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Active Labour Market Policies for Disabled People in Denmark

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The Study

The main objective of this paper is to provide relevant information about existing active labour market policies for the disabled people in Denmark. The paper presents an overview of active labour market schemes in Denmark. The description suggests that the policy emphasises active labour market measures, job search and voluntary participation of employers through wage subsidies. Legislative policies in the shape of anti-discrimination legislation or legislation imposing obligations on employers are non-existing in Denmark. During the 1990s there has been many minor changes in the Danish labour market policy towards disabled people but no vital reforms. Incentives to strengthen (re-)integration of disabled people at the labour market and increasing responsibilities of non-public actors (e.g. employers) are some of the main characteristics of the Danish employment policy. Available evaluative studies on active labour market policy in Denmark, is set out in the final section of this paper. In general these studies suggest that active labour market policies facilitate the employment of disabled people but that some of the policies also have negative side effects such as stigmatisation and dead weight losses.

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1. Introduction

This paper is the successor of the working paper "The Employment Situation of Disabled People in Denmark" (Høgelund & Pedersen; 2001). In that paper we found that approximately 17,5 percent of the Danish population has different kinds of disabilities. Approximately 9 percent are slightly disabled and 7 percent are severely disabled. Furthermore, we found that the employment of disabled people in Denmark is much lower than the employment of non-disabled people (approximately 50 percent). In part this reflects demographic differences between disabled and non-disabled people. Disabled people are relatively often old, woman and low educated people. Still it is found that even minor disabilities lead to a significant reduction in the employment rate. Moreover, approximately one third of the severely disabled people report that they would like to become employed. This number increases with reduced working hours, extended possibilities for having a rest at the job, and better possibilities for extended periods of sick leave (Bengtsson; 1997).

In other words, disabled people seem to be a potential and unexploited labour market resource. Raising the employment rate of disabled persons may both increase their integration into society thus raising their welfare and alleviate the negative consequences of the labour shortage, which is becoming more widespread across most European countries. One way to increase the employment of disabled people is to emphasis active labour market policies such as education and vocational rehabilitation and to introduce more flexible working conditions for disabled people.

This paper sheds light on three research questions: First, which active labour market policies are carried out in Denmark and what is the scope of the active labour market policies, in terms of expenditures and participants? Second, how has the active labour market policy towards disabled people developed in the 1990s? Third, what is known about the impact active labour market policies for people with disabilities in Denmark? Does active labour market policies facilitate the employment of disabled people and what, if any, are the side effects?

In section 2 we give an overview of active labour market policies towards disabled people in Denmark. Section 3 describes the policy developments during the 1990s while section 4 focuses on the impact and experiences with active labour market policies in Denmark. The main conclusions are summarized in section 5.

2. Overview of policies for the disabled

The Danish employment policy towards disabled people is based on benefit schemes that are linked to the public employment service and active labour market measures on the one hand and other policies such as legislative policies that affect the employment of disabled people on the other hand. Benefit schemes, public employment service and active labour market measures are organised in two "pillars". The first pillar, "the labour market pillar", aims at employment of insured unemployed persons. The system comprises unemployment benefits and active labour market measures. The second pillar may be labelled "the social pillar". It aims both at alleviating and compensating persons in social need, e.g. uninsured unemployed persons and sick-listed persons, and at labour market (re-) integration of the persons covered by the schemes.

2.1. The labour market pillar: Unemployment insurance, public employment service and active labour market measures

The unemployment insurance scheme covers employed persons above 18 years of age. Membership is optional. The scheme does not cover work-disabled persons, i.e. entitlement is among other things conditional on full work capacity (some main elements of programme is briefly described in order to provide a more complete picture of the Danish policy). The maximum unemployment benefit period is 4 years including activation. This period is divided into a so-called "unemployment benefit period" (1 year) and an "active period" (3 years). Claimants are obliged to accept activation offers, and, they have the right and duty to participate in activation measures in 75 percent of the time in the "active period". The unemployment insurance funds are responsible for the administration of the eligibility and entitlement criteria and for the payment of benefits and collection of member payments.

Regional Labour Market Councils with representatives from unions, the employers' federations, the municipalities and the county have an overall responsibility for the design and implementation of the active labour market policy according to the national legislation.

The public employment service is in charge of the daily administration of the active labour market measures for insured unemployed persons. In addition to services related to guidance and information active measures are provided in terms of various types of wage subsidised job training, education and training. In addition to measures for insured unemployed persons, the public employment service has since 1998 been responsible for the administration of three schemes for disabled persons: the Icebreaker scheme,

Personal assistance and Special equipment scheme.

Icebreaker scheme

The so-called Icebreaker scheme covers newly educated persons that because of disability (handicap) have difficulties in getting ordinary employment. The scheme covers persons who recently have completed an education that entitles them to membership in an unemployment insurance fund and who have no experience in the work that the education qualifies to. Eligible persons can get a wage support of 50 percent of the gross wage and maximum DKK 11,000 (EURO 1,474) a month for 6 months, in special cases 9 months. Only few persons (25) participated in the Icebreaker Scheme in 2000 (see appendix).

