**The state of inequality in Denmark - 2020**

Denmark prioritizes the fight against inequality higher than most other countries. The sizeable taxes and transfers of the Danish welfare state reduces income inequality by more than 40%[[1]](#endnote-1). Through its historic commitment to income equality and strong a welfare system with free healthcare, education and subsidized childcare, Denmark has been able to achieve inequality levels that are among the lowest in the world.

But things are changing. For two decades, the historically low levels of inequality in Denmark have been increasing, and according to OECD “*income inequality has risen faster than in most OECD countries from the particularly low level in the early-1990s”[[2]](#endnote-2).* Furthermore, spending on education is decreasing in Denmark. This is alarming, as investment in education is a vital redistributive measure that addresses inequality[[3]](#endnote-3). The increasing inequality is reflected in the statistics:

* By one measure, the gap between the rich and poor grew by more than 15% from 2005 to 2016[[4]](#endnote-4)
* Since 2000 the richest top 1 % increased their income with 66 % and benefitted from various top bracket-tax cuts. The average Dane has experienced 30 % income growth[[5]](#endnote-5).
* The richest 10 % now own nearly half of the total wealth[[6]](#endnote-6).
* In 2016-2019, education faced 9 billion DKK in cuts[[7]](#endnote-7)

The relatively new Danish government and its supporting parties, elected in 2019, are expected to reverse some of these negative trends which is a positive development, however COVID 19-related austerity measures are a real cut for instance to the education sector.

**Economic inequality**

Denmark is committed, through SDG 10, to ensure higher income growth for the poorest 40 % relative to the total population, but there is cause for concern. In 2008, the poorest 40 % of the population constituted of 24.1 % of the total population income. In 2018, this share had decreased to 22.4 %.[[8]](#endnote-8) The fact that the Danish population on average has experienced great increase in income is as such first and foremost due to the income-increase among the top-earner:

Since 2010 the income of the poorest 40 % has increased less than 2 %. For the total population, the income has increased four times as much.

The richest 10 % have had an income rate increasing more than 13 % since the financial crisis[[9]](#endnote-9)

**The richest half benefits the most**

While economic growth was relatively evenly distributed between the 1980s and mid-2000s, the OECD notes that growth in Denmark has since *“tended to benefit relatively more the upper-half of the distribution”*.[[10]](#endnote-10) When looking at distribution of wealth, the difference between top and bottom is notable:

The average CEO in the private sector in Denmark has increased his/her salary by more than two thirds since 2005, while low-income workers and the people on unemployment benefits only saw an increase of 42% and 24% respectively.[[11]](#endnote-11)

A Danish CEO earns on average more than 13 times more from investments, interests and other forms of wealth income annually than the typical low-income worker.[[12]](#endnote-12)

From 2007-2017, only the richest 30 % experienced a net growth of their wealth/fortune. In the same period the poorest 10 % increased their debt by 270,000 DKK on average, while the richest 10 % increased their fortune with 625,000 DKK on average.

In 2017, the richest 10 % had an average fortune of 3.7 million[[13]](#endnote-13). In 2019, the same group had an average fortune of 5.5 million.

In 2019, the richest 10 % of the Danish population owned 46 % of the total fortune, while the top 1 % owned 13 %.[[14]](#endnote-14).

**Redistributive policies**

As the above numbers show, economic inequality in Denmark is increasing. Added to this, shifting governments have systematically weakened the redistributive policies meant to address the widening inequality. As the OECD notes, “*higher inequality through lower and less progressive taxes may have been traded off with policies to strengthen work incentives”*.[[15]](#endnote-15) Six of the seven largest economic reforms in the time period 2012 to 2016 have increased income inequality, according to figures from the Danish Ministry of Finance.[[16]](#endnote-16) As an example, one of the most recent reforms, which was intended to shift people away from unemployment by cutting their monthly benefits, has contributed to a high number of children living below the poverty line. In 2019, 64,500 children were living under the poverty line. Even though this development has stagnated, the numbers are still much higher than they were in 2015. However, thanks to the new government’s implementation of a temporary grant to the families who suffered from the reform, the numbers are estimated to decrease in 2020[[17]](#endnote-17)

The Danish tax system has similarly been reformed in ways that have greatly reduced its ability to redistribute. For example, reforms have reduced the number of people paying the top rate in income tax. Estimations show that 435,000 people will pay top the top rate in income tax in 2021[[18]](#endnote-18). In 2008, the number was 1,003,000.[[19]](#endnote-19)Additionally, the Danish government has since 2002 given tax relief equivalent to 64.7 billion DKK, but the benefits are unequally distributed: the top 1 % richest received an average of 113,000 DKK, the top 10 % received an average of 53,000 DKK, whereas the poorest 10 % received only about 1,200 DKK per person annually.[[20]](#endnote-20)

