

# Denmark's National Reform Programme

## First Progress Report

Contribution to the EU's  
Growth and Employment Strategy  
(The Lisbon Strategy)

October 2009

The Danish Government



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## Introduction: The Danish Reform Strategy

The purpose of the National Reform Programme and the annual progress reports is to unfold the reform measures that Denmark is implementing in order to fulfil the overall targets of the Lisbon Strategy concerning long-term employment and growth. This First Progress Report is the follow up on last year's National Reform Programme concerning the period of 2008-2010. Hence, the present report is largely an update of last year's publication describing new challenges, initiatives, and results from within the last year.

An additional purpose of the progress report is to address the Commission's annual country assessment. The Commission expresses general satisfaction with the Danish National Reform Programme, which it describes as stable, coherent and consistent with the priorities of the Lisbon Strategy. The Commission finds that the most important challenges for Denmark presently are the labour supply (labour market participation and hours worked, incentives to work, and improving participation rates of the older generation and ethnic minorities), primary and secondary education, competition and reaching the Kyoto targets on greenhouse gas emissions. These focal points are highly consistent with the priorities of the Danish Government, and the two issues can as such be dealt with jointly in the report.

Within the last year, immense changes have occurred in the world economy inevitably influencing the Danish economy as well. The basis of the National Reform Programme 2008 was a situation with historically low unemployment rates, substantial capacity problems on the labour market, and a long period of budget surpluses and fair economic growth. Since then, the financial and economic crisis has meant growing unemployment and increasing pressure on the government budget. Denmark has a reasonable starting point to get through the crisis, among other things, because debt was reduced significantly by securing large budget surpluses in prosperous years and focusing on the long-term sustainability of public finances. This means that there has been room to implement a range of stimulus measures as a response to the crisis and its social implications without compromising long-term objectives of a stable economic and social development. An overview of the crisis measures can be found in Annex 1.

Initiatives have been taken within fiscal policy, monetary policy, support of financial markets, and liquidity support. The measures within fiscal policy are aimed at restoring the general level of confidence in the economy, supporting the households and increasing activity through public investments. Among the most significant measures are the *tax reform in 'Forårspakke' 2.0*, the possibility to *withdraw savings from the SP pension scheme*, the expansion of *public investments* in transport and in the municipalities and regions, and most recently a *business package* worth 4 billion DKK. The growth in public investments roughly totals 30 percent in 2009 and 2010, which is the biggest

two-year expansion since the beginning of the 1960s. In aggregate terms, the fiscal stimulus measures will increase employment by 40.000-45.000 fulltime jobs by 2010. In a European perspective, Denmark is one of the member states that have implemented the largest fiscal stimulus. The stimulus measures are temporary and both the tax reform and the public investments will support long-run growth. The economic outlook and the governments handling of the crisis are further dealt with in Chapter 1 and Annex 1.

It is a central long-term objective that Denmark maintains its position as one of the most prosperous countries in the world with a highly developed welfare state. To help meet this goal, the Government has launched a new 'Growth Forum', which will contribute to the process of analysing and meeting the challenges of tomorrow and prepare Danish economy to renewed growth. The Growth Forum will continuously advise the Government on issues that also relate to the Lisbon Strategy's focus on growth and employment: productivity and competitiveness, a skilled labour force and high employment, and green growth, this in a situation, in which the room for fiscal policy is limited.

The Government has taken a number of initiatives in this direction during the last years. Ambitious goals have been set in the area of *education and research*, among other reasons, to help enhance production and growth. In the area of education, clear goals have been defined regarding what children need to learn in each grade. Furthermore, the core subjects – reading, math, natural science, and English – have been strengthened. Moreover, efforts are being made to encourage young people to begin a *secondary education* directly after they finish primary school and to maintain the young people at the education they started. In addition, resources in the Government's 'Globalisation Fund' have been earmarked to enhance the quality of *tertiary education* and further funding has been directed towards *research and innovation*. The Government's initiatives to promote Denmark as a knowledge and innovation society are elaborated in Chapter 2.

In addition to efforts securing an adequate workforce, a range of ambitious initiatives to *minimise administrative burdens* for businesses and create a *healthy framework for entrepreneurship* have been taken with the overall purpose of offering Danish business the optimal framework conditions in a globalised world. Furthermore, there is a focus on *enhancing competition* and the Government has, inter alia, the ambition that the number of sectors experiencing competition problems should be halved by 2010 compared to 2001. Moreover, through the 'green transportation' agreement, the Government has ensured a future green and modern infrastructure.

In the long run, the lack of skilled labour will remain a central challenge. Consequently, the government continues its focus on increasing *labour supply*, most recently through the *reform of the tax system*, which significantly reduces marginal income tax rates. Furthermore, initiatives are being implemented to *reduce the level of sickness absenteeism* and to *include marginalised groups into the workforce*. In September, the government

announced a new youth package comprising measures to curb youth unemployment. The efforts to ensure a well-functioning labour market are elaborated in Chapter 4.

Finally yet importantly, climate and environmental policy remains on top of the agenda in Denmark. Examples of this are the Danish efforts to reach a global agreement at COP15 in Copenhagen this December and the ambitious agreement on 'Green Growth', which was made in spring 2009. Furthermore, the government has set up a climate commission, which in 2010 will issue a comprehensive package of policy proposals in order to reduce greenhouse gas emissions significantly.

As in the National Reform Programme 2008, the structure of this Progress Report follows the four main priorities of the Lisbon Strategy supplemented by an introductory chapter on the general economic framework.

- Chapter 1 deals with the overall conditions of Danish economy including the economic outlook, the Government's response to the economic crisis, and medium term economic targets.
- Chapter 2 focuses on the Government's efforts to strengthen Denmark as a knowledge and innovation society. The chapter deals with the Commission's point to watch for Denmark regarding primary and secondary education. Moreover, initiatives concerning tertiary education and research and innovation are described.
- Chapter 3 describes the Government's work to create a healthy business environment in Denmark. Among other issues, the chapter deals with the single market, better regulation, investments in infrastructure, and the Commission's point to watch for Denmark regarding competition.
- Chapter 4 summarizes the present labour market conditions and the Government's initiatives to ensure adequate labour supply in the longer run including the promotion of a flexible labour market and efforts to integrate marginalised groups into the labour market. Hence, the chapter is dealing with the Commission focal point regarding labour supply.
- Chapter 5 focuses on Denmark's actions in the field of climate, energy, and the environment. This includes efforts to reduce greenhouse gas emissions, energy policies, and the promotion of environmental technology and the ambitious agreement on 'Green Growth'. As such, the chapter relates to the point to watch concerning the fulfilment of the responsibilities laid down in the Kyoto Protocol.



# 1. The economic framework

*The marked decline in production in the Danish economy in the wake of the financial crisis is now showing signs of abatement. Confidence indicators have strengthened, and the fall in private consumption and exports is coming to a halt. At the same time, the expansionary monetary and fiscal measures will act with increasing force in the remainder of 2009 and in 2010. The strength and the exact timing of revived activity growth is uncertain due to, in particular, a weakened real estate market and continued need for consolidation in the financial sector.*

*The fiscal measures that have been decided are supporting demand and employment but also weaken public finances at a time when the fiscal position is already affected by rising unemployment and lower private consumption. Public finances are estimated to show a deficit of almost 5 per cent of GDP in 2010, which is above the 3 per cent limit in EU's Stability and Growth Pact. The international financial crisis and the initiatives taken to mitigate the impact of the crisis have thus increased the need for consolidation of public finances towards 2015 in order to fulfil key objectives in the 2015-plan. The structural budget deficit is estimated at 1/4 per cent of GDP in 2010.*

## 1.1 Short term outlook

The global fall in production and demand since last autumn is now showing signs of abatement. Business and consumer confidence have strengthened significantly also in Denmark, and industrial production is gradually increasing in some countries. Meanwhile, the process of reducing inventories appears to be coming to a halt, world trade appears to have stabilized and the decline in GDP has stopped in the euro area. The crisis has led to a marked loss in output, and the stabilization therefore takes place at a low level.

Following a contraction of 1.2 per cent last year, Danish GDP is estimated to decline by 3 per cent this year, while growth is estimated to 1 per cent in 2010. The forecast implies relatively high growth in the last half of 2009 and in the beginning of 2010, reflecting expectations of renewed growth in private consumption on the back of the disbursement of the Special Pension savings (SP) and tax reliefs, but also gradual growth in exports and high public demand. Unemployment is expected to rise, but with diminishing pace, especially due to the fall in production that has already taken place, and registered unemployment is expected to reach approx. 150.000 persons on average next year (approx. 5.2 per cent of the labour force, national definition).

This view on the economic outlook is subject to considerable uncertainty, but downward risks towards the end of 2010 appear to have abated in the last months, in part reflecting improved conditions in the financial markets.

Economic policies are extraordinarily expansionary in 2009 and 2010, and planned fiscal policy is more expansive than in most other countries, even though unemployment is relatively low in Denmark. At the same time the effect of so-called

automatic stabilizers is stronger in Denmark than in most other countries due to, in particular, high compensation in the case of unemployment and the extent of and progression in taxation. This tends to dampen the decline in household income and employment.

The international crisis and fiscal easing result in a large public deficit estimated at 4.9 per cent of GDP in 2010. The weakening of public finances from 2007 to 2010 is estimated at almost 9½ per cent of GDP, of which 1/3 reflects discretionary easing. The weakening of public finances is more pronounced than in most other countries due to stronger automatic stabilizers in Denmark and a more expansive fiscal policy. A public deficit of up to 5 per cent of GDP in 2010 implies that Denmark will exceed the 3 per cent limit in the Stability and Growth Pact.

**Table 1.1**  
**Convergence criteria, 2008**

	Consumer prices (HICP) <sup>1)</sup> Per cent	Interest rates (10-year gov.bond) <sup>1)</sup> Per cent	Public balance (EDP-form) Per cent of GDP	Public debt (EMU-debt) Per cent of GDP
Denmark	2.2	3.8	3.4	33.5
EU27	2.1	4.3	-2.3	61.8
Euro area	1.4	4.0	-1.9	69.3
Convergence criteria <sup>2)</sup>	2.2	6.7	-3.0	60.0

1) From august 2008 to July 2009.

2) Minimum requirements.

Source: EU-Commission, Eurostat, Statistics Denmark and own calculations.

## 1.2 Economic policies and the economic crisis

Denmark was strongly affected by the global crises, both via currency outflows and interest rate tensions, weakened export opportunities and reductions in domestic demand. As a response to the economic and financial crisis a large number of initiatives have been taken to support financial markets, activity and employment, *cf. annex 1*.

The initiatives include among other things a central government guarantee for simple bank creditors according to the Bank Package from October 2008, central government capital injections in financial and mortgage-credit institutions following the Credit Package from January 2009, export lending facilities in the context of the Export Credit Fond, extended credit periods and latest a credit package with the aim of improving financing conditions for small and medium-sized firms etc.

Fiscal policy measures concern both expenditures and revenues, and since the turn of the year measures have included public investments and subsidised private investments, the possibility of withdrawing Special Pension savings and lower income tax following the tax reform in *Spring Package 2.0*, in which tax reductions take effect

in 2010 while financing elements are gradually phased in. The tax reform is fully financed in the long term and the expected favourable effects on labour supply and savings will strengthen long term sustainability of public finances.

Fiscal policy is eased by almost 2 per cent of GDP in 2009 (measured by direct revenues), and in 2010, a further easing of 1¼ per cent of GDP is estimated. This reflects agreements on infrastructure investments etc. reached in the spring, agreements from June on the local government economy in 2010, which include a further increase in local government investment in 2010, and the tax reform in *Spring Package 2.0*. On top of that, are the effects of the withdrawal of SP-savings in 2009, which is not included in the direct revenues since the Special Pension scheme is a private saving scheme.

In total, fiscal policy and the withdrawal of SP-savings are estimated to increase GDP by 1¼ per cent in 2009 and 1 per cent in 2010. Furthermore, the agreed fiscal policy measures in 2009 and 2010 imply that employment in 2010 can be some 40-45,000 persons higher compared to a situation with neutral fiscal policy.

If the effects of lower interest rates since 2008 are included, the GDP level is estimated to rise by approx. 4 per cent in 2010 while employment could be 70-75,000 persons higher. The expansionary economic policies in Denmark will support demand significantly following the downturn over the last year. The effects are expected to be largest in 2010, at a time when excess capacity prevails.

The fiscal deficit of almost 5 per cent of GDP in 2010 is the highest since 1983, even though the unemployment rate in 2010 (5.2 per cent of the labour force) is somewhat lower than at that time. It is a key concern to avoid an overly expansionary fiscal policy that will increase the public deficit and borrowing requirements and thus aggravate the requirements for subsequent consolidation. Large deficits increase the vulnerability to further turmoil in the financial system and the international capital markets and enhance risks of higher interest rates that would hamper the real estate market and employment. It is a special concern – also in order to ensure the effects of measures undertaken – that fiscal policy supports the credibility of the fixed exchange rate policy.

At the same time, competitiveness has deteriorated since the turn of the millennium, one of the reasons being high Danish wage increases and weak productivity developments, and that inflation has been higher than euro area inflation throughout the last year. This is expected to apply in 2009 and 2010 as well, even though wage increases abate.

This could signal that structural unemployment might be higher than hitherto presumed. If structural unemployment is underestimated and wage competitiveness further deteriorates, Danish export and investment will be affected negatively and the recession could be prolonged. The need for cautious fiscal policy is thus enhanced,

based on stabilization concerns as well as long term fiscal policy challenges. Future room for manoeuvre in fiscal policy thus depends on the outcome of wage negotiations in the private sector the coming spring. A modest wage development – with appropriate concern for industries exposed to international competition – would reflect a flexible Danish labour market and increase the probability of a relatively rapid recovery.

### 1.3 Medium term strategies and objectives

Economic policy generally aims at ensuring high and stable employment rates, good conditions for growth and a sustainable fiscal policy. The concrete planning of fiscal policy is based on the fiscal objectives set out in the 2015-plan, *Towards new goals – Denmark 2015* from august 2007. The central objectives in the 2015-plan are described in box 1.1 and in *Denmark's National Reform Programme 2008*.

The international financial crisis and the policy easing in response to the crisis have increased fiscal challenges over the longer run. The structural budget surpluses of recent years are expected to give way to a deficit of around 1¼ per cent of GDP in 2010. Discretionary fiscal policies in themselves reduce the structural budget balance by some 3 per cent of GDP from 2008 to 2010.

Compared to the latest update of the 2015-plan in Denmark's Convergence Programme 2008 (CP08), the structural budget balance in 2010 is weakened by around 2 per cent of GDP. Half of the weakening reflects the temporary fiscal measures implemented this year. The structural balance is also weakened due to a 2 per cent lower estimate for potential production compared to CP08. This reduces estimated structural revenues because the tax base has decreased permanently.

Fulfilling the target in the 2015-plan of at least balance in public finances in 2015 requires that the decline in the structural balance since CP08 is reversed.

When considering the required improvement of the structural balance towards 2015, it must be taken into account that expansive measures in 2009 and 2010 are temporary. This applies with respect to the frontloading of public investment and the tax reform, which is underfinanced in the beginning, but strengthens public finances in 2015 in line with the phasing-in of financing elements in line with the legislation adopted. In the 2015-plan structural reforms are required to strengthen public finances by approx. ¾ per cent of GDP towards 2015. Labour supply effects etc. stemming from the tax reform in *Spring Package 2.0* are estimated to meet about half of this requirement. The challenges towards 2015 also encompass that structural unemployment in CP08 is assumed to be 3½ per cent of the labour force towards 2015.

To fulfil the central target of at least balance in public finances in 2015, significant consolidation is required. Fiscal consolidation is necessary to avoid budget balance deficits that increases public debt and net interest payments. Large deficits and increased public debt reduce the scope for financing expenditures on health, care and

pension for an increasing number of elderly without reducing the quality of social services, and may also put pressure on tax policies. Focus on consolidation is thus important in fiscal policy setting in the years to come.

Medium term challenges will be assessed in *Denmark's Convergence Programme 2009*.

#### Box 1.1

##### Central elements and guidelines in economic policy setting

The key objectives for *fiscal policy* are to ensure economic stability and sustainable public finances. The cornerstone is for planned and projected public expenditures to be financed without needs for fiscal tightening over the long run. The central target is at least balance in (structural) public finances in 2015.

*Expenditure policy.* Within the framework of the 2015-plan real public consumption is set to grow by, on average, 1 per cent per year from 2007-2015. In 2015 public consumption expenditures can amount to up to 26½ per cent of (cyclically adjusted) GDP. If expenditures exceed 26½ per cent of GDP in the updated medium term plans, this guideline implies an obligation to reassess the priorities in economic policy setting with a view to bringing the expenditure level in line with the benchmark.

The cornerstone of *tax policies* is still the tax freeze. This entails that no tax or duty must increase whether it be fixed in per cent or the nominal amount DKK. The tax freeze remains before and after the tax reform in *Spring Package 2.0*, which is estimated to strengthen fiscal sustainability by approx. 5½ billion DKK as a result of favourable effects on labour supply, savings etc.

*Monetary and exchange rate policies:* Monetary policy is set in order to keep a stable exchange rate of the Danish Krone vis-à-vis the euro. It is essential that responsible policies contribute to a further narrowing of the interest differential between Denmark and the euro area.



## 2. Denmark as a knowledge and innovation society

*In order to strengthen the knowledge and innovation society, Denmark has particular focus on improvements in the primary and secondary school and youth education programmes, increasing the number of students who complete an upper-secondary or tertiary education, and improving the quality and widening the scope of research. Enhancing the interplay between the business sector and public research is a priority. The opportunities of Globalisation must be exploited.*

### 2.1 The primary and secondary school and youth education programmes

Two of the Government's main objectives within the field of education are:

- Denmark's primary and lower secondary school is to be the best in the world, where the brightest pupils match the level of the best in other countries and where the level of the weakest pupils is to be raised.
- At least 95 per cent of a youth cohort is to complete a youth education programme in 2015. It is an intermediate aim that a minimum of 85 per cent of all young people are to complete an upper-secondary education in 2010.

*The primary and secondary school is to provide all children with the fundamental academic skills that are decisive for getting an education and functioning on the labour market and in society. The school furthermore plays an important role in educating children to becoming creative, independent and responsible citizens. Danish 4<sup>th</sup> grade pupils manage relatively well compared to other OECD countries in terms of academic skills in reading and math. This is found in the IEA's PIRLS (Progress in International Reading Literacy Study) studies from 2006 and the TIMSS (Trends in International Mathematics and Science Study) studies from 2007. Significant progress can also be observed in the reading skills of younger pupils. In the course of 15 years, Danish 3<sup>rd</sup> grade pupils' reading skills have improved corresponding to one whole age group. The skills in reading and science subjects of 15-year-old Danish lower secondary pupils correspond to the OECD average. Although the mathematical skills are above average, they do not warrant a place among the top five.*

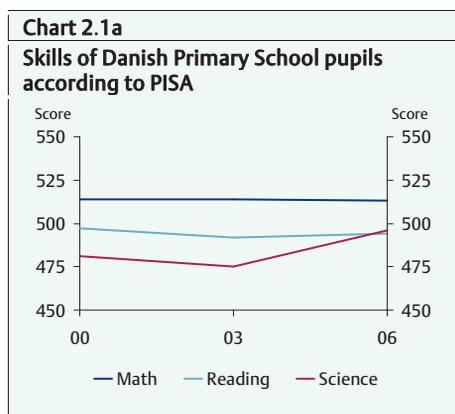
#### Box 2.1

##### Initiatives in the Primary and Lower Secondary School

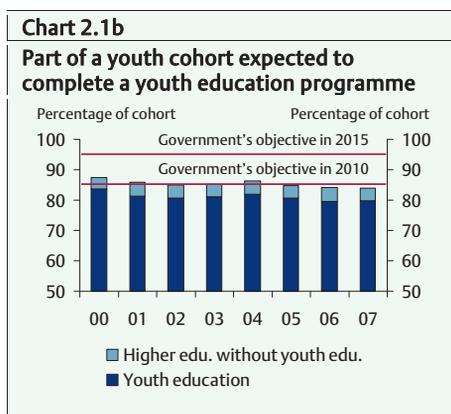
In recent years, a great number of initiatives have been launched to strengthen standards in the primary and lower secondary school. As part of these efforts, in 2003, binding attainment objectives were introduced and new booklets on Common Objectives were prepared for the primary and lower secondary school's subjects and compulsory subjects and disciplines.

In continuation of the Government's globalisation strategy, "Progress, Innovation, Cohesion", a revision of Common Objectives was started in 2006. Based on the new preamble for the primary and lower secondary school, the objectives of all the subjects were to be revised, the attainment objectives were to be adjusted, and reading, math, science and English were to be strengthened.

Common Objectives 2009, which enters into force in the 2009-2010 academic year, contains new targets and content descriptions for the pre-school class and revised final objectives, attainment objectives and curricula.



Source: PISA.



Source: Competitiveness Report 2009.

The latest figures from 2007 show that approx. 80 per cent of a youth cohort is expected to complete an upper-secondary education within 25 years of completing 9<sup>th</sup> grade. In addition, about 4 per cent of a youth cohort is expected to complete a higher education without any registered upper-secondary education. The expectation is thus that a total of approx. 84 per cent of a youth cohort who completed 9<sup>th</sup> grade in 2007 will complete at least an upper-secondary education within the subsequent 25 years. It remains, therefore, a huge challenge to reach the target of 95 per cent.

In recent years, a number of initiatives have been initiated to strengthen the transition from primary and lower-secondary schools to upper secondary schools (cf. Denmark's NRP 2008). The fact that the total share of young people who are expected to acquire an upper-secondary education fell slightly between 2006 and 2007 should be seen in the perspective of changed educational behaviour among the somewhat older age groups, particularly in relation to upper-secondary education. As well as getting young people started on an education quickly, the focus has been on reducing the drop-out rate. This has among other things led to a decrease in the drop-out rate among pupils who began a basic vocational and education training course in the second half of 2008 to 17 per cent from 22 per cent the previous year.

Completing a vocationally oriented youth education programme can be connected with the possibilities of getting a training place. On the whole, the financial crisis has meant a fall in the number of in-service training agreements entered in the field of vocational education and training. For this reason, the Government and the parties to the globalisation agreement entered a *Training Place Agreement* on 7 May 2009. This includes, inter alia, a new scheme for awarding companies that set up in-service training places, streamlining the reach-out efforts of the schools with regard to in-service training places, and more practical help for the companies. In addition, on 18 June 2009 the Government and the political parties agreed on increasing the capacity of school-based practical training, which can take the place of company-based practical training within certain education and training programmes. They also agreed to

monitor the results of the measures already taken with a view to assessing the need for new measures in 2010 and with a view to the continuous involvement of the labour market parties. Most recently, on 5 September 2009 the Government presented a proposal for DKK 1 billion for *5,000 more training places* in the light of the economic downturn and a declining number of private in-service training places.

## 2.2 Higher education

It is a key objective of the 2006 'Welfare Agreement' that at least 50 per cent of all young people are to have a higher education in 2015 at the same time as the completion age is reduced. The point of reference is a level of approx. 45 per cent in 2007, which is the most recent calculation. Therefore, the Government has introduced a number of measures aimed at raising the quality, improving the standards and reducing the completion time at higher education programmes in Denmark.

DKK 930 million was set aside for the period 2007-2009 in the globalisation pool for initiatives aimed at raising quality in higher education programmes, *cf. box 2.2*.

### Box 2.2

#### Raising the quality of higher education via the globalisation pool

- The establishment of ACE Denmark (the Accreditation Agency for Higher Education in Denmark), which is to ensure and document the quality and relevance of higher education in Denmark.
- Modification of teaching methods, strengthened study guidance and in-service training of teachers at long-cycle education programmes.
- In-service training of teachers and traineeship supervisors at medium-cycle higher education (professional bachelor degree programmes).
- Elite programmes at long-cycle higher education programmes.
- Strengthening of quality, standards and development-based knowledge at university colleges.
- Raising quality at medium-cycle higher education programmes (professional bachelor education programmes).
- Reform of the short-cycle higher education programmes (academy profession degrees).
- Scholarships for Danish students' study periods abroad.
- Scholarships for highly qualified international students covering tuition fees and scholarships covering living expenses.
- Development of joint education programmes with educational institutions abroad.

*ACE Denmark* was established in autumn 2007 as an academically independent body whose task is to ensure and document the quality and relevance of higher education in the Danish educational institutions. In 2007, the accreditation of new education programmes was initiated, and in 2008 a pilot project was carried out in which 37 existing university programmes were accredited. 100 existing university programmes are expected to be accredited in 2009. The first accreditation round for academy profession programmes and professional bachelor programmes began in August 2008.

DKK 25 million has been set aside for 2007 to 2009 in the globalisation pool for Danish universities to develop *elite programmes* with a view to giving the most highly qualified students the opportunity to develop to the highest international level. In

2008 and 2009, the Minister for Science, Technology and Innovation approved a total of 32 new elite programmes. The elite programmes that have been approved are broadly distributed between universities and subjects, and they are awarded an extra elite taximeter grant. In addition, a total of DKK 325 million has been set aside for the period 2007 to 2009 to enhance quality, standards and development based knowledge at the university colleges. The objective is to support a targeted focus on offering attractive academic study environments, a clear benefit for the students in their internships, and targeted efforts to reduce drop-out rates among students at medium-cycle higher education programmes. Initial results show *inter alia* that the intake to short-cycle and medium-cycle higher education rose by 17 per cent between 2008 and 2009, and that the first year of study completion rate for students admitted in 2008 is higher than previous years. Moreover, figures show that 91 per cent of graduates from the university colleges are employed within one year of graduation.

The amendment of the Act on Universities in June 2009 has made scholarships more flexible. In the future, the universities can allocate both full as well as partial scholarships to highly qualified *international students* from countries outside the EU/EEA area who are admitted to a full programme of study. A similar amendment of the scholarship regulations for highly qualified international students is expected implemented for academy profession and professional bachelor programmes 2009/2010. To follow up on the globalisation initiatives, a further number of initiatives have been launched in the university area to support the 50 per cent objective and with a view to lowering the completion age, *cf. box 2.3*.

