

IDSS COUNTRY STUDY

DENMARK

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Section I: Summary

1. Key features of the ALMP reform

The Active Labour Market Policy (ALMP) structural reform in Denmark was implemented on 1st January 2007. The underlying trigger of the ALMP structural reform was the argument that larger municipalities could easily achieve economies of scale and thus become more cost effective. If positive outcomes resulted as part of the evaluation process of those municipalities with overall ALMP responsibility, it could be rolled out and all other municipalities could be responsible for activating those in receipt of the social assistance and unemployment benefits.

The aim of the reform was also to address the number of administrative levels in Denmark, and, whether the 14 counties should continue to exist. Ultimately, the three administrative levels were kept and continued to operate in their current form, and 14 counties were turned into 5 regions, while the number of municipalities went from 275 to 98. The new regions became primarily responsible for hospitals and health care, and the rest of their activities were split between the municipalities and 'selvejende' ('independent') units for secondary education¹. Many municipalities however, especially in the greater Copenhagen area, did not merge into larger units.

From the outset, the reform of the municipalities and counties did not relate to the state's labour market policy. Overall, the aim of the structural reform was not just for economically sustainable and sufficient larger units, but also for larger municipalities to ensure and facilitate the transfer of more tasks from the State and the counties to the local level. Discussions to change the way in which labour market policy was administered followed the structural reform.

Regarding employment, only four state employment regions were set up; they were not part of or followed the new regional structure. This was because Zealand was regarded as one regional labour market, and as such, the two administrative regions were regarded as one labour market. Some 91 job centres were also set up. Although no job centres were established in the seven smallest municipalities, these were required to cooperate with larger municipalities in close proximity. As a result of this reform, some municipalities assumed responsibility for the administration of job centres, with the expectation of evaluating whether this could improve ALMPs by integrating all services, as opposed to certain services only accessible depending on the type of social benefit received, for the unemployed.

Job centres must plan, develop and implement active employment policies based on central rules. The only objective of the job centres is to (re)integrate unemployed people into the labour market as quickly as possible. Regarding social benefits, the municipalities remain responsible for administering the social assistance benefit to the unemployed, whereas the unemployment social funds are still responsible for administering the unemployment benefit. The target group of job centres includes both insured and uninsured unemployed people. Before their complete merger as of 1 January 2009,

¹ Single quotation marks have been used here, as although the units are independent, they are predominately financed by the State and must follow state rules.

public employment services (PES) and municipal services were provided in a single place, job centres, but were only provided to for those without insurance. The main aim behind this integration process was to ensure the equal treatment of the two target groups, irrespective of their insurance status, and to create better-coordinated and integrated employment services. The change therefore was in regard to the administrative organisation of ALMPs, not social benefits, and to the change from state job centres to municipal job centres.

In the field of ALMPs, the aim and expectation were that decentralised, integrated services should be able to deliver better quality services for the unemployed. This was expected for both those in receipt of the social assistance and unemployment benefits, owing to the notion that local-level contact with employers and knowledge of local job opportunities was more profound when compared to previous former of job centres that covered larger geographical areas.

In preparing for the ALMP administrative reform, it was argued that employment activities for people in receipt of the social assistance and unemployment benefits could be carried out by different actors (e.g. the social assistance benefit by the municipalities, and the unemployment benefit by the job centres). As discussed in the 2004 Strukturkommissionen analysis, there were significant disparities between the municipalities as regards their efforts, despite economic incentives to ensure integration and to help recipients of social assistance benefits to reintegrate the labour market. However, the analysis warned of the dangers of comparing these efforts. The Strukturkommissionen also highlighted the negative impact on effective administration when both job centres and municipalities were in contact with businesses. Finally, there was the expectation that larger municipalities could outsource some of their activation measures to private providers.

No agreement could be reached on whether the municipalities should assume full responsibility for activating the unemployed, especially considering the opposition from the trade unions and the Social Democrats. The main reason was the fear, as confirmed in interviews, that this would reduce activation quality and that municipalities were not the right geographical entity in relation to the Danish labour market. Strongly in favour, however, were the municipalities – and their interest organisations – and the Danish Government, as the latter expected positive outcomes.

In the end, a compromise was put forward. Pilot programmes were launched in 14 municipalities where overall responsibility for ALMP administration was given to the local municipalities. Municipalities assumed full responsibility of insured individuals and recipients of social assistance benefits, and shared responsibility of the 77 job centres with the State. After evaluations of the pilot period, the programme was rolled out further with all municipalities assuming responsibility for running the job centres (Bredgaard, 2011). As a result, from 1 January 2009, all municipalities assumed responsibility for local job centres and thereby for all unemployed people, regardless of which benefit they were in receipt of, under centrally decided rules.

Arguments for this change can be summarised as more effective activation, avoiding direct ministerial responsibility following the arms-length principle and the opportunity to weaken the trade unions. It must also be remembered that not all municipalities were changed during the structural reform, such as most municipalities in the greater Copenhagen area, and larger municipalities, such as Copenhagen, Aarhus, Aalborg and Odense.

Since 2009, the unemployment benefit has been paid by the unemployment insurance funds, and that being a member of these funds is an eligibility criterion for receiving these benefits. The local municipalities, based upon central rules, pay the social assistance benefit. Besides increasing

spending to support unemployment policies, municipalities have relatively limited scope to enact local employment policies.

As a result, and as part of the structural reform of 1 January 2007, follow-up evaluation studies should have also analysed the effectiveness of municipalities in comparison to job centres. These studies would, in principle, have been able to assess the potential positive developments in unemployment since 1 January 2009. However, given the financial crisis and several other changes in the system, positive developments would have been difficult to prove. Evaluation studies could however have focused on the cost of activities.

Furthermore, in most parts of Denmark, the labour market is not limited to the local municipality, but rather embedded in a larger regional framework. There is interconnectedness between regional developments and the possible efficiency of local initiatives. It must also be remembered that the municipalities were responsible for activating those in receipt of the social assistance benefit before the reform, but naturally many were now larger than before, and, thus also expected to be more efficient. One possible impact of the mergers of state and municipality activities for the unemployed relates to differences in work culture however, there is no way to measure this type of indirect impact (Knuth and Larsen, 2010).

2. Driving forces, success and failure factors of the ALMP reform

It could be argued that one of the driving forces towards municipalisation was the average societal loss of around DKK 80,000 per activated unemployed person between 2001 and 2005 (Det Økonomiske Råd, 2007).

