

National Social Report 2012

Denmark

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National Social Report 2012 – Denmark

1. Introduction

1.1. Economic and social context

The Danish society is characterized by a universal approach to welfare aimed at providing equal opportunities for all citizens. The Danish welfare system is based on a platform of sound government finances, high employment rates and a well-functioning labour market combined with an efficient and well-operating public sector.

The future demographic development will, however, challenge the sustainability of the Danish welfare system. The demographic changes imply that many people are due to retire from the labour market within the coming years. This will coincide with a smaller number of young people entering the labour market and will result in a decline in the number of citizens in active employment. These demographic changes are expected to challenge the overall sustainability of the social protection and health systems in the years to come.

In order to meet the target of structural balance in 2020 and to ensure financial sustainability, it is necessary to implement reforms in the field of social protection and social security. These reforms must contribute to increasing employment and reducing the number of people who are dependent on transfer incomes.

Against this background, the Government has introduced and planned a number of reform initiatives in 2011 and 2012 aimed at addressing the increasing public sector growth while fulfilling the goal of a structural balance in public finances by 2020. To strengthen public spending control and to fulfil the targets for fiscal policy and expenditure towards 2020, the Government has entered an agreement on a Budget Law and new system to control expenditure.

1.2. Content, coherence and complementary aspects related to the National Report Programme

The 2012 National Report Programme (NRP) section 2.5 outlines the overall national objectives for social inclusion, including implemented and planned initiatives. The NRP outline is elaborated in detail in the National Social Report (NSR) with respect to aspects of social inclusion, pension and healthcare.

Section 2 of the NRP assesses the specific challenges and Government priorities. Section 3 highlights the main measures taken to reduce poverty and social exclusion. Section 4 describes the reforms taken or planned regarding sustainable pensions. Finally, Section 5 reports on the measures taken or planned to maintain equal access to qualified and sustainable health- and long-term care.

2. Review of progress made against the overarching objectives of the OMC

2.1. Assessment of challenges and priorities within social inclusion

Denmark has one of the lowest income inequalities in Europe. However, since the demographic changes challenge the sustainability of general welfare, structural reforms with respect to the labour market and social inclusion will be necessary in the future years.

In designing these reforms, it is crucial to remain focused on combating marginalization and undignified living conditions. It is instrumental for an inclusive society to ensure better conditions for people in vulnerable situations, i.e. addicts, prostitutes and homeless people. The vicious circle of transmitting poverty and social exclusion from generation to generation must be prevented.

Therefore, it is a central aim of the Government to provide all children with equal opportunities from the outset. First and foremost, for the sake of the children, and secondly, because early actions will be profitable for society in the long term.

The Government has the ambition to develop innovative methods for social inclusion to ensure that the right tools are available and that these methods are used in an efficient manner by the municipalities.

2.2. Assessment of challenges and priorities within pensions

Denmark has a multi-pillar pension system which is considered to be able to provide sustainable, adequate and safe pensions for the pensioners today and in the future. The present pension system has emerged from two decades of structural reforms which neutralise the impact of future longevity growth and stabilise public pension expenditure. At the same time, raising overall replacement rates have contributed to balance concerns related to sustainability and adequacy.

The projected increase in pension expenditure over the long-term at 0.1% of GDP is substantially lower than the EU average despite projected improvements in overall replacement rates due to increased occupational pension. The maturation of occupational pensions should raise the future adequacy of pensions. Additionally, the growing importance of fully funded, defined contribution schemes will also increase the risk of insufficient pension savings.

2.3. Assessment of challenges and priorities within health and long-term care

The health care system constitutes an essential part of the welfare society. Today, everyone has the right to quick and qualified healthcare regardless of income. However, the health care system is challenged by a number of factors.

Firstly, the health of the individual tends to be dependent on income and level of education. The health inequality is increasing and related to lifestyle. In order to decrease the inequality in health and ensure more cost efficiency, the Government has introduced health promotion initiatives.

Secondly, the health care sector faces problems caused by an increasing demand for healthcare combined with decreasing workforce as well as tighter public finances. In this regard, the Government has initiated the development of additional clinical guidelines to increase value for money.

Thirdly, the demand for psychiatric treatment has risen. The Government has strengthened the psychiatric system by providing substantial funding with the aim of improving the psychiatric system and health among the most vulnerable groups.