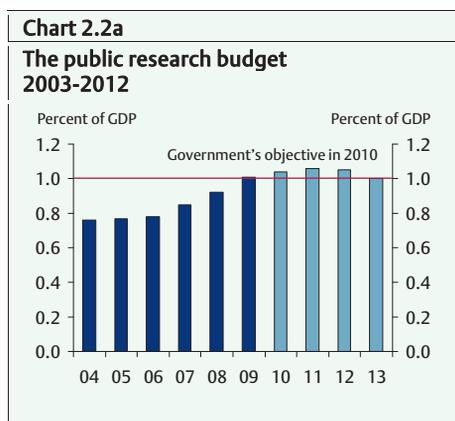
**Box 2.3****Initiatives since 2008 concerning the 50 per cent objective and completion age**

- Following a service check in 2009, the tightened specific requirements (i.e. requirements concerning subjects and levels) for admission to the universities' bachelor programmes with effect from 2008 have been adjusted and kept. The aim of the requirements is to ensure that there is a uniform and higher academic entry qualifications and thus a lower drop-out rate.
- From and including the 2009 intake, adjustments have been made to the admissions system in order to promote earlier commencement of studies.
- To increase applications to higher education programmes, in spring 2009 the Ministry of Education and the Ministry of Science, Technology and Innovation conducted a joint direct mail campaign in which 43,000 personal letters were sent to young people with an entry qualification who had not yet commenced or completed a higher education.
- Faster re-examination options and automatic examination registration have been introduced.
- Study guidance has been strengthened, inter alia with the result that the number of full-time equivalents at the universities engaged in this area has risen from 66 full-time equivalents in 2006 to 106 full-time equivalents in 2009. As part of the enhanced study guidance, as per 1 February 2008 the universities are obliged to monitor students who are in danger of dropping out (i.e. students who are more than half a year behind in their studies), e.g. by offering them an interview.
- In 2009 the so-called N+1 scheme was introduced, which means that universities get a bonus for each bachelor who complete his studies within a prescribed period of study (N) plus one year, and a bonus for those with a who complete their master studies within the prescribed period of study.
- It has been agreed with the universities that the PhD intake in 2010 is to be 2,400, corresponding to a doubling of the 2003 intake. In 2008 the intake was approx. 1,950 PhDs in the area of the Ministry of Science, Technology and Innovation. The intake for the Industrial PhD is to follow the general doubling so that in 2010 150 new Industrial PhDs start up. In addition, funds have been earmarked to start up approx. 20 Industrial PhD projects in the public sector in 2010 and 2011.

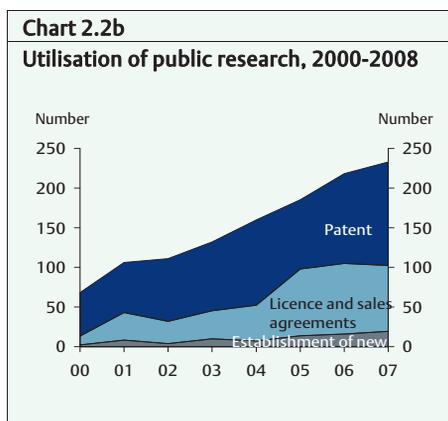
### 2.3 Public research – focus on quality, relevance and competition

With the Government's 2010 Draft Budget, publicly financed research and development expenditure will exceed the target of 1 per cent of GDP in 2010. This has resulted in significant increases in public research allocations after 2006 and in particular in 2009, *cf. chart 2.2a*. As the most recent figures from 2007 show that private investments in research and development comprise approx. 1.9 per cent of GDP, Denmark is approaching the 3 per cent target.

Public Danish research continues to be of high international quality. This is emphasised *inter alia* by the fact that Denmark has experienced significant growth in the number of public research results that are utilised by means of patents, licences and sales agreements, *cf. chart 2.2b*.



Source: Draft Budget 2010 and Statistics Denmark.



Source: Competitiveness Report 2009.

In May 2008, the Ministry of Science, Technology and Innovation published the RESEARCH2015 catalogue. Every fourth year the catalogue is to result in a solid, progressive basis the political prioritisation of funds for strategic research.

On the basis of the catalogue, in autumn 2008 DKK 276 million in strategic research council funds was allocated for seven themes. The seven themes are climate and environment, production and technology, health and prevention, innovation and competitiveness, people and societal design, energy and knowledge and education. An impact measurement in 2008 showed that strategic research; ensures that research is initiated that would otherwise not have been carried out; gives companies the possibility of initiating research that is more risky and long-term; stimulates further research activity; strengthens long-term interactive relations between public and private actors; and potentially strengthens innovation and competitiveness in the long term.

UNIK (The University Research Investment Capital) is a pool of research funds that finances large-scale research initiatives at the universities in Denmark. The aim is to promote world-class research and to strengthen university managements' prioritisa-

tion of research funds. The funds are distributed in a process of competition between the universities. A total of four initiatives distributed over three universities have each been granted approx. DKK 120 million over a period of 5 years. DKK 240 million was set aside for the UNIK initiative in 2008 and 2009, respectively.

Regarding the Government's goal that the quality of public research should be able to match the best in the world, in 2009, a political agreement was entered to continue the development of the bibliometric research indicator, which is to promote publication in the most acknowledged channels of publication and enhance the quality of Danish research. The use of the indicator will be phased in over 3 years and will itself weigh 25 per cent of the basis for allocation of basic funds to universities by 2012.

The Government prioritises international research cooperation. Early 2008, the Ministry of Science, Technology and Innovation launched a strategy outlining goals for enhanced cooperation with China in the areas of higher education, research and innovation. Among other things, PhD collaboration has been established in the field of nano, bio and ICT technologies. Cooperation has also been established in the areas of sun, wind, biomass and sustainable construction, where Denmark contributes DKK 19 million to the cooperation between Danish and Chinese researchers. Cooperation with India has also been established in the area of foods. In 2009, funds will be allocated to joint Danish-Indian projects. Denmark contributes DKK 8 million.

#### **2.4 Research, innovation and dissemination of knowledge in the private sector**

It is the objective of the Government that Danish enterprises should be among the most innovative in the world. However, Denmark is still in the middle part of the international rankings with respect to the share of innovative enterprises. The most recent studies show that 28 per cent of the Danish enterprises introduced one or more product and/or process innovations between 2005 and 2007 compared with 37 per cent in 2004-2006. The latest study, however, is more precise and comprehensive than earlier studies and can therefore not be directly compared with corresponding earlier statements.

Turnover from newly-developed products from innovative enterprises has on the other hand been rising over a number of years, indicating that innovation is becoming increasingly more commercially important for the Danish business sector. The number of Danish patent applications under the EPO has been rising since 1999 and this development continued in 2007. Denmark is now in sixth place among the OECD countries and is approaching the top 5.

Denmark continues to be one of the countries in the world where private companies perform most research and development. In 2007, private investments in research and development amounted to 1.91 per cent of GDP.

As is stated in the Government Platform, the Government is to draw up a business directed innovation strategy. The strategy is to focus on improving the framework

conditions for enterprises' innovation activities, inter alia by means of increased protection of rights and more knowledge about new forms of innovation. In addition, the Government would like to ensure better coordination of the company directed innovation policy with a view to creating a good link between the future needs of the business sector and the existing innovation system. The strategy is expected to be published at the end of 2009.

In 2008 and 2009, a number of initiatives were set in motion in the areas of research, innovation and dissemination of knowledge in the private sector. The initiatives can be seen in *box 2.4*.

#### **Box 2.4**

##### **New initiatives to strengthen research, innovation and the dissemination of knowledge in the private sector**

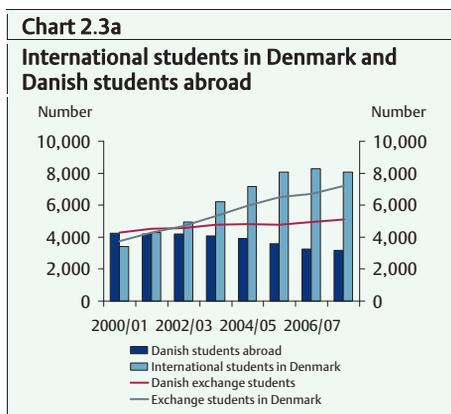
- In autumn 2008, the Danish Council of Technology and Innovation established a new, comprehensive national infrastructure for innovation networks, which, inter alia, means fewer and stronger networks, each of which covers important technological and commercial areas in Denmark.
- In autumn 2008, the Johan Schlüter Committee appointed by the Ministry of Science, Technology and Innovation launched an internet-based toolbox that is to strengthen cooperation between public research and private enterprises by making it easier to enter into agreements concerning patent rights.
- In 2009, the Danish Council of Technology and Innovation formulated a strategy for Approved Technological Services in Denmark for the period 2010 to 2015. With this strategy the Council wishes to move approved technological service up in the knowledge chain by means of more research and development, international purchase of knowledge, and stronger strategic integration between the technology service institutes.
- In 2009, the Danish Council of Technology and Innovation initiated a call for "Innovative societal solutions in strategic partnerships" with the aim of establishing strategic partnerships between enterprises, leading research institutions and public institutions to implement concrete innovation activities that contribute to resolving important societal challenges, for example in the areas of climate, energy, life science, health etc.
- As part of Green Growth, the Government has proposed that among other things a strategic innovation-partnership should be established for Agro Food as well as a Green Development and Demonstration Programme (GUDP) that is to strengthen Denmark's role as a Green Technology Laboratory and supplier of new green knowledge and technology.
- The Government and the private trust fund Realdania are cooperating on a project that is intended to promote innovation in the building and construction sector. The objective is, among other things, to make concrete proposals about how buildings used by public institutions in the area of children, the elderly and primary and lower secondary school should be designed in the future.
- Enterprises can now receive support and guidance about intellectual property rights through the IP Introduction Package. The package consists of guidance from the 'Væksthusene', grants for an IP-related study and one hour's free guidance from a private consultant. It has also become possible for enterprises to deal in trademarks, design and utility models via IP-marketplace (IP-marketplace.dk).

## **2.5 The fifth freedom – free movement of knowledge**

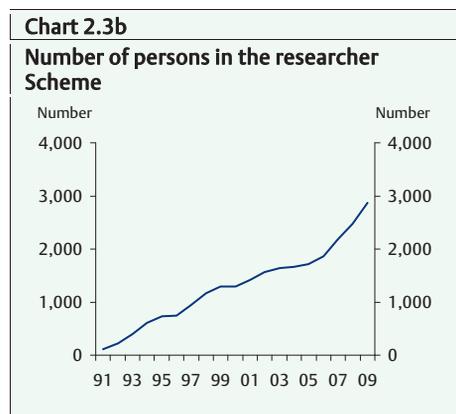
The EU must be able to educate, retain and attract the best talents in order to compete globally and fulfil the objectives of the Lisbon Strategy. Establishing a flexible, open labour market for researchers in Europe is a major Danish priority in realising

the fifth freedom of knowledge. The goal is to contribute to increased mobility across institutions, sectors and national borders, to improve conditions of employment and working conditions for researchers and to make a contribution to research, innovation and growth in general. Denmark is working for continued progress in The European Research Area (ERA) and is taking part in preparations for a new, strengthened partnership, The European Partnership for Researchers (EPR). In the second half of 2009, Denmark is to draw up coherent national action plan that set up concrete goals and actions in order to create better education, career options and mobility for researchers.

The number of international students in Denmark has risen in recent years, *cf. chart 2.3a*. In 2006, international students constituted just under 5 per cent of students in higher education programmes in Denmark, which is lower than the OECD average of approx. 7 per cent, but this gives Denmark a relatively good ranking in comparison with other non-English speaking countries. In recent years, more Danish students have chosen to take part of their education abroad, while the number of Danes taking an entire education programme abroad has been declining.



Source: Cirus.



Source: Ministry of Taxation.

The Government has instituted initiatives in a number of areas to increase the mobility of students and researchers and contribute to improving the mobility of knowledge:

The researcher taxation scheme has been revised to allow the possibility of choosing between 25 per cent gross tax for three years and 33 per cent gross tax for five years. Foreign researchers now have the possibility of shorter stays in Denmark as guest teachers before appointment under the special tax scheme. The number of employees in the researcher taxation scheme has risen since the scheme was introduced in 1992, in particular in recent years, *cf. chart 2.3b*. As per 1 January 2009, 2867 researchers and key employees were attached to the scheme.

A scheme has been introduced under which students can take public grants with them to a recognised educational institution abroad. The scholarship scheme for study abroad supports the internationalisation of Danish higher education.

The objective of the Government's action plan for *Global Marketing of Denmark 2007-10* is to contribute to strengthening Denmark's positive reputation abroad. One of the five prioritised focus areas in the action plan is to profile the whole of Denmark as a country of education and to support the marketing initiatives of the educational institutions within all sectors of higher education. Among other initiatives, the development of a Danish educational brand, THINK PLAY PARTICIPATE, participation in education fairs in Europe and Asia, the establishment of a climate scholarship for international students, and swifter and easier access to Denmark for qualified international students is to help create a clear picture of Denmark as an attractive nation of education and research.

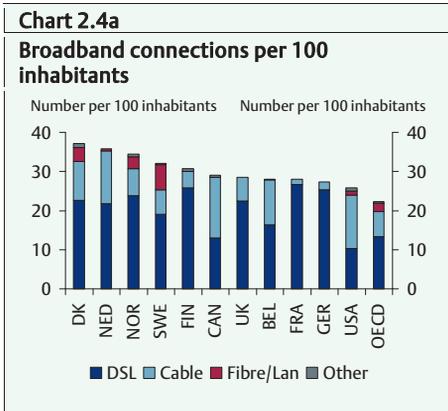
## **2.6 Expanded application of information and communication technology**

The Government has set up the following five strategic objectives to preserve Denmark's position among the EU countries with the highest distribution and most extensive application of information and communication technology:

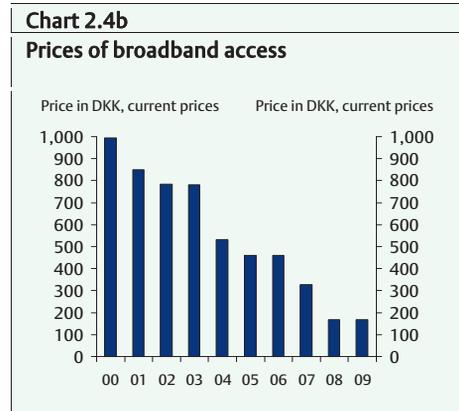
- Denmark is to have an electronic communication infrastructure that is world class.
- Danes achieve the qualifications necessary to utilise this infrastructure.
- Danes will feel secure and confident in utilising the infrastructure.
- Danes will use the infrastructure in practice because its content provides value and usefulness to them.
- Green IT is to make an active contribution in Denmark in reducing the environmental impact.

For that purpose, the Government has appointed a high-speed committee that is to recommend initiatives to further the development of broadband.

Denmark continues to be the country in the world with the highest broadband penetration per 100 inhabitants, *cf. chart 2.4a*. In addition, more than 99 per cent of all households and businesses had the possibility of obtaining internet access through a broadband connection in 2008. Competition on the telecommunications market in Denmark and technological development have also meant that the prices for broadband access fell by more than 80 per cent between 2000 and 2009, *cf. chart 2.4b*.



Source: OECD.



Note.: For broadband connections of 2 Mbit/s in download and 512 Kbit/s in upload, respectively.

Source: Ministry of Science, Technology and Innovation.

Mobile broadband is, furthermore, a technology that is becoming increasingly popular, and the market for mobile broadband is undergoing considerable growth at the moment. There was a 45 per cent rise in the number of data subscriptions to mobile broadband from the first to the second half of 2008.

Denmark was one of the first countries in the world to publish a *green IT* action plan in 2008. The action plan contains initiatives to reduce the total emissions of CO<sub>2</sub> from the IT sector and initiatives that reduce energy consumption and CO<sub>2</sub> emissions in other sectors when IT is used intelligently.

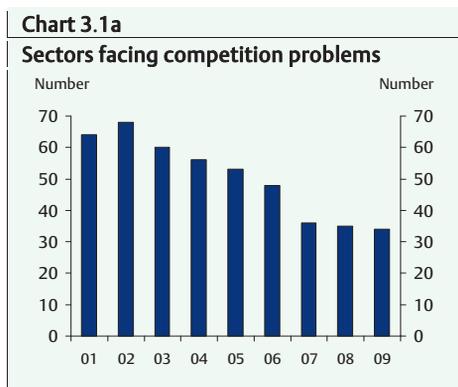


### 3. Unlocking Denmark's full business potential (efficiency, competitiveness and the internal market)

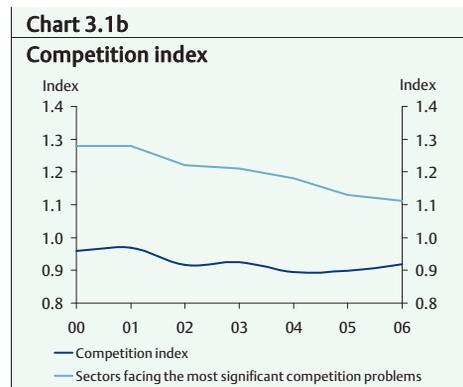
*The Danish Government aims to reap the benefits of globalisation through flexible and open markets and by ensuring that framework conditions contribute to efficient competition and increased productivity. Improved conditions for entrepreneurs, underpinned by a reduction in administrative burdens and modern infrastructure, are to help strengthen framework conditions, thereby unlocking Denmark's full business potential.*

#### 3.1 Realising the potential of globalisation through enhanced competition

The Government's objective is for competition in Denmark to be on a par with the best-performing OECD countries by 2010 and for the number of sectors facing significant competition problems to be halved by 2010 relative to the 2001-level. In 2009, 34 sectors are facing significant competition problems, down from 64 in 2001, cf. chart 3.1a.



Source: Competition Report 2009.



Note: "Sectors facing the most significant competition problems" represents an index of the 10 per cent of sectors with the most significant competition problems relative to the general competition index. A fall in the index represents an improvement in Denmark's competitive intensity.

Source: Competition Report 2009.

Competition in Denmark improved from 2001 to 2006, with the sectors facing the most significant competition problems accounting for the bulk of the improvement, cf. chart 3.1b. The intensity of the competition decreased slightly from 2005 to 2006, primarily due to deterioration in sectors enjoying relatively efficient competition.

There is still some way to go before Denmark is in line with the best-performing countries. For instance, in 2007, Danish prices were approx. 7 per cent higher than

the average of nine comparable EU countries<sup>1</sup> when adjusted for indirect taxes and wealth differences between the countries. This makes Danish prices the second highest in the EU-9 countries, mainly due to high Danish services prices. In terms of profit margins, Denmark is in the middle ranks of the EU-9 countries.

To achieve the Government's objectives, competition thus still needs to be improved. In May 2009, the Danish Parliament adopted a new water supply act, which will help to ensure greater transparency and increased competition in the water supply sector. The Government also focuses on strengthening public sector competition and, to that end, appointed a 'public procurement committee' in 2008 to encourage and increase public sector competition. The Government will also strengthen merger control rules, among other things, to include more mergers under the rules. Moreover, the Danish Competition Authority keeps an ongoing focus on competition-restricting public regulation and the cause of the high level of Danish prices, *cf. box 3.1*.

#### **Box 3.1**

##### **Initiatives to follow up on the Commission's country-specific comments**

The Commission has noted that the Danish Competition Act has room for improvement. In December 2008, the Government's "merger committee" recommended strengthening Danish merger control rules to increase the number of mergers subjected to examination and approval by the Competition Council. The Commission specifically recommended that the turnover threshold values of merged companies be lowered to bring more mergers under the merger control rules.

The Commission also noted that public sector regulation is a contributing factor in the competition problems faced by a number of sectors. The Danish Competition Authority regularly examines sectors that are subject to competition-restricting public regulation – the aim being to reduce competition problems caused by regulation, most recently in the taxi industry.

Danish prices are high compared with those of other EU member states. The government will by the end of 2009 present a new strategy on competition policy with a number of initiatives that will contribute to more effective competition in both public and private markets.

### **3.2 The internal market**

The July 2009 Internal Market Scoreboard for the transposition of internal market directives shows that the Danish transposition deficit is a mere 0.2 per cent, making Denmark the best performer in the EU when it comes to transposing EU directives into national law. At the same time, there has been a small reduction in the number of regulatory breaches. On 1 May 2009, Denmark thus had 26 pending cases involving regulatory breaches in the EU, down three cases relative to 1 May 2006.

The Danish Government was the first EU government to transpose the Services Directive into national law. Moreover, work is still ongoing to establish a *one-stop shop* for foreign enterprises, the objective being to reduce administrative barriers to foreign enterprises' access to the Danish market. The *one-stop shop* is due to be established in early 2010. To follow up on the regulation on the surveillance and control of marketed products, scheduled to take effect in 2010, an overall inter-ministerial

<sup>1</sup> The EU-9 countries are Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Sweden and the UK.

programme will be prepared to ensure coordination of efforts and implementation of market surveillance.

### 3.3 Better regulation

The Government's objective is to reduce the administrative costs of Danish enterprises by up to 25 per cent in 2010 relative to the 2001-level, *cf. box 3.2a*. From 2001 to 2008, administrative costs were reduced from approx. DKK 32 billion to approx. DKK 27 billion, equivalent to a 15 per cent reduction, *cf. chart 3.2a*. 2007/2008 saw the adoption of rules generating running administrative savings of just over DKK 1.8 billion a year. However, other rules were adopted which will result in running costs totalling approx. DKK 100 million a year, the bulk of which are attributable to new EU requirements on food standards.

#### Box 3.2

##### Debureaucratisation plan for business regulation

In March 2009, the Government presented its *Debureaucratisation plan for business regulation*, stating how the Government aims to achieve its ambitious objective of reducing administrative costs by up to 25 per cent by 2010.

If all of the 37 initiatives of the plan are implemented, the business sector's administrative costs will be reduced by approx. DKK 4 billion a year. Total administrative costs for the period 2001-2010 will consequently be reduced by 25.3 per cent. Among the initiatives is a more systematic approach to the irritation burdens. As part of the plan, a label for debureaucratisation is introduced, the purpose of which is to communicate to Danish enterprises that a public information obligation has become easier to meet; a burden mailbox will be set up to which enterprises can address proposals for amendments to existing regulation; and a code for good business regulation is established.

The World Bank's annual survey of business regulation in 181 countries places Denmark as number one among the EU member states and number five overall. Moreover, Denmark still ranks among the EU member states with the lowest administrative costs relative to GDP, *cf. chart 3.2b*.

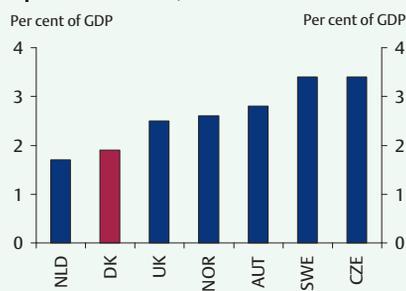
**Chart 3.2a**  
Development in administrative expenditures in Denmark, 2001-2008



Note: Interpolation for years without data (2001-2005).

Source: Competition Report 2009.

**Chart 3.2b**  
Administrative expenditures of enterprises as per cent of GDP, 2008



Source: Competition Report 2009.

Denmark has launched a range of initiatives to ensure continued focus on better regulation and reduction of enterprises' administrative costs, *cf. box 3.3.*

### Box 3.3

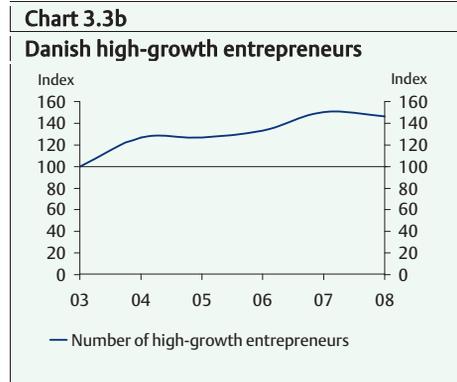
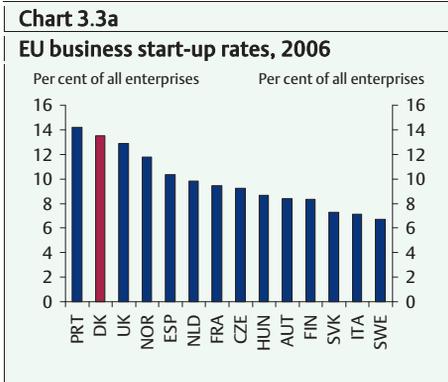
#### Initiatives for better regulation and reduction of administrative costs

- As last year, the ministries with the highest administrative costs are working to implement action plans for achieving a 25 per cent reduction in administrative costs through simplification of existing rules. In addition to the simplification initiatives at the national and EU levels and initiatives under last year's "Burden Hunter Project", a campaign for using the debureaucratisation label will be included in the actions plans in 2009. Inspired by the Burden Hunter Project, the *Simple and Clear Consumer Regulation* project also seeks to reduce the enterprises' administrative costs in the consumer area.
- In line with the aspirations of the Government's digitalisation strategy, Denmark has intensified its efforts to strengthen digitalisation and cross public sector collaboration in the business sector by appointing a domain board for the business sector in 2009. The objective is to enhance the competitiveness of Danish enterprises through increased digitalisation and derived efficiency gains and administrative savings for the enterprises.
- An inter-ministerial committee is to provide the framework for optimised and targeted enforcement of business regulation. Through a more risk- and needs-oriented approach, control and sanctions are focused on the areas with the greatest problems and the most severe risks. Efficient enforcement releases resources for core activities in law-abiding enterprises.
- As part of the extensive work of measuring administrative costs attributable to regulation at EU level and in order to contribute to the simplification of existing business regulation at EU level, Denmark, in November 2008, submitted 30 proposals for simplification of rules in the 13 priority areas to the European Commission.
- Based on *Debureaucratisation plan for business regulation*, Denmark has intensified its efforts to reduce irritation burdens by systematising the efforts in partnership with individual ministries. The ministries have committed themselves to reducing 3-5 of the largest irritation burdens in their respective fields of responsibility. An overview of ministerial initiatives will be posted at the website [regelforenkling.dk](http://regelforenkling.dk) later this year.
- The *Ten Business Flows* project, identifying and analysing 10 business flows seen by enterprises and the public administration as problematic and cost-intensive, was concluded in February 2009. Work is continuing on the solution concepts of the project in relevant ministries or domain boards.