**Education**

With free education for all, the Danish education system is a strong tool for fighting inequality. However, despite 200+ years of free public school in Denmark, how well children fare directly correlates to their parents’ education and income[[21]](#endnote-21). During the last 10 years we have seen alarming cuts in the education sector [[22]](#endnote-22), just as an increasing privatization of education, heavily subsidized by the state, leads to less money being available to public education. In 2016 the Danish government implemented a new redistributive policy by which upper secondary (high schools) and tertiary education institutions annually faced budget cuts of 2 %. At the same time, Danish municipalities who are responsible for basic education have faced tight budgets. This coupled with an increase in the share of students who turn to private education, the amount going to public schools has dropped significantly. The current Danish government has fortunately ended the 2% cuts, but as yet no plans are in place to deal with the budget restraints facing public schools, or the move (particularly of children of wealthier parents) to private schools. The result of years of economic hardship are stark:

9 billion DKK less for high schools and tertiary education due in 2019 compared to 2016 due to the annual 2 % cuts. [[23]](#endnote-23).

1.2 billion DKK less for public schools compared to 2015.[[24]](#endnote-24)

An increase in the percentage of private schools paid by the state from 71 % in 2015 to 76 % in 2019.[[25]](#endnote-25).

In 2009, 13,2 % of children in first grade were enrolled in a private school. In 2019 the number had increased to 17,7 %[[26]](#endnote-26).

**COVID-19 reinforces negative trends**

Meanwhile, the COVID-19 pandemic and the lockdown of huge parts of the Danish society have reinforced the negative trends in relation to inequality levels in Denmark. Firstly, the economic downturn caused by COVID-19 has hit the service industry the hardest, where unskilled workers are slightly over-represented compared to other sectors. Thus, many unskilled workers have lost or are in risk of losing their jobs[[27]](#endnote-27). Since February 2020 the unemployment rate has risen from 3.7 % to 5.5 %. Secondly, in only five months, between February and June, 6,000 people were pushed into long-term unemployment, the total number thus having increased to 30.000[[28]](#endnote-28). Third, for academics it is often possible to work from home, while skilled and unskilled workers must leave home to do their job. This leaves parents with skilled and unskilled jobs in a vulnerable situation when forced to stay home when their children are sick or when schools and daycares close[[29]](#endnote-29). Lastly, children with social or learning difficulties and from home with social challenges were far less likely to participate in distance learning during school closures, thus further impounding inequality in education[[30]](#endnote-30).

**Looking ahead**

Denmark’s position as the world’s most committed country to reduce inequality is a reminder of the strength and progressiveness of policies and programs enacted in the past decades. But as the experiences from the last two decades demonstrate, the Danish politicians have consistently increased inequality. However, the Danish government elected in 2019 is expected to reverse some of these negative trends which is strongly welcomed. Without an urgent re-commitment to reduce inequality, Denmark is likely to lose its top position as a global champion on fighting inequality.