3. Reducing poverty and social exclusion

3.1 Measures taken to reduce poverty and social exclusion

In order to fulfill the Government's ambition of developing innovative methods for social inclusion, the following measures have been taken:

- A reform of the cash benefits system which came into force on the 1st of January 2012. This reform implies that the lowest cash benefits have been discontinued which is expected to lead to increased levels of benefits for approx. 16,000 all-year recipients of the benefits positively. Additionally, the ceiling with respect to support for children and youngsters has been abolished. This implies that families are entitled to full benefits for all children regardless of the number of children in the family. These initiatives will have a positive effect on the maintenance of low income families and thus contribute to greater equality.
- A reform of the compensation for lost wages to families with children and young people with disabilities. The compensation is given when the child or young person has severely and permanently reduced physical or mental functional capability or an impairing chronic or long-term illness. The lost wages compensation will be raised by 7,000 DKK per month (approx. 935 €) effectuated from July 1st 2012. Thus, the amendment will improve the terms of families with children with disabilities or invasive disease.
- An improvement of marginalized citizens' living conditions and a decrease of the negative consequences of poverty and social exclusion. Initiatives amounting to 130 million DKK (approx. 17,500,000 €) in the period of 2012-2015 include:
 - An expansion of the volunteer debt counseling service aimed at improving the terms of citizens with low income, debt and a low allowance;
 - a strengthened and preventive counseling effort in housing areas aimed at preventing evictions of tenants who have not paid their rent;
 - a strengthened effort in the disadvantaged housing sector aimed at creating equal opportunities for children in socially vulnerable families
- Active consultation and involvement of local levels of government. Local Government Denmark (KL) and the Government are actively cooperating to deliver better and more qualified social service to the citizens.

- In Denmark's National Strategy for Roma Inclusion, the Government has encouraged the local authorities to ensure inclusion of people with Roma background. This should be done by fully implementing the integration tools available and by continuing and strengthening the efforts towards combating poverty and social exclusion in general and disseminating knowledge on best practices and agreed principles for Roma inclusion to the municipal level.
- On May 11 2012, the Government has set up an expert committee with the aim of identifying various methods to measure poverty and suggest a possible Danish poverty line.

3.2 Measures related to an inclusive labour market

The Government is committed to ensuring an inclusive labour market. As part of the national Europe-2020 strategy, the Government has set the target to reduce the number of people living in households with low employment with 22,000 persons before 2020. In order to achieve this target, a new active employment strategy has been initiated aimed at increasing the labour supply and the overall employment. The strategy includes the following initiatives:

- A cash benefit system reform focused on rights and obligations to be initiated during 2012. Special attention will be given to young people. The Government introduces educational rights and obligations for young cash benefit recipients under the age of 30. Education provides professional qualifications and competencies increasing possibilities for permanent attachment to the labour market.
- An ambitious integration reform aimed at achieving employment for 10,000 immigrants. Too many immigrants are unemployed and every fourth immigrant grows up in a disadvantaged housing sector. The reform introduces new approaches aimed at ensuring more education, a reduction of the number of disadvantaged housing sectors supported by the cash benefit system reform.
- Additionally, a number of concrete projects aiming at social inclusion of specific vulnerable groups at the labour market have been initiated in close cooperation with the social partners in Denmark.

4. Adequate and sustainable pensions

4.1. Measures for adequate and sustainable pensions

As part of the commitment to ensure adequate and sustainable pensions; the Danish Parliament adopted a 'Retirement Reform' in December 2011. The purpose of the reform is to increase the labour supply in light of the demographic development and to curb the public budget deficits.

The reform includes the following measures:

- A speed-up of the implementation by 5 years of an already enacted gradual increase of the eligible age for public old age pension and Voluntary Early Retirement Pay (VERP). The public old age pension age will be increased from 65 to 67 years in the period 2019-22

(previously 2024-27). The eligible age for VERP will be increased from 60 to 62 in the period 2014-2017 (previously 2019-22).

