

# Denmark's National Reform Programme

## Second Progress Report

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

October 2007

The Danish Government

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The publication can be ordered or collected at:

Schultz Distribution  
Herstedvang 4,  
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E-mail: Schultz@schultz.dk  
Website: www.schultz.dk

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Cover: B:GRAPHIC  
Printed by: Schultz Grafisk  
No. of copies: 750  
Price: free of charge  
ISBN: 87-7856-853-6

Electronic Version:

Production: Schultz  
ISBN: 87-7856-854-4

The publication can be downloaded at:  
[www.fm.dk](http://www.fm.dk)



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## Introduction: The Danish Reform Strategy

This Progress Report is the second follow up on the Danish, National Reform Programme presented in the fall of 2005. Thus the report is the last Danish contribution to the first three year cycle for the National Reform Programmes.

The main focus in this progress report is on changes and initiatives undertaken in the last 12 months. However, emphasis is put on giving a cohesive description of the economic political strategy<sup>1</sup>. The European Commission's assessment of the first Danish Progress Report and in particular the points to watch for Denmark identified by the Commission are emphasised. Likewise particular attention is given to the specific areas for priority actions which were agreed upon at the European Council's March 2006 spring summit.

The 2005 Reform Programme identified four major economic and social challenges in the years to come:

- Preparing for the ageing of the population through a continued reduction of public debt and ensuring a permanently higher employment rate, including through improved employment and integration of disadvantaged groups.
- Reaping the full benefits of globalisation through flexible markets, an extensive improvement of the quality of education, an increase in the share of young people completing an upper secondary or tertiary education, and an effective strengthening of the quality and quantity of research.
- Strengthening the framework for productivity improvement in the private sector through strong competition, better cooperation between public education and research, promotion of innovation and entrepreneurs as well as improved regulation and infrastructure.
- Getting as much value as possible for users of the public sector, in which modern management, in the absence of direct market tests, shall be supported by institutional incentives, fast utilization of new technology, free choice and competition exposure.

The handling of these challenges must be combined with a continued high level of environmental protection for the benefit of the environment, health and consumers.

The government is satisfied to note that the Commission in its assessment of the First Progress Report to the National Reform programme emphasises that Denmark has made good progress in implementing measures to address key challenges identified in the National Reform Program 2005 in the area of microeconomic policies.

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<sup>1</sup> In the 2005 Danish National Reform Programme, the connection between the Danish strategy and the EU's integrated guidelines was illustrated through excerpts from the guidelines inserted in appropriate places in the text. Since the guidelines remain unchanged, they have not been included in the present progress report. The guidelines can be found in full length at [www.ec.europa.eu/growthandjobs/pdf/integrated\\_guidelines\\_en.pdf](http://www.ec.europa.eu/growthandjobs/pdf/integrated_guidelines_en.pdf).

Furthermore the government is satisfied to note that the Commission finds that the Danish macro-economic strategy is serving Denmark well, while however pointing out the continued need for reform measures to increase the labour supply up until 2015. The government has in addition taken note of the points to watch for Denmark identified by the Commission. The reforms and initiatives presented in the present Progress Report are in line with the Commission's suggestions.

The First Progress Report for the National Reform Program from 2006 explained the essential Welfare Agreement and the Globalisation Strategy. Both remain central in 2007 for the continued development of the Danish economy which for instance is seen in the agreement on the implementation of the Globalisation Fund. In 2007 the government furthermore submitted a plan for the Danish economy up until 2015. The plan creates the framework for a sound economic development. Finally the implementation of the structural reform of the municipal and regional structures and the government's quality reform are central elements of the reform agenda tabled in the present Progress Report.

The unemployment rate has fallen further since last years report and is now at the lowest structural and actual level in more than 30 years and employment is high compared to other countries. At the spring summit in March 2007 the European Council brought attention to the need to develop the flexicurity-model in the European economies. Flexicurity is a central part of the Danish labour market policy. Flexicurity is characterised by flexible rules for hiring and firing, an active labour market policy and an extensive unemployment benefit system which at the same time incite active job seeking.

In August 2007 the government presented the plan *Towards new goals – Denmark 2015*. The plan requires that new initiatives which permanently will strengthen the non-supported employment by 20,000 persons up until 2015 will be implemented. These initiatives will for instance focus on greater influx of labour from other countries, an enhanced labour market policy and efforts to further enhance employment for immigrants and descendants as well as seniors. A subsequent tax reduction will increase labour supply corresponding to 8,000 full time employees. Furthermore the government will in the autumn of 2007 present a plan containing a number of specific initiatives in order to increase labour supply. Moreover a labour market commission will be established. The commission shall propose initiatives to help the government fulfil its vision regarding employment and performed working hours.

Since the First Progress Report was submitted in 2006 a political agreement on the implementation of *the Globalisation Fund* has been made. As a consequence an extra amount of DKK 39 billion will be invested from 2007-2012 in research and development, innovation and entrepreneurship, an enhanced effort to increase the number of students finalising upper secondary or tertiary education and enhanced adult vocational training.

The implementation of the Globalisation Fund follows the Welfare Agreement and the Globalisation Strategy and thus contributes to securing the long-term economic stability and development within the overall priority of budgetary consolidation focused on continued public surpluses.

It is a central issue to continuously reform and improve the public services. The structural reform of the municipal and regional structures and the distribution of tasks between the various administrative levels in Denmark came into effect on 1 January 2007. The purpose of the reform is to improve efficiency in the municipalities and the regions in order to make further services available for the citizens. In continuation of the reform of the municipal and regional structures and the distribution of tasks between the various administrative levels the government has presented a *strategy on high quality in the public sector (the quality reform)*. The core initiatives in the quality reform are:

- Marked investments in better welfare – a 50 billion DKK Quality Fund and a 10 billion DKK Quality Pool.
- Quality standards aimed at securing high quality in essential elements of eldercare, childcare and healthcare.
- A coherent set of reforms within 8 priority areas containing 180 initiatives aimed at enhancing the quality of the welfare system and the attractiveness of working in the public sector.

In its assessment of the First Progress Report on the National Reform Programme the Commission emphasises a number of points to watch for Denmark

- Measures aimed at increasing labour supply over the medium term, up until 2015, including further initiatives to improve incentives to work and additional steps to integrate older workers and immigrants into the labour market. In the 2015-plan objectives which will contribute to increase labour supply in the short term has been put forward by the government. Furthermore the government will in the autumn of 2007 present a plan containing a number of specific initiatives in order to increase labour supply, cf. chapter 1 and 5.
- Following through on proposed reforms in competition law and ensuring that new competition powers are vigorously exercised by the relevant authorities. The government has followed through on reforms in competition law and strengthened the powers and instruments available to the competition authorities, cf. chapter 3.
- Additional measures in energy interconnection supply, in order to improve the functioning of the electricity and gas markets. The government has presented and implemented a number of initiatives in order to improve the energy infrastructure, cf. chapter 3.
- Identifying further emission reduction policies and measures. The government has presented a long-term energy strategy and has submitted a National Allocation Plan for the period 2008-12 in order to ensure that Denmark meet its ambitious climate objective of 21 pct. CO<sub>2</sub> reduction in 2008-12, cf. chapter 4.

- Reinforcing existing well-targeted measures to improve primary and secondary education and increase the number of students finalising upper-secondary or tertiary education. The government has initiated a number of initiatives aimed at improving the Danish education system from primary to tertiary educations, cf. chapter 2.

The government's annual Report on Competitiveness presents more information regarding results and indicators on Danish structural policies.<sup>2</sup>

### **Second Progress Report – finalising the first three year cycle**

As part of the European Council decision of 22 -23 March 2005 to relaunch the Lisbon strategy it was decided that Member States every third year must draw up National Reform Programmes envisaging the national reform strategies within the scope of the Lisbon Strategy, that is ensuring growth and employment as well as sound macroeconomic policies while continue to ensure social cohesion and environmental sustainability.

Progress reports must be prepared in the intervening years within the defined three-year cycle for the Reform Programmes. The Progress Reports should primarily be focused on initiatives or major steps in implementation of already enacted reforms during the past 12 months.

The second Progress Report finalises the first three year cycle. In order to give a cohesive view of the Danish reform process during the three year cycle an explanatory box has been added to each of chapters. The box summarises the most important initiatives during the first three years of the re-launched Lisbon strategy within the area covered in the respective chapter. The boxes are found at the last page of each chapter.

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<sup>2</sup> The Report on Competitiveness for 2007 can be found at [www.oem.dk](http://www.oem.dk).

# 1. The economic framework

*After a prolonged period of budgetary consolidation, public debt has been reduced considerably. In addition, Denmark's foreign debt has been largely eliminated after years of continued external surpluses. The unemployment rate is the lowest for more than 30 years and employment is high. Economic policies – notably in the areas of fiscal, structural, and stable exchange rate policies – have contributed to these achievements.*

*A key objective for fiscal policy is to ensure sustainable public finances in light of demographic challenges and other prospective developments. Sustainable fiscal policy is therefore a focal point in the medium-term strategy presented by the government in August 2007, cf. Towards New Goals – Denmark 2015.*

*Among the key targets and policy requirements leading up to 2015 are: Structural public budget surpluses within a target interval of  $\frac{3}{4}$  -  $1\frac{3}{4}$  per cent of GDP towards 2010, and surplus or balance in 2011-2015. EMU-debt is reduced further and the public sector net asset position is expected to become positive. New structural policy-initiatives should at least increase employment by 20,000 persons and sustain average working hours for the employed towards 2015. Increased labour supply is one of the points to watch for Denmark identified by the Commission in the evaluation of the First Progress Report to the Danish National Reform Programme.*

*Public consumption expenditure can grow in line with the overall economy towards 2015. The government's Quality Reform of the public sector aims at strengthening quality of public services and to ensure an efficient use of resources. Income taxes are lowered, notably on wages. The tax reductions are financed within the framework of the tax freeze by price indexation of energy taxes and by abolishing to automatic regulation of the labour market contribution.*

## 1.1 Economic outlook

The Danish economy is at or around the peak of an economic boom. Both employment and economic activity are at high levels. The current upturn has been prolonged by a strong increase in labour supply due to a rise in average working hours and higher participation especially among young people, immigrants and descendants. A large inflow of foreign workers and commuters from Sweden and Germany has also added to the labour force.

Employment is expected to rise by some 120,000 persons ( $4\frac{1}{2}$  per cent) from 2004 to 2007. In the same period, unemployment has dropped by 90,000 persons to a historically low level of 90,500 persons in July 2007 (3.2 per cent of the labour force, EU-definition). Employment is expected to have peaked and the growth in both internal demand and production is expected to slow down towards 2009.

Strong labour demand has led to upward pressure on wages. Wage inflation is expected to increase from 3.6 per cent in 2006 to  $4\frac{1}{2}$ - $4\frac{3}{4}$  per cent in 2007 and 2008.

Cost competitiveness in the tradable sector is likely to weaken, although the impact may be dampened by rising wage increases in some other countries as well.

It is expected that output growth will dampen markedly in the coming years after strong growth in 2005 and the first half of 2006. The latest forecast points to a slow-down in growth to about 2 per cent in 2007 and 1¼ per cent in 2008 – primarily reflecting lack of labour resources and lower growth in private domestic demand, notably for residential investment. Moderating domestic demand combined with a projected reduction in the level of structural unemployment (due to the Welfare Agreement) is likely to ease wage and price pressures.

Public finances have improved considerably in the current economic upturn from roughly balance in 2003 to a surplus of around 4½-4¾ per cent of GDP in 2005 and 2006. The fiscal surplus is expected to remain high in 2007 and 2008 at around 3-4 per cent of GDP, cf. table 1.1.

