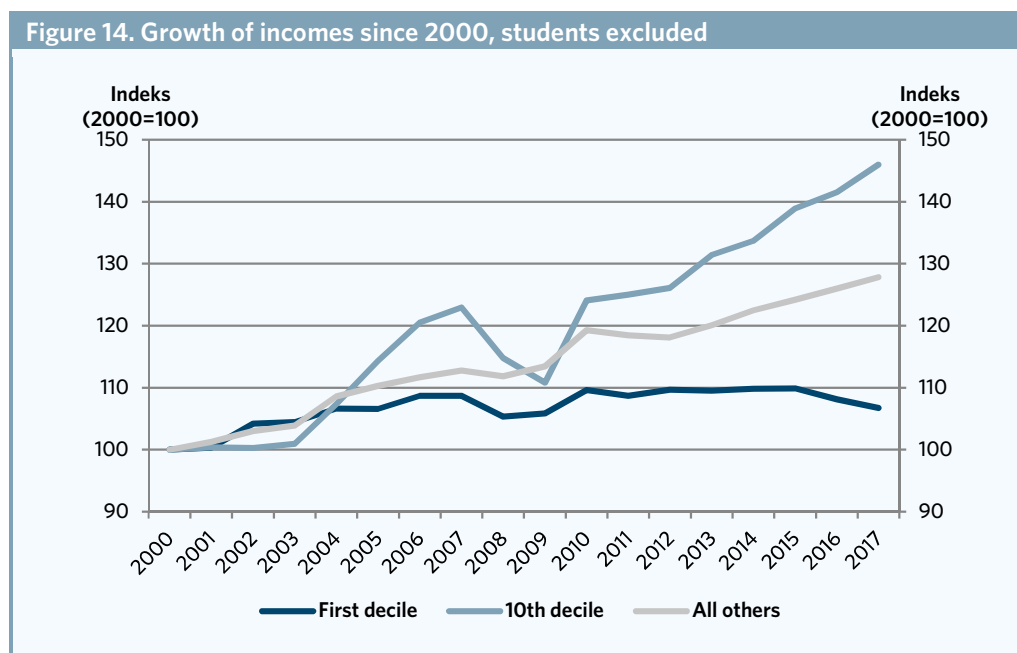
Note: The figure is divided into quintiles based on the equalised household disposable income. During childhood, the family income is measured at 15 years of age. During adulthood, the income is measured at 35 years of age. Only persons residing in Denmark at the ages of 15 and 35 have been included.
 Source: ECLM based on numbers from Statistics Denmark.

A less redistributive society

Just as a country with high social mobility may still have its challenges in keeping it at a high level, a country known for its high level of redistribution and equality may also have its challenges keeping these parameters intact.

Inequality is on a significant rise in Denmark. Since the year 2000, the wealthiest tenth of the population has experienced an increase in income of more than 45 per cent, while the least wealthy tenth of the population has only seen an increase in income of a couple per cent; see figure 14. Especially in the aftermath of the financial crisis, inequality has picked up. The wealthiest have experienced an increase in income, primarily from capital gains (from shares, for instance). Their income growth has partly been helped along by political decisions on tax cuts, primarily benefitting the wealthy.