- A reduction of the maximum number of years receiving VERP is reduced from 5 to 3 (VERP can not be received after reaching the eligible age for public old age pension). It is done by increasing the eligible age for VERP with further 2 years over the periods 2018-19 and 2022-23.
- An introduction of Senior Anticipatory Pension for persons with 5 years remaining until the old-age pension age. The scheme will come into force from 2014. The changes of the retirement age will be fully phased in by 2023 where early retirement in the VERP scheme will be possible from the age of 64 and the pensionable age will be 67. The existing scheme linking the public old age pension age and minimum age for retirement in the VERP scheme to life-expectancy is changed. An increase in the pensionable age due to increasing life expectancy can take place from 2030 and thereafter every 5 years.
- A reduction in the stipulated number of hours in employment obligatory for deferring public old age pension (from 1,000 to 750 hours a year) and a less strict off-setting of public old age pension for income from work (by raising the deduction free amount from 30,000 DKK (approx. 4000 €) to 60,000 DDK (approx. 8000 €) a year). The measures will come into force from 2014.

Additionally, at the end of February 2012, the Government presented a proposal to reform anticipatory pensions and flex jobs. The proposal derives from the principle that more young people should have an opportunity to use their remaining work capacity. The proposal contains two main elements:

- Anticipatory pensions are discontinued for persons under the age of 40. Instead, vulnerable and disadvantaged young people will be supported through a more holistic approach in so-called resource-courses. However, if all other possibilities have been exhausted, young people under 40 can still be granted anticipatory pension. An important prerequisite for the reform is that the coordination of the efforts across the many different departments and sectors is improved considerably. Therefore, rehabilitation teams will be established in all municipalities to ensure that the interdisciplinary effort will function in practice. Investment in resource-courses will be undertaken so that municipalities will have the capacity to put the right measures in place and to give the individual time to participate in relevant treatments.
- The flex job scheme will be maintained as it provides many people with access to employment. In this context, the Government proposes to reform the system to target it at persons with considerable limitations in their work capacity. Public subsidies are increased for people in flex jobs with low wages and the lowest capacity to work and employers will only have to pay wages for the hours the employees actually work in flex jobs, making it more attractive for employers to hire people who can only work a few hours a week.

The combined reform proposal is expected to increase the employment supply with approx. 5,000 persons in 2020 and 12,500 people in a long-term perspective.

4.2 Pension and health care reform measures taken since July 2011 based on country-specific recommendations

In 2011 Denmark received the following recommendation from the European Commission: *“In order to strengthen employment and the sustainability of public finances, take further steps to increase long-term labour supply, by implementing the recently concluded reform on the voluntary early retirement pension (VERP) scheme, reforming the disability pension and better targeting subsidised employment schemes (the ‘flex-job’ system) towards the most vulnerable groups.”*

The recommendation has been addressed by the Government via the abovementioned Retirement Reform enacted in December 2011. The Reform of the retirement system is estimated to strengthen the fiscal sustainability by approx. 0.5 per cent of GDP. The Government’s proposal ultimo February 2012 reform of anticipatory pensions and flex jobs is estimated to reduce the public expenditures with 3.5 billion DDK in the long term.

5. Accessible, high quality and sustainable healthcare and long-term care

5.1. 2011 and 2012 measures aimed at access, quality and adequacy of healthcare and long-term care

The Government guards the principle of free and equal access to health care for all citizens highly. This is reflected in the Government’s 2012 Finance Act. The Act entails a chapter on better and equal access to health care. The initiatives were implemented January 1st 2012:

- Abolishment of co-payments on artificial insemination, vasectomization and refertilization.
- Abolishment of tax exemption on employer financed private health insurances.
- Abolishment of co-payments on all kinds of interpretation services in the health care system.

The Government finds that health promotion is key in improving public health and reducing inequality in health. In order to stimulate a healthier lifestyle, the 2012 Finance Act entails a range of initiatives regarding health promotion. The promotion implies a tax increase from the 1st of January on soda, sweets, chocolate, ice cream, beer, wine, cigarettes and tobacco. Furthermore, the Government intends to set up national goals for the health status of the population and risk factors.

The 2012 Finance Act also has a special focus on quality in health care treatment. During 2012 a range of additional national clinical guidelines will be prepared. This implies systematically developed professional recommendations which describe diagnosis, treatment, care and rehabilitation of specific patient groups based on evidence of effectiveness and best practice. The guidelines reflect the priority of ensuring an economically sustainable health care quality. In addition, the Government has earmarked resources to reduce the number of hospital acquired infections.

