

2010 and Beyond
EAPN Proposals on a legacy for 2010 and the EU strategy for post 2010

Overcoming the barriers for active inclusion for people excluded from the labour market

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If you look at the overall development in Denmark in recent years, a marked double-faced trend is visible.

On the one side, the employment policy has been a success. There has been a strong employment situation with a growing labour force and a historically low unemployment rate. Unemployment has been reduced from 12 per cent in 1994 to 1.8 per cent in 2008 (now 3.6 per cent).

There has been a strong demand for labour to an expanding labour market. The labour market policy has aimed at increasing the supply of labour. Not only the number of registered unemployed has declined, also unemployed in supported employment and in activation have declined. Because of the need for every hand, even groups of long term unemployed have gain a foothold on the ordinary labour market, also groups that years ago were given up in terms of a job. Companies in need for labour have been active to settle in the long term unemployed.

The lesson of this development is that when it is needed the labour market can integrate and use excluded groups.

By entering the labour market, these groups have left the ranks of the unemployed and they have improved their economic situation, and more people are today supporting themselves.

On the other side relative poverty has increased markedly over the last 7-8 years. Since 2001 relative poverty has increased by 26 per cent, or by 55.000 to 270.000. If we exclude students from the statistic, the number falls to 173.000 relative poor persons but the growth in relative poverty increases, by 30 per cent or 40.000 persons. Also a growing part of the poor population is becoming long term or permanent relative poor. Almost one fourth of the poor has been poor for three years or more. Since 2001 the growth in long term or permanent poverty has increased by 50 per cent. It means it becomes more difficult to leave the ranks of the permanent poor.

The lesson of this development is that not even a successful inclusive labour market can hinder poverty increase.

This seems to be a paradox that you have progress on the labour market and growing poverty at the same time. How can we explain this phenomenon?

One of the key words is income inequality. The strong growth in employment and economy has lifted more people in the income brackets. Income mobility works for these groups.

High demand for labour means higher pressure for wage increases. The market mechanism means that the strong demand for labour results in growing income.

The labour market *can* lift people out of poverty. Trends can work for higher wages. I must here put in the remark that working poor is almost unknown in Denmark due to the level of minimum wage agreed upon by the partners on the labour market. You can live a decent life on minimum wage in Denmark.

What then about poverty? Where do we find the relative poor in Denmark? We find them in particular among recipients of social assistance, in particular among long term unemployed recipients of social assistance and start help. Sociologically a large group is immigrants. 14 per cent of immigrants from Non-Western countries live in relative poverty compared to 2.4 per cent among ethnic Danes.

Almost all insured unemployed are immediately ready for the labour market when you look at their competences and resources and they match the demands on the labour market while two third of the unemployed recipients of social assistance have substantial limitations in competences and resources and at the moment their working capacity do not allow them a job on the ordinary labour market due to in particular sickness and personal problems. Only one third has unemployment as the main problem. Only 10 – 20 per cent of those furthest from the labour market get a job.

A research last year about poverty in Copenhagen revealed that recipients of social assistance are an exposed group in relation to poverty. Almost 50 per cent of the recipients of social assistance and start help live in poverty for a while. The share of recipients of social assistance among the poor is increasing by the years in poverty, so the group of long term or permanent poor consist in particular of recipients of social assistance and old age pensioners. Among single recipients of social assistance about 70 per cent live in poverty. Poverty means for instance they cannot afford to go to the dentist, repair a broken refrigerator, eat three meals a day or buy fresh fruit and vegetables, buy new clothes, visit friends and family or take a holiday with the children.

The characteristic for the poor groups is that their income primarily is decided by the social payments. Due to long term unemployment they are in a deadlock, if they don't find a job or they become entitled to a permanent social payment of a social pension. If they don't find a job or become entitled to a social pension it is almost impossible for them to escape poverty.

The lesson of this development is that the employment part of active inclusion is not sufficient for this group and the minimum income is not sufficient to live a decent life. They are too far from the labour market to benefit from the labour market policy and they are not able to respond to trends on the labour market.

As outside the labour market they are not affected by the same mobility and the same mechanisms as those on the labour market. Although the country as such has become richer the level of various schemes of social benefit has not kept up with the income growth. On the contrary. The various welfare payments have in general kept up with the rise in prices but they fall a great deal behind the rise in wages on in particular the private

labour market. During the last twenty years, the compensation of unemployment benefit declined by 20 per cent in relation to the development in wages, and for recipients of social assistance there was last year a decrease in real income measured on their composition of consumption.