Personal assistance

The Personal assistance scheme covers disabled employees (in both ordinary jobs and wage subsidised jobs), self-employed and persons in adult education who need special assistance for doing the job. The scheme also covers unemployed in need of assistance in making job applications. Normally personal assistance is awarded for up to 20 hours a week, but in special cases – very serious disabilities or more than one disability – it can be on full time. In 2000, 1.853 persons received personal assistance. The expenditures per person were app. DKK 38.000 (EURO 5.131) (see appendix).

Special equipment

The public employment service may provide support to persons with reduced work capacity for special tools or modification of tools and working machines, aids and accessibility to the working place. Only 193 persons received workplace adaptations in year 2000 (see appendix). The municipalities administer a similar scheme for uninsured persons.

Finally, it should be noted that some of the Employment Offices have disability consultants that provide job counselling and information about the possibilities of getting support from the available schemes.

2.2. The social pillar: Social assistance, public employment service and vocational rehabilitation

"The social pillar" in the Danish employment policy covers working age persons receiving a temporary or permanently social benefit, e.g. social assistance, sickness benefit, vocational rehabilitation benefit, or disability benefit. The social pillar comprises public employment service and a number of active labour market measures. The benefit

schemes are (as in the labour market pillar) to a large extend guided by a "right and duty principle" with benefit receipt being conditional upon participation in active measures.

The municipalities administer the schemes and they are by and large publicly financed (by the state and/or the municipalities). The municipalities' active labour market policy is informed by an advisory body, the Local Coordination Committees for Preventive Labour Market Measures. From 1999, all municipalities have been instructed to establish coordination committees that are advisory to the municipal councils. The committees are thought to further local employment activities that can prevent exclusion, increase work retention of persons who are in risk of loosing their job, and integrate nonworking persons that have difficulties in returning to the labour market. The coordination committees consist of representatives from the social partners, the medical doctors' organisation, the council of organisations of disabled people and other relevant actors. The local coordination committees depose over DKK 145 mill (EURO 19,3 mill). Along with the creation of the local coordination committees a Central Coordination Committee has been founded at the national level with the prime task of supervising and supporting the coordination committees.

Public employment service and active measure for social assistance beneficiaries

Persons living in Denmark are covered by the social assistance scheme. Eligibility to
lasting benefit receipt (more than one year) is with certain exceptions conditional upon
Danish or EU citizenship. The scheme is a "last resort" in the sense that persons are
entitled only if the need for support is not covered by other sources. Furthermore, entitlement presupposes that the claimant has experienced significantly changes such as
unemployment, illness or divorce, which make it impossible for the claimant to be selfsupporting or to support his or her family. Benefits are means tested both on own and
spouse income and assets and they are publicly financed. There is no maximum duration
for how long the benefit can be received.

The law distinguish between beneficiaries with unemployment as the only reason for benefit receipt and beneficiaries that in addition to unemployment suffer from other problems such as health problems.

Beneficiaries are obliged to accept "reasonable" activation offers. Beneficiaries under 30 years must receive an activation offer within 13 weeks of continuously benefit receipt and those aged 30 years or more must receive an activation offer within 12 months. For beneficiaries under 30 years, the activation offer should last at least 18 months (for beneficiaries with unemployment as the only reason for benefit receipt the

offer may in some cases last 6 months). For persons above 30 years the length of the offer may vary.

The activation instruments, which the municipalities may use to facilitate labour market (re-) integration of uninsured unemployed persons, may comprise one or more of the following measures:

- Guidance and introduction programme
- Job training
- Individual job training
- Participation in voluntary and unpaid activities
- Adult vocational training or continued training
- Job rotation
- Special tailor-made training activities (education in day high schools and production schools, primary school education at 8th, 9th or 10th grade, higher preparatory examination courses, etc.)
- Other special tailor-made activation activities (offers which do not fall under other categories, such as improving a person's quality of life)

(The Danish Ministry of Labour; 2001)

For social assistance beneficiaries that are registered at the public employment service as unemployed and available for employment the contents of some of the measures are identical to measures for insured unemployed persons, e.g. job training.

Vocational rehabilitation

The municipality administers the vocational rehabilitation scheme, which covers all citizens (living in Denmark). It provides cash benefits and in-kind services that aim at work retentions and labour market (re-) integration of persons with reduced work capacity. Eligibility is depending on need, i.e. the municipality must assess that the claimant has reduced work capacity, and that vocational rehabilitation will increase the chance of work retention/reintegration and thereby increasing the claimant's ability to support him or her selves (and the claimants family).

In practice there are two (interrelated) vocational rehabilitation schemes, a pre-vocational rehabilitation scheme and a vocational rehabilitation scheme. Pre-vocational rehabilitation may be established when vocational rehabilitation is assessed to be necessary but (temporary) infeasible, for instance because the rehabilitee lacks educational or personal abilities or because it is temporary impossible to established a vocational outcome. There

is no legal maximum duration for pre-vocational rehabilitation. Pre-vocational rehabilitation may consist of an examination of the work capacity, vocational maturing activities, courses and education. During pre-vocational rehabilitation the rehabilitee is entitled to the hitherto support, e.g. sickness benefit or social assistance.