An evaluation of the municipality reform also neglected to mention the reform of the labour market organisation (Danish Ministry for Economic Affairs and the Interior, 2013). This might be explained by the fact that, municipalities assumed full responsibility only two years after the implementation of the structural reform. Overall, there has not been any systematic economic analysis of the structural reform or labour market administration reform (Houlberg, 2016). Houlberg also argues that there has been increased spending within the employment field, and a possible risk of diseconomies of scale in the larger municipalities as a result of, for example, more bureaucracy. Possible other reasons for this may be the weaker economic steering, increased focus in the field and/or longer distances to entry into companies. In addition, increases in the levels of unemployment and weaker economic climates may be part of the explanation.

Overall, there has been no indication of increased outsourcing resulting from the merging of municipalities. The outsourcing average for all municipalities increased from 20.7% in 2007 to 23.6% in 2012, with the area of employment not being specifically measured, but rather measured with the social area (Houlberg, 2012).

With several changes to benefit rules and ALMPs since 2009, it is difficult to identify whether the administrative reform was the main reason for the possible (re)-insertion of people into the labour market, and whether the reform had an impact on the effectiveness of activation policies in Denmark.

A change in the central administrative rules for the unemployment benefit system resulted in changes to the categories into which different unemployed persons were placed. These categories

influence the work required for the unemployed person in the local job centres. Between 2004 and 2010, there were five categories: category one was for those to be deemed the closest to entry into the labour market, and category five was for those deemed to be the furthest away from entry into the labour market. In 2010, the number of categories was reduced to three, and after some slight changes in the labels and definitions of the groups, in 2014 these became: 1) job-ready 2) education-ready, and 3) activity-ready. (Jensen, 2014).

It is argued that it is very difficult to estimate the activation impact for recipients of the social assistance benefit, who are considered as the furthest away from entry into the labour market. Measuring the distance to entry into the labour market can also be fraught with difficulty (Graversen, 2011), as the distance might depend on overall economic activity in society and the demand for labour in the economy. The impact of the work of job centres has also been difficult to estimate, although there have been attempts to try and measure it, and ways in which to make it more effective (Væksthuset, 2017). In 2009, the mentor system was enlarged and rendered more flexible so that municipalities could use mentors for all unemployed people (Jensen, 2014).

No overall evaluation of the ALMP administrative reform has ever been carried out as such, only quantitative studies on the effectiveness of different parts of ALMPs. These can be used to assess whether the development of integrated social services in conjunction with changes in the benefits system and the types of activation have had an impact on the quality and effectiveness of the service.

Despite several changes in the benefits system and the State's organisation of employment initiatives, the municipalities still have overall responsibility for activation. However, there have been multiple discussions on whether there are too many rules, whether the deadweight loss is too high and whether more trust in front-line personnel and users of the system could yield better results. Finally, a change in the rules was introduced regarding compensation or reimbursement of the costs incurred by municipalities for ALMPs by the State.

The driving forces behind the ALMP reform seems to be a few central issues.

Overall, the interviewees identified the ideological and political reasons for the reform. The ideological issues related to introducing a more market-based approach, by having more external actors delivering activation. The political issues related to a weakening of the trade unions, while also avoiding any failure of ALMP administration or any lack of ALMP success being blamed on the minister.

Another driving force behind the reform was the ambition to make the public sector more efficient, as many small local municipalities (with fewer than 20,000 inhabitants) did not have sufficient resources to cope with increasing task diversity and with implementing complex policies, including social case work. The municipalities wanted the whole structure to be reformed in order to be more efficient at the local level, based on the belief that this work could be carried out closer to citizens/users. The municipalities were allocated more tasks and continued to have the right to stipulate local income taxation (albeit within levels agreed by all municipalities and the Government). They also wanted to have a stronger role in activating the unemployed, as it was argued that this could be more effectively carried out at the local level and that the municipalities were already responsible for activating those in receipt of the social assistance benefit. This was confirmed in the interviews.

Although there has been no systematic evaluation of the one-stop shop approach, it can be argued that the main success of the reform is that all unemployed people now only have one place to go. Ultimately, the objective of a one-stop shop approach has been met. Whether the structural reform has been more effective as regards activation remains to be seen, in particular as the municipalities do not always cover the same geographic areas as those in jobs, and many municipalities have a large influx and outflux of workers every day.

3. Good practices and dissemination possibilities in an EU context

In terms of good practices, the ALMP reform has been a key factor in unifying and standardising the support for unemployed individuals to re-enter the Danish labour market. This one-stop shop approach facilitates the process for unemployed individuals, who now only need to go to one place, and makes the activation and supported actions much more targeted to individual needs. Overall, having structures in place to ensure that all unemployed people are supported in one place can also be seen as a central aim in ensuring an integrated approach.

Despite these efforts, the approach has also been criticized as being a way to gain control over unemployed individuals rather than providing them with entry or re-entry support and options into the labour market. It must also be remembered that not all unemployed people are the same distance away from entry into the labour market, e.g. for some, the distance to the labour market is relatively short, and in Denmark are classified as labour market-ready, whereas others are further away, and classified as activation-ready. The latter also implies that other issues may need to be addressed, including a general lack of skills or social capital, and/or misuse of alcohol, drugs etc.

Trying to ensure a match between geographical-segmented labour markets and administration levels could also be useful, e.g. even if municipalities have overall responsibility, they should work together to cover multiple municipalities with overlapping labour markets.

There are two items to note from the reform for future changes: 1) both the preparation and implementation of such a large reform takes time; 2) a pilot scheme evaluation could highlight those elements that work well and those that do not, thereby helping to determine best practices when implementing reforms for the whole of society. The lack of an evaluation stage, however, did not influence the decision of the reform in 2009. An evaluation stage might have highlighted the need for more municipalities to be working together (not just the seven) and for clearer criteria for activation.

Using and ensuring that documentation and evidence of what works is drawn up is also an important issue.

Furthermore, there needs to be a structured and agreed way of assessing activities and changes.

In terms of lessons for the country, directly identifying outcomes, successes and failures has been difficult. The numerous changes that occurred over numerous years with the benefits systems, activation and the instruments used have impacted the extent to which the new systems can be analysed, and thus outcomes identified.

Despite this, major benefits identified include the push for municipalities to be more knowledgeable and aware of the PES, as well as the reduction in differentiation between insured and uninsured groups of unemployed.

Central lessons for Europe include the one-stop shop approach towards re-integrating individuals in the labour market. The fact that there is one central point on contact and one system in place for unemployed individuals to receive help, irrespective of their types of social benefits, it's a positive aspect.