⓪ Especially since the financial crisis, inequality in income has been on a rise



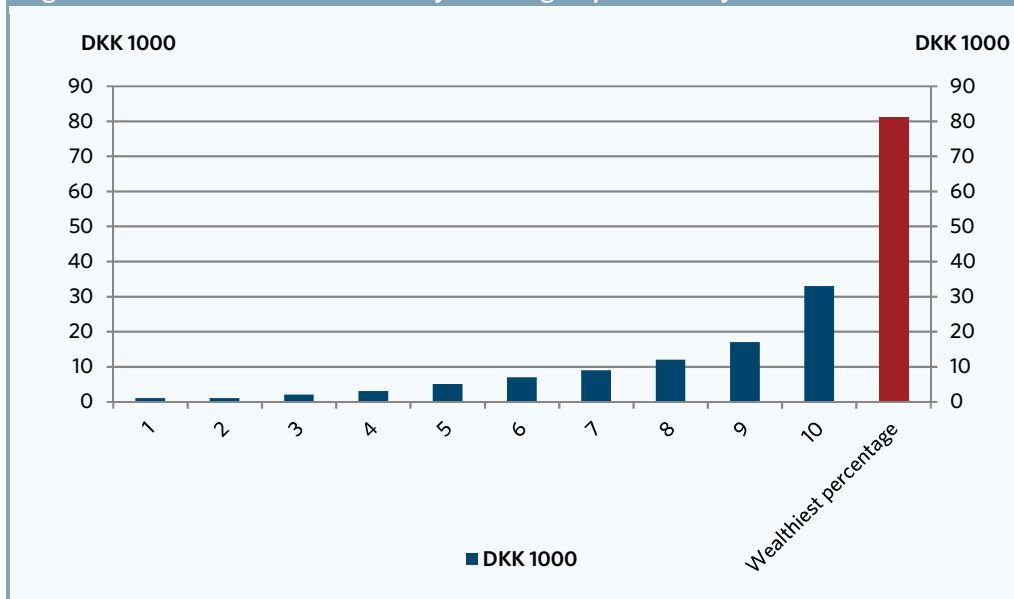
Note: Based on equivalised household disposable income. Index. Fixed 2018-prices. Families with at least one adult student have not been included.
 Source: ECLM based on numbers from Statistics Denmark.

In recent years, the wealthiest have been granted substantial tax cuts, while there has been a reduction in support of the least wealthy. That has made the tax system less progressive

Since 2001, tax cuts worth DKK 52 billion have been granted. While the wealthiest per cent receive a yearly tax reduction of approximately DKK 80,000, and the wealthiest 10 per cent have received DKK 33,000, the 10 per cent least wealthy have only gained DKK 1,000 more a year in tax cuts. See figure 15.

⓪ Since 2001, tax cuts worth DKK 52 billion have been granted, primarily benefitting the wealthiest

Figure 15. Effect of income tax cuts by income group since the year 2002



Note: The wealthiest percentage is also included in the 10th decile. The figure shows total tax cuts from 2002 – 2017.
Source: ECLM based on numbers from The Danish Ministry of Finance.

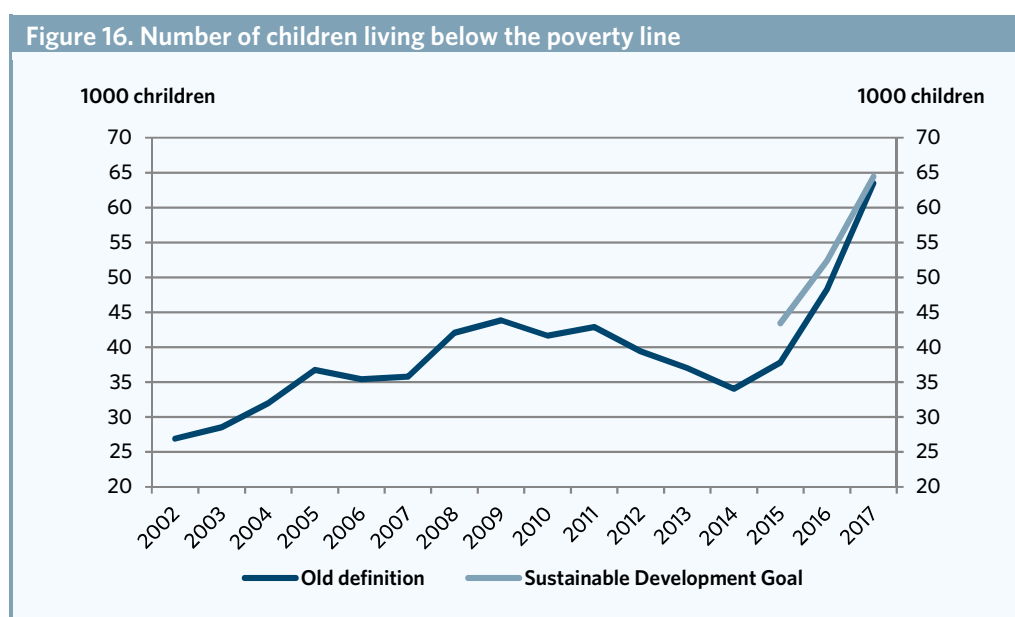
While the tax cuts have made the tax system less progressive in recent years by favouring the wealthiest in particular, a cash benefits ceiling has been implemented at the same time, as well as the 225 hour-rule, along with integration benefits that diminish the income of those, who already have a lower income. These reduced benefits entail that a proportion of those who receive benefits are now placed below the poverty line.