### 3.4 Entrepreneurship

For a number of years, Denmark has ranked among the EU member states with the highest business start-up rate. The start-up rate has increased since 2002, and in 2006 close to 13.5 per cent of all Danish enterprises were less than a year old, *cf. chart 3.3a.*

Creating more high-growth entrepreneurs remains a key challenge for Denmark. The objective is to be among the countries with the highest number of high-growth entrepreneurs in the world by 2015. The number of high-growth entrepreneurs soared by more than 30 per cent from 2003 to 2006 and preliminary indications suggest that the overall increase will exceed 40 per cent in 2008, *cf. chart 3.3b.*

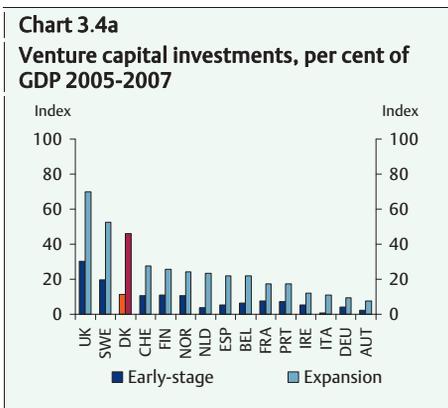


Note: Number of new enterprises as a percentage of the total number of enterprises. New enterprises have been in operation for less than a year.  
Source: Competition Report 2009.

Source: Competition Report 2009.

Danish framework conditions for entrepreneurs are among the best in the OECD in a number of areas. Denmark is one of the OECD countries imposing the fewest administrative burdens on people starting up an enterprise and Denmark is one of very few OECD countries levying no costs on the start-up of an enterprise.

Relative to GDP, the Danish venture capital market is among the largest in Europe. Both venture capital investments and capital under management as a percentage of GDP remained fairly stable until 2008, *cf. charts 3.4a and b*. However, the economic crisis has reduced the supply of venture capital.



Source: Competition Report 2009.

Source: Competition Report 2009.

Box 3.4 provides an overview of initiatives targeting Danish high-growth entrepreneurs.

#### **Box 3.4**

##### **Initiatives targeting Danish high-growth entrepreneurs**

With the implementation of the globalisation strategy, a Cleantech partnership, designed to facilitate the access of cleantech entrepreneurs to competent advice has been set up. Partnerships are formed between entrepreneurs and established enterprises that provide e.g. industry-specific competencies, knowledge and networks. The established enterprises help develop the most promising cleantech entrepreneurs, while at the same time helping them to attract venture capital.

The Government's debureaucratisation plan for business regulation comprises a number of initiatives, which between them generate administrative savings of DKK 4 billion a year to Danish enterprises (see box 3.2). One focus area is better conditions for starting up and running new enterprises. To that end, enterprise and VAT registration will be merged and the audit duty will be relaxed.

Denmark participated in Global Entrepreneurship Week in 2008 – a global initiative focusing on entrepreneurship. The Ministry of Economic and Business Affairs coordinated the national campaign, featuring more than 100 events at the national and regional levels.

In response to the financial crisis, a number of initiatives have been taken to facilitate access to capital for enterprises, *cf. appendix 1*. In September 2009, the Government e.g. launched a business package for small and medium-sized enterprises, totalling just over DKK 4 billion. As part of this package, the access to business development loans for small and medium-sized businesses is enhanced through a temporary strengthening of the loan guarantee scheme; the limit of the scheme is increased by DKK 1.5 billion until the end of 2010 and the scheme is extended to include all business sectors. Moreover, the Government, through Vækstfonden (Danish State Investment Fund) makes DKK 500 million available to the venture capital market. Enterprises able to raise a corresponding amount of private funding are eligible to apply for government capital injections. The business package also includes a range of initiatives designed to promote the export opportunities of Danish enterprises.

### **3.5 Infrastructure**

In autumn 2006, the Government appointed an *Infrastructure Committee*. The Committee was commissioned to assess key challenges and development opportunities for Danish infrastructure and government transport investment in the period until 2030. The assessment was to be based on long-term expectations for transport needs and patterns, taking into consideration demographics, urbanisation and urban development, commuting, trading, etc.

Drawing on the recommendations of the Infrastructure Committee, the Government, in December 2008, submitted its investment plan for the transport sector – *sustainable transport – better infrastructure* – setting out the Government's visions for a long-term, coherent, green transport plan. Against this backdrop, the Government, in January 2009, entered into an *agreement on a green transport policy* with a broad segment of the parties represented in the Danish Parliament. The agreement, running until 2020, sets out overall green principles for Danish transport policy and presents specific road and rail projects totalling some DKK 87 billion, two-thirds of the investments being allocated to public transport. One objective of the agreement is to

ensure that the bulk of the future increase in transport requirements can be met by public transport.

A DKK 94 billion infrastructure fund has been set up to be used for infrastructure investments until and including 2020.

The agreement is the implementation of a number of specific projects, including:

- DKK 22 billion for the establishment of a new signalling system for the Danish state rail network based on the European standard ERTMS Level 2.
- Reservation of DKK 10 billion for capacity expansion of the rail line Copenhagen-Ringsted.
- DKK 1.2 billion for expansion of the Frederikssund motorway.
- DKK 9.1 billion for targeted efforts to improve the environment, security and mobility of the transport system.

A treaty between Denmark and Germany on the establishment of a fixed link across the Fehmarn Belt was signed on 3 September 2008. The treaty was ratified by Denmark on 26 March 2009. The overall target is for the link across the Fehmarn Belt to open towards the end of 2018.

### **3.6 Competition and efficiency in the public sector**

The Government's Quality Reform sets out a number of initiatives designed to increase public-private partnerships and the competition exposure of public contracts, as well as a range of initiatives to promote free choice. The key initiatives were described in Denmark's National Reform Programme 2007.

The initiatives on competition exposure and free choice form part of the Government Platform from 2007 and will be implemented in the period from 2008 to 2010. The Government's initiatives on public sector competition should be seen in the context of a multi-annual agreement concluded in 2006 to increase the competition exposure of municipal contracts until 2010. Since 2006, the municipalities have increased the proportion of contracts exposed to competition by approx. 3 percentage points to 24.8 per cent. The target for the competition exposure of municipal contracts has been set at 26.5 per cent in 2010.

In June 2008, the Government launched an action plan to liberate resources for service provision to citizens. *Plan for liberation of resources to services towards citizens* suggests four ways to liberate resources: 1) Lower administrative costs; 2) Lower procurement and energy costs; 3) Less absence due to sickness; and 4) New technology and improved work planning. Against the backdrop of the action plan, the Government and the municipalities in 2008 entered into a multi-annual agreement to liberate municipal resources totalling DKK 1 billion in 2009, increasing to DKK 5 billion in 2013. The Government is to support this effort through initiatives to benefit the municipalities (simplification of rules, digitalisation, etc.), contributing 50 per cent of

the liberation of resources agreed upon. The municipalities themselves are to contribute the other 50 per cent. The liberated resources are to remain in the municipalities to be used for provision of services to citizens.

The Government has allocated DKK 3 billion to a fund for investment in technology to enhance efficiency and productivity and promote new ways of working and organisational structures (the ABT fund) during the period from 2009 to 2015. As a follow-up measure, DKK 200 million has been allocated for specific projects under the 2009 Finance Act, including projects in the social and health sectors to liberate resources for care and service provision to citizens.

The cross public sector strategy for digitalisation of the public sector 2007-2010 comprises 35 initiatives, targeting service improvements, efficiency enhancement and improved cohesion across all areas of the public sector. A series of initiatives have already been launched as part of the implementation of the strategy, *cf. box 3.5*.

#### **Box 3.5**

##### **Initiatives launched under the digitalisation strategy**

- A new digital signature will be introduced in the middle of 2010. Under an agreement with the financial sector, the signature may be used both for online banking log-in and to log into public services. The new digital signature may be used, safely and easily, from all computers with internet access.
- A digital document box will be launched in the first half of 2010, enabling citizens and enterprises to digitally send and receive documents to and from public authorities. Another feature of this solution is the opportunity of text reminders of scheduled hospital appointments, etc.
- As a step towards full digitalisation of business sector reporting to the public sector, the Government has taken the initiative to make 21 digital reporting schemes compulsory in 2010 and 2011. This initiative will generate significant efficiency gains – for the benefit of both the public sector and the business sector.
- The Government, municipalities and regions have agreed on an eDay3. Under this agreement, all public authorities must, by 1 November 2010, comply with three objectives, designed to boost digital communication with citizens. Moreover, national campaigns will encourage the use of digital self-service solutions.

### **3.7 Regional growth policy**

The interaction between EU-financed, national, regional and local business policies is reflected in the structural funds framework for 2007-2013; in Denmark's strategic reference framework; in operational structural funds programmes; and in regional business development strategies and action plans. To this should be added regional partnership agreements on growth and business development entered into between the Government and regional growth forums with a view to implementing the globalisation strategy regionally and supporting regional business development strategies.

The overall objectives of the Danish structural funds initiatives are set out in detail in Denmark's National Reform Programme 2007. The Danish structural funds initiatives are designed to help spur overall growth in Europe and realise the Lisbon ob-

jectives by bracing Danish enterprises for globalisation and improving regional growth conditions.

Specifically, the Danish social fund initiatives will focus on the theme of “More and Better Jobs”, including, in particular, skills upgrading and expansion of the labour force with a view to ensuring that Danish enterprises have access to sufficient and qualified labour. The social fund initiatives may thus also help to address the employment implications of the recession. The regional fund initiatives will focus on the theme “Innovation and Knowledge”, the aim being to ensure that Danish enterprises have good framework conditions for entrepreneurship, innovation and use of new technology. The recession does not cause the Government to change the strategic approach of the Danish structural funds initiatives. The operational programmes are assessed to be sufficiently robust to overcome the current challenges.

Danish regional business policy initiatives are subsidised by approx. DKK 1 billion a year primarily from EU structural funds and the regional councils' funds for business development. During the structural funds period 2007-2013, about DKK 500 million will be funded by EU structural funds. These funds help to support the implementation of the Government's globalisation strategy and regional business development strategies within the framework of the operational programmes.

*Regional growth forums* are in charge, among other things, of preparing regional business development strategies and action plans with particular focus on education, entrepreneurship, innovation and use of new technology, as well as development of the tourism industry and peripheral regions. Regional growth forums are also entitled to prioritise and recommend projects for structural funds investment and for regional development investment targeting business development activities. Until the end of 2008, the greatest overall focus of the growth forums was on innovation, followed by education and entrepreneurship. At the end of 2008, the growth forums had prioritised structural funds activities totalling about DKK 540 million. With a framework of DKK 1,825 million for each of the two programmes for the structural funds period 2007-2013, this is equivalent to approx. 15 per cent of the funds. The specific initiatives of individual growth forums are based on regional business development strategies, Danish structural funds programmes and the partnership agreements with the Danish Government on growth and business development.

In 2009, stock has also been taken of the six regional partnership agreements, showing good progress. At the same time, supplementary agreements have been concluded between the Government and each growth forum. The supplementary agreements put increased focus on e.g. early and active intervention when people become unemployed (in view of the rising number of unemployed due to the economic crisis) and on creating better conditions for innovation and entrepreneurship, including access to venture capital. A number of business clusters have also come into focus. In addition, the focus on green growth has been sharpened, e.g. in the form of regional implementation of the future business climate strategy.

Ten per cent of the DKK 500 million annual framework for structural funds, i.e. approx. DKK 50 million a year, is exposed to competition and is designed to help implement particularly promising projects. For 2009, the Danish Growth Council has selected the themes of “Good Framework Conditions for Foreign Labourers in Denmark” and “Improved Framework Conditions for General and Vocational Upper Secondary Education”.

In 2008-2009, the Danish Growth Council contributed to sustaining momentum in the implementation of regional partnership agreements – e.g. by putting focus on climate and energy.

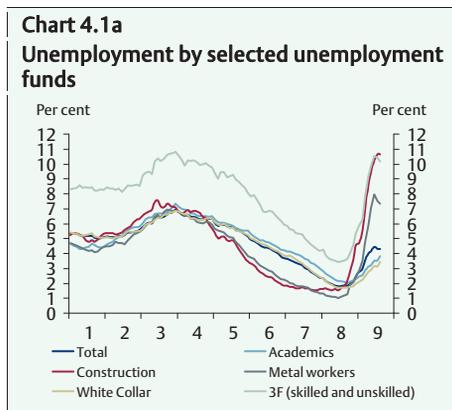
## 4. Employment and labour market policy

*In recent years, Denmark has implemented a series of reforms that help increase labour supply and reduce structural unemployment. The financial and economic crisis has brought a sharp increase in unemployment, but the level remains low in an historical and international perspective. Targeted and strengthened action to counter the threat of unemployment during the crisis helps the labour market work flexibly and the unemployed to seek jobs more effectively. It remains an essential priority to boost the labour supply and prevent any reductions in hours worked in order to secure sustainable public finances and a high level of prosperity. This will partly be met by ongoing initiatives to strengthen incentives to work and efforts to integrate marginalised groups into the labour force.*

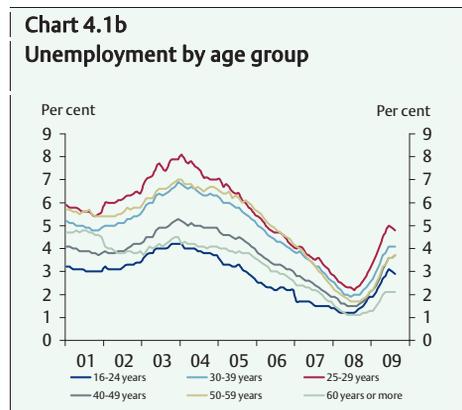
### 4.1 Unemployment trends

In 2008, unemployment reached a low of 1.7 per cent of the labour force before it began increasing in autumn 2008. In August 2009, 3.7 per cent of the labour force was unemployed. Danish unemployment is still very low internationally, and in August 2009, Denmark had the fourth lowest unemployment rate in EU. However, unemployment is expected to rise further in 2009 and 2010 to about 5 per cent of the labour force.

The increase in unemployment has had a broad impact, but some age groups have been hit harder than others, *cf. chart 4.1b*. Moreover, unemployment among men has increased more than among women and unemployment among men is therefore greater than unemployment among women for the first time since 1977. This is because the crisis primarily affects the private sector in which men are over-represented, e.g., construction and industry, *cf. chart 4.1a*.



Source: Statistics Denmark and own calculations.



Source: Statistics Denmark and own calculations.

To alleviate the negative impact of the economic downturn and bolster employment the Government has implemented a number of policy measures. Agreements in spring on a green transport policy and increased investments in construction in local authorities lay the basis for significant growth in public investments in 2009 and 2010. In addition, the tax reductions from the tax reform in *Forårspakke 2.0* and the disbursement of funds from the SP pension scheme, *cf. section 4.2 below*.

The planned level of public investments will be supplemented by a series of new initiatives, which will focus on keeping people in risk of unemployment attached to the labour market during the current unemployment wave. As such, the Government has initiated an action plan to minimise the risk that young people will be pushed out of the labour market during the current economic downturn, *cf. section 4.6*.

In spring 2009, the Government relaxed the rules on job-sharing with the purpose of securing better conditions for part-time workers than for short-run unemployed, when, e.g., a company is adjusting its production or is waiting for a potential increase in demand. The relaxation of the rules on job-sharing is a temporary measure and will end in spring 2010. Finally, assistance to workers under notice will be intensified until the end of 2010 and aid finding a new job or upgrading one's qualifications will be offered more promptly.

## 4.2 Labour supply

The targeted measures helping people on the edge of the job market should be considered in the context of the fact that even during an economic downturn it remains essential that the labour market is flexible and that the job search of the unemployed is intensive. Every year some 700,000 Danes change their jobs. Hence, even during periods of rising unemployment there will be a large number of job vacancies, which need to be filled.

It is crucial to ensure that as many people as possible keep their attachment to the labour market and maintain their qualifications, without, as a side effect, limiting the effective labour supply and increasing the level of structural unemployment.

Hence, rising unemployment does not remove the need to carry out reforms, which will increase labour supply and strengthen public finances in the long run. The reason is, first of all, that the massive economic downturn will involve a period of much greater budget deficits than had been anticipated in the 2015 structural budget plan creating a greater need for future financial consolidation than first expected in order to balance the budget. In addition, it is a risk that lengthy periods of high unemployment could increase structural unemployment. The risk is, however, smaller in Denmark than in other countries, thanks to a low rate of unemployment and a more flexible labour market with many job openings every year.

It remains a focus area to increase the level of employment and to spur labour supply, among others, for the elderly and immigrants, and to maintain the level of hours

worked in the medium term, which is in line with the Commission's points to watch for Denmark.<sup>1</sup>

On these grounds, the Government is continuing its efforts to provide the supply of qualified labour that is needed in the companies, *cf. box 4.1.*

#### Box 4.1

##### Initiatives, which help enhance labour supply

- An agreement (2007) to reduce the income tax rates by 1 January 2008 and 2009.
- Agreement on a job plan (2008), which is designed to increase the labour supply in both the short term and long term, *cf. NRP 2008.*
- A comprehensive tax reform (spring 2009), which reduces marginal tax rates with effect from 1 January 2010.
- The Adult Apprentice Scheme grant is made a right and the scheme is directed towards people with outdated or no vocational training. Overall, this will support the supply and employment rate of skilled workers.
- An agreement on measures that will help reduce sickness absenteeism.
- The creation of a unified employment scheme based in the municipalities.

In 2007, the Government reached an agreement on '*Lower tax on labour*'. An increase in the earned income tax credit was phased-in by 1 January 2009, and at the same time, the threshold for paying the medium income tax was raised. The impact on the labour supply is estimated to be 7-8,000 full-time workers.

In spring 2009, a comprehensive *tax reform* was adopted. An essential element is the reduction of the upper marginal income tax rate by 7.5 per cent to 51.5 per cent. This happens partly by reducing the ordinary income tax rate by 1.5 per cent, and partly by removing the medium income tax of 6 per cent. Furthermore, the threshold for paying of the upper marginal tax has been increased. The reform means that some 350,000 taxpayers no longer will be paying the upper marginal tax rate. It is estimated that the reforms will help increase the labour supply by approx. 19,000 full-time workers.

The Government has entered into a broad political agreement with parliament to make the *Adult Apprentice Scheme* grant a right. At the same time, the scheme will be aimed more specifically at those with out-dated or lacking vocational training. This will help increase employment, as people with vocational training typically have greater scope for getting a job.

In November 2008, the Government made a deal with the political parties of DF, RV and LA on *the tripartite agreement on the reduction of sickness absenteeism*, which the Government earlier had entered with social partners in September 2008. DKK 170

<sup>1</sup> Further details can be found in Annex 6, in which the social partners, inter alia, present their contributions to promote labour supply.

million will be invested in the agreement that combines 39 initiatives. The central initiatives include early intervention in cases of longer term sickness, e.g., in the form of talks after no more than four weeks' sickness absenteeism; helping the ill to be active while on sick leave; and campaigns etc. It is estimated that the agreement will increase labour supply by about 4,000 people. Furthermore, a better work environment is expected to help prevent sickness absenteeism. The Prevention Fund is supporting projects that prevent workers becoming physical and psychological run down and the Danish Working Environment Authority is providing advice and guidance in the same regard.

As an element of the Budget agreement for 2009 between the Government, DF, and LA, it was decided that as of 1 August 2009 the *employment system* would consist of a unified employment scheme based in the municipalities with a strong national supervision. The idea is that a unified system will work better as a framework to spur employment. The national level consists of a central authority and four regional units, which will be responsible for supervision and control of the local level. The local level consists of municipal jobcentres, which citizens and companies in need of assistance will be able to consult. The municipalities will assume responsibility for paying the costs of unemployment benefits, benefits during activation, and activation offers to the insured unemployed. The unemployed will retain their existing rights and obligations. The social partners continue to be involved in the employment efforts through the Employment Council and regional and local employment councils. Unemployment insurance funds will retain their existing responsibilities, i.e., carrying out CV interviews with insured unemployed, making payments of unemployment benefits, and assessing the actual availability to the labour market of insured unemployed etc. The decision to create the unified scheme should be seen in the light of analyses and recommendations made by the Commission on Administrative Structure, which recommended gathering the employment efforts in the municipalities. The reinforced dialogue between the regional employment centres and jobcentres about improving results is to ensure that local employment measures always are in line with national employment policy objectives. The financial model attaches great importance to compensating the municipalities for the extra expenditures, including when major companies close down. This will ensure that local finances are not excessively burdened by the increasing unemployment.

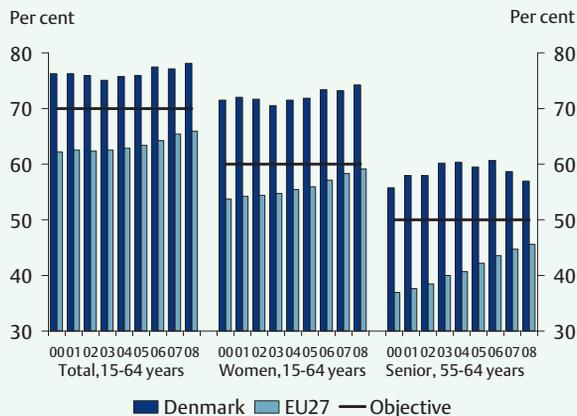
The Labour Market Commission was created by the Government in December 2007 with the purpose of making policy proposals that would help spur labour supply and increase employment. The Commission published its final report with 44 specific proposals in August 2009. Some central recommendations are found in *box 4.2*.

**Box 4.2****Recommendations by the Labour Market Commission**

- The early retirement scheme should be gradually phased out.
- The maximum period of receiving unemployment benefits should be reduced from four to two years. During economic downturns, however, the period can be extended temporarily twice for six months, so that in periods of very high unemployment it can be as much as three years.
- An alternative to early retirement should be created. A so-called 'development module' should be offered to those who are not able to work now, but whose ability can potentially be improved.
- The wage subsidies in flexi jobs should be adjusted so that the scheme to a greater extent is aimed at people with minimal ability for work.
- Cooperation between the Government and municipalities concerning the employment effort should be modified. Municipalities have already assumed responsibility on the area. In the commission's view, they should also have the economic freedom to select the most effective efforts to focus on.
- More foreign labour should be attracted. It should be easier for foreigners that are offered jobs by Danish companies to get a work permit, and the requirements of what is known as the 'positive list' and the 'threshold amounts' should be relaxed.

Previously, in autumn 2008, the Government has had discussions with the political parties in Parliament about many of the areas to which the Labour Market Commission has drawn attention. It is the Government's judgment that there is no political basis for resuming the discussions at the moment.

Finally, it can be added that Denmark already fulfils the objectives in the Lisbon Strategy regarding employment rates for 15-64 year-olds, 15-64 year-old women, and 55-64 year-old seniors, *cf. chart 4.2.*

**Chart 4.2****Fulfilment of EU employment targets for the total population, women and senior citizens, 2000-2008**

Source: Eurostat.

### **4.3 Continued development of the flexicurity model**

The European Council in June 2009 concluded that in the current economic situation flexicurity constitutes an important way of modernising labour markets and improving their capacity to adapt.

The Government, the Danish Employers' Association and the Danish Congress agree that even in times of crisis the Danish flexicurity model helps maintain a flexible labour market. Furthermore, the flexicurity model makes it likely that when the economic recovery begins, companies will take on new employees much more quickly than would otherwise have been the case.

Denmark's flexible rules on 'hiring and firing' have made the Danish labour market one of the most dynamic in the EU, measured on job mobility. Over the last 20 years, this mobility has been more or less stable at a level of about 30 per cent of total waged employment.

### **4.4 Upgrading qualifications and adult and supplementary education**

As far as investment in adult and supplementary education is concerned, the goal of the Government's Globalisation Strategy is to provide lifelong education for everyone. The strategy is designed to boost competitiveness and employment by being effective, flexible and by sustaining good job opportunities for the individual. It will be implemented gradually during the period of 2007-2012.

In Denmark, participation in adult and supplementary education is at both a high level and growing. In 2007, 29.2 per cent of adults aged 25-64 participated in adult and supplementary education. This places Denmark among the Member States with the highest levels of participation rates. Among those without any occupational training – who can be expected to derive considerable benefit from participation in adult and supplementary education – participation rates in Denmark also figure among the highest in EU.

To follow up on its agreement with social partners in 2007, the Government has enhanced activities within adult education though, inter alia, a broader recognition of actual qualifications from prior learning, establishment of local advisory networks for adults, and the creation of the National Centre for Qualification Development, which evaluates and oversees the efforts. Furthermore, adult education centres are created, and courses that strengthen basic qualifications for adults have been promoted on a larger scale.

### **4.5 Efforts towards special target groups**

The Government has continued the development of initiatives to help special groups, including the youth, seniors, ethnic minorities and the disabled, and thereby creating a more holistic labour market. Reference should also be made to the contributions of social partners in Annex 6.

## Youth

New rules came into force on 1 August 2009 simplifying the efforts towards young people by, inter alia, reducing the number of target groups and focusing on early actions towards all groups of young people. According to the new rules, education will be the first priority for the young unemployed without proper qualifying education. Young people under 25 years without dependants and without education will be obliged to follow an education on standard conditions. On 5 September 2009, the Government put forward proposals to strengthened efforts toward young people amounting to DKK 1.4 billion, including a training place package of DKK 1 billion. Young people of 18-19 years, who leave school without starting an upper-secondary education, will receive an immediate offer on reference to a jobcentre. Young people under 30 years without training or a job, who are stuck in unemployment, will get a new chance. Young people will be offered guidance, training experience in companies, a mentor scheme etc. Furthermore, a *national task force with expertise in the field of young people* will provide advice to job centres. Moreover, after six weeks' unemployment young academic graduates will be offered help getting a job by a private consultant.