Section II: Detailed description of the reform episode

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1. Setting the scene

1.1. The broad socio-economic and political context

The overall context for the structural reform was, as a starting point, the ambition to ensure a more overall effectiveness in the Danish welfare state, by reducing the number of administrative units from 275 municipalities to 98. There was an ambition to make them larger so that they could take over more tasks from the then counties and the state. It was voluntary for the municipalities to be merged, however if below 20,000 inhabitants they would have to cooperate with other municipalities. This helps in explaining why in the end there were fewer job-centres than municipalities in change of the administration of the ALMP.

Furthermore, the structural reform was initiated as a result of a discussion on the number of administrative levels in Denmark, and expectation that larger administrative units were necessary in order to deliver and finance the increasingly specialised welfare service.

1.2. The activation and poverty alleviation agenda and other relevant political issues

This section presents a snapshot of the labour market situation in Denmark, and also a short description of the changes in structures and benefits over the 10 years approximately, as this helps in understanding the gradual change in objectives and strategies in the activation policy.

Overall, the Danish situation is today, as was also the intention of the administration of ALMP reform, a one-stop approach trying to have individualised support, as also depicted in a comparative study (Bouget et. Al., 2015). However, “the activation services which are implemented within ALMPs are very often not sufficient to integrate the long-term unemployed into the labour market” (p. 15).

After the change of the municipality structure in Denmark in 2007 during which jobcentres were created, municipalities took over the administration of the employment policy from 2010 for both insured and uninsured. This was done by integrating the former public employment centres into the local municipalities, so that in many ways it was the same staff as previously. The type of staff was to a large degree the same, with social workers, clerical staff and academics as the central professions. Given that the activation requirement rules were in many ways similar to previous rules concerning unemployment benefits, and that social assistance is centrally decided, including what unemployed individuals have to do in order to be eligible for benefit, the administration was in this sense only more marginally changed. However, the municipalities got some economic incentive to try to make the activation more effective as the reimbursement of costs were conditioned upon activation of unemployed individuals. The option of a one-stop-shop should in principle also imply better access for companies to recruit staff from a single place (see section 4). Unemployment benefits were and still are paid by the unemployment insurance funds and social assistance by the local municipalities. Furthermore, there were strong central rules to be followed locally regarding who to activate in what type of activation and for how long. Criteria for unemployment benefit and social assistance are also centrally decided.

In 2007 activation should take place after 9 months instead of after 12 months for unemployed above the age of 30. In 2008 a focus was also on job search assistance and monitoring of young people who have not completed upper secondary education.

On 1 July 2010 the length of unemployment benefit was reduced from 4 years to 2 years while the period of employment in order to be re-entitled to unemployment benefit was increased from 26 weeks to 52 weeks. Due to that many more than expected lost their right to unemployment benefit. There have been however several temporary benefits – which will not be described here. The change in benefit system has an implication on the number of people on different benefits.

In 2011 there was a political agreement on later retirement from the labour market so gradually, starting in 2014, the age at which people could obtain their retirement funds was pushed back from 60 to 62. This was done in half-year increments over four years. This has implied, in combination with presumably better health for the elderly, and a slightly growing economy, that more people above the age of 60 will have stayed on the labour market. This can have had an impact on young people's ability to enter the labour market and also unemployed people's ability to re-enter the labour market.

In 2013 a reform of the social assistance was agreed, starting on January 1st, 2014. Young people below the age of 30 were no longer eligible to social assistance except for those having a formal education after primary education. Instead, they were given an educational grant with the aim of getting them to start an education or re-enter the labour market. Furthermore, after 13 weeks of unemployment they should do some kind of "useful" activity for the public sector. For those most vulnerable a mentor was seen as a central instrument, see in Section 4 for evaluation of both the "useful work" and mentor. Since 2014 use of mentors has been targeted more towards those with the longest distance to the labour market.

Based upon an agreement in 2014, a reform of the employment activities passed, with a scheduled impact starting in 2015, focusing on better activities for the long-term unemployed. As proof of the relative ineffectiveness of the support for the people at the fringe of the labour market, in November 2016 262 million DKK (app. 35 mill. EURO) were allocated, for the years 2017-2019, to support approximately 27.000 citizens who had been on social assistance for an extended amount of time, with the aim of clarifying what the options are for the individual, including rehabilitation and possible short-term access to the labour market. Overall, there is today a stronger focus on use of private activation, but also use of mentors and different kinds of counselling

The social assistance ceiling has recently been introduced, with a law taking effect on April 1st, 2016 (although with impact on benefits first from 1 October 2016). The ceiling includes social assistance, integration benefit, educational allowance and housing benefit. The ceiling cannot be reduced to be below the level of social assistance. The reform only impacts on the benefit amount from October 1st, 2016 onwards as the government decided to give a preparation period to those affected by the changes. There is also included a demand for at least 225 hours of ordinary unsupported work within a time period of 12 months. If this is not the case, then there will be a reduction of the benefit. This also came into force from the 1st of October 2016. Furthermore, persons with disabilities living in some housing types will not be affected. For those who have not worked at least 225 hours the ceiling will also be lower. This can be seen in light of the assumption that economic incentives are the strongest driver in order to get people back into the labour market. There will, in the years to come, for job-centres also be a need to focus on a small number of hours for unemployed individuals. That economic incentives are not the full story is part of behavioural economics, for a recent overview see Nielsen and Sebald, 2016.

There has thus over the years been many and varied changes to the overall systems of benefits and to when activation takes place and the types of instruments to be used. This in combination with the changes in the economic business cycle has had an impact on how to interpret the results of various instruments used in the ALMP and possibly consequences of the reform of the administration of ALMP

1.3. A brief overview of the institutional setting at the starting point of the reform

Before the structural reform of January 2007, the governance structure was state-run public employment centres (PES) with regional support for those who are members of an unemployment insurance fund and the activation of those on social assistance took place in the municipalities. However, the degree of autonomy for both PES and municipalities were limited as the Ministry of Employment had the central role in what to do, albeit with some flexibility that in principle should reflect the difference in the different geographic area in Denmark. This, as even in a small country like Denmark the labour market varies across the country. Higher degrees of freedom in principle were related to the size of the budget for activation, however this must be seen in light of the overall pressure of the municipalities economy.