Vocational rehabilitation is aimed at employment on the ordinary labour market or in special employment (e.g. flex-jobs, cf. below) and it may consist of an examination of the work capacity, courses, education in the ordinary educational system, and job training with a wage subsidy. The municipality may also provide a loan without interest rate for persons who want to start as self-employed. In general, the maximum period for vocational rehabilitation is five years. Vocational rehabilitation must take place according to a vocational rehabilitation plan stating the vocational rehabilitation activities, the estimated duration, and the expected vocational outcome, e.g. a certain type of employment. During vocational rehabilitation the beneficiary receives a vocational rehabilitation benefit (equal to the maximum unemployment bene fit) or, in case of wage-subsidised job training, the minimum wage according to the relevant collective agreement. The vocational rehabilitation benefit is a flat rate benefit (non means tested) equal to the maximum unemployment insurance-benefit.

As many as 25.606 persons participated in vocational rehabilitation in 1998 and another 3.235 persons participated in pre-vocational rehabilitation (see appendix). The total number of participants in pre-vocational rehabilitation is considerably underestimated because sickness beneficiaries participating in pre-vocational rehabilitation are not registered. Furthermore, compared to other EU countries Denmark has the absolute highest amount of expenditures on vocational rehabilitation (DKK 3.293 mill. or EURO 442,66 mill. in 1998) (European Commission; 2002).

Flex-job scheme

The municipality is obliged to provide flex-jobs to persons with permanently reduced work capacity, i.e. the possibility for improvement of the work capacity through partic i-pation in vocational rehabilitation should be exhausted and employment on normal conditions should be impossible. The scheme entails a wage subsidy of 1/3, ½, or 2/3 of the current minimum wage as stipulated in the relevant collective agreement. Working conditions must take account of the employees (reduced) work ability meaning that working hours may be reduced and job tasks less demanding etc. The subsidy corresponds to the degree to which the work capacity is reduced, e.g. if the work capacity is assessed to be reduced with 1/3 the employer receives a wage subsidy of 1/3 of the current minimum wage. Wage subsidies in flex-jobs are permanent, but the employee may (in prin-

ciple) return to ordinary employment if the work ability improves. The state finances 65 percent of the expenditures to flex-jobs and the municipality 35 percent (prior to 2002 flex-jobs were 100 percent state financed). As the municipality has to finance 65 percent of disability benefits (and the state 35 percent) there is a strong incentive for municipalities to establish flex-jobs instead of awarding disability benefits. In 1999 there were 5.811 participants in the flex job scheme and the total expenditure amounts to DKK 573,8 mill (EURO 77,39) (see appendix).

Skaane-job scheme

The Skaane-job scheme, which is also administered by the municipalities, is aimed at employment of disability beneficiaries meaning that the work capacity is permanently reduced with at least 50 percent. The wage subsidy cannot exceed 1/6 of the current minimum hourly wage according to the relevant collective agreement. Wage and working conditions are negotiated between the employee, the employer and the relevant trade union. Skaane-jobs are permanent. In 1999, 5.475 persons participated in a skaane-job and the corresponding expenditures were DKK 172,6 mill. (EURO 23,21 mill.) (see appendix).

Employment benefit for disabled persons in employment

Employed persons who are entitled to a (medium) disability benefit but do not receive the benefit, because they are employed, are entitled to a so-called disablement benefit. 6.377 persons received disablement benefit the 1st of January 1999. The expenditures in 1999 were app. DKK 132,3 mill. (EURO 17,78 mill.) (see appendix).

Sheltered employment scheme

Sheltered employment is aimed at persons with significantly reduced functional abilities who are unable to obtain or retain employment at the ordinary labour market and who cannot become employed through the use of other social schemes. As such the scheme can be characterised as the "last resort" of employment possibilities for disabled persons. Or put differently, persons covered by this scheme are in general supposed to be more disabled than participants in the Skaane- and flex-job scheme, cf. above. The expenditure on sheltered employment is high (DKK 856,0 mill. or EURO 115,05 mill.) though there were only 2.218 persons in sheltered employment in 2000. The high amount of expenditure per person is due to the severity of the disabilities.

Special equipment

The municipality may provide support to persons with reduced work capacity for special tools or modification of tools and working machines, aids and accessibility to the

working place. On average 117 persons received support to special equipment from one of the 275 municipalities in 1998.

2.3. Other policies that affect the employment of disabled people

In addition to the various benefit schemes, services provided by the public employment service, and the active labour market measures, legislative policies such as anti-discrimination laws, equal treatment laws, quota schemes, and protection against dismissal of disabled persons, might together with information and persuasion campaigns also affect the employment of disabled people (for a typology of policy instruments see Vedung, 1997).

Quota schemes

There is no quota legislation in Denmark. According to Bengtsson (2000) this is probably caused by an (Scandinavian) ideal of "normalisation" meaning that society should be adapted in order to allow disabled people to (as far as possibly) fully participate in important societal activities. Following this ideal, employers may consider quota legislation to express the view that disabled people is a special group.