	2003	2004	2005	2006	2007	2008
<b>Per cent of GDP</b>						
Actual budget balance (EDP-basis)	0.0	2.0	4.7	4.2	3.2	-
Actual balance (national accounts basis)	-0.1	1.9	4.6	4.7	3.9	3.1
Structural budget balance	0.5	1.0	2.0	2.4	1.7	1.5

Source: Statistics Denmark and own calculations.

The favourable cyclical conditions with low unemployment and strong public revenues from, in particular, oil and gas activities in the North Sea are currently boosting the fiscal balance. When adjusting for the cyclical situation and other transitory factors, the structural balance amounts to 1½ per cent of GDP in 2007 and 2008. The structural surplus is thus within the defined target interval, which aims at an average surplus of ¾-1¾ per cent of GDP until 2015, cf. below.

The large fiscal surpluses contribute to the significant reduction in both the public gross debt (EMU debt) and the central and local government net debt. EMU debt is expected to decline from 30 per cent of GDP in 2006 to 21½ per cent of GDP in 2008. At the same time, net debt of 2¾ per cent of GDP in 2006 is estimated to give way to a net asset position of 4¼ per cent of GDP by the end of 2008.

On the basis of the draft budget for 2007 and the budget agreements with the municipalities and regions, fiscal policy is estimated to have an expansionary impact on economic activity of around 0.3 per cent of GDP in 2008. This is, among other things, due to an expected real growth rate in public consumption of around 1¾ per cent.

While fiscal policy is expansionary in 2008, higher interest rates will on the other hand have a dampening effect on economic growth. Labour market pressures are expected to be substantial in the entire forecast period.

Following up on the presentation of the new medium-term strategy, the so-called 2015-plan, the government has concluded a tax agreement with the Danish People's Party, which is estimated to increase labour supply with around 8,000 persons. The agreement involves cancelling the planned reduction of the labour market contribution, an increase in the job allowance (tax deduction for wages) and a higher income threshold for the 6 per cent middle income tax. The tax agreement does not influence the fiscal stance or the public budget surplus in 2008 compared to draft budget for 2008. The tax agreement is covered in more detail below.

Also in 2006, Denmark fulfilled the EMU convergence criteria concerning stable exchange rates, inflation, interest rates and public finances, *cf. table 1.2.*

	<b>Consumer price inflation (HICP)<sup>1)</sup></b>	<b>Long-term yield (10-year Gov't)</b>	<b>Public balance (EDP-form)</b>	<b>Public gross debt (EU-definition)</b>
	<b>Pct.</b>	<b>Pct.</b>	<b>Pct. af BNP</b>	
Denmark	1.7 <sup>1)</sup>	3.4 <sup>2)</sup>	4.2	30.1
EU25	2.2 <sup>1)</sup>	3.8 <sup>2)</sup>	-2.3	63.4
Euro Area	2.2 <sup>1)</sup>	3.4 <sup>2)</sup>	-2.4	70.8
Convergence criteria	2.5 <sup>1)</sup>	5.4 <sup>1)</sup>	-3.0	60.0

1) Calculated for December 2006.  
2) Annual average for 2006.  
Source: EU-Commission, Eurostat, Statistics Denmark and Danish Ministry of Finance calculations.

In table 1.2, the public surplus of 4.9 per cent of GDP in 2005 is calculated in accordance with the EU Excessive Deficit procedure (EDP). Among other things, this includes the surplus in the ATP Fund.<sup>1</sup>

## 1.2 Medium-term strategy and objectives

Economic policy generally aims at ensuring high and stable employment rates, a sustainable fiscal policy and good conditions for growth. In August 2007 the government presented a new medium-term strategy, *cf. Towards new goals – Denmark 2015.* The strategy includes new and ambitious objectives for economic policy and public finances towards 2015 and replaces the previous medium-term strategy, the so-called 2010-plan. The Danish convergence program to be published later this year will also

<sup>1</sup> The public surplus amounted to 4.7 per cent of GDP in 2006 based on the national accounts principles against 4.2 per cent of GDP on the EDP-basis. The treatment of swap interest rates etc. also pull in the direction of higher surpluses on the EDP-basis corresponding to approximately 0.1 per cent of GDP, while the treatment of capital expenditures for certain public enterprises pull in the opposite direction, corresponding to approximately -0.1 per cent of GDP.

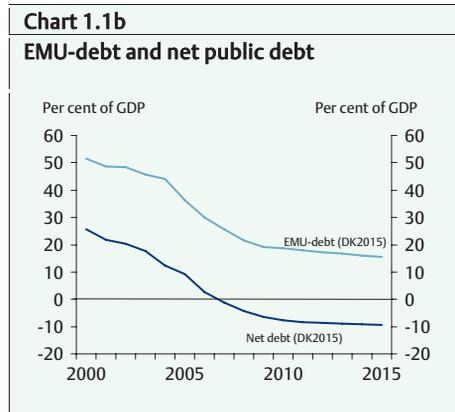
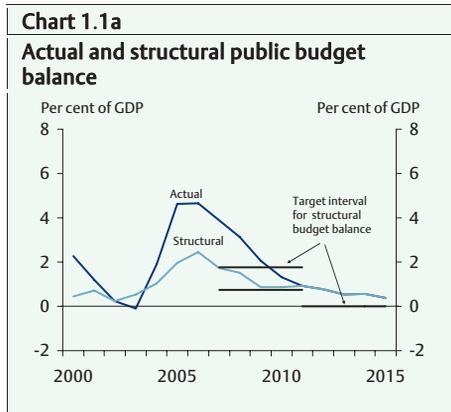
incorporate the 2015-strategy. The central objectives for the individual policy areas are the following (cf. *box 1.1*):

- *Monetary and exchange rate policy*: Consistently stable exchange rate and inflation developments by virtue of the fixed exchange rate vis-à-vis the euro.
- *Fiscal policy*: Ensuring sustainable developments in public finances.
- *Public expenditure policy*: Public consumption expenditure (in nominal terms) can grow in line with the overall economy.
- *Tax policy*: Continued tax freeze and implementation of the previously-mentioned tax agreement reached in September 2007.
- *Labour market policy*: New reforms and initiatives shall raise employment by 20.000 persons towards 2015, and average working hours should as a minimum be kept unchanged.

*Monetary policy* is determined with a view to keeping a stable exchange rate of the Danish krone vis-à-vis the euro. This implies that medium-term inflation is consistent with medium-term price developments in the euro area. The framework of the exchange rate policy is the ERMII agreement, which entails a narrow band for the Danish kroner exchange rate of  $\pm 2\frac{1}{4}$  per cent around the central parity vis-à-vis the euro. The exchange rate has been close to the central parity for a number of years. Since the introduction of the euro on 1 January 1999, the average (numerical) deviation from the central parity has been approximately  $\frac{1}{4}$  per cent.

The key objectives for *fiscal policy* are to ensure stable economic developments and sustainable public finances. The cornerstone is that planned and projected public expenditures can be financed without needs for fiscal tightening over the long run. The focus on stable economic developments and fiscal sustainability also supports confidence in the fixed exchange rate policy.

Fiscal policy has aimed at establishing and maintaining a structural budget surplus and thereby gradually bring down public debt, cf. *chart 1.1a and b*. The Welfare Agreement from 2006 includes longer-term reforms of the both the voluntary early retirement scheme and public pensions, thus making public finances more robust with respect to increasing longevity.



The current large public budget surplus will gradually diminish towards 2015. The declining surplus mainly reflects an assumed normalisation of cyclical conditions and other temporary factors, less revenue from North Sea activities and rising public pension spending. The Welfare Agreement, which strengthens public finances in the long run, implies scope for declining public surpluses towards 2015 consistent with long-term sustainability.

A key objective in the 2015-plan is to uphold structural surpluses between  $\frac{3}{4}$  and  $1\frac{3}{4}$  per cent of GDP during 2007 to 2010. From 2011 to 2015 the structural budget position should be in surplus or balance, *cf. box 1.1*. The requirement in the Stability and Growth Pact that Denmark should aim at a medium-term position close to balance or a deficit of no more than  $\frac{1}{2}$  per cent of GDP is thus met. Should the structural budget balance fall short of the targets in the 2015-plan, it will signal a need to adjust economic policies.

**Box 1.1****Key elements and objectives in *Towards new goals – Denmark 2015*****A sustainable public economy**

- Fiscal policy must be sustainable in the long run. This implies that the planned priorities and improvements in tax and expenditure policies towards 2015 can be sustained thereafter – without tax increases or other tightening of fiscal policy.
- The structural fiscal surplus must be kept at  $\frac{3}{4}$ -1 $\frac{3}{4}$  per cent of GDP towards 2010. From 2011 to 2015, the fiscal position must be in surplus or in balance. EMU-debt is reduced further towards 2015.
- Fiscal policy aims at stable and high employment. Fiscal policy focus on stable economic development and sustainable public finances ensures confidence in the fixed exchange rate policy.

**Higher employment**

- New initiatives should increase employment (unsupported) by a further 20,000 persons towards 2015.
- Average hours worked must remain at least at the present level towards 2015, even though demographics will tend to reduce average working hours for the employed.
- The government appoints a labour market commission to give recommendations, by the end of 2008, on how to meet or exceed the requirements concerning employment and hours worked.

**High quality of public services**

- The expenditures for public consumption can increase in line with the overall economy. Expenditures may amount to up to 26½ per cent of GDP (cyclically-adjusted) in 2015.
- The recent reform of the municipal and regional structures provides conditions for a better prioritization of public expenditure. The target is to unlock resources for further public services in municipalities and regions amounting to DKK 1 billion every year in 2009-13 or DKK 5 billion permanently by making administration more effective.
- Strategy for better quality of public services – DKK 10 billion has been allocated over the next 4 years for the initiatives in the government's proposed reforms - including tri-partite agreements.
- A quality fund of DKK 50 billion to finance public investments in the health sector, schools, day-care institutions, care of the elderly, etc. during the next 10 years.

**Tax freeze and lower labour tax**

- The tax freeze will continue to ensure that taxes will not increase.
- Tax on labour income is reduced. Income tax will be reduced by DKK 9½ billion. The tax reduction is financed within the scope of the tax freeze.

**Climate- and energy strategies**

- Energy consumption should remain stable and renewable energy sources should account for at least 30 per cent of total energy consumption by 2025.
- To reach the ambitious goals in the climate- and energy strategies, energy taxes will be fixed in real terms at their 2008 level.

The targets for the structural balance provide some room for manoeuvre for fiscal policy in case of more substantial economic downturns, but this requires prudent fiscal policies in times of favourable cyclical conditions.

Within the framework of the 2015-plan, there is scope for (nominal) public consumption expenditure to grow in line with the overall economy. In 2015, public consumption expenditure can amount to up to 26½ per cent of (cyclically adjusted) GDP. Should projected spending in 2015 exceed the threshold of 26½ per cent of GDP, the principle implies an obligation to reassess fiscal priorities with a view to

ensure that the public consumption to GDP ratio in 2015 is consistent with the presumed level in the 2015-plan.

The planned growth rate in public consumption is, on average, somewhat higher than in the original 2010-plan. Higher public consumption spending is fiscally sustainable due to, among other things, a marked reduction in public debt and consequently lower interest payments. The welfare agreement also contains an increase in education and research spending (the globalisation strategy).

A key requirement in the 2015-plan is that new initiatives should raise structural employment by 20,000 persons (relative to baseline) towards 2015. This requirement, along with already-agreed reforms, implies that structural employment can increase towards 2015 even though demographic developments tend to reduce the labour force. In the medium-term projection, actual employment is assumed to decline towards 2011 due to a normalization of cyclical conditions.

The 2015-plan also requires average working hours to be at least unchanged towards 2015. The requirement is a consequence of demographic developments and the return to neutral cyclical conditions, both of which may put significant downward pressure on average working hours. The requirements above are key elements in the government's efforts to increase labour supply, cf. also the Commission's point to watch for Denmark regarding this issue.