1.4. A brief overview of the benefits system at the starting point of the reform

Two central benefits are important in this respect: the social assistance and the unemployment benefit. The social assistance is a means-tested benefit where spouses have the obligation to support each other and the benefit will only be paid out if no other means is available except for a very limited amount. In principle, existing wealth shall be used before getting access to the benefit. It is further means tested against income on the labour market, although with some incentive also to work. This in contrast to unemployment benefit where the right to the benefit depends on having worked for a certain time, becoming unemployed and having paid to the unemployment insurance fund. There is no demand that a spouse will have to support the other. For both benefits active search for a job is necessary, albeit for some on social assistance they shall be prepared to be activated if they are seen as been in a long distance from the labour market.

1.5. The main agents involved in managing the benefit system and providing employment and social services

Municipalities decide and pay out social assistance, based upon central rules decided by the state. They also provide the employment and social service support for those receiving the benefits.

Unemployment insurance funds pay out the benefits based upon central rules. Unemployment insurance funds are national agencies often in close connection with trade unions, albeit one can be member of an unemployment insurance fund without being member of the trade union connected hereto. This was not changed by the reform of the administration of ALMP.

1.6. Brief description of the institutional status quo before the reform

In the Table below the institutional situation before the reform is reflected.

	provision type 1 (or client group)	provision type 2 (or client group)
Name of provision (benefit or service)	Unemployment benefit	Social assistance
Main purpose of the benefit/service	To ensure income during periods of unemployment	Last safety net
Main access criteria (insured, means-tested, other criteria, e.g. age, family status, etc.)	Insurance, 1 year of work and for a maximum of 2 years (can be from 2017 expanded by work, still maximum 3 years). Size depends on previous earning, up to 90 % with a ceiling	Dependent on own income, wealth living or not living with a spouse. It is lower for those below 30 who are not providers (and can be labelled educational benefit)
Target group and its size in proportion to total non-working active age population	In principle all employed individuals	All in need between the age of 18 and 65 (pension age)
Who is the main actor that determines the client journey?	Unemployment insurance decides the level, whereas it is the job-centres doing the activation	Municipalities based upon central rules
Who evaluates claims for this benefit / decides on who can participate in this service (if the service is open to all, please indicate that)?	It is obligatory to be in contact with job-centres for the unemployed	It is obligatory for people on social assistance to be in contact with the job-centres
Who enforces the activation (job search, accepting job offer, etc.) requirements (if these exist)?	Job-centres	Municipalities
Who decides on sanctions (in case of non-compliance)?	Unemployment insurance funds	Social assistance administration in the municipalities
Who pays the benefit / delivers the service?	Unemployment insurance funds.	Municipalities
Who provides the funding behind (e.g. local government using their own revenues or local gov. using a per capita subsidy from the central budget)	It is financed by contributions from employers and employees and the marginal cost paid by the state	Municipalities from own budget, financed by local taxes and state block grants.

Main original inefficiencies

The main inefficiency can still be interpreted to be that benefits and activation take place in two different administrative systems. However, it has also been argued that this is a positive issue as they can then individually focus on what they know best, e.g. activation or administration of benefits.

The main inefficiency before the reform relates to that it was different systems trying to support unemployed eligible for unemployment insurance and for people on social assistance on the way back to the labour market.

2. Details of the reform episode (initiative)

2.1. Brief description of the initiative

The main aim was to have better and stable municipalities who could, as confirmed by the interviews, cope also with larger and more complicated tasks than earlier. The change in the activation came so to speak as a side effect and also as an element to reduce the strength of the trade unions. The structural reform was implemented by the government after first having had a commission dealing with the administrative structure in the Danish public sector. The Parliament decided that municipalities should be aggregated and coordinated in a decentralized way by the government. This as it was up to the local municipalities who they would like to merge with. Still, many did so in a way that would implicate fewer municipalities.

2.2. The rationale behind the initiative

The expectation was that larger municipalities would be more efficient, and, the decentralisation of the labour market activities was also done so that this could ensure an integration of the approach for both those on social assistance and unemployment benefit. Increase in activation was seemingly also expected to be one of the outcomes of the reform.

This as one of the interviewees argued: “It is very easy to start as an insured unemployed, and then become sick and as such, receive benefits under sickness², and then further down the road, if you are no longer eligible to insured services, then end up on uninsured benefits. Nevertheless – no matter how much you rotate around in the system – then you remain under the same roof”.

Whether it was an intended or unintended impact of the reform can be questioned, but as was argued by one of the interviewees, one of the large paradigm shifts of the reforms has further been a shift away from a labour market demand-based policy-approach towards a more supply-oriented approach.

The interviews also pointed out that by making the system local the Minister would not be directly responsible for any faults and problems with the activation and active labour market policy, but could instead argue that problems were due to the administration of the municipalities.

2.3. Detailed description of the NEW system

No changes in the benefit administration and rules were part of this administrative reform – therefore the table below is almost the same as the previous table.

² Although responsibility for reintegration of people on sickness benefits is within the municipalities, they might ask the job centres to help. This said, many people receiving sickness benefit will be able to return to their existing jobs; it is only when they become unemployed that the job centres will have a role.

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Main purpose of the benefit/service	To ensure income during unemployment spells	Last safety net
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Target group and its size in proportion to total non-working active age population	In principle all employed persons	All in need between the age of 18 and 65 (pension age)
Who is the main actor that determines the client journey?	Unemployment insurance decides the level, whereas it is the job-centres doing the activation	Municipalities based upon central rules
Who evaluates claims for this benefit / decides on who can participate in this service (if the service is open to all, please indicate that)?	It is obligatory to be in contact with job-centres for unemployed	It is obligatory for people on social assistance to be in contact with the job-centres
Who enforces the activation (job search, accepting job offer, etc.) requirements (if these exist)?	Municipalities	Municipalities
Who decides on sanctions (in case of non-compliance)?	Unemployment insurance funds	Social assistance administration in the municipalities
Who pays the benefit / delivers the service?	Unemployment insurance funds.	Municipalities
Who provides the funding behind (e.g. local government using their own revenues or local gov. using a per capita subsidy from the central budget)	It is financed by contributions from employers and employees and the marginal cost paid by the state	Municipalities from own budget, financed by local taxes and state block grants.

2.4. Context of the initiative: where did the idea come from?

The idea of the structural reform was mainly rooted in expectations of making it possible to deliver welfare services cheaper and more effectively by ensuring larger local administrative units. This combined with doubts about the quality of the then counties’ ability to deliver, especially gradually more complicated health care, led to the reform. It was the then Minister of Interior and Health who sat down the commission to look into and analyse possible pathways to a reform of the administrative structure of the Danish society. The ALMP reform of the delivery of employment support was first an element that gradually came into play and presumably in order to have a focus on delivery closer to the citizens, but also to reduce the influence of especially the trade unions on the labour market policy.