## Seniors

Last year saw a positive trend in the rate of employment for seniors, cf. table 4.1. Since 1998, the rate of employment has risen by more than 10 per cent throughout the 55-64 years age group. In recent years, a number of measures have been taken, some of them by social partners, in order to increase employment among seniors, cf. the National Reform Programme 2008 and Annex 6. To keep seniors active on the labour market, the Ministry of Employment launched the 'senior talents' campaign in 2009, which focuses on dialogue with seniors and on measures to make seniors stay longer on the labour market.

**Table 4.1**

**Employment rates for seniors (per cent)**

Age	1998	2000	2002	2003	2004	2005	2006	2007	2008
55-64	49.8	53.0	56.7	57.7	57.8	58.0	58.4	59.3	60.2
55-59	66.0	70.4	73.2	73.7	74.0	74.6	75.8	77.8	79.4
60-64	30.3	30.6	33.9	35.8	36.4	37.7	38.9	40.5	41.9

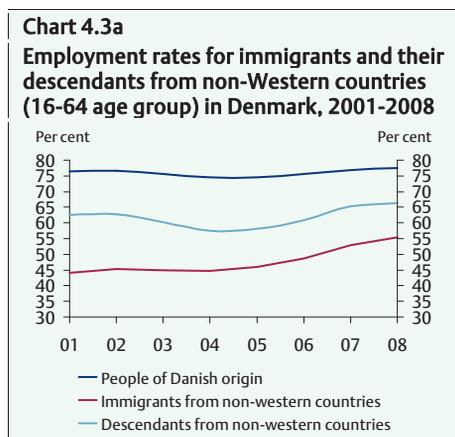
Note: A national definition of employment rate has been used, which gives a slightly lower rate of employment than the figures used by the EU Commission.

Source: Statistics Denmark and own calculations.

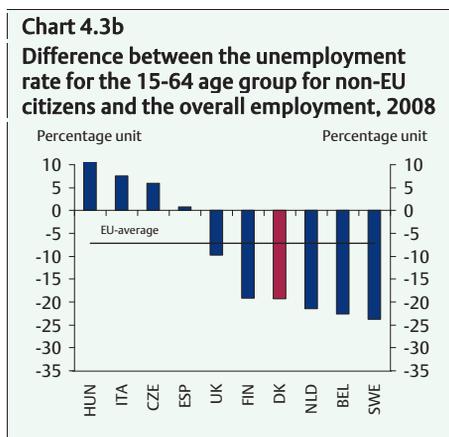
## Ethnic minorities

The positive trend in labour market participation of immigrants from non-Western countries and their descendants continued in 2008. Among immigrants from non-Western countries and their descendants the rate of employment increased by 2 per centage points between 2007 and 2008, cf. chart 4.3a. During the same period, the figures for people of Danish origin increased by 0.6 per centage points. As chart 4.3.b

shows, the difference between the rate of employment for non-EU citizens and the overall rate of employment in Denmark is level with the other Scandinavian countries, while the difference is somewhat greater than the EU average. This must be seen in the light of very high general rates of employment in the Scandinavian countries.



Source: Statistics Denmark.



Source: Eurostat and the Ministry of Employment.

In 2008, rules were introduced that launched repeated activation for all target groups. These rules replaced the earlier targeted campaigns like ‘*A new chance for everybody*’, which, inter alia, helped strengthen the employment efforts towards the group of immigrants with a non-Western background and their descendants. The focus is also directed towards promoting employment among dependant immigrants, where ‘Integration Service’ and ‘Special Action Group on Ethnic Employment Efforts’ have produced information material and arranged regional networking meetings about employment related opportunities for this group. Furthermore, law amendments have been made, which expand the possibility of using mentors, among other reasons, to find or keep a normal job and also to help the individual outside the working sphere.

In addition, the Ministry of Integration has taken a range of initiatives to reduce sickness absenteeism and thereby increase employment among immigrants and their descendants. Among other things, an assessment consisting of case studies from ten municipalities has been carried out, and a range of courses for relevant people in the employment and health sector has been arranged.

### The disabled

During the period of 2004-2008, 17,000 more people with disabilities entered into employment, and in April 2009, the Government issued a new strategy ‘*Disability and job – it is possible*’, which purpose is to continue the positive trend towards a more holistic labour market. The strategy’s three goals are: 1) the share of companies employ-

ing disabled people is to increase by 5 percentage points by 2012; 2) 5 percentage points more people than today are to feel comfortable working with a mentally ill colleague; and 3) 15 per cent of the people with disability pensions, who accept the offer of dialogue with a job centre, is to gain employment. There are nine initiatives in the strategy, encompassing, inter alia, information and knowledge dissemination, guidance on dialogues and so-called company innovators.

#### 4.6 Equal opportunities and the employment of women

In Denmark, the employment rate of women is high, *cf. chart 4.2*. The Government is doing an effort to meet the targets and implement the initiatives set out in the *EU Pact for Gender Equality*. Regarding the development of previously launched initiatives and the new initiatives, the following issues can be raised:

A number of initiatives have been launched to promote the proportion of *women in management*. Ten top executives in the private and public sectors have been made ‘ambassadors’ for women in management. Since the launch of the ‘*Charter for more women in management*’ in March 2008, 70 companies have signed the Charter. The goal is that 100 will have signed up to the Charter before the end of 2010. The Danish Corporate Governance Committee has updated its recommendations, according to which, the composition of executive boards will be reflected on continuously in terms of, among other things, gender. A study on women’s dilemmas in relation to management will provide new knowledge on how women view their opportunities for getting into management positions.

*The gender-specific choice of education* is being challenged by the relaunch of the website [www.lige-frem.dk](http://www.lige-frem.dk) in 2009. The site offers information and advice for pupils, students, parents and teachers on career choices, which are not bound by traditional gender roles, with a view to breaking down *the gender-divided labour market*. The same intention lies behind the requirement that education and career advisors should be trained to counteract gender divisions in the choice of education. Moreover, a comprehensive guide on the work to break down the gender-divided labour market has been circulated to companies.

*Wage trends for men and women* are monitored in detail in analyses of pay variations. The most recent pay analysis, dating from November 2008, concerns wage trends from 1997-2006. It concludes that the single greatest factor behind the variations in pay is the gender-divided labour market. However, the analysis also shows a shrinking pay-gap in the private sector. In 2009, major companies are to produce *gender-divided pay data* and discuss them in their work councils with a view to reducing any disparities in pay.

Hence, *vertical gender divisions* are tackled through the measures regarding more women in management described above, while *horizontal gender divisions* are countered with the initiatives regarding the gender-specific choice of education and the efforts taken by companies.



## 5. Climate change and energy policy

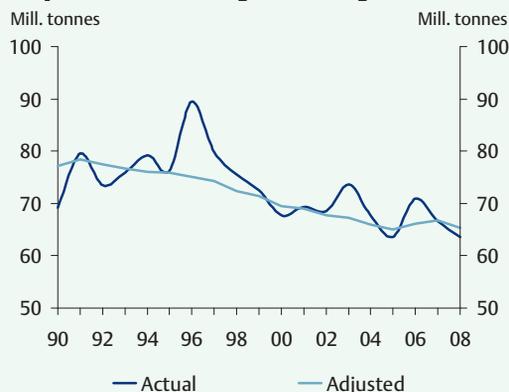
*In order to meet the principal challenges relating to climate change, the issue of security of supply and the issue of high and hard-to-predict energy prices, the Danish energy and climate strategy is based on three pillars: energy savings and efficiency, more use of renewable energy, and technological development. In hosting COP15 in Copenhagen in December 2009, Denmark is playing an important role in reaching the adoption of a new ambitious and global climate agreement, which includes all countries of the world and sets ambitious targets for reducing global greenhouse gas emissions.*

### 5.1 Efforts against climate change

Through the Kyoto Protocol and the EU internal burden-sharing scheme, Denmark has committed itself to reducing greenhouse gas emissions by 21 per cent on average in the period 2008-2012, compared with the 1990-level. The means to reach this ambitious target have been set in the National Allocation Plan for the period 2008-2012 approved by the European Commission in August 2007. Efforts have been supplemented with several initiatives in the broad energy policy agreement of February 2008. As can be seen in *chart 5.1*, actual CO<sub>2</sub>-emissions fluctuate from year to year, while adjusted CO<sub>2</sub>-emissions (adjusted for fluctuations in temperature and net exports of electricity) have fallen significantly since 1990. In 2008, preliminary estimates suggest that adjusted greenhouse gas emissions had fallen by 14.4 per cent and actual emissions by 7.2 per cent compared to the base year under the Kyoto Protocol.

**Chart 5.1**

**Danish total actual and adjusted emissions of greenhouse gases, 1990-2008**



Note: Emissions of greenhouse gases include CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFC, PFC and SF<sub>6</sub> in accordance with the Kyoto Protocol. Under the Kyoto Protocol, only a limited amount of Denmark's CO<sub>2</sub> uptake can be included in relation to Denmark's reduction target for 2008-2012. As reporting of this is not due to commence until 2010, this chart only shows changes in emissions, without CO<sub>2</sub> uptake. For Denmark's reduction targets for 2008-2012, it will also be possible to include credits from projects to limit greenhouse gases in other countries (JI and CDM) as well as any emission allowances acquired from other countries. Changes in the overall status of credits and allowances will be monitored through the Danish Emission Trading Registry, from which annual reports are to commence from 2009.

Source: The National Environmental Research Institute and the Danish Energy Agency.

Changes in emissions of greenhouse gases cannot, however, be directly compared with the reduction target because, in meeting its commitment Denmark has decided to use the flexible mechanisms comprising projects abroad to reduce greenhouse gasses as well as the uptake of carbon in forests and the soil. These have not been included in the projection. In addition, the ETS sectors can purchase emission allowances and use the flexible mechanisms, and this cannot be seen from the projection either.

Taking into account the flexible mechanisms, the latest projection from the Danish Energy Agency of April 2009 shows, in contrast to previous expectations, a deficit in the non-ETS sectors in relation to the Kyoto target of almost 1 mill. tonnes per year for the period 2008-2012 compared with the 1990 level. The most important reasons are: a new assessment of the fossil content in waste from the National Environmental Research Institute, that the phase-in of biofuels has halted, and that expected emissions from agriculture of methane and nitrous oxide for 2008-2012 have increased on average by about 400,000 tonnes CO<sub>2</sub> equivalents annually. The political agreement regarding *Grøn Vækst (Green Growth)* and other funds for JI/CDM projects is helping reduce the deficit. Moreover, new initiatives will be implemented as necessary in order to reach the reduction target based on an updated assessment of the deficit and an analysis of potential reductions initiatives.

In December 2008, EU Member States adopted a common Climate and Energy Package. For Denmark, the Package means that in the period 2013-2020 Denmark will have to reduce its emissions of greenhouse gases from the non-ETS sectors by 20 per cent, compared with the 2005 level. In autumn 2009, a report will be prepared containing a draft for the future Danish climate strategy as well as an analysis of measures in the non-ETS sectors for the period 2013-2020. The final reduction target has not yet been set as, if there is a global agreement at COP15, the EU is willing to increase its total reduction target to 30 per cent (compared with 1990) on the condition that other industrialised countries commit themselves to similar emissions reductions and that the economically more developed developing countries commit themselves to making a suitable contribution in accordance with their responsibilities and respective capacities. In this situation, Denmark's reduction target will be increased by more than 20 per cent, but the details of the allocation of efforts within the EU are as yet unknown. Denmark maintains its position that, as agreed with the EU, the country should be compensated for the particularly high imports of electricity in the 1990 base year. The EU's response to the problem is still pending.

In March 2008, the government presented a climate adaptation strategy containing a number of specific proposed initiatives, which can help limit the negative impacts of climate change. As a follow-up to the strategy, a *Knowledge Centre for Climate Adaptation* has been set up with an associated website [www.klimatilpasning.dk](http://www.klimatilpasning.dk). The portal provides information and planning tools for municipalities and the public. Most recently, in April 2009 the government decided to work for a follow-up to the European Commission's White Paper on adaptation to climate change. Furthermore, in 2009, for

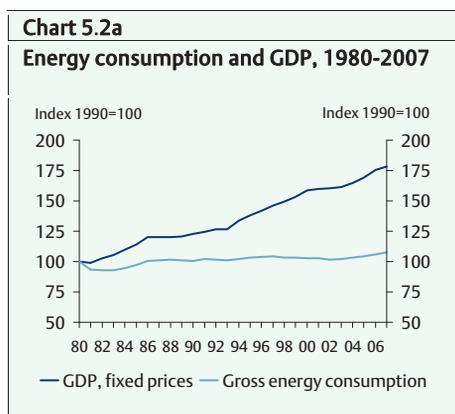
the first time, strategic research funding has been allocated for climate adaptation research, and the government has decided to carry out a socio-economic screening of the need for more targeted initiatives in the future. In order to underpin the long-term climate and energy policy vision, the government has also set up a *climate commission*, which in 2010 will present its analysis of how Denmark can best live up to the long-term target of becoming independent of fossil fuels. In addition to this, in September 2007 the government set up a *business climate panel*, comprising a number of organisations, enterprises and knowledge institutions, to advise the government on business activities and branding in connection with COP15; on exploiting the growth opportunities in the climate area; and on the responsibilities of business and knowledge institutions in relation to managing climate challenges. In October 2009, the Government launched a Business Strategy on Climate Change with the aim of transforming the challenges of climate change into opportunities for Danish companies for new business, exports and jobs.

The green part of the *Danish tax reform* in the *Forårspakke 2.0 (spring package 2.0)* will contribute to reducing emissions of greenhouse gases. The reform will satisfy almost two percentage points of the total Danish reduction target of 20 per cent up to 2020 for sectors outside the EU emission trading system (ETS).

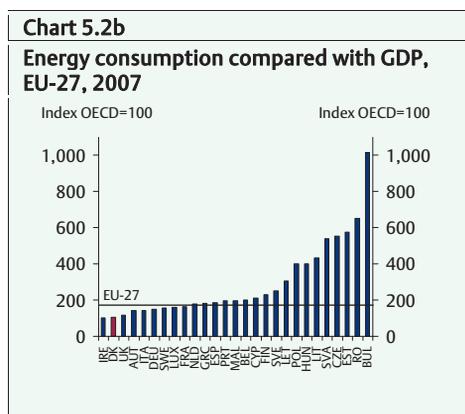
The climate challenge is also part of long-term planning by *municipalities*. Municipalities are primarily focusing on wastewater and sewers, nature and coastal protection as well as ports and harbours. In spring 2009, the government and Local Government Denmark presented a new tool – a municipal CO<sub>2</sub> calculator, which enables municipalities to calculate local emissions of greenhouse gases. In this respect, a working group has been set up between Local Government Denmark and the Ministry of Climate and Energy, which is to identify and describe possibilities for enhancing strategic energy planning. With the municipal agreement for 2010, the government and Local Government Denmark have also agreed to prepare a basis for municipal efforts on climate adaptation, energy savings and on drawing up municipal energy plans.

## 5.2 Energy policy

Experience from Denmark shows that through active and persistent energy policy aiming at energy savings and efficiency, renewable energy and technological development, it is possible to maintain high economic growth without increasing energy consumption. Since 1980 the Danish economy has grown by 78 per cent, while energy consumption in the same period has remained more or less constant, *see chart 5.2a*.



Source: Danish Energy Agency, 2008.



Source: International Energy Agency and Eurostat, 2008.

The percentage of renewable energy has increased to 19 per cent of the final energy consumption in 2008. In the EU Climate and Energy Package Denmark has committed itself to increasing this percentage to 30 per cent by 2020. Today Denmark has the second-lowest energy consumption per GDP unit in the EU (2007), *cf. chart 5.2b*. This has been achieved by implementing significant savings in energy consumption over the past 30 years and by making energy supply and production more efficient and not least through greater utilisation of combined heat and power production.

The Energy Agreement of February 2008 contains a number of initiatives, which contribute considerably to ensuring continued *increased utilisation of renewable energy (RE)*. In general, support for RE is being increased through, amongst other things, support for increased utilisation of biomass at power plants, continued expansion of biogas plants, continued expansion of wind power both on land and offshore as well as requirements for increased utilisation of RE in the transport sector. Biogas, biomass and wind energy were all afforded higher settlement prices in the energy agreement. Furthermore, the agreement earmarks an annual DKK 25 mill. for four years for subsidies to promote the smaller technologies such as photovoltaics and wave energy (financed by Public Service Obligation funds). According to the most recent forecast, even with just the existing initiatives renewable energy will account for 28 per cent of energy consumption in 2020.

The government places high priority on *energy savings* and the energy policy agreement of February 2008 raises the level of ambition considerably. The agreement states that Denmark must reduce gross energy consumption by 4 per cent by 2020 relative to 2006. The objectives for energy savings are ambitious and they demand comprehensive and targeted efforts. In this respect, in April 2009 the government presented its *strategy for the reduction of energy consumption in buildings*.

In the transport area, hydrogen and electric cars have been exempted from taxes until 2012 and a trial scheme for electric cars was launched in spring 2009. The Sustainable Biofuels Act was adopted by the Danish Parliament in spring 2009. Biofuels must account for 5.75 per cent of energy consumption by 2012. Only biofuels that meet the EU sustainability criteria are to be used to meet this target. Biofuels, in conjunction with other initiatives such as promotion of electric cars and plug-in hybrid cars, will contribute to fulfilment of the EU commitment of 10 per cent renewable energy in the transport sector by 2020. Furthermore, in January 2009 a transport agreement was set up which amongst other things involves a green restructuring of vehicle taxes, which will help reduce CO<sub>2</sub> emissions and air pollution from the transport sector. Similarly, the *tax reform* of spring 2009 mentioned above will contribute by reducing income taxes and by making it more expensive to consume and produce goods that are harmful to the environment, climate and human health.

With regard to future *security of supply* in Denmark, it is expected that Denmark will become a net importer of gas in about 10 years, as the Danish oil and gas deposits in the North Sea gradually run dry. The recipe for long-term security of supply is energy savings, more renewable energy and closer European supply cooperation. Therefore, Denmark also has targets for renewable energy and energy savings for security of supply reasons. The government will present its strategy for long-term security of supply in the energy area before the end of 2009.

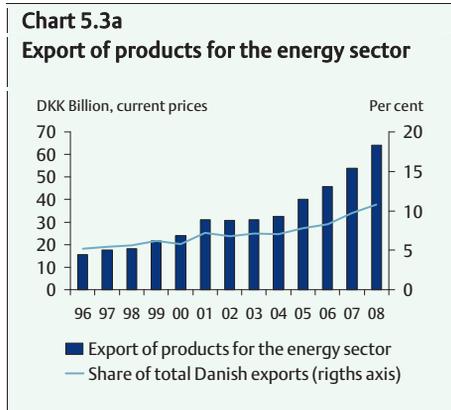
### 5.3 Promoting Eco-efficient technology

In June 2007, the government presented its action plan for promoting eco-efficient technology “Danish solutions for global environmental challenges”. Using the Danish strengths, the plan is aimed at promoting the development and marketing of technological contributions for solving the central environmental questions and is an element in the implementation of the Globalisation Fund. At the same time, the plan is the Danish contribution to the implementation of the EU Environmental Technologies Action Plan ETAP. The action plan ends in 2009 and a continuation of the initiative is under development.

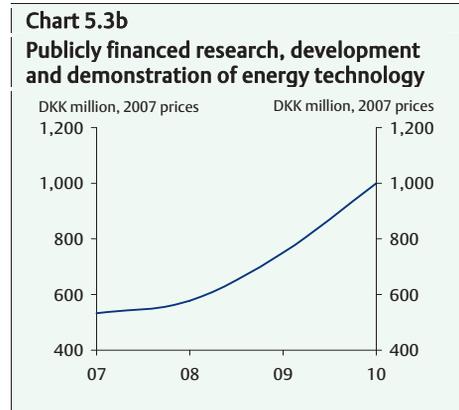
The action plan comprises nine concrete initiatives for the promotion of eco-efficient technologies. The focus is, among other things, on the establishment of environment innovation partnerships between businesses, researchers, authorities and on supporting Danish businesses that export environment and energy technology. In addition, there is the increased public funding for research initiatives, which support environmental technological innovation as well as increased support for tests and demonstrations of promising new environment and energy technologies.

The research and development of technology initiative has increased in priority in recent years. The decision to establish an Energy Technology Development and Demonstration Programme (EUDP) in 2006 has improved the framework conditions for the development of technologies and demonstration and strengthened the opportunities for the commercial exploitation of energy technologies. Danish re-

search within a number of technological fields is internationally well-placed and the export of energy technologies has risen sharply in recent years *cf. chart 5.3a*.



Source: Energy Statistics 2008.



Source: Energy Policy agreement of 21 February 2008.

In order to give a further lift in the publicly financed research, development and demonstration of energy technologies, the government has entered into agreements with a number of political parties. It is expected that the publicly financed initiatives are doubled in the period up to 2010, in relation to 2006, *cf. chart 5.3b* so that from 2010 this will amount to DKK 1bn for energy purposes.

In order to support consultation, information and acquisition of knowledge, a Secretariat for Eco-efficient Technologies has been established in the Environmental Protection Agency. One of the secretariat’s missions is to offer advice to businesses and entrepreneurs on environment focus areas, coming legislation and finance opportunities. A new website has also been launched, [www.ecoinnovation.dk](http://www.ecoinnovation.dk) which is intended to be a general source of information and a place to follow development in environmental technology. New relations have been established with the regional growth centres, Euro centre and other actors. Most recently, in April 2009, new catalogues have been published on grants and funding possibilities, and the competencies of the various Danish research institutions in the environment sector.

As part of the action plan’s focus on global environmental challenges and the export potential of Danish businesses, a cooperation agreement has been reached with China and India. The Minister for the Environment has also set up a business forum for environmental technology to support Danish businesses’ contribution to solving the global environmental challenges.

## 5.4 Green growth

The government has great ambitions in the nature and habitat area. The targets will be reached by a common effort by public and business organisations, interest groups

and private persons. The government wishes for a 'Green Growth' vision that unites a high level of nature and habitat protection with modern and competitive agriculture and food production. The environment, the climate and nature must be protected even better than today in order to ensure a nature in growth. The emission of nutrients must be reduced even further and the emissions of greenhouse gases and the harmful effects of poisonous pesticides must be reduced.

Therefore, in June 2009, the government entered into an agreement on 'Green Growth'. The agreement contains the following elements:

- Environment and Nature Plan Denmark 2020 and
- A strategy for a green agriculture and food production industry in growth

Denmark's international engagements and the government's ambitions encourage a comprehensive initiative for nature and the environment over and above that which is included in the current action plans and initiatives. With the Green Growth initiative, the government will live up to its obligations in the EU Water Framework and Natura 2000 directives as well as follow up on the Action Plan for the Aquatic Environment III and Pesticide Action Plan 2004-2009, assuming that the initiatives are ratified by the European Commission. In the agreement, targets have been set for further reduction of phosphorous and nitrate emissions, insurance of biodiversity, better and more accessible nature, further physical improvements to the Danish stream and river systems as well as a significant reduction in the harmful effects of pesticides. Denmark also supports the EU aim to stop the reduction of biodiversity in 2010.

Furthermore, the 'Green Growth' agreement is aiming at utilising up to 50 per cent of livestock manure in the production of green energy by 2020, and the funds for area-based subsidies in the 'rural district programme' are augmented to help double the amount of organically cultivated land by 2020 compared to 2007-levels. Moreover, the Minister for Food, Agriculture and Fisheries is establishing a 'Green Development and Demonstrations Programme' that will build the framework for research and innovation within the area of agriculture and foods, not least concerning environmental technology. For further information regarding initiatives to spur development within environmental technology, see Annex 5.

A long-term plan for nature and habitat will build on current initiatives and programmes put into operation by the government. The government has thus undertaken a significant strengthening of the environmental sector, including setting aside an extra DKK 1 billion for nature and habitat initiatives during the period from 2006-09. From 2007-09 an extra 550 million has been set aside for nature restoration, which is especially aimed at wetlands and streams and rivers. The initiative will be continued in 2010-13 as part of Green Growth in which the government will set aside DKK 4.5 billion for nature initiatives, which is an average of DKK 750 million

on an annual basis for 2010-2015. The largest part of these funds will be generated by the Regional Development programmes for 2010-2013 and 2014-2020.

The government wishes to ensure initiatives in Natura 2000 areas as well as outside of these. Outside of Natura 2000 areas, Green Growth has decided that resources are channelled into the upkeep of 40,000 ha section 3 areas (meadowland, heath, bogs, common land etc.) as well as the establishment of 50,000 ha pesticide and nitrate-free uncultivated border zones, 13,000 ha wetlands and river valleys and 7,700 ha woodland. The work will also continue with the establishment of five National Parks, of which the first, Thy, was opened in 2008 and the latest, Mols Bjerger in September 2009.

In order to give more room for nature, the government is continually working on ensuring that the effects of agriculture on nature and habitat are minimised. This means that the Environmental Certification Scheme for Livestock includes demands for better technology. In 2008, the government published a cleaner air strategy. In this there were five focus areas for special initiatives among them; cleaner air in cities and towns, cleaner wood burning and shipping. The Action Plan for Cleaner Shipping was introduced in 2009 via a shipping partnership.

New initiatives are being considered constantly for green procurement and environmental labelling. Denmark supports the European Commission aims for 50 per cent green public procurement. In 2008, the Minister for the Environment introduced an action plan for a consolidated initiative on green procurement in which there were seven action areas including a binding partnership on green public procurement, the updating of tools for green procurement and support of private companies' green procurement.