The requirements concerning employment and working hours ensure that the planned fiscal policy fulfils the condition of fiscal sustainability and that public finances are in surplus or balance in 2015. The fiscal strategy also requires that the age thresholds for the voluntary early retirement scheme and public pensions are raised from 2019 and indexed to the mean life expectancy of 60-year-olds from 2025 in line with the Welfare Agreement.

The cornerstone of *tax policies* is the tax freeze, which entails that no tax or duty can increase, whether it is determined in per cent or a nominal Danish Krone amount.

To support economic growth and a further expansion of labour supply the government has concluded an agreement with The People's Party to lower taxes on (earned) income in 2008 and 2009. Overall the income tax is reduced by DKK 9½ billion.

To improve work incentives, the job allowance (tax deduction for earned income) is raised from 2.5 per cent to 4.25 per cent and the upper limit is raised to DKK 13,100. This supports the ambition of 'make work pay', cf. also the Commission's reference to the need to strengthen work incentives in the point to watch regarding increased labour supply. Furthermore, the marginal tax rate is reduced by raising the income threshold for the 6 per cent middle income tax by around DKK 60,000 to

DKK 365,000. This reduces the marginal tax rate for around 575,000 persons, who no longer have to pay the middle income tax, cf. *box 1.2*.

The tax cut is estimated to increase labour supply equivalent to an increase of around 8,000 full-time employees, mainly due to an estimated increase in average working hours because of the lower marginal tax for a large part of the labour force. The estimated impact on labour supply takes into consideration that the basic tax allowance is raised by 1,000 kr. and that social benefits are raised by 0,6 pct., both of which are elements that do not improve incentives to work.

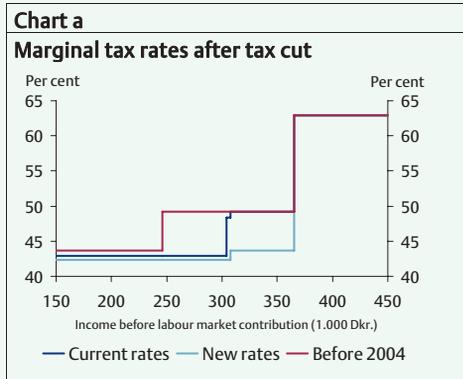
**Box 1.2**

**Tax reduction implies fewer middle income tax payers**

The tax agreement implies that the threshold for the 6 per cent middle income tax is increase by around DKK 60,000 to DKK 365,000, which corresponds to the threshold for the top tax.

As a result, some 575,000 persons, primarily middle-income earners, no longer will pay the middle income tax and their marginal tax rate is effectively lowered by around 5.5 percentage points.

The tax reduction continues the strategy from the tax reform in 2004 where the earned income reduction was introduced and the threshold for the middle income tax was also raised, cf. chart a. Together the 2 tax reforms imply that about 1¼ million people no longer pay the middle income tax.



The tax reduction replaces the by law mandatory lowering of the labour market contribution in 2008, which reflects a planned surplus in the labour market fund. The lowering of the labour market contribution would result in a loss of revenue of DKK 3¼ billion in 2008. The labour market fund surplus is, among other things, caused by the current low unemployment rate. To avoid a situation, in which increasing unemployment would cause the labour market contribution having to be raised, which would amplify cyclical developments, the automatic regulation of the labour market contribution is abolished. Hence, from 2008 onwards, the labour market contribution is fixed at 8 per cent.

To support the objectives in the climate- and energy strategy, energy taxes will be inflation-indexed as of 2008 so that the real value of energy taxes is held constant. This extra revenue is – in correspondence with the tax freeze – redirected to a lowering of income taxes. The tax cut is fully financed within the framework of the tax freeze and does not influence the fiscal room for other priorities.

**Box 1.3****The most significant Danish Reforms**

The main reforms implemented by the government in the reform program period 2005-08, are:

- The government in 2005 concluded an agreement in the Danish Parliament regarding a reform of the municipal and regional structures. The reform was implemented as of 1. January 2007. The reform creates 98 larger and more viable municipalities along with 5 new regions. The aim is a better and more coherent public service and to unlock resources which can be used to improve welfare services by creating more effective administrations.
- The government in April 2006 presented a Globalization Strategy with 350 initiatives concerning research, education, innovation and entrepreneurship.
- The government in June 2006 concluded a Welfare Agreement with a broad majority of the political parties of the Danish Parliament. The Welfare Agreement establishes a robust retirement system, which implies that the eligible age for the voluntary earlier retirement scheme and public pension in the long run is increased in line with the life expectancy of 60-year-olds, so that the expected combined period on early retirement and retirement will be around 19½ years. The agreement also includes labour market initiatives, among these strengthened efforts to reduce unemployment and initiatives to get more immigrants and descendents into work. Overall the Welfare Agreement is expected to raise employment by 250,000 persons in 2040 given the projected increase in longevity for 60-year-olds.
- In connection with Welfare Agreement the government has established a Globalization Fund amounting to DKK 10 billion in 2012. The Globalization fund is allocated to ensure that at least 95 per cent of young people complete a secondary education by 2015 and at least 50 per cent complete a tertiary education by 2015.
- In August 2007 the government presented a new medium-term strategy leading up to 2015. The 2015-plan sets out the overall framework and guidelines for economic policy in the coming years. The objective is to ensure sustainable public finances and to maintain a surplus on the public budget balance towards 2015. The plan implies the expenditure on public consumption can grow in line with the overall economy, an increase in public investments in health sector etc., a continuation of the tax freeze to 2015 and a tax cut on earned income. As part of the 2015-plan new initiatives should increase employment by 20,000 persons towards 2015.
- A Quality Reform presented in August 2007 focuses on high quality in the public service sector. The reform includes 180 initiatives to strengthen quality in healthcare, children and elderly care. The Quality Reform allocates DKK 10 billion from 2008 to 2011 to these initiatives. Furthermore a quality fund of DKK 50 billion finances an increase in public investment towards 2018.
- The government has presented an ambitious energy strategy and national allocation plan for 2008-12. The objective is to ensure that economic growth is compatible with environmentally sustainable development.



## 2. Research, education and innovation policy

*In November 2006, the government, together with a broad majority in the Danish Parliament, entered a political agreement on the implementation of the Globalisation Fund. The agreement means that over the next six years DKK 39 billion will be provided for research, education, innovation and entrepreneurship. The Globalisation Fund is to contribute to making Denmark a leading growth, knowledge and entrepreneurial society.*

*The main challenges identified in the National Reform Programme 2005 are:*

- *To implement the regular increase of public grants to research and development, which is expected to constitute 1 per cent of GDP in 2010. Moreover, the quality of research must be strengthened as the government wishes to strengthen the grant competition and to focus on major and long-term research projects, among others.*
- *To increase privately financed research so that overall research comes to 3 per cent of GDP in 2010, including by improving the interaction between enterprises and public knowledge institutions.*
- *To continue to improve the framework conditions for entrepreneurs, including by improving the entrepreneurship education opportunities.*
- *To implement measures in order to prompt more young people to complete their studies as quickly as possible.*

### 2.1 The Globalisation Fund

As follow up on the Globalisation Strategy, a *Globalisation Fund* will provide further investments in order to contribute to the aim of Denmark becoming a leading growth, knowledge and entrepreneurial society. The following general objectives are prioritised within research, education and innovation, cf. also *table 2.1*:

- The public budget allocations for research and development are to be increased to comprise 1 per cent of GDP as of 2010.
- A minimum of 85 per cent of all young people are to complete a youth education programme in 2010, and at least 95 per cent in 2015.
- A minimum of 50 per cent of all young people are to complete a tertiary educational programme in 2015, at the same time the age for completion is to be lowered.
- The goal is for Danish enterprises and public institutions to be among the most innovative in the world, and for Denmark to be among the countries with the highest number of growth entrepreneurs in 2015.
- Adult vocational training is to be strengthened, in part by means of a considerable improvement in initiatives for reading, writing and mathematics for adults, 2,000 more adult apprentices, and a pool of DKK 1 billion for more vocationally oriented adult and continuing education activities.

The Globalisation Strategy and the agreement on the implementation of the Globalisation Fund are thus key elements in the government's prioritisation of education, cf. also the Commission's point to watch concerning improved primary and secondary education and an increase of the number of students finalising upper-secondary or tertiary education.

**Table 2.1**  
**Overall implementation of the Globalisation Fund**

	2007	2008	2009	2010	2011	2012
<b>DKK million 2007 (2007 prices)</b>						
<b>Total</b>	<b>2,000</b>	<b>4,000</b>	<b>6,000</b>	<b>8,000</b>	<b>9,000</b>	<b>10,000</b>
Research and development	1,000	2,000	3,300	4,600	4,900	5,200
Innovation and entrepreneurship	350	400	400	500 <sup>1</sup>	500 <sup>1</sup>	500 <sup>1</sup>
All young people to have a youth education	308	781	1,220	1,702	2,232	2,620
Increased tertiary education	200	285	537	650	1,147	1,461
Strengthened adult and continuing education initiative	141	534	540	547	217	217

1) The distribution of the Globalisation Fund for 2010-2012 is awaiting final clarification between the government and the political parties to the agreement.

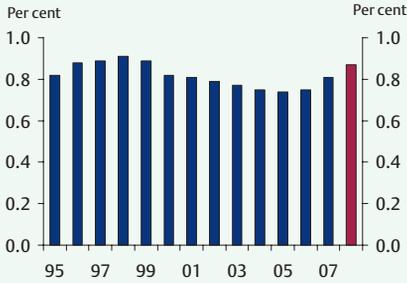
Source: Agreement on the implementation of the Globalisation Fund.

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

Government allocations to research and development are expected to comprise approx. 0.8 per cent of GDP in 2007, while the draft budget for 2008 contains a significant increase to 0.87 per cent of GDP, cf. *chart 2.1a*.

Chart 2.1a

## Denmark's public grants for research and development, per cent of GDP

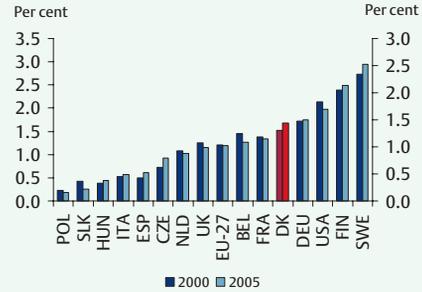


Note: Data are calculated as budget figures. Changes in the method of calculation impair comparability before and after 1999. In the calculation are included allocations on the national budget (including funds from the High-Technology Foundation), loss of revenue due to the 150 per cent deductions scheme, funds from the Danish National Research Foundation, funds from counties and municipalities, and funds received by Denmark from the EU and the Nordic Council of Ministers. The figures from 2008 represent a preliminary budget figure from the draft budget 2008.

Source: Annual Report on Competitiveness.

Chart 2.1b

## Private investments in research and development, per cent of GDP



Source: Eurostat.

The part of the Globalisation Fund relating to research and development aims at public investments reaching 1 per cent of GDP in 2010 cf. the implementation of this part of the fund as seen in *table 2.2*

Table 2.2

## Distribution of funds from the Globalisation Fund for research and development

	2007	2008	2009	2010	2011	2012
<b>DKK million 2007 (2007 prices)</b>						
<b>Total</b>	<b>1,000</b>	<b>2,000</b>	<b>3,300</b>	<b>4,600</b>	<b>4,900</b>	<b>5,200</b>
2.1 Basic allocations	300	800	1,010	720	950	1,090
2.2 Building research capacity	230	240	250	60	60	60
2.3 Free research	85	385	450	-	-	-
2.4 Strategic research	330	435	435	200	-	-
2.5 Cooperation with private sector on research and development	55	140	150	-	-	-
2.6 Undistributed reserve	-	-	1,005	3,620	3,890	4,050

Source: Agreement on the implementation of the Globalisation Fund.