2.5. The political decision phase: the actors

power interest	low	medium	high
Low			
medium		Unemployment insurance funds	
high	Trade unions, employers organization, The association of counties		The organization for Municipalities, Government and central political parties

As argued earlier, the labour market interest groups had seemingly limited impact on the ALMP reform. This was partly due to the fact that at the outset this was not part of what was expected to take place by decision-makers when deciding the structural reform. This in contrast to the Organisation for Municipalities, which had put on pressure to have more tasks done at the local level mainly. Their argument was that this would be closer to the citizens, and that they could therefore be more effective in implementing new approaches. The counties would have liked to continue but had to accept that there would be a reduction in their task and that they were transformed into regions and even without the right to decide the level of income tax as they could in the previous system. Thus, the reform was overall very centrally managed and decided. The placement of stakeholders is confirmed by the qualitative interviews.

This also can be witnessed from the following quote from one of the interviews: “I think it has been something that has deeply affected many since, in particular the unions and unemployment insurance funds, the way in which it was done, it was probably not the most elegant way, but on the other hand, maybe the analysis was that it was necessary to do it in this way – else it would not have gone through. It has been an area of conflicts between different interests”.

2.6. The political phase: the actions

The policy phase was dominated by the government's negotiations with the political parties in the parliament. The ambition was to reach a broad consensual agreement, as has been the tradition of doing when wanting to make substantial changes in Denmark. This as with large reforms it is preferred that they will not be changed by a new incoming government after the next election. Furthermore, it has been a long tradition that commissions prepare and describe options and then the decision is made at the political level. Despite this the political agreement of the reform was made by the government and one other party in the Danish parliament, and, thus not the traditional broad agreement. However, when first decided and enacted it was not possible to change after an election as the change in administrative structure and election of local councils had taken place.

Furthermore, the final change of the decentralisation of all local job-centres to the municipalities was decided one night during negotiation of the finance bill for 2009. Thus, it was not possible for other actors to change or have veto against the decision. The Ministry of Finance (which by that time was the former Ministry of Employment) was the central actor in the final decision-making process. This has also been confirmed by the interviews, and also that despite this it was not deemed sensible to change back as argued in one of the interviews.

2.7. The designing phase: the actors

The actors in the first phase were the members of the commission³ to analyse how to ensure the new local political and administrative structure in Denmark. The commission's report did not have any ex-ante evaluation, and especially not in relation to the change on the labour market. However, from the time they handed in their analysis the government and central political parties were the main actors. It was the ministry of Health and Interior (it has another name today and another division of responsibilities) who were the main initiators, with, in relation to job-centres, the Ministry of Labour. There was consultation with the municipalities' organisation, and also some contact with the labour market partners, but as explained also in the interviews it was the Minister for Labour (who later became Minister of Finance) who was interested in trying to reduce the power of the trade unions especially and expected that a change towards municipalities would ensure this. This as the labour market partners have had an influence of regional and local board related to the ALMP which would be weakened by the change.

The reform in itself did not imply any strong change in the instruments used, but more that the unemployed in principle should have the same type of support, not depending on the social benefit they received, and therefore also that it should be possible for all unemployed to just have to go to one place in the municipalities. Furthermore, the administration of social assistance was still at other places in the municipalities, and for unemployment benefit in the unemployment insurance funds. It was still central rules to be followed, and therefore the overall approach to active labour market policy was in reality not changed. It was mainly a change in the administration, but not the type of action.

An argument of closer contact with companies was said by one interview: "I think it is easier to get the companies to take a social responsibility for the unemployed", as they have a closer relationship with the local municipalities – and also have a greater incentive to retain a good connection with the local municipalities.

³ The members of the commission were from the central ministries, the organization of counties, the organization of municipalities and three independent experts.

2.8. The designing phase: the decisions

The new system was a result of the concentration of the previous system into one unit, to a large degree the same as in the old system, and it was to a large degree the same social workers and others who did the job in the new system. Thus, the system should deal with both people on social assistance and unemployment benefit and with the same instruments used earlier. As explained earlier use of mentors were gradually more taken into consideration.

Municipalities were given incentives by the fact that the reimbursement of cost were partly dependent upon the number of people who came into the job. This has been revised later in order to try to make it more effective.

So, the incentives were targeted at the local municipalities, not the unemployed. Existing possible sanctions towards unemployed not complying with the demand for what to do when being unemployed continued to be as they were⁴.

Overall, it is thus also difficult to answer if there were any quality gain of the reform, albeit the expectation was overall that the administration should be more efficient, and by this also more resources available to deliver welfare service. However, there were no restrictions on what the municipalities would prefer to use the extra available funds for. This as a principle in Denmark there is local autonomy within overall rules and steering.

2.9. Who implemented the initiative?

The implementation was done by the municipalities, but mainly by adding the previous two places together and often where one of the administrations was before. There was no extra budget for the changes in administration, so in many ways it just continued as it had been before. In the first years, there had also been local job-councils set down by the municipalities where the social partners had a role in helping and giving advice on the activities.

As one informant remarked, the reform lead to the fact that the job activation services had been placed within the social services department of the municipality, which has led to the trend of taking tools from social services and social policies and applied them to the job activation area. Still, the integration should imply better co-ordination and efficiency. There was no protest from the local social workers, presumably due to that they continued in their job.

2.10. Implementation process

One issue raised in the interviews was the, over time, change in staff, with a risk of lack of people knowing and having a focus on the labour market. As one interviewee remarked: “There was a lack of coherent ideas about upgrading the workforce and about how it was going with moving the various groups that they were working with closer to the labour market – all of this was very distant to them – it was not a culture that was dominant in the municipalities”

This also as activation is often depending on the distance from the labour market, which often is longer for those on social assistance.

⁴ Access to ALMP was open to both groups already before the reform.

See, further the answer to 2.9

2.11. Costs of the initiative

As explained earlier no specific amount of money was set aside for the cost of the change, and the amount of money available for ALMP were in principle the same as before the reform. There has not been any strong change in running cost after the change. It is therefore not possible to give further information.

2.12. Monitoring

The regional job-centres should monitor the municipalities activities based on central rules and expectations for the results of the activities. However, no specific sanctions were available towards municipalities, except the above mentioned economic incentive towards the municipalities. Gradually, a system has been developed (www.jobindsats.dk) making it possible to compare development across municipalities, although not including differences in the regional and local job-market as explanatory factors to explain the difference in outcome of the activation.