Why have the schemes of social benefit not kept up with the general income growth? Because it was not intended! Income inequality is a tool in the general mechanisms to make it more attractive to find a job. It works for some. And it works very well for some. The richer has become richer and the poor has become relatively poorer.

Income increase by work is a motivation and is used as such. Work should pay. But if the assumption that everybody has a real chance on the labour market is not proved then the inevitable results for some groups will be impoverishment. And this is what happens. And this is why other labour market reforms do not improve the possibilities for those furthest from the labour market: Conditionality, demand, reduced benefits, more severe demands on availability, tightening, etc. All this does not work for these excluded groups, because they don't have a real chance on the labour market, proven by the failed results of the employment part of active inclusion.

The question is what kind of efforts is needed for these groups? Is it fair to continue with the usual labour market policies with restrictions and reductions for them? Or do they need another effort and is it necessary to involve other sectors than the employment sector, for instance the social sector, the health sector and the educational sector? Can all social problems be solved by labour market policy?

Although the last safety net counts for only 5 per cent of all social costs in Denmark it is here most changes and reductions have taken place. It means it is in particular the changes of social policy for those furthest from the labour market that has negatively affected the poor and permanent poor groups in Denmark. A substantial part of social policy today is parked in the Ministry of Employment, and they tend to kick social problems to a corner. They are focused only on (successful) employment. It again means poverty is dropped in a limbo between the Ministry of Social Affairs and the Ministry of Employment. Poverty problems are neglected or played down to keep the employment policy going.

The result from Denmark is that employment policy can go a long way to improve the conditions for also excluded groups when they are integrated on the labour market and the trends are positive. But as such a strict employment approach has some negative affects for those furthest from the labour market. For these groups income inequality means impoverishment, because they are in a situation that is not susceptible to trends or market mechanisms. For them labour market policy doesn't mean inclusion but it widens the gap to society and labour market. If you use privation as a strategy you exclude people more and more when they are not able to respond to it. Not even the best, the most developed and expanding labour market will possibly be able to solve the problems for these groups.

This is also the conclusion of the report on Active Inclusion of People excluded from the Labour Market, adopted by the European Parliament earlier this month.

Coming to the question: What is needed to overcome the barriers for active inclusion for people furthest from the labour market, the short answer is: more solidarity is needed with excluded groups. For all people, life begins with social inclusion, with transfer of resources from family and society, with opportunities you have not yourself created but you are asked to use. It begins with appreciation and recognition of human dignity – and with recognising the standard for social dignity in the society in question.

A more strategic answer is to define the objective of employment policy for excluded groups as poverty eradication, of lifting the poor out of poverty. The aim of employment policy for excluded groups should be social and general, not particular to one aspect of the situation. Excluded groups are poor groups and the first aim must be to improve their daily social situation and include them into society on a decent level. Given the complex situation of poverty, a job is not *the* answer from the beginning. Other sectors and services must be involved to improve the preconditions for taking up a job: the health sector, the treatment sector, the housing sector, the education sector - and the poor need a decent minimum income to live a decent life and to feel they belong to society. Society must create the feeling of affiliation to which the poor can respond positively. This is one of the important lessons of the original Nordic Welfare state: Social services and generous benefits help create solidarity with the state and society, shown even today in the high tax rates and the high employment rates in these countries.

The effort to lift people out of poverty must be comprehensive and joined up. We need to supplement employment policy with other policies to make the employment policy work. The starting point must be the individual situation of each poor, and it must be an integral part of the effort that this story is told by the poor him/herself. Lack of employment is only part of the total situation as poor. For excluded groups there are many and multifarious barriers to employment and we must face them all one by one in a comprehensive and coherent effort for each individual: they need a decent place to live, they need education, they need to improve their psychological health, they need support to stabilise their economy, they might have law problems, they might have problems with addiction and mental problems. All these things must be combined with training and preparation for the labour market and reflected in individual pathways to poverty eradication and employment.

When it comes to employment, companies must reach out to the poor. Besides training and employment they must develop a care policy, hire mentors or bonus paters that can support the poor to be successful.

Social policy is needed to eradicate long term and permanent poverty. However, it seems the development during recent years has been negative to the feeling of solidarity that is a necessity for social policy. Some important welfare schemes are not tied to the welfare state but to the status on the labour market, for instance a tendency to a growing number of private health insurance schemes and pension schemes.

The lesson is that it seems necessary for the most excluded groups to create a social labour market that is based not on trends but on needs, that is based not on demands but on best of ability, and where income, insurance and pension are independent of economic output. This should be a supplement to the ordinary labour market focused on social inclusion and quality of life but also on mobility.