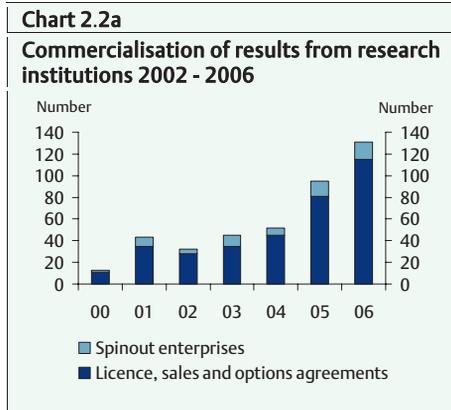
With the proposal entitled *A Visionary Danish Energy Policy*, the government has, furthermore, taken the initiative to double public investments in the research, development and demonstration of energy technology from an annual DKK 500 million to DKK 1 billion in 2010, cf. chapter 4.

The Danish binary research financing system with, respectively, core funding for research and research funds granted in competition, is to be continued and both parts are to be strengthened in the distribution of the Globalisation Fund pools for research and development. Further capacity-building for which the rising investments will create a need is an area of special initiative. This initiative consists of funds for more PhD scholarships and a pool for investment in research infrastructure.

The quality of Danish research is still high by international standards when measured by the available indicators such as scholarly publications and scholarly citations. Denmark ranks number three among the other OECD countries by both indicators, cf. the Report on Competitiveness 2007.

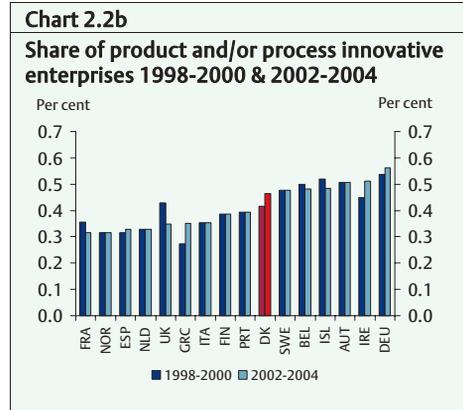
The government has established two new pools to which the universities, as an innovation, can apply for funds in competition with one another. The one is the *Infrastructure Pool*, with a total of DKK 600 million for financing investments in large-scale, interdisciplinary research infrastructure in Denmark and abroad. A DKK 200 million share of the infrastructure pool was put up for tender in spring 2007. The second pool, called *UNIK (University Research Investment Capital)* can be applied for by universities for large, long-term initiatives. DKK 240 million has been earmarked in the first instance for 2008 and again for 2009.

The ability of the universities to exploit the results of research in the form of licence agreements, patents sold and the establishment of new enterprises based on research results has shown positive developments in recent years, as appears from *chart 2.2a*



Note: Enterprises with ongoing or discontinued activities are included in the figures. For 2002-2004, data for Great Britain and Iceland have been calculated on the basis of the share of innovative enterprises in 2002-2004, minus the anticipated share of enterprises with ongoing or discontinued activities based on the 1998-2000 figures.

Source: Research Commercialisation of Research Results – Statistics2006. Danish Agency for Science, Technology and Innovation.



Source: Eurostat.

To encourage further positive development in the area, a pool has been earmarked for *maturing and documentation of promising inventions* (proof of concept) at public research institutions. It is a key feature of the Globalisation Strategy that international research activities must be promoted. This is to take place by creating better conditions for cooperation and exchange of knowledge between Danish and foreign research environments. In this connection the government has established *centres of innovation in Silicon Valley and Shanghai*. A third centre is to be opened in *Munich* in January 2008.

### 2.3 Research, innovation and knowledge dissemination in the private sector

According to OECD calculations, Danish trade and industry invested an amount corresponding to approx. 1.7 per cent of GDP in research and development in 2005, which places Denmark quite high in international benchmarking, cf. *chart 2.1b*.

The Danish *Advanced Technology Group* (GTS) plays an important role in the dissemination of knowledge from public research and education institutions to the business sector. The GTS system has been made more flexible and open to competition by new actors having gained a better possibility of participating in the bidding to perform technological service. Almost half of Danish enterprises have conducted innovation activities in the period 2002-2004, which is a relatively high level in the international context, as can be seen in *chart 2.2b*. 43 per cent of the innovative enterprises in Denmark have collaborated with other enterprises or institutions. Suppliers and

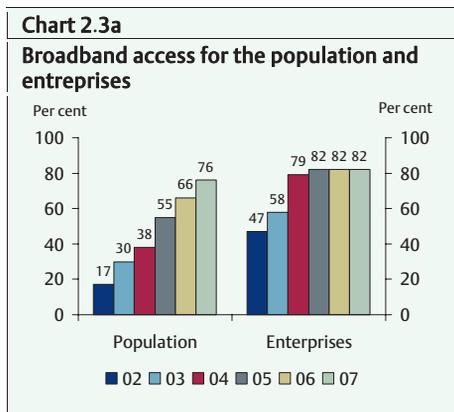
clients are the preferred partners. Even though Denmark is above the EU 27 average in terms of interaction between enterprises and universities, there is still room for improvement.

In 2007 the Danish Council for Technology and Innovation launched a four-year plan of action for the implementation of the Globalisation Strategy in areas important for the dissemination of knowledge and innovation, called *InnovationDenmark 2007-2010*. The most important initiatives are described in annex 2.2. In order to strengthen the special focus area concerning user-driven innovation, a *strategic research programme for user-driven innovation* with a budget of more than DKK 90 million over three years is to be initiated, so too is a special programme for user-driven innovation with an annual frame of DKK 100 million. Innovation projects with the participation of enterprises and public institutions are to be launched under the programme.

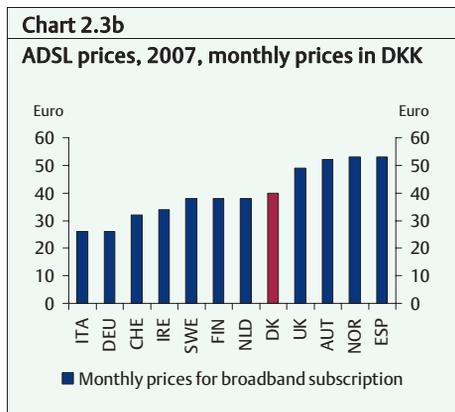
### 2.4 Expanded application of information and communication technology (ICT)

In recent years a significant proportion of the rise in work productivity in Denmark can be attributed to ICT investments. The advantages of enterprises' use of ICT are highly dependent on whether the IT systems can be integrated. The work of standardisation and the promotion of the use of open standards are central. Almost 90 per cent of Danish enterprises with order systems have integrated the order system with invoice and payment systems. 97 per cent of the enterprises had Internet access in 2006.

83 per cent of Danish families have Internet access in the home in 2007, and 76 per cent of the population have access to broadband, cf. chart 2.3a. Denmark has 1.7 million broadband connections and simultaneously has one of the highest broadband coverage rates in Europe. More than 98 per cent of the population is covered today. In Denmark there was a significant decline in the price of broadband in 2006, in particular regarding broadband connections over 2 Mbit/s. cf. chart 2.3b.



Source: Statistics Denmark.



Source: National IT and Telecom Agency.

From 1 August 2007, more than 1 million digital signatures had been issued, i.e. the possibility to identify oneself with a legally binding digital signature, and 98 per cent of the public authorities could receive a digital signature.

## 2.5 Education

In assessing the Danish national reform programme 2006, one of the Commission's points to watch for Denmark was the necessity of improving primary and secondary education and increase the number of students finalising upper-secondary or tertiary education. The government has drawn up some key objectives and launched a number of initiatives.

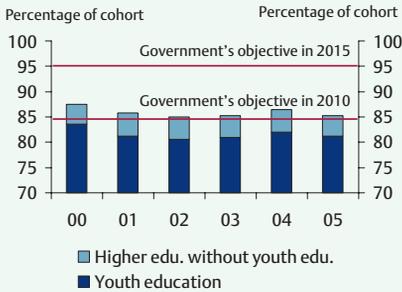
The following key educational objectives are part of the *Welfare Agreement*:

- A minimum of 85 per cent of all young people are to complete a youth education programme in 2010, and at least 95 per cent in 2015.
- A minimum of 50 per cent of all young people are to complete a tertiary educational programme in 2015, at the same time the age for completion is to be lowered.

The great majority of young Danes commence a youth education programme, but with the present behaviour in the education system, only approx. 81 per cent will complete this education. In addition, approx. 4 per cent will complete tertiary education without first having completed youth education, *cf. chart 2.4a*.

Chart 2.4a

## Share of a youth cohort with at minimum a youth education programme

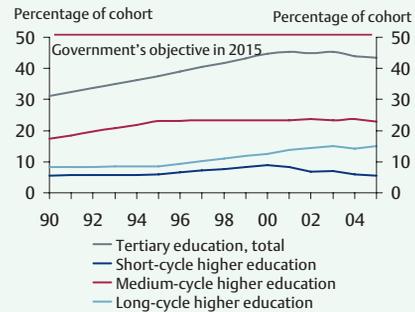


Note: Based on 25-year profile figures. The 2005 figure has been adjusted for lack of data. As well as the share completing a youth education programme, there is also a share of every youth cohort who will complete higher education without first having completed a youth education programme. This applies inter alia to intake to higher education through professional competence together with a number of single course subjects from an upper secondary education (e.g. training programmes for social educators or nurses), education programmes which do not require completion of a young education programme for admission (e.g. art and music education programmes), and training programmes within the military or the police force.

Source: Report on Competitiveness 2007.

Chart 2.4b

## Share of a youth cohort who will complete tertiary education



Note: The 2005 figure has been adjusted for lack of data.

Source: Report on Competitiveness 2007.

Achieving the goal that 95 per cent of all young people should complete a *youth education programme* requires focusing on the pupils' basic qualifications from the primary and lower secondary school. Today far too many leave primary and lower secondary school without being capable of completing any further education. For this reason, the government has introduced a number of initiatives in order to improve the primary and lower secondary educations:

- *Improved evaluation of the outcome of the teaching for the pupils*, including the introduction of individual plans of progress and action, introduction of national tests in selected subjects at certain age levels, and the introduction of mandatory leaving examinations at the end of the teaching in 9<sup>th</sup> grade
- *Strengthening of the teachers' basic training* through the adoption of the new Teacher Training Act, which includes greater specialisation of the teachers through fewer and more substantial main subjects and age specialisation of teachers of Danish and mathematics.
- *Improved teaching of Danish as a second language.*

- 10th grade is to be tailored to pupils who need further academic qualification and clarification regarding their education to be able to complete a youth education programme.
- A total of DKK 105 million has been set aside for a national action plan for reading between 2006 and 2009.

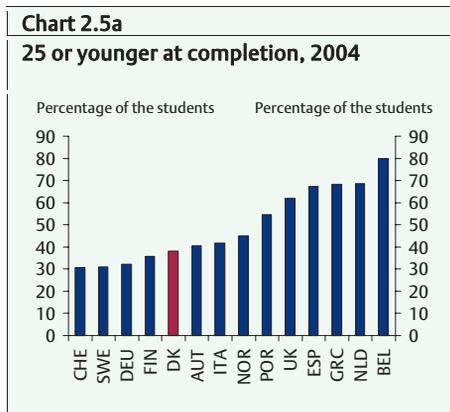
In addition, a more clear-cut responsibility has been imposed on the municipalities and institutions offering vocational education to see to it that young people commence and complete a youth education. All institutions are to submit an *annual plan of action for increasing pupil's completion of the education programme*. The plan of action is required to include the school's goals and planned initiatives and must be published on the school website.