Anti-discrimination legislation and equal opportunities

Denmark has no anti-discrimination legislation even though such legislation has been considered. Following the Americans with Disabilities Act, anti-discrimination legislations were debated in Europe and in Denmark. Neither the Danish disability organis ations represented by the Danish Council of Organisations of People with Disabilities (DCOPD) nor the political parties favoured this type of legislation. Instead, a principle of equal treatment was sanctioned by a parliament decision in 1993 stating, that people with and without disabilities should be treated equal in public and private companies (Bengtsson, 2000). Following the parliament decision, it became the responsibility of all sectors of society to ensure that services provided are accessible to disabled persons (Ibid.: 371-72).

In order to promote an equal treatment of disabled and non-disabled, the Equal Opportunities Centre for Disabled Persons was established by law in 1993. The centre seeks through documentation and information to encourage all sectors of society to live up to their responsibility of treating disabled persons equal to non-disabled persons.

The "Preference Circular" is another legislation related to the treatment of disabled persons. According to the legislation disabled persons applying for a job in the public sector are entitled to an interview. Also, in case the employer does not employ the disabled

applicant, the employer must submit a written report to the public employment service that explains why the disabled jobseekers did not get the job. Apparently, the stipulations have only had very little impact (Bengtsson, 2000: 367).

Job protection

The protection against dismissal of disabled employees is lax. Many groups of workers can be dismissed after a rather short period of sick leave, i.e. four months The white-collar act (*funtionærloven*) stipulates that employers are allowed to dismiss an employee with a one-month notice when the employee has had 120 days of sick leave within a year (through collective agreements this 120 days rule has been suspended in the public sector). Many blue-collar workers are covered by collective agreements that allow dismissal when the employee has been continuously sick-listed for four months (Høgelund, 1999).

Light-duty job according to collective agreements

In the mid' 90s so-called *social chapters* became included in a large number of collective agreements. These social chapters made it possible for employers and unions locally to agree on employment on special terms that deviates from ordinary conditions (with respect to e.g. wage and working time). Such types of employment are for persons whose capacity for work for some reason is reduced (e.g. health problems or old age). No current statistics on this type of employment exist but it has been estimated that in 1998 about 3.600 persons were employed according to the social chapters (Larsen & Weise 1999). In principle employment according to social chapters may take place in flex-jobs, i.e. with a wage subsidy. Presumably, however, in practice employment according to the social chapters is predominantly without public subsidies (Rosdahl, 2001).

Campaign policies

The Campaign "Our Common Concern – employers' social responsibility" was launched in January 1994. The main idea is that not only the public sector but also actors as voluntary organisations, unions, and especially employers have a social responsibility for persons having difficulties in getting or retaining employment. The campaign seeks to alter the social attitude of employers and thereby increase the social responsibility taken by employers.

The campaign may together with the Local Coordination Committees for Preventive Labour Market Measures, the Central Coordination Committee (cf. above) and wage subsidy schemes be seen as a policy that aims at labour market (re-) integration of work disabled through voluntary participation of employers. But the responsibility for labour market (re-) integration remains to a large extends to be a matter for public authorities (see Høgelund, 2002).

2.4. Conclusion

The description of the Danish employment policy towards disabled people suggests that emphasis is put more on active labour market measures, job search (through the public employment service), and voluntary participation of employers through wage subsidies than legislative policies, either in the shape of anti-discrimination legislation or legislation imposing obligations on employers.

3. Policy developments

During the 1990s the Danish employment policy towards disabled people has increasingly emphasised labour market integration. This development has happened without major changes in the institution set-up. The policy remains to rest on publicly financed, universal schemes that are administered by local authorities (municipalities). Thus, no major changes in funding, level of administration, and the actors involved in the implementation of the policies have occurred. Rather than one or two major reforms, the development can be said to comprise several minor changes that taken together make a difference. We shall briefly mention some of them.

3.1. Major trends in the disability policy in the 1990's: towards a more active policy

The stipulations concerning state reimbursement are some of the instruments, which have been used to increase labour market integration of (partly) work-disabled person. All social benefits that are administered by municipalities are to varying degrees refunded by the state. During the 1990's these rates have been changed whereby the municipalities' financial incentives to establish vocational rehabilitation and wage subsidised employment has increased, while their incentives to award disability benefits have been lowered. Before 1992, 100 percent of the municipalities' disability benefit expenditures, 75 percent of their sickness benefit expenditures, and 50 percent of their vocational rehabilitation benefit expenditures were refunded by the state. In 1992, these rates were all set to 50 percent, in 1999 reimbursement of disability benefits was lowered to 35 percent, and municipalities were obliged to finance sickness benefits exceeding one

year¹ (Høgelund, 2002). In the flex-job scheme, established in 1998, wage subsidies paid by the municipalities' are reimbursed with 100 percent.

The effect of this incentive policy has been fortified by a decentralisation of the disability benefit award procedure. Before 1990, 15 state committees awarded disability benefits and municipalities were only responsible for the preparation of benefit applications. Gradually municipalities were delegated larger competence and in 1998 they were given absolute competence to award disability benefits.