① The cash benefit ceiling, the 225 hour-rule, and integration benefits have placed many below the poverty line

Poverty has increased significantly – especially since 2015, when the liberal government, together with the right-wing parties, implemented these new and lower benefits. The cash benefit ceiling was especially aimed at families with children. That is the reason why the number of impoverished children has increased significantly throughout this period. The ceiling was introduced in 2016, and from 2016-2017, 12,000 more impoverished children were added. Today, there are 64,500 impoverished children in Denmark, corresponding approximately to the number of inhabitants of the entire city of Randers. Figure 16 shows the development in the number of impoverished children. The definition of impoverishment has been slightly altered, which is why the figure shows two different measurements. In both cases, the basic definition is that a child counts as impoverished if half of the family's income is below the median income in the country. That same definition of poverty is applied by the OECD.

① Families with children have been especially hit by the cash benefit ceiling. 64,500 children are now considered impoverished in Denmark

Even though there are more citizens demanding services, there are fewer to provide for them



Note: See box 1 regarding the definition of poverty line. Due to breaks in the wealth statistics, the new target cannot be measured before 2015. The number of impoverished, according to the old definition, is measured as impoverished over one year to be comparable with the new definition.

Source: ECLM based on numbers from Statistics Denmark.

Today, taxes and transfers contribute less to the redistribution than just a few years ago. Meanwhile, there is pressure on the public sector from the increasing number of citizens and especially an increasing number of citizens in need of services. Currently, the number of elderly is increasing rapidly, as well as the number of small children. More citizens are in need of eldercare, treatments at the doctor or in the hospital, childcare – and soon the schools will be affected by an increase in students entering into the education system; the public sector is under pressure from many sides.

① Today, taxes and benefits contribute less to the redistribution than just a couple of years ago

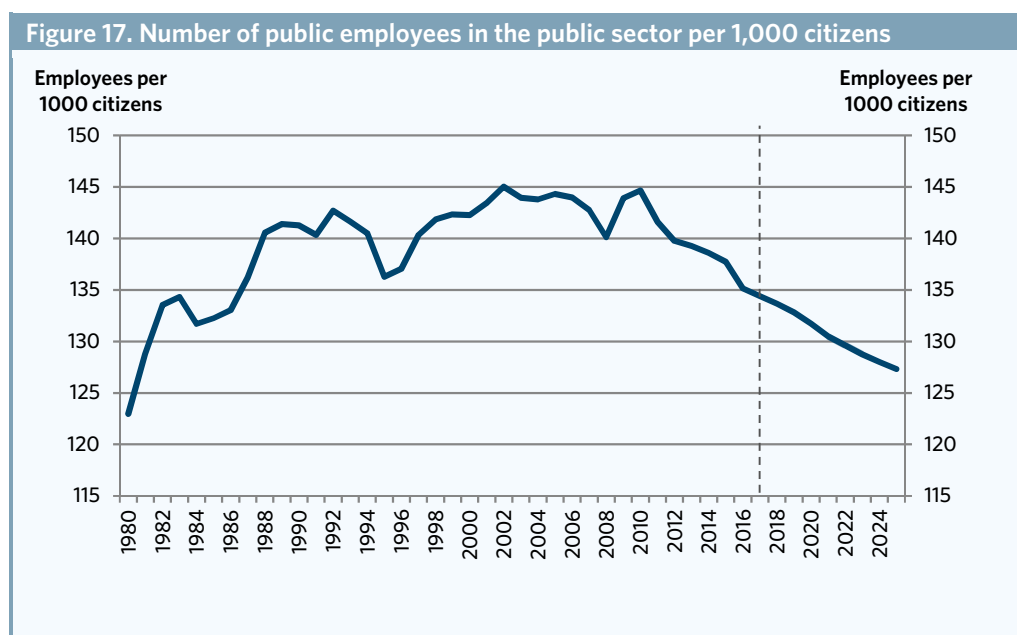
Even though there are more citizens demanding services, there are fewer to provide for them. Since 2010, the number of public sector employees has dropped.³⁸ Because the population has grown in the meantime, there are significantly fewer public sector employees per citizen today. As can be seen in figure 17, the number of public sector employees per citizen has decreased by 6.5 per cent

① The number of public servants per citizen is at its lowest level since 1986

³⁸ https://www.ae.dk/sites/www.ae.dk/files/dokumenter/analyse/ae_laveste-antal-offentligt-ansatte-pr-borger-siden-1980-erne.pdf

since 2010. As a matter of fact, the number of public sector employees is the lowest since the 1980s. As the government plans to continue the tenuous growth of the public sector, there will be even fewer public sector employees per citizen in the future.