In March 2009, the government's new strategy on sustainable development was published. The strategy forms a central part of the basis for the strategic nature and environment policy as it helps formulate the framework of Danish policy in these areas over the coming years through a focusing of targets and resources, which the government specifically wishes to promote. At the same time, the strategy also deals with ways in which environmental, economic and social targets can support each other in an integrated strategy for sustainability.

## Annex 1. Response to the economic crisis

### Overview of Danish initiatives

#### Fiscal policy

- The **Fiscal Bill for 2009**, adopted in December 2008 reflecting an expansionary economic policy, including increased public consumption expenditures and tax reductions following the agreements on *Lower tax on earned income* from 2007.
- Agreement on a **green transport policy** from January includes starting and bringing forward public investments, other measures etc. of total 5 billion DKK in 2009 and 2010.
- Agreement on extended **credit periods** for firms, implying interest benefits for the firms and a central government interest loss of 2 billion DKK in 2009.
- **Tax reform**, included in the agreed **Spring Package 2.0**, reduces tax on labour income, increases labour supply etc. and strengthens the ability to finance public expenditures in the longer run. The tax reform is phased in from 2010, tax reductions applying initially, while the financing elements are phased in gradually.
- A possibility to withdraw **SP-savings** from 1st of June 2009 until the end of the year.
- A **home repair and renovation scheme** of 1½ billion DKK, with a focus on energy-saving modifications.
- 2 billion DKK increase in **local government investments** in 2009 on top of local government budgets. This implies that total local government investments amount to 17½ billion DKK in 2009 (measured in 2009-prices).
- **Agreements on the local government economy in 2010** implying that the government and Local Government Denmark (KL) agrees on a further increase in investments concerning daycare, primary schools, elderly and other local government areas, including roads. Investments amounting to 20 billion DKK in 2010 (measured in 2010-prices) are fully financed. No investment ceiling has been defined for 2010.
- **Proposal for the Fiscal Bill in 2010** including – like the fiscal bill for 2009 – a considerable easing of fiscal policy, reflecting increased expenditures in local governments (including increased public investments) and lower taxes following the phasing in of the tax reform. Based on the budget proposal fiscal policy is estimated to increase economic activity by 0.7 per cent of GDP in 2010.
- **In total**, fiscal policy is eased by approx. 55 billion DKK in total in 2009 and 2010 (measured by direct revenues), corresponding to 3 per cent of GDP. On top of that comes the effect of the release of SP-savings. The release of SP-savings and the expansionary fiscal policy in 2009 and 2010 is estimated to increase the GDP level in 2010 by 2 per cent, and employment in 2010 is estimated to be increased by 40,000-45,000 persons compared to a scenario with neutral fiscal policy. Public investments are increased by 30 per cent in total in 2009 and 2010.

#### Monetary policy: fixed exchange rate policy etc.

- **Monetary policy interest rates.** The monetary policy interest rate in Denmark (The central bank lending rate) has been reduced to 1.25 per cent and has thus never been lower. This supports the real estate market and reduces financing costs in financial institutions. When financial turmoil peaked, the interest rate spread to the euro area increased to 1.75 per cent, but the interest rate spread has since been brought down to 0.25 per cent – equivalent to the spread before the crisis.
- **The foreign currency reserve** has been increased considerably, contributing to support the fixed exchange rate policy.

**Overview of Danish initiatives (continued)**

- **30-year loans.** The central government issued 30-year government bonds for 90 billion DKK in the autumn. The 30-year bonds serve as an instrument for risk-management in the pension sector by hedging exposures to long-term liabilities, and are expected to replace previous hedging instruments especially in euros. The foreign currency reserve has been strengthened to the extent that the previous hedging instruments have affected the foreign-exchange position of the pension sector.
- **The Social Pension Fund's** regulations were changed in November, such that a larger share of funds can be invested in other securities than government bonds, including mortgage bonds. In December 2008 the fund bought short term mortgage bonds for approx. 27 billion DKK to cover the central government interest rate risk regarding the financing of public dwellings.

**Danish initiatives towards financial markets*****Guarantees and capital injections etc.***

- **Bank Rescue Package.** Agreement on Financial Stability (October 2008) includes a government guarantee for simple creditors in banks (deposits and loans to other banks etc.) until 30. September 2010 and establish a “winding-up company”, referred to as the Financial Stability Company, to take care of distressed financial institutions, so that depositors and other simple creditors do not suffer any losses. Financial institutions in The Danish Contingency Association pay a guarantee commission of 15 billion DKK in total in 2009 and 2010 and covers losses up to 10 billion DKK. Losses above 10 billion DKK are covered first by the guarantee commission paid by financial institutions, after that by the Danish Contingency Association up to 10 billion DKK. Losses above 35 billion DKK are covered by the central government. Subsequently a 3-year interim arrangement for the government guarantee has been made (the Credit Package), ensuring a gradually phasing out of the guaranties. At the same time the arrangement is extended to mortgage institutions' supplementing securities on covered bonds.
- **Credit Package.** The agreement from January implies (in addition to the above mentioned) that central government offers financial and mortgage institutions capital injections with the purpose of discouraging a further tightening of credit conditions possibly causing a credit crunch. The capital considered is interest carrying hybrid core capital that must be paid back. Under certain conditions financial institutions are allowed to convert the capital injection to equity. Up until now approx. 35 billion DKK has been paid out as capital injections. The interest rate on central government capital injections will be determined individually in each financial and mortgage institution based on criteria reflecting the risks on the loan. The interest rate is estimated at approx. 10 per cent per year on average.
- **Pension agreement.** In October 2008 an agreement was entered with the object of ensuring that insurance and pension companies would not be forced to sell shares and Danish mortgage bonds. A large sell-off of long term mortgage bonds could have caused further declines in share prices due to low market liquidity with serious consequences for the pension fund's financial positions. Technically, the agreement involved changes to the method applied in the assessment of pension companies' liabilities.

**Liquidity**

- **Central Bank liquidity support.** The Central bank has eased financial institution's access to liquidity facilities in the Central Bank since the summer 2008, e.g by opening the opportunity to raise loans on new, special lending bonds on a weekly basis. Access to loans based on excess legislative solvency and certain securities has also been opened. In collaboration with the ECB and Fed the Central Bank has established a mutual currency agreement (swap agreement) to increase euro and dollar liquidity in the markets. The Central Bank balance has been increased considerably.
- **Increased liquidity in firms.** In February credit periods for VAT, income tax and labour market contributions paid by firms were extended. In total payments of approx. 65 billion DKK were deferred. In May it has been decided to extend credit periods for the rest of the year by introducing a slow transition to normal credit periods, such that deferred payments are paid off in the autumn.

### Overview of Danish initiatives (continued)

- **Export loans.** 20 billion DKK has been provided for export lending facilities in the context of the Export credit Fund, and the arrangement has been extended with an insurance scheme and thus amounts to a total of 30 billion DKK.
- **Other initiatives effecting liquidity.** Access to SP-savings (and tax reductions) increases liquidity in households. SP-savings amount to around 50 billion DKK.
- **Package to support firms.** To support future growth and export the government has undertaken measures to improve financing opportunities etc. for small and medium- sized firms. A total amount of more than 4 billion DKK has been set aside for: improved export credit facilities, improved lending facilities for small and medium-sized firms, venture capital to new business and new market-based solutions for the welfare sector.

### Danish assistance to the most exposed economies

- **Loans to Iceland.** In order to contribute to the economic recovery in Iceland, Denmark, Sweden, Norway and Finland have committed to provide a total of 2.5 billion USD in form of medium term loans as supplements to loans from the IMF. The loans from the Nordic countries are conditional on that Iceland specifies a medium term fiscal consolidation plan. Denmark's contribution is estimated at 3.7 billion DKK.
- **Loans to Latvia.** Latvia has in co-operation with the IMF established a programme for economic stabilization. Following the IMF programme, Denmark, Sweden, Norway and Finland has committed to provide 2.55 billion USD (approx. 1.9 billion euro) in form of medium term loans. Denmark's share corresponds to 3 billion DKK.
- **Increase in IMF's resources.** On 20. March 2009 EU's head of (states and) governments reached an agreement that EU-countries should contribute to the increase in IMF resources by a total of 75 billion EUR, corresponding to 560 billion DKK. Denmark's lending commitment amounts to 14½ billion DKK.

### Financial regulation and supervision

- **Regulation of the financial sector.** Work is in progress to strengthen both the regulations and the supervision of financial markets at national, European and global level. The Danish government is attempting to affect concrete initiatives before the adoption and in November 2008 the Danish government published a "Danish view on openness and responsibility in EU capital markets". Capital bases in financial institutions must be strengthened and in addition to the European work on accounting rules and capital requirements in credit institutions, supplementary national solutions should also be considered.
- **Issuing of solvency requirements.** Denmark has introduced rules according to which individual solvency requirements in financial and mortgage institutions are to be published in the future.
- **Increased supervision.** With Bank Package I and the Credit Package supervision of financial and mortgage institutions have been strengthened. In the future, the Financial Supervision Authority (FSA) must check the solvency requirements in all credit institutions except for the smallest ones. Moreover, work on a more efficient supervision by improved instruments and stronger scope for intervention is in progress. This applies to e.g. the FSA's opportunity to publish risk information to financial and mortgage institutions.
- **Altered rules for salaries.** As a part of the Credit Package the rules for salaries to employees in financial institutions have been altered such that requirements on openness have been sharpened and variable wage shares for managers in financial companies have been restricted.



## Annex 2. Initiatives in the field of education

### Youth education

Box 2.1 lists, in addition to the initiatives mentioned in chapter 2, specific governmental initiatives aimed at vocational education and training that have already been set in motion and which are to be evaluated this year.

#### Box 2.1

#### Initiatives in the field of vocational education and training introduced in 2007 – 2008 and to be evaluated in 2009

##### Strengthening vocationally oriented youth education programmes

- Enhanced in-service training of teachers
- Better school environment
- Systematic compilation of information about pupils' completion rate

##### Efforts for young people with weak learning prerequisites

- Action plans for enhancing completion
- Education programme to be organised to a greater extent to match the individual's learning prerequisites and ambitions
- Mentor schemes, contact teacher scheme and social and psychological services as required
- Better guidance about realistic choice of fields of study and subjects during the education programme
- Increased intake to basic vocational education and training.
- More production school pupils are to take part in combination courses with a view to admission to vocational education and training

##### Efforts for more training places

- Increased efforts for the creation of in-service training places
- Short training agreements to activate more educational opportunities in companies

##### Increased scope of vocationally oriented youth education options

- More use of individual vocational education and training programmes for young people with special needs
- "Ladderisation" of vocational education and training
- More differentiation by ability in order to challenge both strong and weak learners
- Better and faster identification of education programmes to cover new areas of employment
- Development reports from all academic committees

##### Early intervention for young people who risk not starting a youth education

- Early, differentiated guidance
- Mentor scheme in the transition from primary and lower secondary school to upper-secondary education
- Systematic reach-out efforts after primary and lower secondary school

### Evaluation of the long-term effect on upper-secondary education

The first initiatives in the field vocational education and training were launched at the earliest at the start of the school year in 2007, and the remaining initiatives commenced at the start of the school year in August 2008. It is therefore not yet possible to precisely assess the impact of the individual initiatives and the overall efforts in

relation to the objective that at least 85 per cent of all young people should complete an upper-secondary education in 2010 and at least 95 per cent in 2015.

In general, the status for the fulfilment of the 95 per cent objective shows that there are some positive trends in the area of upper-secondary education. Among other things it appears that:

- The share of a youth cohort obtaining an upper-secondary education 5 years after 9<sup>th</sup> grade rose between 2006 and 2007.
- The share of pupils with another ethnic origin than Danish who are expected to complete a youth education rose during the 2004 to 2007 period.
- 17 per cent of the pupils who commenced a basic course in the second half of 2008 broke off their education without choosing another basic course. The corresponding share the year before was 22 per cent, corresponding to a decline of 5 percentage points.

Already now, a number of positive trends resulting from the individual initiatives can be identified; these include the following:

- Two-thirds of vocational college teachers consider that their participation in in-service training to a high degree or some degree has had an impact on their teaching practice, and 70 per cent respond that in-service training can be observed in their practice.
- More than 90 per cent of the colleges consider that the mentor scheme and the contact teacher scheme have an effect in terms of reducing drop-out and the ability of the colleges to accommodate pupils with different learning pre-requisites.
- 40 per cent of the colleges state that they can observe that the enhanced social and psychological services have had a positive effect on the pupils' well-being, which can contribute to reducing drop-out, and the majority of the remaining colleges anticipate that in the long term the social and psychological services could help reduce drop-out.
- Intake to the basic vocational education and training programme (egu) rose from 767 to 952 basic vocational education and training (egu) agreements between 2006 and 2008, corresponding to an increase of approx. 24 per cent. The number of local authorities with implemented basic vocational education and training (egu) increased by approx. 23 per cent between 2006 and 2008.
- The action plans have given the colleges better insight into problems and solutions in connection with the challenges that drop-out presents and thus a better starting point for working with these.
- According to the colleges, the stepped-up guidance efforts at the beginning of the basic course help the pupils to clarify their abilities at an earlier stage; absence and drop-out have also been reduced. 40 per cent of the colleges have already noted these effects and a further 40-50 per cent anticipate these effects in the longer term.

- Three out of four colleges assess they can already observe or expect less absence and drop-out as a result of short internships. In addition, the evaluation of the increased training place reach-out efforts and guidance shows that the colleges' efforts to support weak pupils in finding in-service training places, have significantly improved.
- 30 per cent of the colleges estimate that "ladderisation" and differentiation by ability have a positive influence on pupils with limited learning prerequisites being retained in the programme, and 19 per cent of the colleges assess that the possibility of stepped education and differentiation by ability will lead to more pupils starting on higher education in the longer term.

## Higher education

### Accreditation of higher education programmes

The accreditation of new university education programmes commenced in 2007. In 2008, a pilot project involving the accreditation of 37 existing university programmes was implemented. On the basis of the pilot project, in November 2008 ACE Denmark held a conference in order to collect experience. This has led to a number of elaborations and adjustments of the accreditation concept in terms of assessing quality and relevance in the existing university education programmes. 100 existing university programmes are expected to be accredited in 2009. The executive order on accreditation of university programmes is to be reviewed in autumn 2009 in order to obtain a better structuring of the criteria and ensure more focused documentation requirements for applications by the universities.

The first round of accreditation for academy profession programmes and professional bachelor programmes was initiated in August 2008. During this round, after an initial screening the Ministry of Education forwarded 29 applications for new education programmes and 105 applications for new provisions of new or existing programmes for accreditation. Of these, 21 new education programmes and 66 new provisions received a positive accreditation and were approved by the Minister for Education. Subsequently, in February 2009 the Ministry of Education forwarded applications regarding 6 new education programmes and 35 new provisions for accreditation, meaning that a total of 35 potential new programmes and 140 provisions of programmes have been forwarded for accreditation since August 2008. Accreditation of existing academy profession programmes and professional bachelor programmes will commence in autumn 2009.

### Strengthening and development of the academic level and the educational efforts

The efforts of the universities to maintain and develop the academic level in the teaching have been strengthened by means of an educational effort that has focused on in-service training of teachers as well as an increase of the capacity for developing methodological and educational efforts. Finally, there is focus on developing the ongoing educational development of teachers' competences, inter alia by strengthening

the professional postgraduate teacher training of lecturers and the dissemination element in the PhD programme.

In order to strengthen the quality of professional bachelor programmes, funds have been set aside for education and training of teachers and internship supervisors. The funds have many objectives and include: ensuring that teachers at teacher training and social education institutions can undertake the changed tasks that result from, among other things, new demands concerning the programmes' organisation and structure, new subjects etc., strengthening the quality of teaching practice at the social education study programme by educating and training more internship supervisors, and strengthening the teachers' knowledge concerning practice at the other medium-cycle higher education programmes in order to improve the connection between practice periods and the programmes' theoretical instruction.

### **Increased flexibility and programmes aimed at the needs of the labour market**

The reform of the academy profession programmes was accomplished with the Act on Business Academy Profession Programmes and Professional Bachelor Programmes implemented as per 1 August 2009. The objective of the reform is to increase the flexibility of the programmes and further target them towards the needs of the labour market, for which reason obligatory practice periods have been introduced in all business academy programmes. To support the implementation of the reform, funds have been set aside for education and training of teachers at the academy profession programmes.

### **Scholarship scheme for highly qualified foreign students outside the EU/EEA area**

Following the amendment of the University Act in 2009, scholarships can be allocated as full or partial scholarships. Correspondingly, scholarship grants to cover living costs can be allocated in full or in part. Finally, whole or partial scholarships can be allocated without scholarship grants. The administration of the scheme has simultaneously been altered to allow the universities free disposal of the funds within a fixed frame.

### **Assessment of the long-term effect on long-cycle higher education programmes**

It is too early to assess the long-term effect of the individual initiatives that are intended to increase capacity and quality at long-cycle higher education programmes. Many of the initiatives were launched during 2007, 2008 and 2009 and are only expected to have an impact in the coming years.

Nonetheless, the general picture of the long-cycle higher education programmes shows a number of positive trends in terms of the 50 per cent objective and the reduction of the completion age.

- The share of a youth cohort expected to complete a long-cycle higher education rose by 2 percentage points between 2006 and 2007. The share expected to complete a long-cycle higher education was approx. 18 per cent in 2007 compared to approx. 16 per cent in 2006.
- There is a trend for an increasing number of students to commence their university education less than two years after having received their entry qualification:
  - The share of the new students commencing a long-cycle higher education programme with an entry qualification that is at most two years old rose from 77 per cent in 2008 to 80 per cent in 2009.
  - An increasing number of the new students at the universities are 21 years of age or younger. This applies to 64 per cent of new students in 2009 compared to 62 per cent in 2008 (this level was 47 per cent in 2002).
- A slight fall in average study time can be observed for university studies as a whole. In general, average completion time was 6.5 years in 2007, representing a 0.2-year fall since 2004.
- The reduced study time is particularly observable at master's level where the share of graduates completing their studies within the prescribed period of study plus one year (N+1) rose from 41 per cent to 51 per cent between 2006 and 2007.

A number of positive trends can also be identified already at this stage as a result of the individual initiatives. These include:

- Focus on systematic quality assessment of university education programmes.
- The teaching aspect of the education has been improved.
- Highly qualified students have been presented with more challenges by means of the elite education programmes.
- Internationalisation has been increased for Danish and foreign students.

### **Assessment of the long-term effect on short-cycle and medium-cycle higher education programmes**

In general, the status for the fulfilment of the 50 per cent objective shows that there are some positive trends in higher education. For example:

- The number of persons admitted to short-cycle higher education programmes rose by 15 per cent between 2008 and 2009 and by 18 per cent at medium-cycle higher education programmes during the same period.
- The average extra time spent for completing short-cycle and medium-cycle higher education was reduced by approx. 6 months during the period 2004 to 2007.

As is the case with the other educational initiatives, the majority of the initiatives aimed at short-cycle and medium-cycle higher education were launched at the commencement of the school year in 2007, and the remainder of the initiatives were launched at the commencement of the school year in 2008. It is therefore not yet

possible to assess the effect of the individual initiatives and the overall effort in terms of the objective that at least 50 per cent should have completed higher education in 2015.

However, a number of positive trends can already be identified at this stage as a result of the individual initiatives. These include:

- 91 per cent of university college graduates are employed one year after graduation, which may reflect the targeted efforts of the university colleges to ensure high academic quality and labour market relevance in the education programmes.
- In recent years the university colleges have experienced a declining influx of applicants to medium-cycle higher education programmes. However, this year's applications indicate that the decline has halted and that the development has been turned around. The number of applicants for professional higher education programmes under the authority of the Ministry of Education is the highest since the turn of the millennium and in 2009 17 per cent more students in all were admitted than in 2008.
- The calculation of the completion of their first year of study by the students admitted in 2008 (from August 2008 to June 2009) shows that 85 per cent of the students are still enrolled in their study programmes after the completion of their first year. Some of the remaining 15 per cent who have left their study programme have chosen another study programme. Experience shows that by far the greatest drop-out occurs during the first year of study, and it is estimated that the figures available for completion of the first year of study reflect a positive development with an anticipated higher completion percentage for this year group of students compared with the earlier year groups.
- With respect to the initiatives to support increased education and training activity among teachers, it is the general assessment that these have contributed to fulfilling the objective of the initiatives.
- With respect to the initiative in the area of teacher training and social education, it is the assessment that the education and training courses have qualified the teachers to offer solid teaching that lives up to the requirements laid down in the reformed education programmes. With respect to the initiatives in the other medium-cycle higher education programmes, the education and training courses are assessed to have strengthened the link between theory and practice and to have brought about better programmes for the students.
- It is assessed that the targeted efforts of the university colleges and the university colleges of engineering to ensure the broad embedment of development activities among the teachers will have a positive spillover effect on teaching quality and through that on the students' performance and completion percentage.

## Annex 3. Use of EU structural funds

### The structural funds period 2007-2013

A new structural funds period, covering the years from 2007 to 2013, began on 1 January 2007. In the period from 2007 to 2013, EU structural funds will contribute to the realisation of three objectives:

1. *The convergence objective* is to improve growth conditions in the least developed countries and regions. Denmark will not receive any funds under this objective.
2. *The competitiveness and employment objective* is to strengthen competitiveness, attractiveness and employment outside the least developed regions. All of Denmark is covered by this objective and Denmark runs a regional fund programme and a social fund programme under this objective.
3. *The territorial cooperation objective* is to strengthen cross-border cooperation in Europe. Denmark is involved in several programmes, including cooperation with Sweden, Germany and the countries bordering the North Sea and the Baltic Sea.

In the period 2007-2013, EU structural funds will be used to support the growth and employment objectives of the Lisbon Strategy. To that end, it has been decided that 60 per cent of convergence objective funding (objective 1) and 75 per cent of competitiveness and employment objective funding (objective 2) will be earmarked for a number of priorities in this area.

The Danish strategy for use of EU structural funds in the period 2007-2013 is set out in the strategic reference framework approved by the Commission on 16 April 2007. Based on the Lisbon Strategy, the National Reform Programme and the Government's Globalisation Strategy, it has been decided to focus Danish structural funds initiatives on the development of business policy framework conditions for Danish enterprises. The objective is to strengthen competitiveness and employment – and thus Danish and European growth.

The Danish structural funds initiatives will revolve around four sources of growth: 1. Human resource development; 2. Establishment and development of new enterprises; 3. Innovation, knowledge sharing and knowledge building; and 4. Use of new technology. The structural funds initiatives must consider four cross themes: equality; environment; employment policy; and cities, rural areas and peripheral regions.

The social fund initiatives under the *regional competitiveness and employment objective* will focus on the theme of “More and Better Jobs”, including, in particular, skills upgrading and expansion of the labour force with a view to ensuring that Danish enterprises have access to sufficient and qualified labour through human resource development. The regional fund initiatives will focus on the theme of “Innovation and Knowledge”, the aim being to ensure that Danish enterprises have good framework conditions for entrepreneurship, innovation and use of new technology.

In the period 2007-13, Denmark will be allocated about DKK 500 million a year under the regional competitiveness and employment objective. Half of the funds will be contributed by the Social Fund, while the Regional Fund will contribute the other half. The social fund initiatives will focus on two priority areas, while the Regional Fund initiatives (excluding technical assistance) will focus on one priority area, *cf. table 3.1*.

**Table 3.1**

**Overview of funds allocated through the “regional competitiveness and employment” objective**

<b>Current prices</b> <b>(DKK million)</b>	<b>Available</b> <b>2007-2013</b>	<b>Available</b> <b>per year</b>	<b>Commitments</b> <b>made in 2007</b> <b>and 2008</b>	<b>Available in</b> <b>2009 (incl.</b> <b>unutilised</b> <b>commitments</b> <b>from 2007 and</b> <b>2008)</b>
Innovation and knowledge	1,825	260	309.5	471
<b>Regional Fund – total</b>	<b>1,825</b>	<b>260</b>	<b>309.5</b>	<b>471</b>
A qualified labour force (better jobs)	1,333	190	161.5	409
Expansion of the labour force (more jobs)	493	70	69.8	140
<b>Social Fund – total</b>	<b>1,825</b>	<b>260</b>	<b>231.3</b>	<b>549</b>

Note: Excluding technical assistance.

During the period 2007-2013, Danish structural funds under the regional competitiveness and employment objective can be used anywhere in the country. Most of the funds – DKK 450 million a year – have been tentatively allocated between the six regional growth forums based on objective criteria, including the number of inhabitants in the region; the number of unemployed people; the number of lowly educated people; and the population in disadvantaged areas (peripheral regions). The remaining DKK 50 million a year will be exposed to competition through regional growth forums according to themes selected by the Danish Growth Council. The 2009 themes are: “Good Framework Conditions for Foreign Labourers in Denmark” and “Improved Framework Conditions for General and Vocational Upper Secondary Education”.

At least 35 per cent of the structural funds must be allocated for the benefit of peripheral regions. Subject to recommendation by the growth forums, investment funding to individual enterprises may be provided in the socio-economically weakest peripheral regions. Structural funds are co-financed by at least 50 per cent funds from the Danish Government, regions, municipalities or private operators.

The regions have earmarked approximately DKK 510 million for business development in 2009, *cf. table 3.2*. Allocation of these funds, like the structural funds, is subject to recommendation by regional growth forums.

**Table 3.2<sup>1</sup>**  
**Growth forums are entitled to recommend funds for regional business development projects as follows in 2009 (DKK million)**  
 2009 prices

Region	Structural funds	Regional funds for business development	Total
North Jutland	117	62	179
Central Denmark	75	139	214
Southern Denmark	106	97	204
Zealand	75	75	150
Greater Copenhagen Area	73	127	200
Bornholm	16	10	26
Funds exposed to competition	50	-	50
<b>Total</b>	<b>511</b>	<b>510</b>	<b>1,021</b>

Note: All amounts in the table have been rounded to the nearest million in DKK and are shown excluding budgeted payroll and administration costs. If technical assistance costs are included (administration, auditing, IT costs, etc.), Denmark receives approximately DKK 530 million a year from EU structural funds (2009 prices).