The municipalities have the overall responsibility for ensuring that the young people do not circulate between authorities, educational institutions and employers. This is to be ensured by, among other things, *better guidance and better educational options* for young people with insufficient qualifications. In this connection, a number of initiatives are to be launched:

- *Enhanced analysis and projection activity etc.* should make better educational coverage possible.
- An enhanced *educational guarantee* is to be introduced.
- *Module-based vocational education programmes* are to be introduced.
- A new *apprenticeship scheme* has been introduced in the area of vocational education.
- Special initiatives have been taken to *increase completion of vocational education by pupils with a non-Danish ethnic background*.
- Several initiatives have been introduced for young people who need *more individual personal education plans* and personal support.

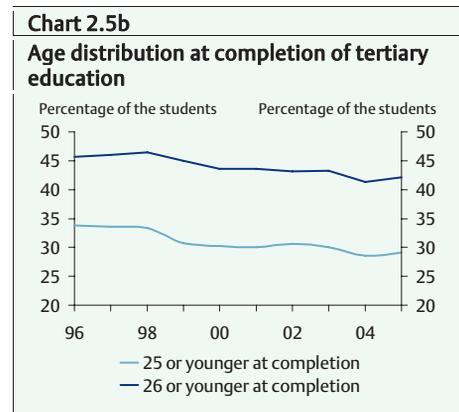
Given the behaviour in the education system in 2005, it is anticipated that somewhat less than 44 per cent of a youth cohort will complete *tertiary education*. This is a slight decline in relation to the previous year, *cf. chart 2.4b*.

On average, Danish students are older compared to students from most of the other EU Member States when completing a tertiary education, *cf. chart 2.5a*. Up to 2004, there was a decline in the share of students who were 25 years of age or younger upon completion of their education. There was a slight rise from 2004 to 2005. The picture is similar if the 26-year-olds are included, *cf. chart 2.5b*.



Note: The share of students who are 25 or younger upon completion of tertiary education. Certain short-cycle higher education programmes are not included. Persons whose age at completion is not given are omitted from the calculations. Concerns first completed education programme (incl. Bachelor programmes).

Source: Report on Competitiveness 2007.



Note: Share of students who are, respectively, 25 or 26 years old or younger when completing tertiary education. Note that the figures for university education only include master's programmes and that therefore allowance has not been made for the persons who finish with a bachelor degree as highest completed education. The 2005 figures are preliminary and should be interpreted with caution.

Source: Report on Competitiveness 2007.

In the area of *university structure*, in 2006 and 2007 the government implemented a number of mergers of universities and government research institutes. Altogether 25 universities and research institutions became eight universities and three government research institutes. The objective is to strengthen the research environments at the universities as well as international competitiveness and to widen the range of education programmes.

In continuation of the changes in university structure, the government has focussed on quality by means of *increased competition for funds between the universities*. One tool is a new basis of distribution for the allocation of core funding, for which criteria concerning quality are used to a greater extent. This basis of distribution will enter into force in 2009 and will consist of three groups of indicators: university research, education and dissemination of knowledge.

In April 2007 an independent *accreditation institution* for higher education was established. The purpose is to strengthen Danish universities' ability to attract talented students and to strengthen the cooperation with top universities abroad. The work of the institution encompasses all tertiary education programmes.

Moreover, the government has introduced a number of measures with a view to raising the quality and attractiveness of the tertiary education programmes:

- New profession and practice oriented education programmes are to be developed.
- The medium-cycle tertiary education programmes are to be unified in fewer, multi-subject bachelor colleges (university colleges) with academically strong and modern educational environments.
- Short-cycle higher education programmes are to be made more attractive and flexible. They are to be tailored to the needs of the labour market and the entry routes from vocational education are to be improved.

In line with the government's goal for internationalising the area of education, it is the objective that many more Danish students should have a study period abroad to gain greater international insight and understanding of other cultures. A scheme has been introduced whereby students can take the public grant with them to a recognised educational institution abroad. Such a *grant to study abroad* can be used to fully or partially finance tuition fees. Students at university education programmes can receive the grant for a maximum of two years.

In 2006 it was the conclusion of an international panel that the general quality of Danish *PhD programmes* was at the highest level and that the potential and capacity exist to substantially increasing PhD intake. As a consequence, PhD programmes are now to take place at graduate schools with academic environments of an appropriate size. In the coming years, therefore, the government will allocate considerable funds to increase the intake of PhD students. The number is to be increased gradually so that around 2400 PhD students are to be admitted in 2010. In 2006 approx. 1500 PhD students were admitted. Annual PhD intake has thus already increased by approximately 400 since 2002, cf. table 2.5.

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Year</b>					
Number	1,110	1,260	1,295	1,403	1,507

The increased intake of PhD students is to take place in particular within natural science, technical science, IT and health science, where society-based demand is immense.

It is a key element in the *Welfare Agreement* that *adult and vocational education and training* is to be strengthened. DKK 1 billion has been allocated under the Globalisation Fund for enhancing vocationally training for adults on the condition that the labour market parties through their collective agreements assume greater economic co-responsibility for strengthened educational initiatives. In the area of adult vocational

education and training, the government has also improved the options available to bilinguals who have problems with the Danish language.

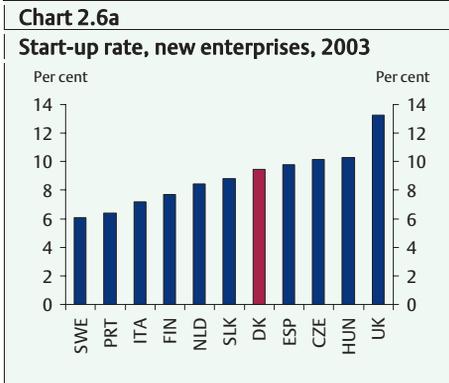
Better and easier access to recognition of prior learning is to be secured within all publicly financed adult vocational training programmes from preparatory adult education to diploma level.

As part of the Quality Reform the government and labour market parties has concluded *tripartite talks* in June 2007 in which plans were made for upgrading of skills and qualifications and continuing education. Approximately DKK 4.7 billion has been allocated for 2008-2011 for measures to improve the possibilities of enhancing competences among public employees through in-service training and upgrading the skills of semi- and low skilled workers, and better training for managers of public institutions. For further elaboration of the initiatives in the area of adult vocational education and training, cf. *annex 2.5*.

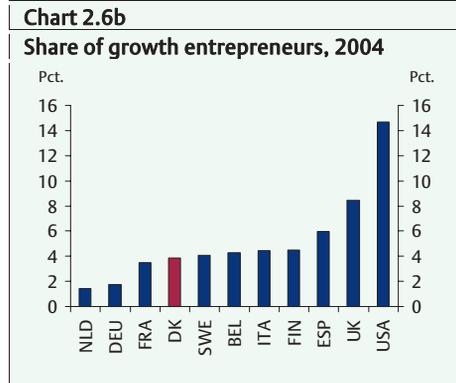
## **2.6 Entrepreneurship**

Denmark still has one of the highest enterprise start-up rates in Europe. In 2003, new enterprises accounted for almost 10 per cent of the total number of enterprises in Denmark. The Danish start-up rate is higher than the corresponding rates in e.g. the Netherlands, Finland and Sweden, cf. *chart 2.6a*.

Denmark has a lower share of growth entrepreneurs than a number of other countries. In the period 2002 to 2004, approximately 4 per cent of all Danish entrepreneurs experienced growth of more than 60 per cent – measured in average growth in turnover and employment, cf. *chart 2.6b*.

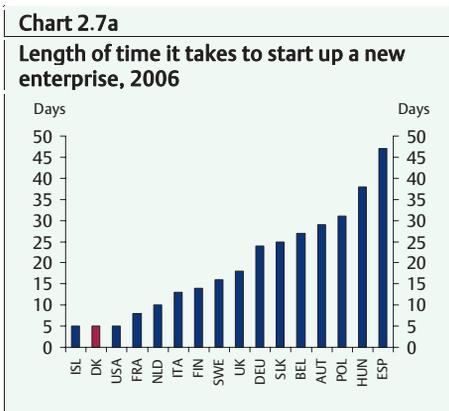


Note: Number of new enterprises as per cent of the total number of enterprises. New enterprises have been in operation for less than a year.  
 Source: Report on Competitiveness 2007.

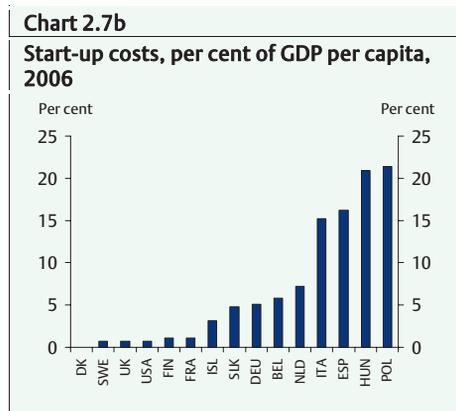


Note: Growth entrepreneurs compared with the total number of entrepreneurs. Growth entrepreneurs have been calculated based on average growth of turnover and employment on at least 60 per cent in a three year period. In general, international comparisons of growth entrepreneurs should be interpreted with some caution because of the quality of the data. Source: Report on Competitiveness 2007.

Denmark offers favourable framework conditions for starting up enterprises. For example, it takes just five days to start up an enterprise in Denmark relative to the OECD average of almost 17 days. This places Denmark in top position among European countries – exceeded only by Iceland, *cf. chart 2.7a*. Moreover, no fees or taxes are levied on the actual start-up, *cf. chart 2.7b*. In other words, setting up in Denmark is both easy and free of charges.



Note: Number of days needed to register a new enterprise.  
 Source: World Bank, Doing Business 2007.



Note: Costs involved in enterprise start-ups.  
 Source: World Bank, Doing Business 2007.

A wide range of entrepreneurial initiatives have been introduced as part of the government's Globalisation Strategy. Overall, the initiatives focus on strengthening the entrepreneurial culture, facilitating entrepreneurial access to capital and building entrepreneurial skills. The key initiatives are listed in box 2.4.

**Box 2.4**

**Key initiatives in the Globalisation Strategy concerning entrepreneurship**

**Advice**

- The government has set up new *regional business links* to provide a single point of entry to relevant advice for new and small enterprises with growth ambitions. The business links will support the overall upgrading of skills and quality in the advice offered to new and small enterprises.
- An *Early Warning scheme* has been established to provide advice to enterprises with financial difficulties, e.g. on new business plans and effective shutdowns.
- The initiative *The easy way from idea to patent* has been launched to improve entrepreneurial access to qualified advice on the patent system prior to the submission of patent applications.

**Finance**

- A new financially strong venture fund has been established through the partial privatisation of the Growth Fund (state-backed investment company).
- New legislation has been adopted to set up an *entrepreneurial fund in Western Denmark* to facilitate access to venture capital.
- The proof of business concept will give new and small enterprises the opportunity for coaching by experienced business professionals and for obtaining capital through the Growth Fund.

**Competencies**

- Seven student growth houses and the Øresund Entrepreneurship Academy have been set up to ensure that students get insight into life as an entrepreneur and access to test and develop their ideas during their course of study.
- The Danish Foundation for Entrepreneurship, Activities and Culture has been strengthened in order to increase the focus on entrepreneurship and innovation in education programmes.
- The objects clause of the business education programmes has been clarified to specify that the entrepreneurial skills of the students are to be developed.

**Box 2.5****Denmark's contribution to the Growth and Jobs Strategy 2005-2008: Increased investments in knowledge and innovation**

Since preparing the National Reform Programme in 2005, the government has taken a series of initiatives aimed at increasing public investment in research while also improving the framework conditions for research and development in private enterprises as well as in public-private partnerships; encouraging the spread of ICT; improving conditions for entrepreneurs; Improving and expanding investment in education.