The municipalities' responsibility for reintegration and vocational rehabilitation has been strengthened during the 1990s. Municipalities have been made responsible for drawing up a rehabilitation plan for clients in need of vocational rehabilitation. The municipalities' follow-up on all cases of sickness benefit has been advanced from three months after the first day of work incapacity to two months. In addition, municipalities are also obliged to drawing up a reintegration plan after six months of work incapacity.

Parallel to the changes that have fortified the municipalities' incentives to enhance wocational rehabilitation and supported employment, incentives of the work disabled have been increased. Prior to 1990 participants in vocational rehabilitation were entitled to a household income tested benefit. In 1990, the benefit was replaced with a flat rate benefit and the benefit level was increased to the same level as the sickness benefit thus making it more attractive for sickness and social assistance beneficiaries to participate in vocational rehabilitation. Also the flex-job scheme, which was established in 1998, has been made more attractive. For example, flex-jobs cover more different job types, and in 2000, persons in flex-jobs were allowed to move from one municipality to another without loosing the job, and their entitlement to a special unemployment benefit was improved.

The labour market integration instruments have undergone several changes, which apparently have improved the possibilities for integrating work-disabled persons into the labour market. For instance, the so-called pre-vocational rehabilitation was introduced in 1990, while the flex-job scheme, the skaane job scheme, and the so-called Icebreaker scheme were introduced in 1998 (the schemes are described above). The flex-job scheme, which replaced an existing wage subsidy scheme (the 50/50 scheme) seems in several aspects to be a better instrument. For example, wage subsidies in the flex-job

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¹ Sickness benefits can normally be paid for up to one year, but in certain cases payments can be extended, e.g. if the sick-listed is expected to regain full capacity or he/she is awaiting vocational rehabilitation.

scheme (three levels: 1/3,1/2 and 2/3 of the wage) are more flexible than in the 50/50 scheme with only one level ($\frac{1}{2}$ of the wage).

Another important policy development concerns efforts to increase the involvement of non-public actors, especially employers, in the efforts of integrating work-disabled persons into the labour market. The establishment of the before mentioned Local Coordination Committees for Preventive Labour Market Measures is one such attempt and the campaign policies is another. The latter does not only include public campaigns but also a social index, the national network of enterprise managers, two centres that aim at facilitating the social responsibility of enterprises, and an enterprise pool. The enterprise pool allocates money for project that facilitates the social responsibility of employers, in total approximately EURO 18 mill. was allocated in the period 1995-1999. The social index is a self-evaluation measure consisting of several dimensions of social responsibility and it is to be filled in by the employer and employee representatives in cooperation (Rosdahl, 2001).

Finally, to provide a more complete picture of the policy development, it should be noted that the increasing emphasis on integration and active measures does not only concern work-disabled persons. Thus, in some respects a similar development has taken place in the policy towards insured unemployed persons: emphasis on activation measures has been increased and at the same time eligibility criteria have been tightened. As concern activation, the start of the activation period has been advanced from four years into the unemployment spell to now one year, the scope of measures have been expanded, new schemes have been introduced, and more efforts has been made to identify vulnerable groups and their needs. With regard to eligibility criteria, the maximum benefit period has gradually been shortened from seven to four years, today participation in activation schemes does not count towards (re-) qualification to benefits, and only 'ordinary' (non-subsidised) employment counts towards benefit eligibility (Kvist, 2001).

3.2. Future changes

A major reform of the disability benefit scheme is planed to take place in 2003. In the present scheme, eligibility to a benefit requests that "occupational ability" is reduced with 50 percent or more. After the reform eligibility demands that the work ability is reduced with 67 percent or more. The existing five disability benefit levels will be replaced by one level where the benefit equals to the maximum unemployment benefit, which is corresponding to the sickness benefit. On the top of this, beneficiaries may also be entitled to supplementary benefits covering, e.g. aids, rebuilding in the apartment,

reimbursement of additional expenses caused by disability etc. The supplementary benefits are however not covered by the disability benefit scheme but administered according to the social services act meaning that supplementary benefits does not demand receipt of a disability benefit.

The most important change appears to be that the concept of "occupational ability" is replaced with the term "work ability". The existing procedure of assessing the extent of reduced occupational ability relies to a considerable degree on medical diagnoses and their impact on the occupational ability (the medical assessments are often supplied with vocational assessments, e.g. based on participation in vocational rehabilitation). In contrast, in the new scheme, the assessment of the work ability will (in principle) be based on the applicant's real ability to work. Eligibility to a disability benefit will demand that the client is unable to work in an ordinary job or in a flex-job (where the work ability should be permanently reduced with between 1/2 and 2/3²). Consequently, it is hoped that focus will move away from a determination of how sick the client is to determining the job tasks the person is able to perform. At best the new procedure will affect not only the municipalities' administration of cases that might end with a disability benefit, but also the sickness and social assistance beneficiaries, who themselves might start to focus on abilities rather than *in*abilities. As such the reform seems to be in line with the changes during the 1990s, which also aimed at more work and less benefit receipt.