Thus, monitoring is by now highly dependent on comparing outcome, and this can be used locally to inform about and look into whether new initiatives are needed. As it, as described was decentralised to all on 1 January 2009 the information in [jobindsats.dk](http://www.jobindsats.dk) is highly relevant monitoring instrument for the local municipalities.

2.13. Impact assessment and impacts

Before the first experiments from 1 January 2007 were evaluated ALMP administration was transferred to all municipalities. Thus, no evaluation was done before and with a focus only on the administrative change, and, also after the reform there has only more limited been analysis of the specific aspects of the administrative reform. This would also have been difficult as it could be problematic to argue that this was the reason for the effect given the framework and the way ALMP is done.

There are however a number of analyses of ALMP in Denmark. They are done in different ways, including quantitative as well as qualitative approaches. In the following will be distilled the information that can inform on possible effective initiatives, as this, albeit indirectly, points toward the effect of the reform. It has overall to be borne in mind that there is a variety of possible effects of ALMP. They relate to motivating people to take a job and improving social and educational capital (competences) but there might also be scarring effects (e.g. people prefer to take any job than being activated).

A core problem in the analysis is often that the counter-factual situation is not available (Eichorst and Konle-Seidl, 2017). Furthermore, it might be difficult to disentangle the impact of the threat-effect (threat of activation that makes people leave the benefit system) and the deadweight loss (that some would get a job anyhow). There is also a risk of creaming, so that those participating in part of the activation are those who best would be able to return to the labour market. Finally, there is a risk that unemployed activated people displace the number of already employed as those with wage support is cheaper to employ for companies. The analysis presented here seems to show for the time being the best available knowledge on the effectiveness of ALMP related to the situation in Denmark. Overall, these caveats need to be taking into consideration when judging the evaluation of ALMP.

The analysis by Skipper (2014) looks into those insured unemployed who from 1 January 2005 to 2010 started activation with wage support in private or public sector or as trainee, of typically 26 weeks. These are compared to activities where the unemployed were sent to supporting and updating of qualification (VAO), which typically lasts six weeks. This then implies that this data is from before and shortly after the financial crisis. Those in the VAO in the short run enter more quickly the labour market, however in a longer time perspective the impact is strongest for those participating in jobs with wage support in the private sector. There is no strong indication of the impact of trainee's attachment to the labour market.

Overall the economic impact is highest for those activated with wage support as they are at the same time producing goods and/or services, whereas those in VAO use resources from the support team (1429 Kr. Per week in 2009 prices (app. 192 EURO). Overall it is argued that a job with wage support in the private sector society earned between 100.000 DKK (app. 13.500 EURO) and 200.000 DKK (app. 27.000 EURO) when it was at its highest in 2005 before the strong economic upturn and lowest when the business cycle was at its peak. Wage support in the private sector is better than in the public sector where the gain is approximately 50.000 DKK. Trainee is also having a small, but positive impact.

This study is also interesting as it was during the time when the municipalities took over activation in 2009. However, the impact of this cannot be estimated, or whether this has had any impact besides the economic business cycle (Skipper, 2014 p. 8). Given the strong state control and rules related to what the municipalities could do in the activation, this is not surprising. Furthermore, it is despite being more local with little room for local decision and still a highly centralised set of rules to be followed.

Those being long-term unemployed or becoming long-term unemployed are the focus in a literature review (Jacobsen and Kleif, 2016), albeit only with a focus on quantitative analysis. This review has searched several databases to find out whether there is knowledge in Denmark or internationally about what works for long-term unemployed and their re-integration in the labour market. They note that the definition of long-term unemployed is not always uniform across studies. A problem related to this study is that the focus is mainly upon those who are labour market ready (e.g. are expected to take up a job and have no other challenges besides lack of job). However, data hereabout is not always uniform across countries, and in Denmark there might be differences as the local municipalities might in the daily administration have slightly different ways of assessing the individual unemployed during the implementation. They also look into trainee, wages-support, advice and upskilling. They argue that there is overall moderate evidence that wage-support has an impact for long-term unemployed in short as well as in a long-term perspective. Support by talking to people (including mentoring) is there indication of can be helpful, and courses, projects and upskilling has strong evidence for a positive impact on the long-term unemployed. There is only indication of that education works, and also moderate evidence that the threat-effect has an impact.

Job-premium for single provider existed in 2011 and 2012, which implied that single providers could get extra 600 DKK per Month (app. 80 Euro) if they had been on public support or in job with wage-support at least 47 weeks out the last 52 weeks up till August, 2010⁵. Overall, there was a positive effect of approximately 6 weeks more in jobs compared to a control group (single persons not being providers).

⁵ Note again that such elements can imply a blurring of the overall impact of the change in the administrative structure of the employment support.

Another study analysed the job-rotation⁶ that was started in 2012. Those getting a job as part of the job-rotation had in general been unemployed nearly 82 weeks. At the beginning they stay longer in the group in activation, whereas in the longer-time perspective (after 12 months) they have a significant higher rate of getting an unsupported job than those who have not participated. So, they come slightly more into the labour market, but without this having a significant effect.

Finally, they refer to an older study of the threat effect (from 2004) which seems not to be relevant for this study.

Overall, Danish and international studies indicate that wage support has moderate evidence for getting a person into a job. Education and up-skilling done in times of low economic activity might help in the long run. Studies inform that there has only been done limited cost-benefit analysis, albeit information to the unemployed on where and how to search for a job seems to have a positive net economic outcome as they are rather cheap to do.

A possible problem for the ALMP is that companies do not use the job-centres. A recent survey⁷ showed that only 13 % of companies has used the job-centre for recruitment, despite the fact that 29 % have been in need of recruitment. At the same time 28 % have been in contact with a job-centre related to unemployed people (wages-support, trainee etc.). Approximately 6 out of 10 are satisfied with the quality as good or very good. This is an indication of a topic where there seems to be room for improvement, as the job-centres' ability to support unemployed are highly dependent on contact with especially private companies.

The cost of activation can vary and in general information on the cost of activation is very scarce except on the macro-level of spending on ALMP in general. An analysis (Lemvig, 2016) shows, for a single municipality, that the cost for vulnerable young people was 91.400 DKK pr. Year (app. 12.300 EURO) for the year 2015/2016, albeit with large varieties among the young persons. The administrative cost of this was approximately 20 % of overall costs.