The time coincidence of the Danish municipal reform and the new EU structural funds period paved the way for better coherence between EU-financed, national, regional and local business policy initiatives, both as regards the priority content and geographically as well as administratively. The framework for strengthening the interaction between EU-financed, national, regional and local business policy initiatives is now in place.

*Danish regional growth forums* are well underway implementing regional business development strategies and action plans, and interact with the Government on the priority areas and initiatives forming part of the partnership agreements.

Activities initiated on the recommendation of the growth forums vary, depending on the starting points and challenges of the regions. Accordingly, the specific initiatives of individual growth forums vary from region to region, based on regional business development strategies, Danish structural funds programmes and partnership agreements with the Danish Government on growth and business development. New growth forums will be appointed following the local elections in November 2009 and all new growth forums are to adopt new business development strategies in 2010 (except for the Region of Southern Denmark, as its strategy runs until 2012).

In 2008, the greatest overall focus of the growth forums was on innovation/new technology, followed by entrepreneurship/business start-ups and human resources (education) cf. table 3.3. Growth forums thus prioritised about 27 per cent of the funds for innovation/new technology, 21 per cent for entrepreneurship/business start-ups and 20 per cent for human resources.

<sup>1</sup> The difference in structural funds between tables 3.1 and 3.2 can be attributed to the fact that table 3.1 has been calculated in current prices, while table 3.2 has been calculated in 2009 prices.

In 2007, the Danish Growth Council discussed the momentum in the implementation of regional business development strategies, tracked the conclusion of regional partnership agreements between the Government and the regional growth forums, and contributed examples for cooperation and secretarial assistance to the growth forums. The Council devoted much time and vigour to energy discussions in 2007, resulting in the publication “The Green Gold”, which sets out the Council’s recommendations on how to unleash the business potential of renewable energy and energy-efficient solutions.

In 2008-2009, the Council, among other issues, has discussed the implications of the financial crisis at the national and regional levels and has helped to sustain the momentum in the implementation of regional partnership agreements. The Council has also been focusing on retaining and integrating foreign labour.

**Table 3.3**

**Overview of the number of prioritised projects and percentage distribution of prioritised funds allocated to key priority areas per growth forum, 2008**

	North Jutland	Central Denmark	Southern Denmark	Zealand	Greater Copen- hagen	Born- holm	Entire country
Number of initiatives	28 <sup>1)</sup>	40	48	57	27	23	223
	<b>Per cent</b>						
Innovation/- New technology	13	17	35	27	37	40	27
Entrepreneur- ship/Business start-ups	21	3	6	39	41	0	21
Human resources	18	21	23	21	9	45	20
Tourism/ Experi- ence industry	29	27	30	3	6	3	19
Other initiatives	20	32	5	10	7	12	13
Total	100	100	100	100	100	100	100
Recommended amount in 2008 (DKK million) <sup>2)</sup>	200	171	278	246	161	41	1,096

1) One of the North Jutland projects comprises 39 small projects (below DKK 250,000), which are mainly in the form of initial surveys.

2) The amounts comprise both regional development funds and regionally allocated structural funds. Recommended amounts may exceed the amounts available on average to individual growth forums for individual years. As far as structural funds are concerned, funds can be drawn under the entire seven-year framework for the period 2007-2013.

Source: “Regional Business Development – regional growth forum investments, 2008”, Danish Regions, “Regional growth forums – investment in the future”, Danish Regions and own calculations.

In order to strengthen the overall growth policy initiatives, the Danish Government has entered into *regional partnership agreements on growth and business development* with all growth forums. These partnership agreements are designed to help implement the Government’s Globalisation Strategy in all parts of the country. Consequently, they

must be implemented in close connection with the planned initiatives of the regional growth forums, based on regional business development strategies.

Partnership agreements have been concluded for the following areas: 1. Education and labour supply; 2. Better growth conditions for new and small enterprises; 3. Innovation; 4. Dissemination of knowledge; 5. Marketing of Denmark – attraction of investment and tourism; 6. Energy; 7. Rural areas and peripheral regions; 8. Cross-border cooperation. The partnership agreements will be in effect for the period 2007-2009 and may be adjusted once a year. The Government, the Danish Growth Council and the regional growth forums will monitor the implementation of the agreements on an ongoing basis, including the objectives specified in the regional partnership agreements.

In 2009, stock has been taken of the six regional partnership agreements, showing good progress. At the same time, supplementary agreements have been concluded between the Government and each growth forum. The supplementary agreements put increased focus e.g. on early and active intervention when people become unemployed and better conditions for innovation and entrepreneurship, including access to venture capital. Another focus area is green growth, e.g. in the form of regional implementation of the future business climate strategy.

### **Territorial cooperation**

For the 2007-2013 EU structural funds period, *cross-border cooperation* has been upgraded to an objective in its own right for European territorial cooperation. Denmark receives more than DKK 700 million from the Regional Fund for its participation in cooperation programmes, representing a significant increase on the period 2000-2006. Cross-border cooperation contributes e.g. to creating a common, cross-border regional labour market for the benefit of the enterprises of the regions and to strengthening cooperation in the areas of education, environment, culture and business.

Cross-border cooperation includes three priorities:

- Cross-border cooperation
- Transnational cooperation
- Interregional cooperation

The cooperation will be organised in programmes.

The *cross-border programmes* focus, in particular, on cross-border regional economic, social and environmental activities, e.g. by improving conditions for entrepreneurs and small and medium-sized enterprises. The focus is also on joint development and cross-border utilisation of service infrastructures, such as health facilities, education, culture and tourism. Finally, it is possible to strengthen cross-border administrative cooperation, a common labour market and employment initiatives, as well as research and development.

The cooperation is organised in four cross-border programmes: Two Danish-German programmes: One comprising the Region of Southern Denmark and one comprising Region Zealand. One Danish-Swedish-Norwegian programme and one programme for the southern Baltic Sea.

The *transnational programmes* have four key areas of focus. The transnational element has been highlighted for each of the areas of focus.

- *Innovation* comprises the development of scientific and technological networks and strengthening of innovation, research and development capacities.
- *Environment* comprises water resource management, increased energy efficiency, environmental protection and risk prevention.
- *Accessibility* comprises improvements in transport and telecommunications services.
- *Sustainable urban development* comprises strengthening of polycentric development at the transnational, national and regional levels.

Within the transnational programmes, all Danish regions will be eligible for funding and the cooperation will be organised in two transnational programmes: one programme for the countries bordering the Baltic Sea and one programme for the countries bordering the North Sea.

The *interregional programmes* aim to increase the efficiency of regional policy by promoting cooperation between regions across the whole of the Community. As far as priority content is concerned, the programmes/networks are to focus on innovation, environment and risk prevention. The cooperation is organised under the INTER-REG IVC programme.

Cross-Community cooperation is also organised in the experience exchange networks: Urbact II, ESPON 2013 and Interact II.

URBACT programme funds may be used to support the establishment of transnational networks and working groups aimed at increasing knowledge sharing in areas of significance to urban development as a framework for growth, employment and business development. The details for the use of the programme funds are set out in the operational programme available at [www.urbact.eu](http://www.urbact.eu). All cities in EU member states, as well as in Norway and Switzerland, are eligible to apply for funding under the programme. In Denmark, the Ministry of Refugee, Immigration and Integration Affairs has primary responsibility for the URBACT II programme.

ESPON is a European observation network on territorial development and cohesion. The programme funds can be used e.g. to support applied research, for analyses and for development of scientific platforms and tools within territorial development and cohesion.

The administrative authorities of the two Danish-German programmes are located in Vejle and Sorø (Region of Southern Denmark and Region Zealand, respectively) and the joint secretariat for the transnational programme for the countries bordering the North Sea is located in Central Denmark Region in Viborg.

### **The structural funds period 2000-2006**

EU structural funds for 2000-2006 contributed to the realisation of three objectives: promotion of development and structural adjustment of regions where development was lagging behind (objective 1); support of economic and social restructuring of areas facing structural problems (objective 2); and support of adaptation and modernisation of education, business education and employment policies and systems (objective 3).

Denmark implemented an objective 2 programme (the Regional Fund and the Social Fund) and an objective 3 programme (the Social Fund), as well as the so-called Community Initiatives Interreg III (the Regional Fund), Urban (the Regional Fund) and Equal (the Social Fund). The programmes from the previous period were completed by the end of 2008.

### **The Regional Fund**

*The Regional Fund appropriation for the objective 2 programme* (DKK 1,012 million) was granted to selected peripheral regions – in the Regional Municipality of Bornholm and in the counties of Funen, North Jutland, Ringkjøbing, Storstrøm, South Jutland, Viborg and Århus. The Programme was co-financed by the Government and regional authorities.

The Regional Fund appropriation for the objective 2 programme had two priority areas – one targeting framework conditions (development of the region in question) and the other targeting business development.

- Under *framework conditions*, financial support was granted to public-sector projects with a positive impact on the general development conditions in the region, e.g. by improving its attractiveness as an industrial location, a residential area or a tourist destination. Financial support was also granted to advice and development projects, e.g. in the form of feasibility studies and improved access to business services. The beneficiaries were counties, municipalities, public institutions, semi-public organisations or associations.
- Under *business funding*, financial support was granted to development of existing enterprises and establishment of new ones. Examples include investment funding in the form of capital expenditure funding or funding for product development, advice, feasibility studies, environmental management and market surveys. The beneficiaries were private manufacturing and service enterprises, primarily SMEs.

*The Community Initiative Urban* (DKK 37.6 million) targeted the urban area of Gelstrup-Hasle-Herredsvang in western Århus (Jutland). The aim was to create a sus-

tainable and well-functioning urban area by strengthening social, cultural and employment relationships between citizens and enterprises. Financial support was granted to public-sector projects completed by authorities, institutions, organisations and associations under the priority areas ‘competencies and jobs’, ‘mobilisation of social and organisational resources’ and ‘integration through cultural and leisure activities’. The programme was financed mainly by municipal funds.

*The Community Initiative Interreg III* was designed to stimulate cooperation across the internal and external borders of the European Union. This initiative supported a wide range of cooperation projects internally in the EU and between the EU and third countries bordering the EU. Projects in areas such as development of SMEs, education, environmental protection and infrastructure are typically carried out by public authorities, semi-public authorities or socio-economic players. Denmark participated in a number of programmes under *Interreg III*, including three Danish-German programmes, the Øresund programme between Sweden and Denmark and two programmes focusing on the countries bordering the North Sea and the Baltic Sea.

## **The Social Fund**

During the structural funds period 2000-2006, the European Social Fund provided funding for initiatives to prevent and combat unemployment and for human resource development and social integration in the labour market. The Fund had particular focus on activities carried out under the European Employment Strategy and the European Employment Guidelines.

*The objective 3 programme* covered the entire country and was the largest of the Social Fund programmes in Denmark (approximately DKK 2.9 billion from 2000 to 2006). Under the programme, funding was provided to projects focusing on bringing down unemployment; promoting the integration of exposed groups in the labour market; further education and skills development of employees; and on identifying future needs for labour-market qualifications and skills.

*The Social Fund objective 2 programme* (approximately DKK 400 million) covered Danish regions that are at a disadvantage in terms of jobs, employment, business environment and infrastructure. The programme aimed to strengthen the conditions for the development and conversion process required to promote prosperity, employment and equal opportunities, as well as a sustainable environment.

The Social Fund provided funding under priority area 3 of the programme, which was sub-divided into the following three types of activities:

- Competency development.
- Development of strategic infrastructures.
- Quality optimisation.

The *Community Initiative Equal* (approximately DKK 225 million) was a transnational cooperation project designed to find new approaches to combating discrimination and inequalities of all kinds in the labour market. The Equal programme provided funding for projects targeting both job seekers and people in employment.

The programme had four themes:

- Improvement of the integration and labour market opportunities of immigrants, descendants of immigrants and refugees.
- Disintegration of the gender-divided labour market.
- Improvement of the integration and labour market opportunities of socially marginalised groups, including people with disabilities.
- Improvement of the integration and labour market opportunities of asylum seekers.



## Annex 4. Selected employment indicators

<b>Table 4.1</b>						
<b>Common indicators</b>						
<b>Indicator</b>	<b>DK2000</b>	<b>DK 2005</b>	<b>DK 2006</b>	<b>DK 2007</b>	<b>EU-15 (2007)</b>	<b>EU-27 (2007)</b>
<b>Guideline 17</b>						
Employment rate 15-64 years (1)	76.4	75.9	77.4	77.1	66.9	65.4
Employment rate 15-64 years, men	80.7	79.8	81.2	81.0	74.2	72.5
Employment rate 15-64 years, women	72.1	71.9	73.4	73.2	59.7	58.3
Employment rate 55-64 years	54.6	59.5	60.7	58.6	46.6	44.7
Employment rate 55-64 years, men	61.9	65.6	67.1	64.9	55.3	53.9
Employment rate 55-64 years, women	46.2	53.5	54.3	52.4	38.1	36.0
Unemployment, total (2)	4.5	4.8	3.9	3.8	7.0	7.1
Unemployment, men	4.0	4.4	3.3	3.5	6.3	6.5
Unemployment, women	5.0	5.3	4.5	4.2	7.8	7.8
<b>Guideline 18</b>						
Youth unemployment 15-24 year-olds, total (3)	6.7	8.6	7.7	7.9	14.9	15.5
Youth unemployment 15-24 year-olds, men	6.5	8.6	7.9	8.2	14.6	15.2
Youth unemployment 15-24 year-olds, women	7.0	8.6	7.5	7.5	15.2	15.8
Gender difference, unemployment (women-men) (4)	0.9	0.9	1.2	0.7	1.4	2.4
Gender difference, Employment rate (5)	9.2	7.9	7.8	7.8	14.5	28.4
Change in labour supply, total(6)	-0.5	-0.2	1.0	-	1.3*	1.1*
Change in labour supply, men	-0.8	-0.4	0.8	-	0.9*	0.8*
Change in labour supply, women	-0.3	0.0	1.4	-	1.8*	1.5*
Average retirement age, total (7)	-	61.0	61.9	-	61.4e*	61.2e*
Average retirement age, men	-	61.2	62.5	-	61.4e*	61.7e*
Average retirement age, women	-	60.7	61.3	-	61.1e*	60.7e*
<b>Guideline 19</b>						
Unemployment difference EU citizens and non-EU citizens (8)	9.2	9.1	6.4	-	7.8*	7.0*
Unemployment pitfall (9)	-	91.0	91.0	-	75.5*	75.4*
Long-term unemployed, total (10)	0.9	1.1	0.8	0.6	2.81f	6.0f
Long-term unemployed, men	0.8	1.1	0.7	0.5	2.6f	5.6f
Long-term unemployed, women	1.1	1.2	0.9	0.7	3.1f	6.0f
<b>Guideline 22</b>						
Taxation of low income groups (11)	41.2	39.2	39.3	-	40.1*	40.1*
Gender difference, wage (12)	15.0	18.0	17.0	-	15.0e*	
<b>Guideline 23</b>						
Per cent of 18-24 year-olds with at most 9 <sup>th</sup> grade, total (13)	11.6	8.5	10.9	-	17.0*	15.3*
Per cent 18-24 year-olds with at most 9 <sup>th</sup> grade, men	13.4	9.4	12.8	-	19.4*	17.5*
Share 18-24 year-olds with at most 9 <sup>th</sup> grade, women	9.9	7.5	9.1	-	14.5*	13.2*
Education level for 22 year-olds, total (14)	72.0	77.1	77.4	-	74.8*	77.8*
Education level for 22 year-olds, men	67.5	73.8	73.4	-	71.5*	74.8*
Education level for 22 year-olds, women	76.5	80.5	81.5	-	78.2*	80.7*

<b>Table 4.1 (continued)</b>						
<b>Common indicators</b>						
<b>Indicator</b>	<b>DK2000</b>	<b>DK 2005</b>	<b>DK 2006</b>	<b>DK 2007</b>	<b>EU-15 (2007)</b>	<b>EU-27 (2007)</b>
Further education 25-64 year-olds total (15)	19.4	27.4	29.2	-	11.1*	9.6*
Further education 25-64 year-olds, men	17.1	23.6	24.6	-	10.2*	8.8*
Further education 25-64 year-olds women	21.8	31.2	33.8	-	12.1*	10.4*
Further education 25-34 year-olds, total	27.1	38.8	39.2	-	17.7*	15.5*
Further education 25-34 year-olds, men	25.2	37.0	37.6	-	16.9*	14.8*
Further education 25-34 year-olds women	29.8	40.6	40.9	-	18.5*	16.3*
Further education 55-64 year-olds, total	10.3	18.9	21.8	-	5.6*	4.6*
Further education 55-64 year-olds, men	8.7	14.5	15.9	-	4.8*	4.0*
Further education 55-64 year-olds women						
<b>Guideline 24</b>						
Costs for education as part of GNP (16)	8.3	8.43	8.28	-	5.1e*	5.1e*
*) Latest figures are from 2006.						
Remark: a= changed calculation method, e= estimate, f= provisional, b= changed calculation.						
1) Share the population in the age group 15-64 who are employed.						
2) Share of workforce that is without work.						
3) Share of the population in the age group 15-24 who are unemployed.						
4) Difference in unemployment between women and men in percentage points. Calculated as women-men.						
5) Difference in employment rate between women and men in percentage points. Calculated as men-women.						
6) Annual change in labour supply, including unemployed and persons in jobs in the age group 15-64.						
7) Average age for retirement from the labour market. Based on a probability model that takes into consideration the relative change in activity level from one year to another at a specific age.						
8) Difference in unemployment between EU citizens and non-EU citizens, in percentage points.						
9) The marginal effective tax on job income when consideration is taken of the combined effect of increased tax when working and removal of social benefits when a job is taken. Calculated as the ratio between change in personal net income divided by the change in gross income for a person who goes from being unemployed to a job with a salary of 67 per cent of the average.						
10) Share of workforce that is long-term unemployed (12 months or more).						
11) Ratio between income tax plus social contributions divided by salary costs for an employee who earns 67 per cent of the average salary.						
12) Difference between men's and women's average gross hourly pay as a part of men's average gross hourly pay.						
13) Share of the 18-24 year-olds who at the most have completed 9th grade and do not participate in other education.						
14) Share of 22 year-olds who have at the least completed an upper secondary education. The age group 20-24 is used as proxy.						
15) Share of the population in the age group 25-64 who participate in further education and training.						
16) Total costs for education as a share of GDP.						
Source: Indicators for monitoring the Employment Guidelines 2008 compendium (May 2008).						

## National indicators, cf. The Employment Committee's (EMCO's) decision

<b>Table 4.2</b>				
<b>Young people must start on an action plan within 6 months of unemployment – input and output indicators</b>				
	<b>Year</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>
<b>(A) Number of youths recently unemployed</b>				
	2005	39,022	19,021	20,001
	2006	31,688	15,353	16,335
	2007	28,816	12,988	15,828
	2008	29,550	14,686	14,864
<b>(B) Number of recently unemployed (A) who are still unemployed after 6 month</b>				
	2005	2,411	1,215	1,196
	2006	1,802	830	972
	2007	2,594	1,210	1,384
	2008	1,348	661	687
<b>Share (B)/(A) output indicator</b>				
	2005	0.06	0.06	0.06
	2006	0.06	0.05	0.06
	2007	0.09		0.09
	2008	0.05		0.05
<b>(C) Number of recently unemployed (A) who have obtained a plan of action within 6 months</b>				
	2005	891	460	431
	2006	1,716	784	932
	2007	2,594	1,210	1,384
	2008	1,348	661	687
<b>Share (C)/(A)</b>				
	2005	0.02	0.02	0.02
	2006	0.05	0.05	0.06
	2007	0.09	0.09	0.09
	2008	0.05	0.05	0.05
<b>(D) Number of recently unemployed who were still unemployed after 6 months (B) and who have not obtained a plan of action (1)</b>				
	2005	213	128	85
	2006	0	0	0
	2007	0	0	0
	2008	0	0	0
<b>Share (D)/(B)</b>				
	2005	0.09	0.11	0.07
	2006	0.00	0.00	0.00
	2007	0.00	0.00	0.00
	2008	0.00	0.00	0.00

Note: *Regarding the calculation period:* The calculation period has its starting point at the time the unemployed receives a job plan, contact interview and activation offer. For example, this means that if the calculation period is the year 2007, then the number of recently unemployed under 30 years of age include unemployed who received a job plan, a contact interview or a activation offer. These persons thus had their first day of unemployment 6 months earlier, i.e. in the 2nd half of 2006 and the 1st half of 2007. *Regarding measurement A: Recently unemployed* The basis of the calculation is changed in relation to NAP 2004 so the number of recently unemployed is based on the unemployment insurance fund's reporting of the unemployed persons' 1st day of unemployment. In earlier calculations, (NAP 2004) the basis for the counting of recently unemployed was – for want of better – the first time the person is unemployed and has not received unemployment benefits in the previous 52 weeks. *Regarding measurement B:* The number of young unemployed persons with 26 weeks continuous full unemployment/activation. The measurement includes the number of recently unemployed who are registered with continued full-time unemployment/activation for 26 weeks from the time of the first day of unemployment. *Regarding distribution of youngsters and seniors:* As at 1. July 2003, the youth group was extended to include up to 29 year-olds who subsequently have a right to a job plan at the latest within 6 months' unemployment. As a transitional scheme it applied that 25 to 29 year-olds with the first day of unemployment in the first half of 2003 had the right to a job plan at the latest within 12 months unemployment, however before 31.12.03.

*Regarding IHP and Job plans:* With the labour market reform in 2003, on 1 July 2003, Job plans were introduced instead of individual plans of action (IHP). In 2003 and 2004, measurements C and D include job plans instead of individual plans of action.

1) From 2004, this category of persons contains those who have not obtained a contact interview, a job plan or have commenced a activation offer 26 weeks after recent unemployment. Source: AMS (AMANDA).

**Table 4.3****The youths must commence a plan of action within 6 months' unemployment – data for measurement of the scope of the effort**

	Year	Total	Men	Women
<b>Number of youths recently unemployed</b>				
	2005	39,022	19,021	20,001
	2006	30,606	14,962	15,644
	2007	28,816	12,988	15,828
	2008	29,550	14,686	14,864
<b>Upgrading of qualifications</b>				
	2005	725	340	385
	2006	660	282	378
	2007	682	310	372
	2008	350	154	196
<b>Public wage subsidy job</b>				
	2005	66	19	47
	2006	93	26	67
	2007	76	18	58
	2008	19	5	14
<b>Private wage subsidy job</b>				
	2005	106	57	49
	2006	103	58	45
	2007	82	50	32
	2008	23	16	7
<b>Other</b>				
	2005	69	33	36
	2006	101	35	66
	2007	71	42	29
	2008	70	30	40

Remark: The distribution of activity types is based on the stated first activity in the job plan or the offer in which the person has participated. The distribution thus shows the distribution on activity type for insured young unemployed people who either have a job plan or have participated in an offer within 6 months of unemployment.

With the labour market reform in 2003, earlier guidance and education were replaced with the tool "Upgrading of qualifications" and job training was replaced with "Wage subsidy job" which is why the activity names in the tables have been changed correspondingly.

Source: Statistics Denmark, AMANDA and DREAM.

	<b>Year</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>
<b>(A) Number of adults recently unemployed</b>				
	2005	106,533	52,464	54,069
	2006	84,055	39,362	44,693
	2007	69,283	29,469	39,814
	2008	75,656	33,773	41,883
<b>(B) Number of recently unemployed (A) who are still unemployed after 12 month</b>				
	2005	2,470	1,328	1,142
	2006	1,537	816	721
	2007	1,770	760	1,010
	2008	938	430	508
<b>Share (B)/(A) output indicator</b>				
	2005	0.02	0.03	0.02
	2006	0.02	0.02	0.02
	2007	0.03	0.03	0.03
	2008	0.01	0.01	0.01
<b>(C) Number of recently unemployed (A) who have obtained a plan of action within 12 months</b>				
	2005	874	502	372
	2006	1,471	776	695
	2007	1,770	760	1,101
	2008	938	430	508
<b>Share (C)/(A)</b>				
	2005	0.01	0.01	0.01
	2006	0.02	0.02	0.02
	2007	0.03	0.03	0.03
	2008	0.01	0.01	0.01
<b>(D) Number of recently unemployed who were still unemployed after 12 months (B) and who have not obtained af plan of action (1)</b>				
	2005	134	90	44
	2006	41	20	21
	2007	0	0	0
	2008	0	0	0
<b>Share (D)/(B)</b>				
	2005	0.05	0.07	0.04
	2006	0.03	0.02	0.03
	2007	0.00	0.00	0.00
	2008	0.00	0.00	0.00

Remark: Regarding the calculation period: In the earlier calculations (NAP 2004), the calculation period applied to the time of recent unemployment. The calculations have now been changed so that the calculation period has its starting point at the time the unemployed receives a job plan, contact interviews and activation offer. For example, this means that if the calculation period is the year 2007, then the number of recent unemployed persons over 29 years of age will include unemployed persons with the first day of unemployment 12 months before the selected calculation period, that is, in the year 2006. Regarding measurement A: Recently unemployed The basis of the calculation is changed in relation to NAP 2004 so the counting of the number of recently employed is based on the unemployment insurance fund's reporting of the unemployed persons' 1st day of unemployment. In earlier calculations, (NAP 2004) the basis for the counting of recently unemployed was – for want of better – the first time the person is unemployed and has not received unemployment benefits in the previous 52 weeks. Regarding measurement B: The number of adult unemployed persons with 52 weeks continuous full unemployment/activation. The measurement includes the number of recently unemployed who are registered with continued full-time unemployment/activation for 52 weeks from the time of the first day of unemployment. Regarding distribution of youths and seniors: As at 1 July 2003, the youth group was extended to include up to 29 year-olds who subsequently have a right to a job plan at the latest within 6 months' unemployment. As a transitional scheme it applied that 25 to 29 year-olds with the first day of unemployment in the first half of 2003 had a right to a job plan at the latest within 12 months of unemployment, however before 31.12.03. The adults (30 to 59 year-olds) have a right to a job plan at the latest within 52 weeks of unemployment. Regarding Individual Action Plans and Job plans: With the labour market reform in 2003, on 1 July 2003, Job plans were introduced instead of individual plans of action (IHP). In 2003 and 2004, measurements C and D included job plans instead of individual plans of action.