Additional substantial funding has been allocated to strengthen the psychiatric system and to improve health among the most vulnerable groups. The additional funding contains the following initiatives:

- A faster and more consistent treatment of mental illness
- Additional numbers of beds in the psychiatric system
- A faster investigation of children and adolescents with mental illness
- Improving conditions for children who live with family members with an mental illness
- Strengthening of the acute psychiatric treatment
- The age limit for treatment of mild to moderate depression from 18 to 37 years will be removed so that everyone over the age of 18 can receive reimbursement for psychiatric treatment

The agreement also supports preventive measures including the following initiatives:

- Better treatment of older medical patients (for example by the establishment of special course coordinators that can ensure a more consistent treatment of particularly weak patients)
- Preventive actions for very young smokers
- Preventive actions for overweight children and adolescents
- Intensified efforts against social inequality with respect to pregnancy and birth complications

As part of the ‘European Year of Active Ageing and Solidarity Between Generations’, the Government is focused on supporting elderly people in staying healthy, active and in control of their own lives. One initiative taken in 2011 was the establishment of an Elderly Commission. The Elderly Commission decided on five key values: “Impact on own life”, “Respect for difference”, “Humanity”, “Good experiences every day” and “A dignified end of life”. In 2012, funding has been allocated to follow up on these recommendations.

5.2 Initiatives ensuring financial sustainability of health and long-term care systems

The Health Care Act secures patients easy and equal access to the health care system. In Denmark, health care coverage is universal and the system is financed by income taxes. It is free of charge for all patients to go to the General Practitioners (GPs), specialists and to the hospital. Five regions are responsible for the hospital sector and the GPs. Their overall budget is a result of annual negotiations between the state and the regions.

In order to ensure financial sustainability the state and regions have agreed on different initiatives:

- An annual 2 per cent increase in productivity in the hospital sector, reduced administration and national guidelines for referral to treatment within certain fields with a high growth in activity, e.g. obesity operation.
- A special funding on dissemination of best practice on rehabilitation issues. Rehabilitation provides elderly people with increased quality and helps them live a healthier, better and more independent life. In 2011, about 90 percent of the Danish municipalities used training as an alternative to conventional compensatory home-care services. Several municipalities already report that their increased focus on training and rehabilitation help limit the resources spent on elderly care as well as increase the individuals' quality of life.
- A commitment to welfare technology. In support of the initiatives for helping elderly people stay active and live quality lives, the Government is committed to welfare technology. The Public Welfare Technology foundation administers a programme directed towards improving public sector services through the implementation of labour-saving technologies and more efficient working processes.

Annex

Consulted Non-Governmental Organizations and Social Partners
Akademikernes Centralorganisation
ATP
Brugerforeningen for aktive stofmisbrugere
BUPL - Forbundet af Pædagoger og Klubfolk
Børnerådet
Børn og Familier
Børnesagens Fællesråd
Børns Vilkår
Det Centrale Handicapråd
Dansk Arbejdsgiverforening
Dansk Handicap Forbund
Danske Handicaporganisationer
Dansk Børne- og Ungdomspsykiatrisk Selskab
Danske Regioner
Danmarks Statistik
Dansk Sygeplejeråd
Dansk Socialrådgiverforening
EAPN
Finanssektorens Arbejdsgiverforening
Foreningen af Danske Døgninstitutioner
Foreningen af Socialchefer i Danmark
Frivilligrådet
Funktionærernes og Tjenestemændenes Fællesråd
KFUK's Sociale Arbejde (Prostitution - Rederne)
Kommunernes Landsforening
Kommunale Tjenestemænd og Overenskomstansatte (KTO)
Landsforeningen SIND
LAP – Foreningen af Psykiatribrugere
Landsforeningen Bedre Psykiatri – Pårørende til Sindslidende
Landsforeningen for opholdssteder, botilbud og skolebehandlingstilbud (LOS)
Landsforeningen af væresteder for stofafhængige og tidligere stofafhængige (LVS)
LO
Red Barnet
Rådet for Socialt Udsatte
SALA Ledernes Hovedorganisation
Sammenslutningen af Landbrugets Arbejdsgiverforeninger
Socialpædagogernes Landsforbund
Ældremobilisering
Ældresagen