1. See the OECD database on Income Distribution and Poverty, comparing the GINI ratio in market income and disposable income for 2016, which is the latest available year for which the comparison is possible: <https://stats.oecd.org/index.aspx?queryid=66670> [↑](#endnote-ref-1)
2. OECD, 2019, page 46: <http://www.oecd.org/economy/surveys/Denmark-2019-OECD-economic-survey-overview.pdf> [↑](#endnote-ref-2)
3. AE, 2017, page 1: <https://www.ae.dk/sites/www.ae.dk/files/dokumenter/analyse/ae_danmark-bruger-faerre-penge-paa-uddannelse_0.pdf> [↑](#endnote-ref-3)
4. See the OECD database on Income Distribution and Poverty, Palma ratio, Denmark 2005-2016: <https://stats.oecd.org/viewhtml.aspx?datasetcode=IDD&lang=en> [↑](#endnote-ref-4)
5. AE, 2020: <https://www.ae.dk/artikler/cepos-bekraefter-at-de-rigeste-stikker-af>, and Statistic Denmark, 2017: <https://www.dst.dk/da/Statistik/bagtal/2017/2017-08-10-FAKTA-tre-tal-om-topskat> [↑](#endnote-ref-5)
6. FHO, 2019, page 1: <https://fho.dk/wp-content/uploads/2019/02/stor-ulighed-i-danskernes-formuer.pdf> [↑](#endnote-ref-6)
7. FHO, 2019: <https://fho.dk/blog/2019/03/20/danmark-har-sparet-9-mia-kr-paa-uddannelse-siden-2015/> [↑](#endnote-ref-7)
8. Statistics Denmark, 2020, SDG 10.1: <https://www.dst.dk/da/Statistik/Sdg/10-mindre-ulighed/delmaal-01/indikator-1> [↑](#endnote-ref-8)
9. Arbejderbevægelsens Erhvervsråd, 2018, page 4: <https://www.ae.dk/sites/www.ae.dk/files/dokumenter/analyse/ae_siden-2010-er-indkomsten-stagneret-for-de-40-pct-fattigste_0.pdf> [↑](#endnote-ref-9)
10. OECD, 2016, page 6 : <https://www.oecd.org/denmark/Inequality-in-Denmark-through-the-looking-glass.pdf> [↑](#endnote-ref-10)
11. Statistics Denmark, 2018, developments in disposable income for various income groups, 2005-2016: <http://www.statistikbanken.dk/INDKP104> [↑](#endnote-ref-11)
12. Statistics Denmark, 2018, wealth income, 2016: <http://www.statistikbanken.dk/INDKP107> [↑](#endnote-ref-12)
13. AE, 2017, page 1-2: <https://www.ae.dk/sites/www.ae.dk/files/dokumenter/analyse/ae_10-ars-udvikling-i-formuer-70-pct-har-tabt_.pdf> [↑](#endnote-ref-13)
14. FHO, 2019, page 1-2: <https://fho.dk/wp-content/uploads/2019/02/stor-ulighed-i-danskernes-formuer.pdf> [↑](#endnote-ref-14)
15. OECD, 2019, page 48 : <http://www.oecd.org/economy/surveys/Denmark-2019-OECD-economic-survey-overview.pdf> [↑](#endnote-ref-15)
16. Ministry of Finance, 2015, page 3: <https://www.ft.dk/samling/20131/almdel/fiu/spm/303/svar/1241012/1514636.pdf> [↑](#endnote-ref-16)
17. Arbejderbevægelsens Erhvervsråd, 2020, page 2: <https://www.ae.dk/sites/www.ae.dk/files/dokumenter/analyse/ae_flere-aars-stigning-i-fattigdom-afloeses-af-stagnation.pdf> [↑](#endnote-ref-17)
18. BDO, 2020: <https://www.bdo.dk/da-dk/faglig-info/depechen/depechen-artikler-2020/i-2021-stiger-topskattegraensen-til-544-800-kr> [↑](#endnote-ref-18)
19. Statistic Denmark, number of people paying top income tax in 2008: <https://www.statistikbanken.dk/statbank5a/selectvarval/saveselections.asp> [↑](#endnote-ref-19)
20. Arbejderbevægelsens Erhvervsråd, 2020, page 1: <https://www.ae.dk/sites/www.ae.dk/files/dokumenter/analyse/ae_aartiers-skattelettelser-har-givet-mest-til-de-rigeste.pdf> [↑](#endnote-ref-20)
21. Arbejderbevægelsens Erhvervsråd, 2018. <https://www.ae.dk/analyser/den-sociale-arv-afspejler-sig-tydeligt-i-boerns-karakterer> [↑](#endnote-ref-21)
22. Arbejderbevægelsens Erhvervsråd, 2019, page 2: <file:///Z:/Noter/Rapporter%20til%20CRI/ae_ua_besparelser-i-milliardklassen-paa-uddannelse.pdf> [↑](#endnote-ref-22)
23. FHO, 2019: <https://fho.dk/blog/2019/03/20/danmark-har-sparet-9-mia-kr-paa-uddannelse-siden-2015/> [↑](#endnote-ref-23)
24. Arbejderbevægelsens Erhvervsråd, 2020, page 2: <https://www.ae.dk/sites/www.ae.dk/files/dokumenter/analyse/ae_udgifterne-til-folkeskolen-er-faldet-siden-2015_0.pdf> [↑](#endnote-ref-24)
25. Arbejderbevægelsens Erhvervsråd, 2020, page 2: <https://www.ae.dk/sites/www.ae.dk/files/dokumenter/analyse/ae_udgifterne-til-folkeskolen-er-faldet-siden-2015_0.pdf> [↑](#endnote-ref-25)
26. Arbejderbevægelsens Erhvervsråd, 2019, page 3:

    <https://www.ae.dk/analyser/flere-boern-fra-eliten-gaar-paa-privatskole-ogsaa-uden-for-storbyerne>  [↑](#endnote-ref-26)
27. AE, 2020, page 1: <https://www.ae.dk/sites/www.ae.dk/files/dokumenter/analyse/ae_over-50000-ufaglaerte-i-brancher-haardt-ramt-af-coronakrisen.pdf> [↑](#endnote-ref-27)
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