1) From 2004, this category of persons contains those who have not obtained a contact interview, a job plan or have commenced a activation offer 52 weeks after recent unemployment.

Source: AMS (AMANDA).

<b>Table 4.5</b>				
<b>Adults must commence a plan of action within 12 months' unemployment – data for measurement of the scope of the effort</b>				
	<b>Year</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>
<b>Number of adult recently unemployed</b>				
	2005	106,533	52,464	54,069
	2006	84,055	39,362	44,693
	2007	69,238	29,469	39,814
	2008	75,656	33,773	41,883
<b>Upgrading of qualifications</b>				
	2005	940	446	494
	2006	574	284	290
	2007	783	318	465
	2008	452	208	244
<b>Public wage subsidy job</b>				
	2005	83	25	58
	2006	127	61	66
	2007	85	22	63
	2008	35	9	26
<b>Private wage subsidy job</b>				
	2005	58	42	16
	2006	49	28	21
	2007	55	30	25
	2008	18	13	5
<b>Other</b>				
	2005	94	56	38
	2006	84	45	39
	2007	81	29	52
	2008	62	28	34

Remark: The distribution of activity types is based on the stated first activity in the job plan or the offer in which the person has participated. The distribution thus shows the distribution on activity type for insured adult unemployed persons who either have a job plan or have participated in an offer within 12 months of unemployment.

With the labour market reform in 2003, previous guidance and education were replaced with the tool "Upgrading of qualifications" and job training was replaced with "Wage subsidy job" which is why the activity names in the tables have been changed correspondingly.

Source: Statistics Denmark, AMANDA and DREAM.

<b>Table 4.6</b>				
<b>Average number of participants in activation, 2004-2007 (2008) – At least 25 per cent of the long-term unemployed must, at the latest, in 2010 participate in active measures</b>				
	<b>Year</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>
<b>(F) Average number of insured unemployed persons</b>				
	2005	117,319	63,376	53,942
	2006	88,558	49,971	38,587
	2007	61,908	35,312	26,596
	2008	39,821	19,613	20,209
Average number of participants in active measures (E) who commenced as unemployed. Activation type				
<b>Employment with wage subsidy</b>				
	2005	14,431	6,675	7,756
	2006	11,067	4,439	6,628
	2007	6,236	2,351	3,885
	2008	5,821	2,429	3,392
<b>Guidance and upgrading of qualifications</b>				
	2005	17,073	5,912	11,161
	2006	15,485	5,015	10,470
	2007	9,983	2,990	6,993
	2008	8,202	2,898	5,304
<b>(E) Total</b>				
	2005	31,504	12,587	18,917
	2006	26,552	9,454	17,098
	2007	16,219	5,341	10,878
	2008	14,023	5,327	8,696
<b>Share (E)/(E+F) – input indicator</b>				
	2005	0.21	0.17	0.26
	2006	0.23	0.16	0.31
	2007	0.21	0.13	0.29
	2008	0.26	0.21	0.30
<b>(G) Number of concluded activation procedures</b>				
	2005	197,380	87,159	110,221
	2006	153,087	64,410	88,677
	2007	98,088	37,922	60,166
	2008	52,660	21,744	30,916
<b>(H) Number of completed activation procedures where the persons are still unemployed, 3 and 6 months, respectively, after conclusion of activation procedure</b>				
<b>After 3 months</b>				
	2005	85,260	38,366	46,894
	2006	57,026	24,025	33,001
	2007	25,317	10,888	14,429
<b>After 6 months</b>				
	2005	62,111	28,079	34,032
	2006	41,987	17,888	24,099
	2007	15,072	6,929	8,773

<b>Table 4.6 (continued)</b>				
<b>Average number of participants in activation, 2005-2007 – At least 25 per cent of the long-term unemployed must participate in active measures</b>				
	<b>Year</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>
Share (H)/(G) – output indicator				
After 3 months				
	2005	0.43	0.44	0.43
	2006	0.37	0.37	0.37
	2007	0.26	0.29	0.24
After 6 months				
	2005	0.31	0.32	0.31
	2006	0.27	0.28	0.27
	2007	0.16	0.18	0.15
<p>Remark: From and up to the publication of unemployment for January 2008, Statistics Denmark has conducted a reorganisation of the statistics. The underlying data basis was partly edited and partly changes have occurred in the concept of unemployment so that the Danish concept of unemployment is closer to the international ILO definition of unemployment. The unemployment statistics were previously calculated on the background of data from CRAM but now builds on RAM (Register for the Labour Market). Moreover, in consultation with the Ministry of Employment, the National Labour Market Authority and the National Directorate of Labour, Statistics Denmark chose to use the change of source as an occasion for definitive changes in the concept of unemployment. The most significant importance here is that the so-called holiday unemployment is no longer included in the unemployment. This means that the payment of holiday unemployment benefits is no longer calculated as unemployment. The historical time series is updated based on the new source, which has led to minor changes in the historical data.</p> <p>Source: Statistics Denmark, AMANDA and DREAM.</p>				

<b>Table 4.7</b>		
<b>The share of the population over 75 years of age in specialised institutions and the share of over 80 year-old home care recipients in the population 2006-2008</b>		
	<b>Year</b>	<b>Total</b>
<b>Persons of the age 75+</b>		
<b>Specialised institutions</b>		
	2006	14,597
	2007	11,906
	2008	9,701
The population	2006	381,428
	2007	382,536
	2008	384,339
<b>Share who live in specialised institutions</b>		
	2006	3.83
	2007	3.11
	2008	2.50
<b>Persons of the age 80+</b>		
<b>Home care</b>		
	2007	80,021
	2008	75,021
<b>The population</b>		
	2007	224,511
	2008	225,040
<b>Share who receive home care</b>		
	2007	36.00
	2008	33.34
Source: Statistics Denmark.		

<b>Table 4.8</b>				
<b>Employment and unemployment rates for persons of Danish origin, descendants and immigrants from western countries and immigrants and descendants from non-western countries distributed according to low, medium and high qualification levels. Age group 16-66 year-olds The years 2005-2008</b>				
	<b>Year</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>
<b>Low qualification level – employment rate</b>				
<b>Persons of Danish origin, descendants and immigrants from western countries</b>				
	2005	58.2	63.8	52.7
	2006	59.2	65.2	53.3
	2007	63.0	68.4	57.4
	2008	63.8	68.9	58.4
<b>Immigrants and descendants from non-western countries</b>				
	2005	43.1	50.1	36.3
	2006	46.6	53.0	40.1
	2007	51.3	58.0	44.5
	2008	54.2	60.2	48.0
<b>Low qualification level – unemployment rate</b>				
<b>Persons of Danish origin, descendants and immigrants from western countries</b>				
	2005	6.6	5.8	7.4
	2006	5.2	4.4	6.2
	2007	4.0	3.2	4.8
	2008	3.1	2.7	3.5
<b>Immigrants and descendants from non-western countries</b>				
	2005	17.1	15.3	19.4
	2006	13.0	11.5	15.0
	2007	10.7	9.0	12.9
	2008	8.6	7.4	10.2
<b>Medium qualification level – employment rate</b>				
<b>Persons of Danish origin, descendants and immigrants from western countries</b>				
	2006	80.8	83.2	78.1
	2007	83.5	85.8	80.9
	2008	83.8	86.0	81.4
<b>Immigrants and descendants from non-western countries</b>				
	2006	53.4	57.8	48.8
	2007	62.1	66.3	58.0
	2008	63.5	67.3	59.9
<b>Medium qualification level – unemployment rate</b>				
<b>Persons of Danish origin, descendants and immigrants from western countries</b>				
	2006	4.0	3.7	4.5
	2007	2.1	1.7	2.5
	2008	1.4	1.3	1.6
<b>Immigrants and descendants from non-western countries</b>				
	2006	14.1	13.7	14.4
	2007	8.8	7.9	9.7
	2008	6.9	6.3	7.5

**Table 4.8 (continued)**

**Employment and unemployment rates for persons of Danish origin, descendants and immigrants from western countries and immigrants and descendants from non-western countries distributed according to low, medium and high qualification levels. Age group 16-66 year-olds The years 2005-2008**

	Year	Total	Men	Women
<b>High qualification level – employment rate</b>				
<b>Persons of Danish origin, descendants and immigrants from western countries</b>				
	2005	86.2	87.4	85.1
	2006	86.7	88.0	85.7
	2007	89.1	90.5	87.9
	2008	89.3	90.8	88.2
<b>Immigrants and descendants from non-western countries</b>				
	2005	56.8	57.7	55.6
	2006	60.9	61.3	60.3
	2007	65.5	66.4	64.4
	2008	65.4	67.1	63.5
<b>High qualification level – unemployment rate</b>				
<b>Persons of Danish origin, descendants and immigrants from western countries</b>				
	2005	3.2	3.2	3.2
	2006	2.6	2.6	2.7
	2007	2.0	1.9	2.1
	2008	1.5	1.4	1.5
<b>Immigrants and descendants from non-western countries</b>				
	2005	13.8	14.6	12.8
	2006	10.9	11.4	10.3
	2007	8.3	8.3	8.3
	2008	6.8	6.6	7.0

Source: Statistics Denmark.

**Table 4.9**

**The relative size of disadvantaged groups in the population, 2001**

	16-64 year-olds
<b>The group of persons who have a disability or a long-term illness (weighted figure)</b>	
(A) Number of persons who have a disability or a long-term illness	678,114
(B) Number of persons who do not have a disability or a long-term illness	2,764,858
(C) Total	3,442,972
(A)/(C) per cent	20

Source: The Danish National Centre for Social Research 2004.

<b>Table 4.10</b>				
<b>Persons who have a disability or long-term illness, November 2001</b>				
	<b>Have a self-assessed reduced ability to work</b>	<b>Do NOT have a self-assessed reduced ability to work</b>	<b>The entire group of persons who have a disability or a long-term illness</b>	<b>Do not have a disability or a long-term illness</b>
Primary job status, per cent, all 16-64 year-olds				
Employed	47	81	58	85
Unemployed	7	3	5	4
Outside of the labour force	44	12	34	6
Enrolled in education	2	3	3	5
<b>Total</b>	<b>100</b>	<b>99</b>	<b>100</b>	<b>100</b>
Primary job status, weighted figures, all 16-64 year-olds				
Employed	214,325	181,049	395,374	2,367,116
Unemployed	29,819	6,588	36,407	100,500
Outside of the labour force	202,060	26,458	228,518	169,546
Enrolled in education	10,497	7,319	17,815	25,359
<b>Total</b>	<b>456,701</b>	<b>221,414</b>	<b>678,114</b>	<b>2,662,521</b>
Primary job status, per cent, all 16-64 year old women				
Employed	43	77	53	81
Unemployed	6	3	5	4
Outside of the labour force	48	14	38	8
Enrolled in education	3	5	3	5
<b>Total</b>	<b>100</b>	<b>99</b>	<b>99</b>	<b>98</b>
Primary job status, weighted figures, all 16-64 year old women				
Employed	112,593	77,301	189,894	1,107,003
Unemployed	15,591	3,358	18,949	58,986
Outside of the labour force	123,398	14,073	137,470	101,137
Enrolled in education	7,099	4,795	11,894	70,145
<b>Total</b>	<b>258,681</b>	<b>99,528</b>	<b>358,208</b>	<b>1,337,271</b>
Primary job status, per cent, all 16-64 year old men				
Employed	51	85	64	88
Unemployed	7	3	5	3
Outside of the labour force	40	10	28	5
Enrolled in education	2	2	2	4
<b>Total</b>	<b>100</b>	<b>100</b>	<b>99</b>	<b>100</b>
Primary job status, weighted figures, all 16-64 year old men				
Employed	101,732	103,748	205,480	1,260,114
Unemployed	14,228	3,229	17,458	41,513
Outside of the labour force	78,662	12,385	91,048	68,409
Enrolled in education	3,398	2,524	5,922	57,551
<b>Total</b>	<b>198,020</b>	<b>121,887</b>	<b>319,907</b>	<b>1,427,588</b>
1)	The figures regarding persons with disability or long-term illness have not been updated since NAP 2004. The figures originate from a so-called ad hoc module, which the EU countries had attached to their LFS (Labour Force Survey) in 2002. This ad hoc module has not been repeated since.			
2)	Persons on leave from employment or unemployment are included as employed and unemployed, respectively.			
Source: Statistics Denmark and The Danish National Centre for Social Research (calculations on register data and LSF).				

## Active labour market policy – costs on the employment area

<b>Table 4.11</b>				
<b>Costs on the employment area</b>				
<b>M DKK in current prices</b>	<b>2006 (accounts)</b>	<b>2007 (accounts)</b>	<b>2008 (accounts)</b>	<b>2009 (national budget)</b>
Insured unemployed support	19,927	14,234	12,815	13,667
- of which activation benefit	2,258	1,428	1,252	2,005
- of which wage subsidy to private employers	345	191	123	253
- of which wage subsidy to public employers	1,246	872	717	1,578
- of which subsidy to adult trainees	123	147	154	131
- of which unemployment benefit	15,955	11,596	10,569	9,700
Insured unemployed – activation operation costs	2,118	1,140	837	1,403
Cash benefit recipients - support costs for re-trained	12,496	11,309	11,067	11,553
Cash benefit recipients - activation operation costs	2,300	1,934	2,336	1,934
Sickness benefit	11,801	13,835	14,559	15,516
Rehabilitation, etc., support	3,362	3,181	4,043	4,131
Rehabilitation centres, etc., operation costs	722	968	1,207	981
Flex-job, wage subsidy	5,873	6,428	7,675	7,252
Light job, wage subsidy	137	134	144	128
Unemployment benefit	1,784	1,711	1,656	1,668
<b>Total</b>	<b>60,520</b>	<b>54,875</b>	<b>56,338</b>	<b>58,232</b>

Remark:

The accounts figure for 2007 is the sum of costs paid on 17.46.11. Operation costs for insured unemployed (the state in the job centre) as well as costs paid on 17.46.12. Operation costs for insured unemployed in pilot job centres. The accounts figures for 17.46.11 include power of disposal for national target groups of 17.46.13. Bottle-neck grant. The estimate for 2008 is the sum of costs budgeted on NB008 to 17.46.11, 17.46.12 as well as costs for the national target groups on 17.46.13.

Costs for early retirement, bridging benefits, etc., maternity leave benefits and child-minding leave are not included. The national employment system's costs for personnel and other operation comprised DKK 603.7M in 2007. Added to this is operational costs regarding the handling of the national employment effort in the 14 municipal pilot job centres of DKK 112.0M. The municipalities' costs in addition to personnel and other operation on the employment area cannot be calculated separately. For operational costs for rehabilitation centres, etc., the calculation for 2006 is the municipalities' budgeted costs for 2006.

Source: Statistics Denmark social security statistics, national budget for the financial years 2006, 2007 and 2008, national accounts for 2004-2007, the municipal accounts 2004-2007, municipal budgets for 2007 and calculation of the municipal refund requests as well as own estimate.



## Annex 5. Promoting Eco-efficient technology

Table 5.1 shows the resources which are reserved for the carrying out of the government action plan for eco-efficient technology for 2007-2009. In all, around DKK 1 billion have been pledged for the various initiatives of the action plan from 2009-2010.

<b>Main activity</b>	<b>Financing for 2007-2009</b>
Partnerships for innovation, promotion of exports and advice to businesses	DKK 27 million from the budget of the Danish Ministry of the Environment
Research	DKK 190 million from the Globalisation funding pool for strategic research into environmental technology.
Climate and energy technology	DKK 477 million from the Globalisation funding pool for an energy technology development and demonstration programme, of which DKK 200 million is earmarked to the development of 2. generation bio fuels. In 2008 grants have been agreed for the Energy Technology Development and demonstration Programme (EUDP) and the Danish Council for Strategic Research, thereby doubling the publicly financed initiatives in 2010 in relation to 2006, to DKK 1 billion.  Among other things, in April 2008, the EUDP have agreed on funding for the building of a demonstration plant for the production of 2 generation bio-ethanol in Kalundborg. Agreement has also been reached for funding of a second project of this type in spring 2009.
Promoting Eco-efficient agricultural technologies	DKK 45 million from the environment sector, 45 million from the Ministry of Food, 90 million from the agricultural industry and 75 million from the EU Rural Development Fund.
Technology for the aquatic sector	23 million for the testing, demonstration and evaluation of environmentally efficient technology and 20 million from the Water Fund.
The development t of technologies to combat air pollution, noise and chemicals	26 million for the testing, demonstration and evaluation of environmentally efficient technology and 63.5 million for the reduction of particle emission from wood burning and diesel vehicles.

The action plan will also support Danish companies that have the development and supply of environmental technology as important business areas.

A survey from 2009 identified 720 Danish companies that have the development and supply of environmental solutions and technology as part of their business areas. It is estimated that these companies have 122,000 full time employees. On the basis of

this it is indicated that environment and energy are among the most important business groups in Denmark.

**Table 5.2**  
**Identified companies and numbers of employees divided across the 8 most important environment-driven business areas**

The Environment Sector	Number of companies	Employees
Climate change	348	83,000
Air pollution	241	38,000
Water	205	35,000
Raw materials and material consumption	178	40,000
Waste	142	21,000
Chemicals	80	24,000
Soil pollution	70	12,000
Land use and biodiversity	53	8,000
Other	140	20,000

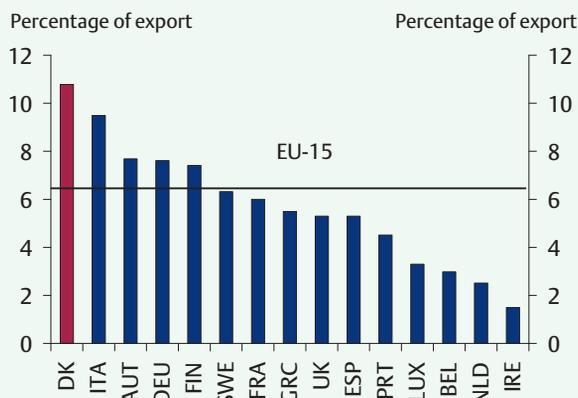
Note: The total number of companies and employees can not be assessed as many of them operate in different areas of business at the same time.

Source: FORA 2009.

The companies were also asked which environmental issues create demand for their environment technological services and products. Climate change is the most important factor although air pollution, water and resources are each around half as important as climate change. In addition, a number of companies provide technological solutions for a number of different environmental issues.

**Chart 5.1**

**The EU-15 countries export of energy technology and equipment as share of total exports, 2008**



Source: Statistics Denmark and the Danish Energy Agency.

Exports by the identified environmental technology companies rose between 2001-2006 by a good 8 % per year, which is significantly above average for Danish export companies. In particular, the export of energy technology has been in growth and in 2008 reached around DKK 64 billion, so that today Denmark is the EU country with the largest export of energy technology in comparison with the rest of exports. Two thirds of the Danish export of energy technology is thought to be wind power technology.

A number of initiatives on eco-efficient technology are included in the agreement on Green Growth, which the government entered into with the Danish People's Party in June 2009, among them the following;

- A subsidy pool of DKK 145 million per year for the use of new environment and climate-friendly technologies, in the main agricultural sector
- An entrepreneurship pool of DKK 85 million per year for the establishment of biogas systems from 2010 to 2012.
- An entrepreneurship pool of DKK 15 million per year for the establishment of biodynamic biogas systems from 2010 to 2012.
- A subsidy pool of DKK 100 million for 2010-2015 for advanced recycling technologies (FREA or model fish farming type 3) in the field of aquaculture.

This autumn, the Minister for Science will publish the report "Green Research – Status and Perspectives", which will present a comprehensive proposal on how green research and innovation can contribute to make Denmark a green growth nation. The report is made with the purpose of identifying the central green research areas and making suggestions on the course of future research and innovation initiatives on the area.



## Annex 6. Contributions from social partners

### 1. Contribution from the social partners in the national public sector

As a follow-up to the tripartite agreements and OK08 (Collective Agreement 2008), the social partners have launched a number of initiatives and activities, which strengthen the flexibility, well-being, equal opportunities and competence development at the workplaces in the national public sector.

#### Possibility for higher weekly working hours

The agreement in the OK08 on “plus time” provides the employer and the employees the possibility of arranging average weekly working hours that are higher than the normal full-time employment. The scheme is described in more detail in the parties’ contribution to the National Reform Programme 2008. The agreement has, during autumn 2008 and spring 2009, been followed up by a number of information activities in the form of guides and briefings. The interest in the scheme has been increasing and in the end of spring 2009, approx. 100 individual plus-time agreements have been concluded in the national public sector.

#### Staying longer on the labour market

In order to strengthen the workplaces’ possibilities to retain seniors it is agreed with the OK08, that employee who retires later than the average retirement age, have a right to a senior bonus. The scheme, which is financed by tripartite funds, is described in more detail in the parties’ contribution to the National Reform Programme 2008. As part of their information activities, the parties in the national public sector have released a publication about the senior bonus scheme in December 2008. This booklet contains a description of the guidelines for the calculation and payment of the bonus as well as how it can be exchanged for days off and/or pension contributions. The booklet also provides inspiration for the senior interview, which older employees must be offered in connection with the employee development interview.

The general compulsory age limit of 70 years for civil servants was repealed in June 2008. Age is thus no longer a reason for dismissal, unless a retirement age is specified in the legislation or there is an agreed compulsory retirement age. The 70-year age limit is also repealed for those employed under a collective agreement in the national public sector. Under this agreement, the applicable pension contribution to the collective agreement will be paid as salary after the age of 70 has been reached unless the employee requests the contribution to be paid into a pension scheme. The pension contribution can also be used to purchase freedom.

#### A strengthened upgrading of qualifications and supplementary education

The social partners agree that strategic and systematic competence development is important in order to secure that the national public sector’s tasks continue to be solved with high quality and efficiency. The development of qualifications creates

motivation and commitment and furthermore a continuous development of qualifications is essential for the individual employee to retaining and increasing his own opportunities on the labour market. The development of qualifications can take place through formal supplementary education or through in-service training.

With OK08, the parties agreed to strengthen the cooperation on development of qualifications by, inter alia, setting aside considerably financial funds for development of qualifications in the national public sector. In total, DKK 410 million was reserved of which DKK 194 million are tripartite funds. These central reserved funds are a supplement to those funds each workplace in the national public sector set aside for development of qualifications. In the collective agreement period more than half of the DKK 410 million – in total DKK 230 million – will be transmitted via the 19 ministries to the workplaces in the national public sector. The intention is that the utilisation of the funds should, as far as possible, be able to be adapted to the local needs. The distribution occurs via, among others, the Competence Fund, which was extended with OK08. The fund provides support to long-term individual courses of development, which are included in the individual employee's development plan.

The remaining funds – in total DKK 180 million – is administered by four committee's, which is composed by the social partners and placed under the SCKK – The Centre for Development of Human Resources and Quality Management. The SCKK is the collective agreement parties' common knowledge centre and it has, among other things, the purpose of advising the national public workplaces on how they can work strategically and systematically with development of the qualifications in practice.

Three of the four committees have the task of initiating development activities aimed at the national public sectors various personnel groups and is, among other things, an activity that takes place across the different workplaces in the national public sector. One of the committees will focus on low-skilled personnel, the other on personnel with longer educations and the final committee will primarily focus on teachers and state-educated, i.e. employees within the educational sector as well as, e.g. police and defence. Among other things, the committees have agreed to initiate development activities within IT, mobility, coaching, language and culture understanding as well as new forms of organisation like project work. The fourth committee provides support to workplaces with special needs, including the need to be flexible. The fourth committee also provides support to special projects mutually decided on by the social parties, e.g. support to qualifications and job development of low-skilled personnel.

The technological development and the globalisation of the labour market places still larger demands on the low-skilled personnel's qualifications. Added to this are larger demands for the quality of the public sector service, which makes ongoing development of the employees' professional and personal qualifications necessary. In order

to strengthen the development of qualifications and enhance the qualifications of low-skilled personnel, the social parties have committed themselves to initiating concrete projects and initiatives in the national public sector. The effort will be targeted at, among other things, the formal upgrading of qualifications, individual competence assessment and increased focus on ordinary qualification.

In order to, e.g. strengthen practice-oriented methods for competence development, a number of projects have furthermore been initiated to test *workplace-based cooperation regarding job swapping*.

### **Well-being at work**

With OK08, the parties agreed that inspiration material and guidelines should be prepared in order to support the joint committees, on the new tasks, which were imposed on the committees as a result of the negotiations. The new task includes, among other things, well-being, a follow-up on workplace assessments (APV), and absence due to illness.

The parties have compiled inspiration material for the joint committees' discussions regarding measurements of the level of well-being at work. At the same time, The Working Environment Information Centre has initiated a campaign under the heading "From stress to well-being", which focuses on well-being in the public sector. Moreover, an electronic well-being tool is underway for the entire public sector. The tool, which comprises an electronic questionnaire with a report generator will be launched after the summer of 2009 and will be supplemented with instruction material. The parties are also working goal oriented on reducing absence due to sickness at national public workplaces and have, for example, recommended absenteeism dialogues. A booklet about this will be issued in August 2009.

### **Promotion of equal opportunities in connection with childbirth**

With OK08, the social partners agreed on an expansion of parental leave. The so-called '6+6+6 model' provides the possibility for a total 18 weeks' paid parental leave if both parents are employed in the national public sector. This means an increase of 6 weeks compared to the previous agreement. The 18 weeks are allocated with 6 weeks earmarked for the mother, 6 weeks is earmarked for the father and 6 weeks to share. The model also intends to increase the fathers' incentive to take parental leave. The part of the paid parental leave period, which is earmarked for the father, has been increased from 2 to 6 weeks. The right to salary during the earmarked periods cannot be transferred between the parents.