The key initiatives during the reform programme period have been:

- With the Globalisation Fund, which is an important element in the implementation of the Globalisation Strategy and the Welfare Agreement, DKK 39 billion has been provided for 2007-2012 primarily for research, development, innovation, entrepreneurship and education. The implementation of the fund is, inter alia, to contribute to the fulfilment of the objectives that public research is to constitute 1 per cent of GDP in 2010, that 95 per cent of all young people complete a youth education in 2015, that the share those completing tertiary education is increased to 50 per cent in 2015 – and that their education is completed in a shorter time. Furthermore, the fund will be used to promoting growth entrepreneurs and strengthening adult vocational training.
- To safeguard the preconditions for the implementation of the objectives in the educational area, the government has launched a number of initiatives to strengthen standards in the primary and lower secondary school, including the introduction of compulsory tests, strengthening the teachers' basic education and the adoption of a national action plan for reading.
- In order to strengthen youth education, in 2005 the government implemented a reform of upper secondary education.
- In order to strengthen the Danish universities' research environments and international competitiveness, in 2006-2007 the government implemented a reform of university structure, in which 25 institutions were merged to form 11 institutions.
- The government has taken a series of initiatives aimed at getting young people started earlier and faster through the education system. These include the introduction of a quotient model that encourages an earlier start at university, swifter re-examination, a time limit on thesis writing, strengthened education guidance, and reorganisation of the taximeter funding scheme.
- Quality criteria are to be developed on which core funding for the universities is to be based. A new basis of allocation for distribution of core funding is to enter into force in 2009.
- With the establishment of the research infrastructure pool and the UNIK pool, the government has implemented innovations in Danish research financing which increases the share of research funding subject to competition. In this connection it is the intention that 50 per cent of all research funding is to be subject to competition in 2010.
- As part of the objective concerning increased internationalisation of Danish education programmes, the government has established centres of innovation in Silicon Valley and Shanghai, and in Munich from January 2008. With effect from 2008, it will be possible for Danish students to receive a two-year grant to study abroad.
- It is the government's goal to double the number of PhD students in 2010 in relation to the 2003 level. In 2006 intake had increased by approximately 25 per cent.
- To improve the opportunities for cooperation between research and educational institutions and private business, a number of initiatives have been taken including the strengthening of the GTS system and funds have been allocated for a proof of concept pool.
- The government has initiated a programme for user-driven innovation.
- The government has contributed to investments in ICT in Denmark (DKK 1600 per head of population in 2005) being considerably higher than the EU average (DKK 600 per head of population in 2005).
- With the Globalisation Strategy, 31 new initiatives were launched that are to improve the already favourable framework conditions for entrepreneurship in Denmark. The focus is on guidance, financing and competences.



### 3. Efficiency, competition and the internal market

*The competitive environment in Denmark has improved during the past year. The number of sectors facing competition problems have been further reduced since last year's Progress Report. Relative to other comparable countries, the Danish price level remains unchanged from last year's Report. The Competition Act has been amended as part of the follow-up on the Globalisation Strategy. The amendment is designed, among other things, to improve opportunities for dealing with cartel cases, cf. the Commission's point to watch for Denmark on reforming competition law. Moreover, since last year's Report, further reductions have been achieved in administrative burdens, agreements have been concluded on additional investment in road and rail infrastructure, and with the Quality Reform, initiatives have been taken to cut red tape and increase competition and efficiency in the public sector.*

*The National Reform Programme 2005 identifies the following main challenges:*

- *To implement a series of initiatives to reinforce competition in order to continue the reduction in the number of sectors facing competition problems and to bring Danish net retail prices in line with those of comparable European countries.*
- *To implement the objective of effectively reducing the administrative burdens of enterprises year by year by up to 25 per cent in 2010 relative to 2001.*
- *To continue to ensure transposition of internal market Directives into national legislation.*
- *To improve Danish infrastructure, including the rail network.*

#### 3.1 Enhanced competition

The government's overall objective is to bring Denmark's competitive performance in line with the best-performing OECD countries by 2010. Since last year's Progress Report, Denmark's competitiveness has improved in several areas. However, there is still room for improvement – both in absolute and relative terms – compared with other OECD countries.

Three intermediate targets have been set for competition in Denmark, cf. the National Reform Programme 2005:

- The number of sectors facing significant competition problems must be reduced.
- Danish prices must gradually be brought into line with those of comparable European countries.
- Competition-restricting regulation must be avoided.

The objective is to reduce by 50 per cent the *number of sectors facing significant competition problems* – from 64 in 2001 to 32 in 2010. In 2007, the number of sectors facing significant competition problems was calculated at 36, or 12 sectors fewer than in 2006,<sup>1</sup> cf. table 3.1.

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<sup>1</sup> One third of this reduction is the result of a reassessment of the competition conditions in four sectors.

**Table 3.1****Number of sectors facing significant competition problems**

	2001	2002	2003	2004	2005	2006	2007
Number of sectors identified	64	68	60	56	53	48	36

Note: The Danish Competition Authority identifies sectors facing significant competition problems on the basis of a set of competition indicators in conjunction with the Authority's subjective assessment of competition in the sector in question. The data basis for calculation for 2007 covers the period 2003-2005.

Source: Report on Competitiveness 2007.

In order to further reduce the number of sectors facing significant competition problems, steps have been taken to prepare a strategy for the 36 sectors. As far as the *price gap between Denmark and the EU9* is concerned, the Competition Authority's latest report shows that – if retail prices are adjusted for VAT and other taxes and the high level of wealth in Denmark – Danish prices were 8 per cent higher than the EU9 average in 2005. Relative to the EU9 average, Danish prices remain unchanged from last year's report<sup>2</sup>. Net retail prices of *goods* and *services* are approximately 5 and 19 per cent higher, respectively, in Denmark. For international services, i.e. services that are subject to potential competition from abroad, e.g. financial services and building and construction services, prices are about 13 per cent higher than the EU9 average. For national services, e.g. housing rental and hairdressing, the price level is approximately 21 per cent higher, cf. *table 3.2*.

**Table 3.2****Net price differences for national and international goods and services**

	Goods	National services	International services
<b>Net retail prices, index, EU9=100</b>			
Denmark	105	121	113
Italy	104	83	103
Sweden	102	108	95
France	101	99	88
Finland	99	116	101
United Kingdom	99	91	94
Germany	97	97	100
Belgium	97	89	98
The Netherlands	95	96	106

Note: The indices show the average for the years 2004-2005. Net retail prices are not adjusted for wealth.

Source: Report on Competitiveness 2007.

<sup>2</sup> The figures are not directly comparable with those from the National Reform Programme 2006 due to a change in calculation method. If the new method is applied, the 2006 price level can be calculated at 108 and, thus, the Danish price level relative to the EU9 average is unchanged from last year. Net retail prices exclude VAT and other taxes. Eurostat prices from the PPP survey form the basis of the calculation of the wealth-adjusted net retail price index. The price information is subject to uncertainty and is affected by the inclusion of countries without a fixed exchange rate. Uncertainty is attached to the calculation of wealth adjustment and adjustment for VAT and other taxes.

Net retail prices of goods and services are not adjusted for wealth and, accordingly, the price difference cannot be explained by weak competition only. For example, part of the price difference may be attributed to the high level of pay in Denmark to the extent that productivity in the service sector is not correspondingly higher. Compared with last year, prices of goods in Denmark have fallen by approximately 1 percentage point relative to the EU9. Prices of international services, on the other hand, have risen by about 3 percentage points relative to the EU9.

Denmark has a number of *competition-restricting regulations*. While these regulations often serve societal needs, they sometimes have unwanted and unintended effects that are detrimental to competition. Denmark is, however, performing relatively well when measured on product market regulation in general, cf. table 3.3.

**Table 3.3**  
**Scope of product market regulation, 1998 and 2003**

	1998	2003
<b>The OECD regulation index (selected countries)</b>		
United Kingdom	1.1	0.9
USA	1.3	1.0
Denmark	1.5	1.1
Ireland	1.5	1.1
Sweden	1.8	1.2
Finland	2.1	1.3
Belgium	2.1	1.4
The Netherlands	1.8	1.4
Germany	1.9	1.4
France	2.5	1.7
Italy	2.8	1.9

Note: The OECD regulation index is used as the indicator of the scope of competition-restricting regulation. The index has values from 0 to 6, a higher value indicating more regulation. The index is calculated by the OECD by weighting three sub-indices (government control, establishment barriers and barriers to international trading and investment) to one overall index.

Source: OECD Economics Department Working Paper No. 419, "Product Market Regulation in OECD Countries: 1998 to 2003".

The government shares the view of the Commission that it is a point to watch for Denmark to continue improving the competitive environment. During the year under review, the government has launched a number of new initiatives:

- The *strengthened competition act*, which took effect on 1 July 2007, improves opportunities for dealing with *cartel cases*. First, a *leniency programme* has been introduced. Under this programme, individuals and enterprises that cooperate with the competition authorities in cartel cases will be eligible for a reduction in – or full exemption from – the penalty they would otherwise incur. Moreover, the competition authority has been given increased powers at control inspections and, in some cases, the competition authority has the authority to issue administrative penalties and bring cases before district and high courts.

- *Competition for public contracts* will be increased, e.g. by introducing a requirement for open advertisement of public contracts on procurement of goods and services exceeding DKK 500,000 but not subject to the EU Public Procurement Directives, by increasing the powers of the competition authority, and by increasing the competition exposure of municipal contracts from the current 20 per cent to 25 per cent in 2010, measured in terms of the PLI (Private Provider Indicator), cf. section 3.5 below.
- The Danish Competition Authority has reviewed all bills on the government's 2007-2008 legislative programmes with a view to *eliminating unnecessary competition restrictions in new regulation*.

Based on the focus area of the Globalisation Strategy: *stronger competition and greater openness must strengthen innovation*, a number of initiatives have been launched to increase competition, including:

- *More effective merger control*. In Denmark, there is a risk that mergers will be completed – with possible detrimental effects on competition – without being subject to control. The reason being that, compared with other EU countries, Denmark has high threshold values for merger notifications. A committee will be appointed to look into the possibilities of ensuring improved merger control.
- *Increased enforcement efforts against cartels*. The Danish Competition Authority is preparing a systematic investigation strategy specifically targeting cartels. This strategy, in conjunction with the new leniency programme, is designed to ensure that more cartels are discovered and stopped.
- *More effective enforcement of procurement rules*. To follow up on the agreement on municipal economy for 2007, a task force has performed a service check on the complaints system for violation of the procurement rules. Follow-up on the recommendations of the task force will be conducted by the end of 2007.

### 3.2 The internal market

The latest internal market Scoreboard from July 2007 shows that the overall transposition deficit of the EU member states is 1.6 per cent of the internal market Directives. Denmark takes a shared third position with a transposition deficit of 0.9 per cent. This is a setback relative to the Scoreboard from February 2007, at which time Denmark took a shared first position with a transposition deficit of 0.3 per cent.

The Danish government attaches great importance to the transposition of internal market Directives and fully endorses the European Council decision from March 2007 to the effect that the transposition deficit must not exceed 1 per cent in 2009. In Denmark, responsibility for transposition of internal market Directives has been decentralised to the respective sector ministries. In an attempt to strengthen the Danish transposition efforts, the Minister for Economic and Business Affairs has encouraged, in writing, his ministerial colleagues to ensure timely transposition of internal market Directives. Moreover, follow-up on transposition, including the

Scoreboard, will be performed at regular intervals by the inter-ministerial committee (the EU Committee), which prepares the government's handling of EU cases.

As part of the upcoming transposition of the EU Services Directive, the so-called *Task Force for the internal market* (TIM<sup>3</sup>) will update its review of legislative and administrative barriers in the service sector in the course of 2008. Moreover, by the end of 2007, an action plan will be drawn up for the transposition of the directive.