Activation and counselling for the unemployed do not always need to be done on an individual basis. Job-clubs for long-term unemployed seems to have positive impact in that group sessions improve motivation, and also ensure social contact. The job-clubs has further been voluntary and this seems to have increased the motivation of the participants (ICF, 2016)⁸. They were part of a project trying to find new ways to get jobs (Rambøll, 2016). Another analysis indicating that giving the user influence and a stronger focus on the citizen is a project labelled the "jobrettede samtale" (Jobrelated conversation). Besides focus on how to do the conversations with the unemployed there was also focus on knowledge of the local labour market and use of IT. A problem for the local workers in the employment office has been to move from authority to counsellor (Styrelsen for Arbejdsmarked og Rekruttering, 2016).

Some unemployed in risk of needing early retirement pension can be offered a "resource trajectories", i.e. a target group of individuals with often complex problems in addition to a lack of employment. In 2016 an evaluation based on questionnaires answered by 2236 persons took place. This is sufficient enough to get solid information. The respondents were divided into three different

⁶ This is still an option if employing a person at the same time when a person with a short or middle long-term (kort- og mellemlang videregående uddannelse) education takes further education.

⁷ From Styrelsen for Arbejdsmarked og Rekruttering, October, 2016 based upon replies from 13.000 companies representing 40-50 pct of the total employed on the Danish labour market.

⁸ This based upon a mid-way evaluation, a final evaluation will take place in 2017, <http://star.dk/da/Om-STAR/Nyt-fra-STAR/Nyt-om-reformer/Nyt-om-beskaeftigelsesreformen/2016/10/Forsoeg-med-jobklubber-giver-gode-erfaringer.aspx>.

groups – just started, in one (started in 2014 and 2015) and a group with those who had ended the course. Overall, the evaluation showed 43 % being satisfied with 1/3 not being satisfied and with the rest neither or do not want to answer. Overall strongest satisfaction can be found with being a trainee in companies and use of mentors. User involvement and motivation are important issues in order to be satisfied with the activities (Mploy and Epinion, 2016). The evaluation does not inform on the quantitative impact or effectiveness of the initiative.

A qualitative analysis of the initiative “useful work”, which was mainly thought of as an initiative for those most resourceful, indicates that the initiative has been having a motivational impact on those participating, and that some of those participating have been further away from the labour market. A central issue is to ensure that the effort is not violating competitiveness for companies and/or reducing ordinary employment. This has had the impact that these activities have mainly been within the municipalities’ own activities. Not all persons participating have found that they participate in a working collaboration. Especially those who have been judged to be prepared to start education, do what has been labelled “Return in the door”, e.g. implying that they start the education instead of participating in the “useful work”. Most people in the activity actively search for an ordinary job while in the activation (Damvad, 2015).

A central, and often seen as a relatively cheap instrument in ALMP, is job-conversations. An evaluation of effects of this kind is from 2010, and, albeit relatively old it covers the time before and after the change in the public employment system in Denmark towards municipalities. (Rosholm and Svarer, 2010). Furthermore, on the 1 August 2009 the time for this type of intervention was changed to that for young below the age of 30, at the latest one month after a young person becomes unemployed there should be a conversation. Overall, their analysis indicates that conversations is effective for newly unemployed, but less so for those further away from the labour market.

Evaluation of conversations and activation of those a long-distance away from the labour market shows that it can be difficult to establish clear goals of education and/or job, however also that use of mentor is a good instrument. Finally, the evaluation showed that the municipalities had differences in the way they judged how far away a person was from the labour market (Rambøl, 2014).

There are several evaluations of the use of mentors.

One that was done two years after the municipalisation of employment activities showed that the municipalities were using it especially for those often not close to the labour market, albeit not to those longest away. Many were below the age of 30 which has been a priority group. The hourly wage price has been 450 DKK (app. 60 EURO) (Mploy, 2012 p. 5). This is although with variation. For those closest to the labour market it was 150-299 DKK and this was also the case for those below the age of 30. For those with a non-western background the price was 300-449 DKK (Appendix 2 in Mploy, 2012). Overall, the indication has been that this is a good instrument.

Another evaluation is from 2015 (Albæk et.al., 2015). Some main results points to a discrepancy in the evaluation of the activities between social workers doing the counselling, 81% of interviewed mentors having found that the situation had improved for the unemployed, whereas it was only 37 % of the unemployed who agreed with that. On average a mentor activity takes 5 months with the mentor working app. 3.4 hours for the individual per week, and, the user find that they have had face-to-face contact with the mentor app. 1.6 hour per week. The report further argues that given that the focus now is on the most vulnerable it will take 2-3 years before one will be able to find a positive outcome of the activities, and that no detailed information on the effectiveness of the activity can be found. Albeit in the report is an estimation that for at least 1 ½ years moves into employment are limited, and even that the (my translation) “conclusion being, that the effect of use

of mentors, if anything, has reduced the tendency to be in employment or under education” (p.112). Overall in Denmark in 2012 app. 500 mill. DKK were used on mentors (app. 67 million EURO).

The societal benefit of ALMP is not always clear, and, can be difficult to estimate, cf. also the problems with evaluations of ALMP indicated at the beginning of the section.

An older study indicated that on average there was from 2001-2005 a societal loss of around 80.000 DKK per activated unemployed (Det Økonomiske Råd, 2007).

The impact of ALMP seems further to be less strong for those further away from the labour market (DA, 2012).

However, overall the evaluations points towards that activation in the private sector is the most effective. Thus, it is also an issue that there is variation in the degree of use of contact to private companies among job-centers (Ekspertgruppen om udredning af den aktive beskæftigelsesindsats, 2015). Part of the reason can be that citizens lack of motivation is a barrier, which can be due to high transport cost, feeling of being “free” labour and no perspective for the future (IBID p. 83).

2.14. Any important follow-up measures?

There has been a change in the incentive structure for municipalities, see earlier in the report. This implies a stronger focus on faster to get people back to the labour market. A risk being that those further away will get least treatment.

2.15. Any other detail that seemed important but wasn't mentioned so far?

No

3. Assessment and conclusions

3.1. What external factors helped/hindered the launch of the initiative and its successful implementation?

The external pressure for the structural reform was in the constant ambition to improve the effectiveness of the public sector delivery, combined with mistrust in the old counties' ability to provide effective solutions, especially within health care. In the wake of the ambition to make these changes the unemployment activation system was also changed, but this was not part of what started the reform process.

The government was interested in the changes and so were the municipalities, whereas the trade unions were against the reform as they feared for a weaker quality and also that their possible influence, as historically has been the case in the Danish labour market policy, also at the local level, could be reduced in a structure where the trade unions do not have the same strengths as on the central level. The corporative structure in Danish labour market policy was thus, in their opinion, under threat.