3.3. Conclusion

The Danish employment policy towards disabled has in the 1990's been characterised by a series of minor changes that aim to facilitate (re-) integration on the labour market. These changes have involved both incentives for the municipalities to establish vocational rehabilitation and wage subsidised work, and incentives of the work disabled to choose vocational rehabilitation instead of sickness benefit and social assistance. Furthermore, focus has increasingly been set on the responsibility of non-public actors responsibility for integration of work-disabled people on the labour market.

4. Impact of active labour market policies for people with disabilities

It is by no means an easy task to answer whether the Danish active labour market policy towards work disabled facilitates their integration into the labour market. Thus, the measurement of an effect of a measure, e.g. vocational rehabilitation, should in principle

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² In the present flex-job scheme, it is demanded that work ability is reduced with between 1/3 and 2/3. From January 2003 eligibility to a flex-job will prerequisite that the work ability is reduced with between ½ and 2/3. Persons with a reduction in their work ability below ½ will not be entitled to wage subsidised employment. Instead, it is assumed that they will be employed in "light duty jobs" according to the stipulations in the collective agreements.

take account of other factors that also might influence the results. This concerns for example the selection of participants into the measure, the benefit level, the administration and organisation of the schemes, the actors involved and so forth. This section summarises the available evidence. We briefly discuss the development in some figures concerning the employment of disabled people and then we go on describe the findings of evaluations of active labour market measures for disabled persons.

4.1. Evaluations on supported employment

The flex-job and skaane-job schemes are two major active labour market measures targeted at employment of permanently disabled persons. Both schemes aim at employment on special conditions, e.g. reduced working hours and/or job tasks, and they comprise a permanent wage subsidy. The flex-job scheme, which replaced the 50/50 scheme in 1998, aims at employment of persons where the work ability is permanently reduced with between 1/3 and 2/3. The skaane-job scheme, which replaced the 1/3 scheme, covers disability beneficiaries. Table 5.1. shows the development in the number of jobs in these schemes.

Table 5.1. Number of persons in flex-job and skaane-job.

	1996	1997	1998	1999	2000	2001
50/50-job/flex-job	2,087	2,337	2,770	5,042	6,976	10,828
1/3-job/skaane-job	3,716	4,272	5,071	5,475	4,878	5,428

Source: Statistics Denmark (statistikbank), Ministry of Finance, and Ministry of Social Affairs.

Note: Figures concern the number of jobs at a specific date, which varies across the years.

While the number of skaane-jobs has remained fairly stable during the period, the number of flex-jobs has increased from around 2,000 in 1996 to almost 11,000 in 2001. Compared to the 50/50-scheme, the flex-job scheme is in several aspects more attractive to municipalities, employees and maybe also employers. In contrast to other passive and active measures (e.g. sickness benefit and vocational rehabilitation) it is attractive to municipalities because they receive a 100 percent reimbursement from the state. This is not the case for other measures, cf. section 3. Compared to thee 50/50 scheme the flex-job scheme is attractive for employees because they are better covered in case of une mployment, and because the scheme covers more different job types. In the flex-job scheme it is possible to receive a wage subsidy corresponding to up to 2/3 of the wage implying that it has become more attractive for employers to hire employees with a work ability below 50 percent. In contrast the 50/50-scheme did only operate with a 50 percent wage subsidy. In sum, the changes in the flex-job scheme appear to have enhanced the possibility for labour market integration of work-disabled people.

The flex-job scheme has been evaluated by Hohnen (2000) who conducted qualitative interviews with flex-job employees, their colleagues including union representatives, their employers, and the municipalities' job counsellors. The author finds that although the scheme clearly has positive consequences in terms of employment of persons that otherwise might had been non-working beneficiaries, it also has unintended side effects that counteract integration. The latter effects are related both to institutional characteristics of the scheme and to how the flex-jobs are implemented at the workplaces³.

The positive effects are emphasised by the flex-job employees and the municipalities' job counsellors. The interviewed flex-job employees find their job valuable, they report that it is satisfactory to be useful, some of them find that the job has given them energy to become more active in their leisure time, and most of them prefer to work in a flex-job instead of receiving a disability benefit. Also, the flex-job employees experience that the tasks they perform are of importance to the company. The interviewed job counsellors also find that the scheme holds several good qualities. They mention that the scheme makes it possible to integrate persons who otherwise would have been granted a disability benefit and that a flex-job improves the employees' quality of life.

On the other hand Hohnen (2000) concludes that the way in which the flex-job scheme (and possible also other wage subsidy schemes) has been constructed hampers integration. Flex-jobs are stigmatising because they are situated in-between the ordinary labour market and the social system. That is, while the employer and flex-job employees' colleagues expect that the flex-job employee is healthy enough to be productive, it is only legitimate to be employed with a wage subsidy if the flex-job employee is "sufficiently sick". These contradictionary expectations are difficult for the employees to reconcile. In some cases this causes the flex-job employees to behave as if they are working on normal conditions, e.g. work more hours than they are obliged to or they conceal that they are working in a flex-job. This may in turn reduce the "light-duty" aspects of the job and thus lead to further health deterioration. Even though flex-job employees may become integrated into the workplace where they are employed, it is stressed that the institutional construction of the scheme seems to hamper integration into the labour market. Thus, there seems to be no or little mobility between different flex-jobs.