OK08 also introduced a right for partners in registered partnerships to hold two weeks' leave with pay immediately after the birth of the other partner's child. In agreement with the employer, the two weeks can be placed, as with the parental leave, at a different time within the first 14 weeks after birth of the child.

In May 2009, the State Employer's Authority and the Danish Central Federation of State Employees' Organisations (CFU) published a revised maternity/paternity leave guide, which contains the changes in the maternity/paternity leave agreement that was agreed upon with OK08.

### **New system for manager remuneration**

With OK08, the social partners agreed on a new framework agreement regarding the employment on a contract basis of certain administrative managers. This concerns a new form of employment, which replaces the former classification system and manager remuneration agreement. The framework agreement entails a decentralisation and provides more degrees of freedom for the individual employment authorities and managers to agree on remuneration and terms of employment that are differentiated and adapted to the individual manager's responsibility, tasks, qualifications and result objectives and which reflects the recruitment situation.

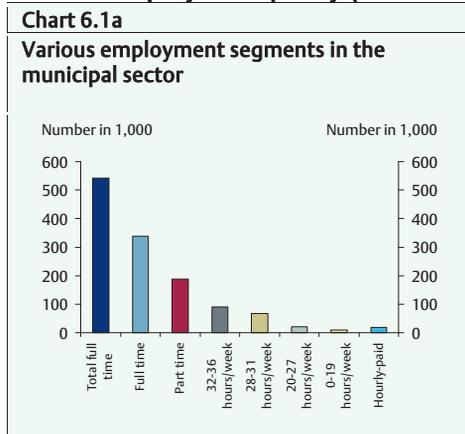
## **2. Contribution from the municipal and regional social partners**

Compared to earlier years, the municipal and regional social partners' contribution this year, following agreement with the government's representatives, is of a modest size. The presentation focuses on the same key figures as in 2008 so that it is possible to calculate the effect of the parties' agreements and incentives. In order to ensure comparability with earlier years, the guideline numbers have been retained.

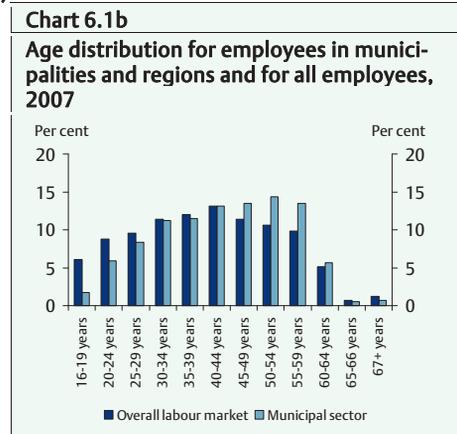
The biggest challenge for municipalities and regions in the coming years will be the employment of the right personnel for the municipal tasks. A large part of the public sector employees will leave the labour market on early retirement or ordinary retirement and, at the same time, there is great demand for labour from generations that are smaller. Such a challenge is not solved by recruitment alone. Municipalities and regions must also be able to keep the skilful employees. Good management is crucial for an organization in a time with scant resources, economically as well as human.

The fact that good management is a focus area is emphasised for example, in the tripartite agreements from June 2007 between the Government and KL (Local Government Denmark), Danish Regions, OAO (Organisation of Public Employees – Denmark), AC (The Danish Confederation of Professional Associations) and FTF (Confederation of Professionals in Denmark) where DKK 200 million has been set aside for the period 2008-2011 for management training. The agreement states that all municipal and regional managers will have the right (not an obligation) to complete a management-training course at diploma level. At the same time, significant funds have been set aside to enhance supplementary training and further education and competence development. Moreover, as an incentive to counteract early retirement, DKK 900 million has been set aside for the period 2008-2011 for senior initiatives. Agreements in the collective bargaining for 2008 were, among other things, made regarding health schemes, skills development and senior schemes. A selection of the parties' initiatives with the collective agreement renewal 2008, etc. is described in more detail in the following.

## General employment policy (Guideline 17)



Source: Det Fælleskommunale Løndatakontor.



Source: Statistics Denmark.

There is an almost unchanged employment development from 2008 to 2009 with an increase of 0.17 per cent. This covers a modest increase in both part-time employees and full-time employees because of a significant decrease in the number of hourly-paid employees of 24.35 per cent.

The annual calculation is for both years from February. The municipal and regional parties' agreements about easing the access to full-time employment, which were put into force on 1 January 2008, have, although modestly, started to show some impact. These agreements regarding part-time employees' access to a higher number of hours have the purpose of easing the part-time employees' opportunities to achieve a higher number of hours according to their own choice.

### Promotion of work through the entire life (Guideline 18)

As figure 5.1b indicates, the age distribution for employees in municipalities and regions is characterised by fewer young people and more senior employees compared to the age distribution of the total labour market. The number of seniors (60+ years old) has been gradually increasing through a number of years. In the period 1998 to 2008, the number of employees in the age group 60-64 in municipalities and regions has increased from 2.90 per cent to 5.65 per cent.

The ageing labour force will both now and in the future be a challenge for municipalities and regions in regard to ensure the necessary labour force. In connection with tripartite agreements between the government and the social partners on the municipal and regional area, funds, among other things, were set aside for trials with senior policy initiatives.

The funds that were implemented with the collective bargaining 2008 are primarily used for a senior scheme where the senior employee can choose between the senior bonus, extraordinary pension contribution, days off or special voluntary skills development courses. In addition, it is agreed that senior employees must be offered a

senior interview, just as it is agreed to discuss the municipality's/region's senior efforts with employee representatives in the municipality's/region's top co-management committee. The new initiatives must be seen as a supplement to the existing senior initiatives, which also take place in municipalities and regions, including the framework agreement regarding Senior Policy, various projects, etc.

### **Improvement of pay during maternity/paternity and adoption leave – the “6-6-6 model”**

With the collective agreement renewal 2008, both the regional and municipal social partners agreed on an improvement of the right to salary during maternity/paternity and adoption leave, including an earmarking of paternity leave with pay for the father. After the child's 14th week, the mother and father each have a right to 6 weeks' leave with pay. The right to salary no longer applies if the reserved leave is not used. Moreover, the father and mother, together, have a right to a further 6 weeks' maternity/paternity leave with pay. Corresponding provisions are agreed upon for adopters. The provisions apply to births / receiving of an adopted child after 31 March 2008.

### **The holistic labour market (Guideline 19)**

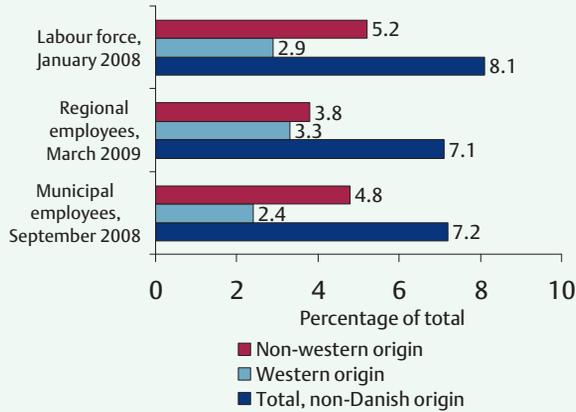
An important focus area in connection with the challenge regarding labour force in municipalities and regions has been to increase the inclusiveness at the workplaces.

In recent years, the parties have initiated a number of initiatives and the statistics shows that success has been achieved in creating space for more marginalised groups. For example, an increase in the number of employees with other ethnic background than Danish has occurred.

In the tripartite agreements, the share of employees in municipalities and regions from non-western countries must reflect the composition of the regional labour force. Chart 6.2 shows that there is only a little way to go before this goal is reached. As in earlier years, there has also been progress in 2008 with regard to the integration of employees of non-western origins.

Chart 6.2

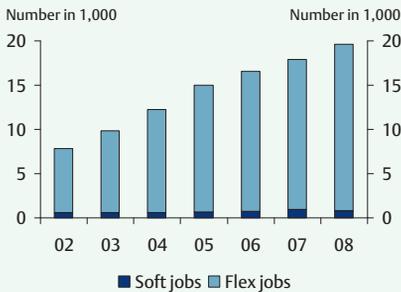
## Labour force and employees according to origin



## Promotion of flexibility on the labour market (Guideline 21)

Chart 6.3a

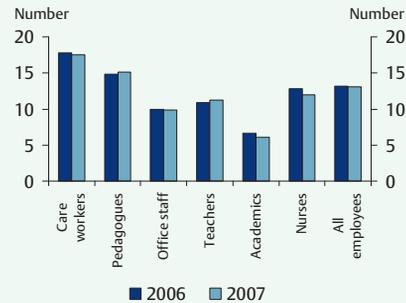
## Public sector employees in flex and soft jobs, 2002-2008



Source: Statistics Denmark.

Chart 6.3b

## Average number of days of sickness absenteeism per full-time employee



Source: Det Fælleskommunale Løndatakontor.

As there in recent years has been success in creating space for more employees with non-western backgrounds at municipal and regional workplaces, the inclusion has also been enhanced with regard to other groups with special backgrounds. Chart 6.3a shows that the number of public sector employees in flex jobs has increased significantly since 2000 and simultaneously the number of employees in light jobs has been more or less stable.

## Enhanced quality of work performance including safety and health

Chart 6.3b shows that the absence due to sickness in the period 2006 to 2007 is basically unchanged for employees in municipalities and regions. The sickness absenteeism has fallen marginally for several of the large groups, e.g. the Social and Healthcare Workers personnel. There are considerable differences between the various group's sickness absenteeism.

Another important area of focus in connection with the labour force challenge is improvement of the working environment. With the collective bargains 2008 and in extension of the tripartite agreements, the parties agreed on a number of initiatives to improve the working environment and to strengthen job satisfaction and health at the municipal and regional workplaces. Among other things, the parties agreed on interviews in the cases of long-term absence due to sickness and an obligation to undertake job satisfaction measurements every third year.

The average total sickness absenteeism is higher in municipalities and regions than in the national public and private sectors, but compared to other countries – e.g. Sweden – the absence due to sickness is relatively low. The difference between the sectors' absence due to sickness is connected to, among other things, the difference in work functions and gender distribution.

### **3. Contribution from the social partners in the private sector**

The parties on the private labour market (The Danish Association of Managers and Executives (LH), The Danish Confederation of Employers' Associations in Agriculture (SALA), The Danish Confederation of Trade Unions (LO) and The Confederation of Danish Employers (DA)) find that a close interaction with the social partners in the development of employment policy initiatives contributes to strengthening and developing the Danish flexicurity model.

An example of this is that through representation in the Regional Employment Council and in the Employment Council, LO and DA participated in the two “economic working sessions” which the government held in February 2009. The sessions had the purpose of supplementing the officially available data with information on the economic and employment related development as well as to discuss the need for possible business cycle related interventions. This contribution will therefore account for some of the parties' initiatives and the agreements that have been entered into with the government.

Since agreements on remuneration and working terms for the next 3 years was entered into in spring 2007 on the DA/LO area, there are no new special initiatives in 2008 or 2009 to highlight this area. Referral is made to the parties' contribution to the National Reform Programme 2007.

#### **Mutual effort to reduce sickness absenteeism**

In September 2008, the parties entered into an agreement with the government on a number of proposals to reduce sickness absenteeism. With the agreement, focus has been placed on information to enterprises and employees about the sickness benefit act. The increased information shall support the good dialogue between management and employees at the individual workplace and shall help the ill people to maintain the relation to their workplace.

The agreement shall ensure that the individual enterprise views the legislations as a support instead of a hindrance for the work with absence due to sickness. It is agreed with the Ministry of Employment that a solution must be found to the problem that arises when a documented ill employee is transferred to early retirement benefit, flex-job or rehabilitation. In these instances, the employers lose the right to refund, which provides a weakened economic incentive to retain long-term, documented ill people.

The proposed amendments aim, in particular, at the following:

- The employer's obligation to pay sickness benefits ceases when the employment ends.
- The consequences when documented ill people do not participate in the follow-up are changed to "as long as" rules. This means the ill person only loses the right to sickness benefits in the period in which the person concerned does not participate in the follow-up.
- Full refund is given to the employer when the ill person is declared partially healthy, but the employer does not have the possibility of taking the ill person back on part-time. The right of the employer to not take an ill person back on part-time does not change.
- Enterprises are obligated to hold interviews with documented ill employees every four weeks. Employees have the opportunity to request a retention plan.
- The unemployment insurance funds must contribute to the illness follow-up with the sick insured unemployed person with a personal interview in the 4<sup>th</sup> week of illness.
- An annual discussion of sickness absenteeism in the Employment Council where relevant actors, e.g. the Danish Medical Association and Danish Regions are invited. The discussions will be based on the government's objective to reduce sickness absenteeism by 20 per cent up until 2015.
- The education of managers in the management of absence due to sickness and a number of other initiatives that will support the manager in his or her efforts.
- The establishment of larger geographically outlined trials with a "Back to work coordinator" who shall ensure a coordinated effort between hospitals, job centres and enterprises.

### **Development of the vocational educations**

In April 2009, DA and LO made a joint proposal to the government and the Danish Parliament, with a coherent package of proposals to ensure work experience places and to develop vocational education. The proposal, which spans to the end of 2010, is the basis for a close cooperation between the government and the parties. At the same time, the parties encourage the government to call the involved parties in the second half of 2010 with a view to re-assessing the situation.

The proposal contains suggestions for solutions to the increasing lack of apprenticeships. The goal is to avoid young people having to interrupt their education because there are not enough apprenticeships.

The proposal contributes to a larger political awareness on the area of vocational education. Vocational education is very crucial to the Danish labour market.

The proposed amendments aim, in particular, at the following:

- The current premium system will be temporarily changed and subsidy will be targeted to a complete vocational education. Enterprises that refill a concluded apprenticeship agreement and which have never had or have not had apprentices within the last 2 years can obtain subsidy from the premium system.
- Campaigns must be initiated that focus on refilling apprenticeships and to support the utilisation and administration of combination agreements and flex-combination agreements.
- Students must apply for an apprenticeship within 3 occupational areas and apply more broadly for jobs than today. Guidance and information about alternative options must be strengthened.
- That the current guarantee for completing a vocational education is monitored and that, for a shorter period, the school training places replaces the practical placements on the enterprises. That is until the enterprises once again will be able to recruit apprentices to a normal extent.

### **New ways for the cooperation on the working environment at the workplace**

In April 2009, the social partners in the Danish Working Environment Council and the Danish Working Environment Authority unanimously presented to the Minister for Employment a number of proposals and recommendations.

The proposals conclude the tripartite discussions on “a modernisation and streamlining of the enterprises’ safety and health work” and are the most extensive change to the rules concerning enterprises’ cooperation on the issue of working environment since the new act came into force in 1977.

The agreement opens up for a flexible organisation of the enterprises’ internal cooperation on the working environment and creates the basis for a more focused and ongoing development of the working environment qualifications adapted to the enterprise’s needs.

The proposals provide the opportunity for a more preventative, strategic and dynamic working environment effort at all enterprises.

The proposed amendments aim, in particular, at the following:

- To make it possible for enterprises to organise their internal cooperation so it suits the management structure and a number of the enterprise’s other needs and so that the enterprise’s management is involved to a higher degree than today.
- To provide a new, shorter, fundamental working environment education that is combined with an ongoing supplementary further education so that the safety

representatives and managers develop relevant working environment qualifications during their entire working period.

- To create a solid basis for a strengthened cooperation concerning the working environment of small companies with less than 10 employees.

### **Management of the employment effort in a municipal anchoring**

In December 2008, the parties agreed on a joint proposal with a total of 22 specific suggestions, which the parties assessed should be in place before an employment effort that matches the needs that exist on the labour market, can be executed.

The background of the proposal was the decision that municipalities, from and including August 2009, will take over the national employment effort.

The employment policy is very central to employment and welfare in Denmark. Therefore, the parties do not share the government's view that the employment effort is most appropriately placed in the municipalities. There is neither analytic nor empirical justification for this.

The challenges for the labour market go across municipal boundaries and the solutions must therefore, to a far higher degree, be characterised by national or regional angles instead of local policy in the individual municipality.

The social partners find that the implementation of the political agreement on an employment effort anchored in the municipalities must ensure that:

- A national and coordinated employment effort is conducted in Denmark so that the current difference in efforts and results between the municipalities is minimised.
- It is ensured that job centres place focus on the enterprises' needs for qualified labour while at the same time, that the highest possible number of unemployed people will enter into ordinary employment.
- The leadership of the employment effort is strengthened so that the state/the regions have a more direct management role in relation to the job centres.
- It is ensured that the responsibility for all current and new tasks in the employment effort are placed either nationally, regionally or locally in the municipalities depending on the character and scope of the task.

### **Project “Roads to jobs in the agriculture sector for refugees and immigrants”**

In 2008, SALA and LO’s Joint Committee executed the project “Roads to jobs in the agriculture sector for refugees and immigrants” about increased employment in the Employment Region, South Denmark.

The purpose was to show job seekers with non-Danish backgrounds and the employment and vocational education actors that there are good employment opportunities within the SALA area and actually show ways to jobs in close cooperation with the relevant collective agreement parties. 165 people, primarily composing potential job seekers and representatives from job centres and language schools from Aabenraa, Kolding, Fredericia and Vejle municipalities have participated in 4 bus trips with included enterprise visits.

There has been an overwhelmingly positive response in relation to seeking jobs within dairies, nurseries and farming. In 2009, the project will be carried on in Employment Region Central Jutland with support from that region and in cooperation with Aarhus, Herning, Horsens and Struer municipalities.

### **Project "New options – focus on the individual employee’s life skills – the individual’s needs and the enterprise’s needs (SALA-LO)”**

SALA and LO’s Joint Committee on increased employment in 2008 did bring into focus, with support from the parliament’s ‘satspulje’ parties, how one can retain and create the best possible mutual terms in the seniors’ last years on the labour market and inspire at the personal, the job, the enterprise and the organisational level to find new possibilities with focus on the individual employee’s life skills and needs of the enterprise.

Almost 40 enterprises are participating in the project and are supported through the decision on the senior policy, by best practice on the area and in the determination of the content of the senior policy. The project will be concluded at the end of 2009.

## **4. Contribution from Disabled Peoples Organisations Denmark (DH)**

### **Challenges on the labour market for disabled people**

The employment rate for people with disabilities is still too low. Both in relation to unemployed and among incapacity benefit recipients. In 2008, 81.9 per cent of people without a disability were in employment, while for people with a disability there were only 51.2 per cent in employment<sup>1</sup> (excluding people in protected employment). The employment rate for people with disability must be raised. However, a number of challenges and barriers exist in relation to the recruitment and employment of disabled people.

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<sup>1</sup> The Government’s disability strategy 2009: “Disability and job – it is possible”.

### **Attitude and practical barriers**

Barriers of a practical nature can, e.g. concern the physical accessibility to and at the workplace for a person in a wheelchair, but it can also concern inappropriate administration of rules or lengthy case processing in job centres. There is an obvious barrier when for instance approval for a flex-job or the granting of a work tool is the subject. This comprises barriers for enterprises as well as for those who are to be employed and can mean that the enterprises are less likely to employ disabled people. The attitude barriers are about ignorance and uncertainty among managers and colleagues in relation to disabled people, both in general and concrete in relation to how they can contribute to the labour market. There is a great difference to employees' attitudes towards different types of disability. In particular, people with psychological illnesses are affected by prejudices. A whole 45 per cent are to some or to a higher degree uneasy about having a colleague with a psychological illness.<sup>2</sup>

### **Exclusion of people with psychological illness**

Precisely the exclusion of people with psychological illnesses from the labour market is an increasing problem. Therefore, there is a need for a specially targeted effort to include people with psychological function impairments in the enterprises. The challenges of retaining and including people with various forms of psychiatric and/or invisible disability on the labour market are not only a Danish problem. This tendency can be seen across the EU. It is crucial that national and international solutions are found concerning this challenge.

### **Prevention of exclusion**

In order to avoid people being excluded from the labour market, there is a need to place focus on public and private enterprises' physical and psychological working environment with a view to prevent the exclusion from the labour market. The effort to retain an employee must begin already when one has ascertained that a problem is about to arise with the individual employee – before it becomes so serious that the employee can no longer attend to his or her job. Both the enterprise and the employee have a responsibility to activate initiatives at an early stage that can keep the employee at work and the job centre must support this. With an early and committed effort in the enterprises, the exclusion from the labour market can be prevented. The preventative effort must naturally be supported by the necessary forms of work in relation to the target groups who is in risk of being excluded from the labour market, e.g. through enhanced and fast access to qualified assistance from psychologists, etc.

### **New strategy for disabled people**

There is great difference between the effort that is required to get or retain people in employment, depending on whether this is a person who is on the way to being pushed out of the labour market, whether this is a person who is unemployed or whether this concerns people on disability pension who have taken the courage and the energy to take on a job with a wage subsidy. The government's new disability

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<sup>2</sup> SFI 2008: "the companies' social commitment – yearbook 2008 – 08:32".

strategy “Disability and job – it is possible” is based on precisely this mindset and DH sees the new disability strategy as a positive initiative that can contribute to breaking down barriers and creating a new development based on a far more differentiated effort. The philosophy behind the new strategy must be converted into Danish employment policy – and should be communicated to the rest of the EU.

### **Incapacity benefit recipients’ right to return to the labour market**

Anyone who has an ability to work must have the opportunity to contribute on the labour market. People on incapacity benefits should get the possibility of having their skills clarified with a returning to the labour market in mind. Therefore, DH believes that it is important that a rehabilitation effort or similar procedure also should be an offer to current incapacity benefit recipients. The right to try newly acquired skills on the labour market should follow a rehabilitation effort. People with long time absence from the labour market have a personal need for assessing his or hers working skills.

### **Continued focus on the disability effort – also in periods of decline!**

The current situation on the labour market with increasing unemployment means pressure on the job centres’ efforts regarding the unemployed. At the same time, the job centres are challenged by the upcoming implementation of a unified employment scheme based in the municipalities. In this situation, DH sees a risk that the job centres will lose focus on the effort concerning disabled people. DH warns strongly against such prioritising. There is no doubt that within the near future, there will once again be a lack of labour and therefore it is important that all hands – also in periods of decline – are kept warm. Otherwise, there is a risk that the last years’ efforts are spilled. It is important that the local employment councils continue to keep focus on employment for disabled people – and that experiences from Denmark are shared with the rest of the EU.

### **From protected to supported employment**

There exists a great need to develop the protected employment in Denmark – from protected to supported employment. DH requests, as far as possible, to have the protected employment removed from the protected workshops and out into ordinary enterprises. This creates value both for the individual citizen who experience meaningful work, as well as for the enterprise that employs the citizen. A natural extension of this is to move the protected employment from the Service Act to the employment legislation, since it is illogical that this continues to be placed under the Ministry of Social Affairs.

## **5. Contribution from the Employment Council**

The Ministry of Employment has requested the Employment Council to contribute to the government’s progress report 2009 for Denmark’s National Reform Programme 2008-2010. Contrary to previous years, the Employment Council has not received the government’s draft progress report and can therefore not comment on the government’s report.

By way of introduction, please note that the Employment Council continues to support the general objectives of the Lisbon strategy in the employment area.

The Employment Council finds that the current situation of rising unemployment makes heavy demands on the employment policy. It is crucial that the rising unemployment does not cause the government to lose focus on its objective, which is to ensure that the enterprises can recruit the necessary, skilled labour. This requires a maintained focus from the government on the need to strengthen national recruitment and facilitate international recruitment.

Despite the current situation being characterised by descending growth curves and rising unemployment the Employment Council calls on the government to prepare a reform strategy to secure the best possible conditions for growth and wealth in Denmark. Demographic developments require that long-term reforms should be introduced to enable an adequate and skilled labour force to be retained in the future. The Council stresses the importance of the government ensuring that the labour force holds the necessary skills to be able to take up the job opportunities available when the crisis has passed. Consequently, focus should be on upgrading and retraining labour. People joining the unemployment line must be given quick assistance to ensure that they return into employment and are not withdraw from the labour market.

The Employment Council will focus primarily on how employment efforts are deployed in the unified system and will try to make sure that it continues to be the labour market requirements that direct the endeavours made.

## **6. Contribution from the Working Environment Council**

In the coming years, the Danish labour market will face a number of difficult challenges. The current major challenge is the rising unemployment, while the major long-term challenge is shortage of labour. The objectives of the Lisbon strategy for a general increase in employment point to employment policy proposals. The Working Environment Council has continued to highlight that targeted and efficient working environment efforts are essential contributions in this context. A good working environment is a good investment for the prevention of employee attrition and absence due to sickness as well as for productivity and competitiveness.

An ongoing cooperation between the government and the social partners is fundamental to the overall working environment efforts and will be reflected in the national 2010 action plan. This action plan constitutes the parties' common platform for efficient and targeted working environment efforts which both the government and the social partners take ownership and responsibility for. The Working Environment Council has highlighted to the government the need to maintain and develop this cooperation – currently in the work to utilise the experiences acquired in relation to the 2010 action plan and in preparation for the replacement of this action plan and its subsequent implementation.

In continuation of, among other things, the Health Promotion and Prevention Committee's recommendations, the Working Environment Council has strived to place more focus on the need to integrate health promotion and working environment efforts at the workplaces with a view to preventing employee attrition and absence due to sickness. The Council has also taken steps to improve the working environments of young people to ensure that young people can better be retained in their education and training programmes and in the labour market. In this context, the Council has also emphasised the need for an active cooperation between the government and the social partners to prepare efficient and targeted proposals.

In the current financial crisis and times of crisis in general, the Flexicurity model is also tenable and a benefit for Denmark. The Danish labour market and Flexicurity are based on slow-built social capital, which it is important to be aware of. A number of Denmark's competitive strengths are, among other things, attributable to businesses' social capital. Thus, the Working Environment Council has strived to increase the awareness of it and has recommended that the government seeks to highlight businesses' social capital whenever relevant.

Denmark's National Reform Programme  
First Progress Report

Contribution to the EU's  
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