This also helps in explaining why despite it in the first instance there were only experiments in a number of municipalities, but before the evaluation of the effectiveness, it was transferred to all municipalities, with seven smaller municipalities working together with another municipality.

3.2. Lessons for the country

In order to answer this question, it is necessary to understand the central changes after the reform. After the reform of the municipality structure in Denmark in 2007, when the local job-centres were created, municipalities took over the governance of the employment policy from 2010 for both insured and uninsured as described earlier. This was done by integrating the former public employment centres into the local municipalities, so that in many ways it was the same staff as earlier. Given that the rules in many ways were also the same as rules concerning unemployment benefits and social assistance are centrally decided, including what the unemployed have to do in order to be eligible for benefit, the administration was in this sense only more limitedly changed. However, the municipalities got some economic incentive to try to make the activation more effective, albeit without any strong impact.

The option of a one-stop-shop should in principle also imply better access for companies to get and be able to ask for people they are in need of although companies have seemingly not used this as a way to get more in contact with the PES. Unemployment benefits were still paid by the unemployment insurance funds and the social assistance by the local municipalities. There were further strong central rules to be followed locally.

In 2007 activation should take place after 9 months instead of after 12 months for unemployed above the age of 30. In 2008 a focus was also on job search assistance and monitoring of young people who have not completed upper secondary education.

In 2010 the length of unemployment benefit was reduced from 4 years to 2 years and also the ability to be re-entitled to unemployment benefit was increased from 26 weeks to 52 weeks. Due to that many more than expected lost their right to unemployment benefit there has been several

temporary benefits – which will not be described here. However, the change in benefit system has an implication on the number of people on different benefits.

In 2011 there was a political agreement on later retirement from the labour market. Starting in 2014, the age where those who had paid into the early retirement scheme could first get retirement benefit was gradually pushed by half a year every year, until 2017. After 2017, benefit would be available from the age of 62 instead of 60. This has implied, in combination with presumably better health for the elderly, and a slightly growing economy, that more people have stayed on the labour market. This may have had an impact on young people's ability to enter the labour market and also unemployed people's ability to re-enter the labour market.

In 2013 a reform of the social assistance was agreed⁹ starting on January 1st 2014. Young people below the age of 30 was no longer eligible to social assistance except for those having a formal education after primary education, but instead they were given an educational grant and with the aim of getting them to start an education or re-enter the labour market. Furthermore, after 13 weeks of unemployment they should do some kind of "useful" activity for the public sector. For those most vulnerable a mentor was seen as a central instrument. From 2014 use of mentors has been targeted more towards those furthest away from the labour market.

There has thus over the years been many and varied changes in the overall system of benefits and in when activation takes place and in types of instruments to be used, which influence the ability to learn from the changes. This in combination with the change in the economic business cycle has had an impact on how to interpret the results of various instruments used in the ALMP and in the administrative system.

Overall, a reform of the administrative structure needs to give time to the actors involved to implement the new system. There needs to be as a lesson better time when using decentralized solutions, even with strong central regulation. A frequent monitoring and evaluation system should have been prepared before the changes were done, so that also learning among municipalities could have been better.

Furthermore, one needs to be aware of how the economic incentives used in a reform of this kind influence local decision makers and local administration in the way they are doing their tasks.

Regarding what lessons to take away from the reform, an interview underlined that one of the major benefits have been that the municipalities have been forced to be more aware of the PES. "This area has gone from being an area very difficult to manage, to now, where it is very manageable". Another positive element lies in the fact that there has been made less of a differentiation between the insured and the uninsured groups of unemployed (again talking to the benefits of drawing upon both the previous municipal and governmental culture).

Given that most people kept their job within a new institutional setting there has been less issues with those doing the job than what one might have risked.

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<http://bm.dk/da/Aktuelt/Politiske%20aftaler/Aftale%20om%20en%20reform%20af%20kontanthjaelpssystemet.aspx>

For those activated the change in structure seems less of a problem, it is more the lack of jobs, and a need for perhaps more differentiation between those closest and those furthest away from the labour market.

3.3. Lessons for Europe

A central lesson is that it seems beneficial to have one place where unemployed – not dependent on their types of social benefit – can be in contact with a system that can help in the way back to or into the labour market. Furthermore, a one-stop shop for the unemployed is a good aspect.

It is less clear whether one should have integrated the benefit or not into the job-centres work. Overall, it seems that it is good to have these issues split even though the job-centres will have to inform municipalities and the unemployment insurance funds in case the persons do not follow the rules related to part of the activation system.

Given that it now has lasted for close to 10 years for some of the centres it seems sustainable and now an integrated part of the decentral administration of the activation system.

If municipalities in other countries have a sufficiently large size and they have good contact with the companies in the private sector, and are given the necessary economic means this should in principle be possible to transfer to other countries.

3.4. Main strengths and weaknesses

Overall the main strength of the reform was the integration of service so that all unemployed got support in one place – and were not dependent on the benefit they receive or how far or close they are to be able to get back to or into the labour market. The integration and service and possibility of having a more specialised approach by larger units has thus been one of the gains.

The main weakness being that municipalities, especially around the larger cities in Denmark, do not really fit with the structure of the Danish labour market, this as many people commute in and out of the municipalities and thus people do not work where they live. The risk being that the focus is too narrow on what is possible at the local level and not at the broader level. Thus, also as said in one interview: ‘Generally, this reform has been met by a lot of barriers and challenges because it does not fit with the labour market’. This further, as the unemployed are obliged to a wide search for jobs and not only in the local neighbourhood. Another possible pitfall of the local focus is that in order to have economies of scale in the provision of service, there is to a large degree the same type of activation and support to many unemployed despite the fact that there are very different needs for activation depending on whether it is newly educated, people without skills, long-term unemployed or unemployed with other problems than the lack of a job and where in Denmark they are living. Furthermore, as one informant said, the municipalities seemed to be prioritising the newly unemployed.

A possible weakness being the, as said in an interview: “No matter what you measure the municipalities on, then the result is very different. So, we are seeing that the municipalities prioritise these areas very differently.”

It has not changed the access to take up benefit as such, the changes in this have been due to the changes in the benefit system, so that presumably especially because of shorter time available for

unemployment benefit more people are without public economic support. Therefore, the administrative reform does not per se have had any impact on the level of poverty.

It was argued in the interviews that the lesson to be learned from the reform and the integration of various agencies in general, is that it is very important to decide on one organisational culture, so that it does not end up in a constant clash of cultures, where neither really gets implemented.

Another lesson mentioned in the interviews was the importance of stability, as the amount of reforms on the PES area have made it very difficult for the institutions to perform the actual services.

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