It is crucial that we prioritise public welfare. The welfare system which we have created is the main reason why we have such high social mobility in Denmark



Note: From 2017 and onwards, the figure is based on the basic program of the 2025-plan of the Danish Ministry of Finance from August 2017.
Source: ECLM on the basis of Statistics Denmark and The Danish Ministry of Finance.

Lately, several groups of public employees have flagged their struggles to keep up at work. At the hospitals, the staff are overworked, and at many day care institutions, the teachers do not have sufficient time to provide the children with the care they need, as recently showcased in two documentaries on Danish national television (DR).³⁹

⓪ Several public occupational groups are concerned with the mounting pressure

Cases frequently come up in the media about elderly citizens who are neglected, with no baths and without receiving the care that they need. A recent survey from VIVE documented that significantly fewer weak elderly people receive help today than just ten years ago. From 2007 to 2017, the number of weak elderly people receiving help with cleaning and other practical tasks at home has been halved. Today, 73,000 weak elderly people do not receive in-home care assistance

⓪ From 2007 to 2017, the number of weak elderly persons receiving help with cleaning and other practical tasks at home has nearly halved

³⁹ <https://www.dr.dk/tv/se/de-manglende-varme-haender-dr2-dok-2018/de-manglende-varme-haender-dr2-dok-2018-2/hvem-passer-vores-boern> and <https://www.dr.dk/tv/se/jeg-svigter-mine-patienter/jeg-svigter-mine-patienter-2/de-manglende-varme-haender-dr2-dok-2018>

or any help from their families or otherwise – despite the fact that they indicate that they are unable to take care of themselves.⁴⁰

In the area of childcare, we read about teachers resigning, because they are not able to stand up for the quality of the day care institutions any longer. Or parents who choose to stay at home and take care of their children, because *“the ratio of teachers to children is too low, and they refuse to gamble with their children’s wellbeing.”*⁴¹

Finally, insurance companies are beginning to air the idea of welfare insurance because public welfare is under great pressure. With the current political impetus, the welfare state will not be able to carry out the imminent tasks which a more service-demanding population will need. That is also the view of the CEO of the Danish insurance company Tryg, Morten Hübbe. *“I think it would be wonderful if the state was able to cover all needs (...) I just do not see any indications that it will be feasible.”*⁴²

① Insurance companies are airing the idea of private welfare insurance

Prioritise redistribution and welfare

For many years, the Danish welfare society has been characterised by a low level of inequality in income and consumption possibility, low poverty, and high social mobility.

① The Danish welfare society is characterised by a low level of inequality and high mobility

For many years, the tax system and the welfare system have contributed to greater equality in the economy and opportunities such as education through a high level of redistribution following the principle of Robin Hood, where the wealthiest give to the poorest. With the welfare state we have created a system where everyone – no matter if you were born with a silver spoon in your mouth or not – has access to free education, healthcare, and care when you grow old. Denmark is known as a country where the American dream is more alive than in most other places – more so than on the other side of The Atlantic, in any case.

However, in recent years, we have witnessed how the tax system has become less progressive. Substantial tax cuts have been allocated to those with the highest incomes, while those at the bottom of the income scale have seen cuts in their benefits. For that reason, there is a rise in inequality, as well as in poverty.

① However, in recent years, we have witnessed how the tax system has turned less progressive

Meanwhile, welfare is under pressure from the demographic change involving more children and elderly in need of services. Employees of the public sector are overworked, and people are starting to ask whether public welfare is good enough.