A second, and related institutional drawback is caused by the fact that persons working in flex-jobs do not have social rights similar to those that ordinary employees have. For

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³ Other studies of flex-job and other jobs on special conditions, Jacobsen & Hauge (1999), Juul (2000), and Teknologisk Institut (2000), also stress that structural conditions of the flex-job scheme and the work organisation at the workplaces have negative side effects (referred from Hohnen, 2000).

example, flex-job employees cannot be member of an unemployment insurance fund, instead they are granted social rights in a separate system. The interviewed employees experience that they loose social rights, and that flex-job employment to a certain extent comprises an exclusion from the labour market. Hohnen (2000) finds that the experience of exclusion depends on the flex-job employees' background. Exclusion is strongly felt by those who are "recruited" from ordinary employment, whereas persons recruited from the social assistance scheme do not to the same degree share this experience.

At the workplace level, Hohnen (2000) emphasises that flex-jobs often are not "core jobs", which seems to hamper the integration of employees' into the workplace. Thus, although the flex-job employees experience their jobs as meaningful and of significant importance to the company, the jobs are often peripheral related to the company's core production. For instance, flex-jobs may aim at providing services to the company's employees. The author argues that this is related to employers and job counsellors defining flex-jobs as additional jobs (meaning that they will be established as such).

Interestingly, Hohnen (2000) finds that the content of the companies' production and its relation to the jobs (including the flex-jobs) seems to influence the integration of flex-job employees. In contrast to flex-jobs that involve no or little cooperation with other employees, flex-jobs that involve a close cooperation with colleagues has most potential for social integration at the workplace. However, these job-types may in certain cases also lead to the most dis-integration. For instance, in jobs where the payment is depending on the performance of a work group colleagues may have difficulties in accepting that the flex-job employee is having reduced work ability.

Subsidised employment like flex-jobs is associated with both benefits and costs. Benefits may be related to an increased utility of the disabled employees who might prefer to work instead of being unemployed, and the productive value of the employees` work. The costs are related to the difference between wage expenditures and the expenditures for alternative support, e.g. for a disability benefit, and the extent to which wage subsidised jobs crowd out ordinary jobs.

Some of the aspects that were qualitatively assessed by Hohnen (2000) have been quantitatively assessed in Høgelund & Kruhøffer (2000) and Kruhøffer & Høgelund (2001). Using a representative sample of 6.800 employees, Høgelund & Kruhøffer (2000) find that 48 percent report that employees in wage-subsidised jobs on special conditions are or have been employed at their workplace. Among these respondents, 41 percent assess

that employees in wage-subsidised jobs on special conditions⁴ perform tasks that would otherwise not have been carried out (11 percent answered "do not know"). The fact that the remaining 48 percent report that employees in wage subsidised jobs on special conditions perform tasks that otherwise would have been carried out may suggest that wage subsidised jobs to some extent replace ordinary jobs. However, only 3 percent answers that employment of persons in wage-subsidised jobs on special conditions increases the risk that they will loose their own job (6 percent answered "do not know").

Evidence from a representative survey of approximately 2.500 employers supports the presence of a "replacement effect" (Kruhøffer & Høgelund, 2001). Among employers having employees in wage-subsidised jobs more than 50 percent find that employees in wage subsided jobs perform tasks that would otherwise not have carried out. Moreover, one quarter of the employers report that the employment of employees in wage subsidised jobs has reduced the need to hire ordinary employees. The same fraction report that they would have employed persons in ordinary jobs had it not been possible to employ persons in wage-subsidised jobs.

4.2. Studies about general effects of active labour market policies

Gregersen & Christoffersen (1999) shed light on the effect of active labour market policies. The study compares long-term sickness, long-term social assistance beneficiaries and disability beneficiaries from five "passive" municipalities with similar groups of beneficiaries from five "active" municipalities. Active municipalities are defined as municipalities: 1) that award relatively few disability benefits when differences e.g. in the number of persons receiving a cash transfer benefit, that may influence the number of awarded benefits have been controlled for, 2) where many disability beneficiaries have been activated prior to receiving disability benefit, and 3) have relatively few long-term social beneficiaries when the level of unemployment has been taken into account. Passive municipalities are defined in a similar manner, but with "reverse criteria". The study shows that in all three groups of beneficiaries, the number of persons finding themselves able to work is significantly higher in passive than in active municipalities. This difference may be interpreted as if the activation policy pursued in the active municipalities leads to more labour market integration and thus too fewer work able beneficiaries than is the case in the passive municipalities.

Høgelund & Holm (2002) evaluate the effect of educational activities in cases of long-term sick leave. During a five-year period employees who in 1995/1996 had been continuously sick-listed for three months due to low-back pain were interviewed four times.

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⁴ Such jobs do not only included work disabled persons in e.g. flex-jobs or skaane-jobs but also persons without health problems, i.e. unemployed persons in wage subsidised activation offers.

Controlling for the selection into education and for the influence of observable and unobservable variables, the authors find that on average educational activities do not significantly increase the likelihood of returning to ordinary employment.