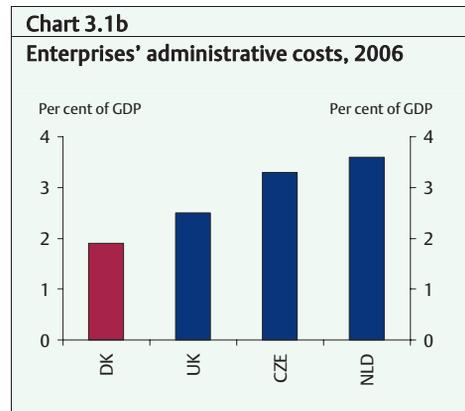
For 2008, the government has allocated funds to set up a *one-stop shop* for foreign enterprises to reduce administrative barriers to foreign enterprises' access to the Danish market. The one-stop shop will serve as a single point of entry for enterprises from other EU countries, meaning that they will need to communicate with just one authority in connection with the sale of services – both as temporary and permanent service providers.

### 3.3 Better regulation

The government's objective is to reduce the administrative burdens of enterprises by up to 25 per cent in 2010 relative to the 2001 level. During the period from 2001 to 2006, administrative costs were reduced by just over DKK 3 billion, equivalent to approximately 9.7 per cent. Compared with the 2005 figure, a reduction of about 4.5 percentage points has been achieved, cf. chart 3.1a.



Source: Report on Competitiveness 2007.



Source: Report on Competitiveness 2007.

Overall, resolutions adopted by the Danish Parliament during the 2005/06 parliamentary year generated a reduction of just over DKK 1.3 billion in administrative costs. Rules adopted from national legislation generated a reduction of just under DKK 1.6 billion in 2006.

<sup>3</sup> The aim of TIM is to abolish special national rules and administrative procedures that could be perceived as barriers to creating an efficient internal market.

The administrative costs of Danish enterprises were calculated at approximately DKK 28 billion in 2006, equivalent to just under 2 per cent of GDP. This is the lowest proportion among the EU countries that have conducted SCM measurements of business legislation,<sup>4</sup> cf. *chart 3.1b*.

Administrative costs are minimised through targeted efforts involving both new and existing regulation. A number of tools contribute to minimising burdens on Danish enterprises:

- Compulsory assessment of the administrative consequences for the business sector prior to the adoption of *new regulation*, proposals that are expected to create administrative burdens equivalent to more than 10,000 hours per year must be submitted to the government for separate assessment. The government has prepared an overall plan for how to minimise administrative burdens relating to *existing regulation*.
- Denmark has stepped up efforts to reduce administrative costs relating to EU regulation – the reason being that the latest measurement, performed in 2007, showed that approximately 40 per cent of total administrative costs, equivalent to DKK 11.8 billion, may be attributed to international regulation, mainly EU regulation. Denmark has submitted various simplification proposals to the EU. New EU regulation is reviewed to establish its administrative consequences and Danish ministries are obliged to assess and, insofar as possible, quantify administrative costs.
- The enterprise-oriented part of the 2007-2010 *digitalisation strategy* aims to ensure that all authorities make their reporting solutions available to enterprises in digital format. To comply with the wish of enterprises for a single point of entry to the public sector, the internet portal *Virk.dk* becomes the common public services channel for enterprises.
- Focus on how the public sector can increasingly *re-use data* across areas of responsibility, so that enterprises need to report information to the public sector only once. Mapping of the possibilities of *integrating the control and supervision* of enterprises by authorities.
- A new project to *cut red tape* has been launched under which solutions for involvement of enterprises are prepared. The project plans e.g. to have a group of civil servants pay visits to selected enterprises for a period of time to identify barriers to the start-up and growth of SME's. The project will also endeavour to *reduce the so-called irritation burdens*.
- 2006 saw the launch of a digital *legal process guide*. This guide incorporates all material needed by those preparing the legislation, including digital tools designed

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<sup>4</sup> The Ministry of Economic and Business Affairs (2007), *Redegørelsen om erhvervslivet og reguleringen 05/06* (report on the business sector and regulation). The other countries are the UK, the Netherlands and the Czech Republic. Denmark measures all business-relevant regulation and calculates administrative costs using the Standard Cost Model (SCM), which is updated once a year. The SCM measures the time spent by private Danish enterprises to ensure compliance with business regulation.

to ensure that new regulation does not include unnecessary administrative costs for enterprises.

In August 2007, the government submitted a reform to cut red tape as part of the Quality Reform. The aim of the reform is to simplify rules, requirements and procedures that place unnecessary burdens on municipalities, institutions and employees. The objective is to support employees' initiatives to cut red tape by promoting innovation and service development and ensuring that time is freed up for service provision. *Specific and binding actions plans* must be prepared for the simplification initiatives of each of the key municipally-related ministerial remits. Moreover, the municipalities have undertaken to make simplification part of locally-determined regulation of institutions.

### 3.4 Infrastructure

In recent decades, Denmark has built up a backlog of investment in road and rail infrastructure. To start addressing this backlog, political transport agreements in 2003 and 2005 provided DKK 9.5 billion to the rail network and DKK 6 billion to the road network in the period until 2014. A new transport agreement concluded in October 2006 provides an additional DKK 9 billion for the period until 2014. These agreements will ensure a permanent solution to the road and rail infrastructure problems.

The establishment of a fixed link across the *Fehmarn Belt* is a high priority for the Danish government, as well as an EU priority project in relation to the expansion of the trans-European transport network. In the summer of 2007, the Danish and German governments entered into an agreement on the establishment of a fixed link with a four-lane motorway and a double-track railway line. The aim is for the fixed link to be opened in 2018.

A number of electricity companies have started rolling out fibre networks to close to 40 per cent of all Danish households. In the coming years, these fibre networks will serve to increase competition between different infrastructures in the *telecommunications sector*. In addition, increased integration is expected between telephony, the Internet and television, along with replacement of current technologies by IP telephony, 3G mobile telephony and HD television, etc.

Continued development of a competitive *electricity market* and ensuring supply security are high-priority areas, cf. also the Commission point to watch for Denmark on initiatives in the energy infrastructure and supply areas. One way to ensure continued development of competition in the electricity market is to link the Nordic and German markets in the daily allocation of energy and capacity between the two pipelines between Denmark and Germany. The volume of electricity exchanges between Jutland and Germany, forming part of the EU TEN programme, has been increased by 15-20 per cent for existing plants and a further expansion is being negotiated. Expansion of the capacity of the pipeline between Denmark and Norway has been

agreed, but the timetable has not yet been established. Finally, a pipeline between Eastern and Western Denmark is scheduled to be put into operation in 2010.

*The natural gas market* has seen imbalances in gas storage capacity in 2007, with demand exceeding supply. To address these imbalances, the government has launched an analysis of the natural gas storage situation with a view to possibly amending the regulation.

The government has also set up an *Infrastructure Committee* to analyse and assess the central challenges and development opportunities for infrastructure and government transport investment in the period until 2030 based on long-term expectations for transport needs and patterns. The Infrastructure Committee is scheduled to complete its work in the autumn of 2007.

### 3.5 Competition and efficiency in the public sector

The Quality Reform sets out a number of initiatives designed to increase competition exposure through easier access to public procurement, outsourcing and public-private partnerships (PPPs). The key initiatives are:

- In the autumn of 2007, the government will *clarify and specify the requirements for municipal pricing* to ensure that prices reflect actual and total costs.
- *Possibility of marketing private home help providers*. Starting in 2008, municipalities will be required – in addition to offering information on approved providers – to provide the marketing materials of the providers to recipients of home help.
- In 2008, the government will set up a new Public Procurement Committee to ensure debate and discussion with public authorities and enterprises on the framework for competition.
- The government will considerably *reduce the average case-handling time for complaints heard by the Complaints Board for Public Procurement*.
- In 2008 and 2009, the government will set up a temporary *co-financing fund* for establishment of a number of municipal and regional *public-private partnerships* (PPPs), moreover, PPP guidelines will be drawn up.
- The government and the regional growth forums have agreed to follow the progress of public-private partnerships, cf. the regional partnership agreements on growth and business development for 2007-2009.

The Danish competition initiatives should be seen in light of the multi-annual cooperation agreements between municipal and central government authorities. The parties have agreed that the municipalities are to increase their competition exposure from the current 20 per cent to 25 per cent in 2010, measured in terms of the PLI (Private Provider Indicator)<sup>5</sup>. With the Quality Reform, free choice has been further strengthened, cf. the government's free-choice programme of 2002:

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<sup>5</sup> The PLI (Private Provider Indicator), available on [www.noegletal.dk](http://www.noegletal.dk), shows the municipal use of private service providers (relative to the proportion of municipal contracts that could be performed by private providers).

- The Danish Parliament has adopted a proposal to the effect that *psychiatric child and adolescent patients* can choose a private therapist if the waiting time for evaluation or treatment exceeds two months.
- *The Danish Health Act* has been amended, so that patients faced with a waiting time for regional hospital treatment of more than one month can choose a private hospital, starting on 1 October 2007, provided the regional authorities have entered into an agreement with the hospital in question.
- Starting in the autumn of 2009, the government wants all patients to have a free choice of *general practitioner (GP)*, irrespective of geographical distance.
- In 2008, the government will submit a proposal to enable individual municipalities to issue *service certificates* to citizens referred for personal or practical home help. The citizens may use the service certificate to hire a home help to perform the tasks covered by his or her referral.
- In 2008, the government will assess how to further develop the free-choice scheme in terms of rehabilitation based on the experience gained from the current scheme.
- In 2008, the government will submit a proposal to enable citizens referred for personal aids or support for disability-friendly interior design to choose non-municipal personal aid and interior design providers.

The Quality Reform, in conjunction with the competition initiatives, focuses on developing public workplaces, making them more attractive through enhanced leadership opportunities, improved technological support and investment in a better framework for performing public tasks. Thus the Quality Reform, which took effect on 1 January 2007, is a natural extension of the structural reform.

### 3.6 Regional growth policy

The interaction between EU financed, national, regional and local business policies is reflected in the structural fund framework for 2007-2013, in Denmark's strategic reference framework, in operational structural fund programmes and in regional business development strategies and action plans.

*Denmark's strategic reference framework*<sup>6</sup> for EU structural funds from 2007 to 2013 was approved by the Commission on 16 April 2007. The Danish structural funds are designed to increase overall growth in Europe and realise the Lisbon objectives by bracing Danish enterprises for globalisation and improving regional growth conditions through targeted efforts in:

- Human resource development
- Establishment and development of new enterprises
- Innovation, knowledge sharing and knowledge building
- Use of new technology.

<sup>6</sup> Pursuant to the regulation framework for 2007-2013 (Council Regulation No. 1083/2006, article 27-28), each EU member state is required to prepare a strategic framework to serve as the basis for drawing up operational programmes.

The European Regional Development Fund and the European Social Fund share the same strategic approach for the use of structural funds. For more information, please refer to *Appendix 6*.

The Danish Social Fund programme *More and Better Jobs*, under the regional competitiveness and employment objective, was approved on 16 April 2007. The focus of the programme is on expanding of the workforce and upgrading of the skills of the workforce. The programme is designed to help improve the access of enterprises to qualified labour. The Danish Regional Fund programme *Innovation and Knowledge*, under the regional competitiveness and employment objective, was approved on 5 July 2007. The focus of this programme is on entrepreneurship, innovation and use of new technology. The programme is designed to help strengthen the competitiveness and innovation capacity of Danish enterprises.

The Municipality Reform created *regional growth forums* focusing on the regional business development.<sup>7</sup> Moreover, at the national level, *Danish Growth Council* was set up to serve as a link between national growth policy, EU financed programmes and regional business development initiatives. 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 areas facing structural difficulties. Regional growth forums are also entitled to prioritise and recommend projects for structural funds investment. The first applications for structural funds have been treated by the growth forums.

Ten per cent of the structural funds are exposed to competition and are designed to help realising particularly promising projects. *Danish Growth Council* has played a pivotal role in regional growth policy during the past year and has determined the themes for the funds exposed to competition for 2007. The themes are expansion and skills upgrading of the workforce and development of innovative networks.