① Meanwhile, the welfare is under pressure

⁴⁰ <https://www.vive.dk/da/nyheder/2019/markant-faerre-svage-aeldre-modtager-hjemmehjaelp/>

⁴¹ <https://politiken.dk/debat/debatindlaeg/art7110779/Jeg-troede-jeg-skulle-v%C3%A6re-p%C3%A5-arbejdsmarkedet-mend%C3%A5rlige-oplevelser-i-institutioner-har-gjort-mig-til-hjemmeg%C3%A5ende>

⁴² <https://finans.dk/privatokonomi/ECE11274099/trygdirektoer-private-velfaerdsforsikringer-bliver-fremtiden/?ctxref=ext>

It is essential that we prioritise public welfare. The welfare system that we have built is the main reason why it is easier in Denmark than in other countries to move from a life at the bottom to the top of the income scale. Free access to education, treatment, care as well as substantial public subsidies for childcare and other individual public services provide equal opportunities.

⓪
It is essential that we prioritise the public welfare in the coming years.

If we continue to compromise public welfare, more people will seek private alternatives; private healthcare, private schools, private day care, and potentially even private welfare insurance, which can provide more baths for the elderly each week, for example. The risk of turning to private alternatives is that not everyone can afford them. We risk dividing the population into A and B-teams, where some will have access to better alternatives than others. That will change the foundation of social mobility and increase inequality.

⓪
If we continue to compromise public welfare even further, more people will seek private alternatives. That will increase the risk of dividing society into A and B-teams

The present political course is very problematic. The government calls for continued underfunding of the welfare services relative to the demographic change, and continued cuts in education, while proposing various tax cuts, a reduced inheritance tax, for instance, which will deplete the redistribution of the tax system even further. That is not what we need if we want to give all children – no matter their background – the best odds for creating the life that they want.

⓪
The government calls for continued underfunding of the welfare services and part of the government suggests new tax cuts

It is time to change course and invest in the foundation that has made Denmark a great place to live in – and at the same time has secured a strong economy. Just as it took physicists and mathematicians a long time to figure out why the bumblebee can fly, we still do not have huge fiscal economic calculators able to calculate what the social gains are from significant investments in education, an active labour market policy, a strong healthcare sector, and excellent day care institutions. But reality has shown us that it works. The Scandinavian countries are among the wealthiest, most secure, and happiest in the world. And they compete successfully in the international market.

⓪
It is time to change course and invest in the foundation, which has made the Danish society a great place to live – and secure a strong economy at the same time

It takes political will in order for the Danish welfare state – which is challenged on several parameters at the moment – to get back into shape again. But it is a worthwhile investment. A society with high taxes, high benefits for the unemployed, and a large public sector can, indeed, be competitive if constructed wisely. Most importantly, the Scandinavian social model holds the recipe for what makes a society a great place to live and work in. The Scandinavian countries are leading when it comes to living out the Sustainable Development Goals in practice, because the Scandinavian social model is predisposed to providing everyone with access to basic public services such as healthcare, education, and care for those who are elderly, or have been in an accident, and are unable to take care of themselves. “Leave no one behind”, as stated in the Sustainable Development Goals. The Scandinavian countries score high in almost every international ranking when it comes to economic and business parameters and the well-being of the population.

Let us strive to uphold Denmark as a country which, in the future, remains a country where you have the best chances of following your dreams, whether you were born with a silver- or plastic spoon in your mouth.

⓪
Denmark should be a country where you have the best chances of following your dreams, no matter who you are

Box 2. Method for measuring income mobility

The population is divided into quintiles according to income at the ages of 15 and 35. This means that all 35-year-olds in 2017 are divided into five groups, with the 20 per cent with the lowest income constituting the first quintile. The same population is divided according to their family's income at the age of 15, so that their placement relative to their own generation is the decisive factor.

The measurement is based on the equivalised disposable household income, which is the total income after taxes adjusted for economies of scale.

Only residents of Denmark at the age of 15 and at 35 years old have been included. Persons whose families have a very atypical income situation are not included - persons with an equivalised disposable income of 0, above DKK 20 million, or less than DKK 5 million, for instance. Persons who are not subject to tax in Denmark, and children who are not living with a dependent, and households with a member deceased within the last year, are not included.

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The Economic Council of the Labour Movement (ECLM)
Reventlowsgade 14, 1st floor
1651 Copenhagen V.
Phone: +45 33 55 77 11
Email: ae@ae.dk
www.eclm.dk