Graversen & Weise (2001) investigate the effects of several active measures for social assistance beneficiaries in the period 1995 to 1998⁵. Using the fixed-effect method, they find that almost all measures lead to a reduction in the participants' receipt of public cash benefits indicating that the measures have a positive employment effect. Subsidised job training in the private sector yields the largest effect reducing the average yearly degree of benefit receipt with 16 percentage points. Other measures such as subsidised job training in the public sector and employment projects have much smaller effects (reducing the average yearly degree of benefit receipt with 3-6 percentage points). Similar effects of activation of social assistance beneficiaries have been found by Weise & Brogaard (1997).

Finally, Høgelund (2000) investigates factors affecting work retention among employees who returned to work after being long-term sick-listed with low-back pain. He finds that wage subsidies and working with new tasks increases the sick-listed's employment degree after returning to work.

4.3. Conclusion

In conclusion, the available evidence suggests that wage subsidy schemes enhance the employment of work disabled people, but also that it has negative side effects in terms of dead-weight loss, stigmatisation, and that integration of the disabled employees is not always complete. Studies about the general effect of active labour market policies suggest that it increases the employment of disabled people.

5. Conclusion

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The Danish labour market policy towards disabled people is characterised by many different schemes. By size Vocational rehabilitation, which consist of e.g. examination of work capacity, counselling, courses, education and job training, is the most extensive scheme. Incentives to use vocational rehabilitation have been strengthen during the 1990s. During the 1990 there has also been an increased focus on other active labour market policies such as subsidised employment and compensation to disabled people at the labour market (Icebreaker scheme, personal assistance, workplace adaptations and

⁵ The group of social assistance beneficiaries includes to some extent persons with reduced work ability caused by health problems. According to Bach & Harsløf (2002), 39 percent of the social assistance beneficiaries report that they to a high degree (15 percent) or to some degree disabled (24 percent) have reduced work ability caused be health problems.

the "Preference Circular"). The available evaluations of the policy towards disabled people suggest in general that it increases the employment of disabled people but also that there are both positive and negative effects of the existing schemes in particular of wage subsidy schemes.

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Appendix. Statistics on Active labour market policies for disabled people

Data is prioritised: If not data does not exist on a specific date, then the average number of persons is presented. If none of the above exists then the annual stock is presented.

	EXPENDI-	PARTICI-	
	TURES TOTAL	PANTS TOTAL	
POLICY	MILLIONS		YEAR
	EURO		
1:Individual job training	202,41	15.249 ^a	1998
2:Self-employed with enterprise			
allowance	9,54	1.370 ^a	1998
3:Special tailor-made training			
activities	N.a.	6.693 ^a	1998
4:Other special tailor-made train-			
ing activities	59,87	4.468 ^a	1998
5:Flex-job scheme	121,40	10.648 ^b	2000
6:Skaane jobs	23,02	6.065 ^b	2000
7:Sheltered employment scheme	129,75	2.773 ^d	2000
8:Prevocational rehabilitation	40,05	3.235 ^a	1998
9:Vocational rehabilitation	402,61	25.606 ^a	1998
10:Disablement benefit	Max 19,62		
	Min 15,94	6.377 ^c	1999
11:Icebreaker scheme	0,12	25 ^b	2000
12:Preference circular	0	182/22 ^b	2000
13:Personal assistance	9,51	1.853 ^b	2000
14:Workplace adaptations (The			
Public Employ-ment Office)	0,24	193 ^b	2000
15:Workplace adaptations (Mu-			
nicipalities)	1,75	117ª	1998

^{a:} Average number of persons, data for the annual stock is available, see table in appendiks: Statistics on ACTIVE LABOUR MARKET POLICY for Disabled people.

b: Annual stock, total number of participant in a given year.

c: The 1st of January 1999

d: March 2000

Table information

Source:

- 1: Expenditure: EUROSTAT. Participants: Statistics Denmark
- 2: Statistics Denmark
- 3: Statistics Denmark
- 4: Expenditure: EUROSTAT. Participants: Statistics Denmark
- 5: Expenditure: Ministry of Social Affairs. Participants: Statistics Den-

mark

6: Expenditure: Ministry of Social Affairs. Participants: Statistics Den-

mark

- 7: Statistics Denmark
- 8: Statistics Denmark
- 9: Expenditure: own calculations Participants: Statistics Denmark
- 10: Statistics Denmark
- 11: Expenditure: Central Government finance 2000. Participants: National Labour Market Authority.
- 12: National Labour Market Authority.
- 13: Expenditure: Central Government finance 2000 Participants: National Labour Market Authority.
- 14: National Labour Market Authority.
- 15: Statistics Denmark

Comments:

- 7: The administration of sheltered employment has been moved to the municipalities in 1998, why data only exist from 1999 and 2000. The Expenditures include social activity offers (in order to improve life quality). The expenditures for sheltered employment are therefore overestimated.
- 10: Expenditures are calculated from the number of participants and the monthly maximum and minimum beneficiaries.
- 12: Expenditures to the preference circular are covered by the wage paid to the disability consultants. 182 disabled persons used the preference circular, but only 22 succeeded in getting a job.
- 14: The expenditure might not be correct. This is only the expenditure for the municipalities. The total expenditure for this shame is also financed by the state.

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