In order to strengthen overall growth policy initiatives, the government has entered into *regional partnership agreements on growth and business development* with each of the six regional growth forums. The regional partnership agreements will help implement the Globalisation Strategy in all regions of the country, in coordination with the regional growth and business development efforts. Partnership agreements have been concluded for the following areas: *Education and Labour Supply, Better Growth Conditions for New and Small Enterprises, Innovation, Knowledge Dissemination, Marketing of Denmark – Attraction of Investment and Tourism, Energy, Rural Areas and Areas facing structural difficulties, and Cross-Border Cooperation*. The partnership agreements will apply for the period 2007-2009. The government and the regional growth forums will monitor the im-

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<sup>7</sup> On 1 April 2006, regional growth forums were set up in each of the five new Danish regions, as well as on the island of Bornholm. The growth forums include members from the regions, municipalities, the business sector, knowledge and educational institutions, as well as employer and employee representatives. The composition and responsibilities of the growth forms are laid down in Act no. 602 of 24 June 2005 on Industrial Promotion.

plementation of the agreements on an ongoing basis and discuss the need for adjustments every year.

### Box 3.1

#### The Danish contribution to the Growth and Employment Strategy 2005-2008: Realisation of the potential of enterprises, with particular focus on SME's

Since preparing the National Reform Programme 2005, the government has launched a number of initiatives designed to remove barriers to competition, ensure improved transposition and enforcement of internal market Directives, reduce administrative burdens on the business sector, and improve infrastructure.

Based on nationally defined key challenges, the key initiatives for the reform programme period are:

- Amendments to Danish *competition legislation* have e.g. resulted in improved control of enterprises suspected of abuse of dominant position, improved *handling of competition cases by the courts*, introduction of *class actions*, and improved opportunities for dealing with *cartel cases*.
- Since 2005, the inter-ministerial committee has regularly discussed the *internal market Scoreboard* with a view to ensuring the lowest possible transposition deficit of internal market Directives.
- The government has set up an *internal market task force* to review legislative and administrative barriers on a regular basis with a view to eliminating such barriers.
- The government's 2006 *Globalisation Strategy* focuses e.g. on increasing competition and transparency to strengthen innovation. To follow up on this strategy, the government has launched initiatives to improve *merger control* and enforcement of *public procurement rules*.
- The Globalisation Strategy also includes a number of initiatives designed to *increase competition for public contracts*, *increase the obligation on public authorities to openly advertise contracts*, and *introduce requirements for assessment of how best to organise municipal construction projects*.
- In 2006, the government launched an overall *standardisation strategy*.
- New rules have been introduced under which all *ministries are obliged to screen new rules* to assess whether these could have a negative impact on competition.
- In 2007, the government has introduced *an obligation on public authorities to openly advertise public contracts exceeding DKK 500,000*.
- Through targeted initiatives, the government has *reduced the administrative burdens on the business sector by 9.7 per cent* since 2001. In 2005, a proposal was adopted which will probably mean that *administrative burdens equivalent to more than 10,000 hours* a year must be submitted to the government for separate assessment.
- With the political transport agreements of 2003, 2005 and 2006, the government has entered into agreements with a broad segment of the parties represented in the Danish Parliament on *investments in road and rail infrastructure* of DKK 18.5 billion and DKK 6 billion, respectively, in the period until 2014.
- In the summer of 2007, the Danish and Germany governments entered into an agreement on establishing a fixed link across the *Fehmarn Belt*, which is expected to be opened in 2018.
- During the reform programme period, the *electricity infrastructure* has been expanded and agreements have been concluded on capacity expansions of the Danish/German and Danish/Norwegian pipelines, moreover, an agreement has been concluded on establishment of a pipeline between Eastern and Western Denmark.
- The government has appointed an *infrastructure committee* to analyse further challenges and development opportunities in the period until 2030.
- The *municipal structural reform* took effect in 2007. The reform is designed to increase efficiency in municipalities and regions, freeing up resources for service provision to citizens.
- For 2008, the government has allocated funds for a *one-stop shop* for foreign enterprises seeking access to the Danish market.
- As part of the Quality Reform, which includes a total of 180 initiatives, the government has introduced a reform to cut red tape, along with initiatives designed to increase the competition exposure of public contracts and increase free choice in the public sector.
- The Danish strategic reference framework for *structural funds 2007-2013*, along with the Danish *social fund programme and regional fund programme*, which will help to realise the Lisbon objectives, were approved by the EU in 2007.



## 4. Sustainability, the environment and energy

*In key areas, Denmark has shown that economic growth can be combined with a continued high level of environmental protection. In August 2007, the European Commission approved the government's allocation plan. The plan shows how Denmark will reach its climate objectives for the period 2008-12 through among other things national reduction measures, initiatives in enterprises covered by the allowances and by purchasing CO<sub>2</sub>-credits from other countries. At the same time active energy-policy initiatives contribute to meeting the allowance objectives. In its energy policy proposal of January 2007, the government suggests that the percentage of renewable energy is increased to 30 per cent in 2025, and that energy-saving efforts and research are strengthened. Thus the government has started a number of initiatives cf. the Commission's point to watch for Denmark on identification of further emission-reducing measures.*

*Furthermore, Denmark has prioritised global environmental challenges, for example by hosting the international climate negotiations in 2009 and by starting initiatives focussed on promoting environmentally efficient technologies and cost-efficient solutions for the global market. Denmark has also initiated a range of large nature restoration projects which focus on protection of biodiversity and strengthened initiatives on water- and nature preservation with a view to creating more habitats, a cleaner aquatic environment and more nature experiences for the public.*

*In the Danish National Reform Programme 2005, the following main challenges were identified for the coming years:*

- *Ensure that the continued economic growth takes place simultaneously with the securing of a high level of environmental protection.*
- *Continue to promote and encourage more efficient solutions to environmental problems, especially in the areas of climate, air pollution, chemicals, protection of water resources and strengthened nature protection.*
- *To reduce CO<sub>2</sub> emissions by 21 per cent, as compared to 1990, before 2012, cf. the EU burden sharing agreement in order to honour the Kyoto Protocol.*

### 4.1 Promoting environmentally efficient technology

In June 2007 the government presented its action plan, *Danish solutions to global environmental challenges*. The action plan aims to provide support for those areas where Denmark is already strong when it comes to development and marketing of technological solutions in meeting environmental challenges on a global basis. The action plan also aims to help new enterprises and entrepreneurs get started, and therefore it will be implemented in close collaboration with internationally focussed Danish environmental enterprises. The intention of this initiative is to create synergy between the work of Denmark and the EU on environmentally efficient technology.

The action plan follows up on the government's report on environmentally efficient technologies from June 2006, *The path to a better environment*. The action plan is one element in the implementation of the government's Globalisation Fund. The action

plan consists of nine specific initiatives to promote the development and use of environmentally efficient technologies. The action plan focuses on establishing partnerships for environmental innovation, use of public and private funding on focussed research efforts that support environmental technologies innovation, export of environmental and energy technologies as well as assistance for testing and demonstration of new environmental and energy technologies. At the same time, the action plan represents the Danish contribution to the implementation of the EU environmental technology action plan, *ETAP*. The rural area programme and the Technology and Innovation Act also support initiatives targeted at environmental technology in the area of food production.

In addition, in 2007 the government established a new energy technology development and demonstration programme (EUDP) which focuses on large-scale testing of promising energy technologies, for example hydrogen and fuel cells, wind power and bio fuels. Overall total public investments in research, development and demonstrations in the energy area will be doubled to DKK 1 billion in 2010.

#### **4.2 Internalisation of environmental costs and decoupling the link between economic growth and environmental impacts**

It is a priority for the government that the change to more environmentally efficient taxes, which in Denmark make up a larger share of GDP than in any other EU Member State, remains within the framework of the tax freeze policy of the government. The price of goods should as accurately as possible reflect the environmental costs of production, use and disposal.

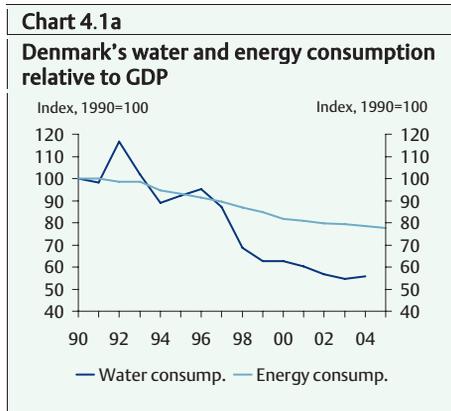
In order to support the ambitious objectives of the climate and energy policy, from 2008 energy taxes will be regulated according to the development of the price index, so that the real value of the *energy taxes* is maintained, cf. the description of the 2015 plan in chapter 1. The government's proposal for an energy strategy includes a reorganisation of taxes that will increase the cost efficiency of the total energy taxation system by creating uniformity in incentives to implement CO<sub>2</sub> reductions within and outside the allowance sector. This initiative increases the incentive to reduce CO<sub>2</sub> emissions for areas not covered by allowances. The reorganisation also encourages reductions in NO<sub>x</sub> emissions.

In 2007 the government carried out an *environmentally conducive reorganisation of all vehicle taxation*. It is expected that the reorganisation will reduce CO<sub>2</sub> emissions from commercial vehicles and private cars by approx. two per cent. Furthermore the government has set a target that bio fuels must account for 5.75 per cent of total sales of fuel for transport in 2010.

In addition to a range of market-based instruments such as environmental taxes, tradable allowances and voluntary measures such as eco-labelling and technological innovation that contribute to the efforts that promote the decoupling of economic growth and environmental burdens, the government places great importance on the

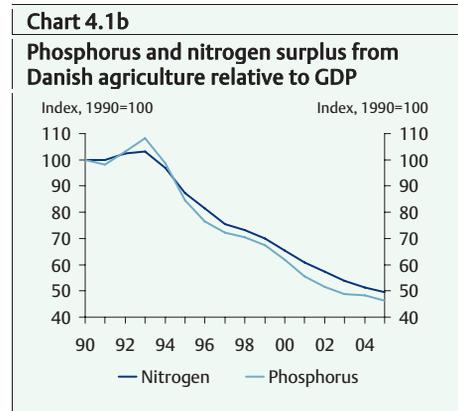
fact that citizens' and enterprises' responsibility is an important driving force for environmental initiatives. In connection with this, in 2007 the government launched the climate campaign *One tonne less* with the objective of encouraging the public to personally reduce their CO<sub>2</sub> emissions.

Furthermore the government has initiated a range of measures that contribute to the fact that water consumption and gross energy consumption, for example, continue to fall as a share of GDP, cf. *chart 4.1a*. Also agricultural consumption of artificial fertilizer and pesticides is falling, and the case is the same for runoff of nutrients and emissions of ammonia to the air, cf. examples in *chart 4.1b*. Emissions of nitrogen oxides and sulphur from energy production and traffic have also fallen.



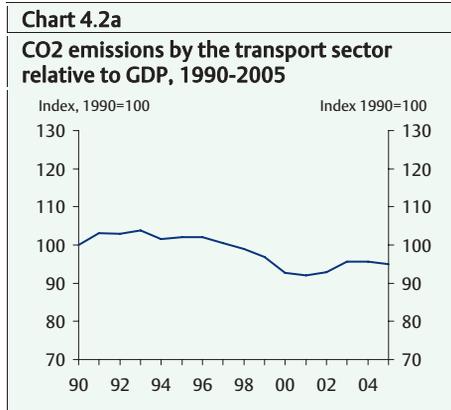
Note: Final energy consumption is defined as energy supplied to the end user, i.e. private and public businesses and households, cf. Energy Statistics 2005 from the Danish Energy Authority.

Source: Statistics Denmark, Energy Statistics 2005.



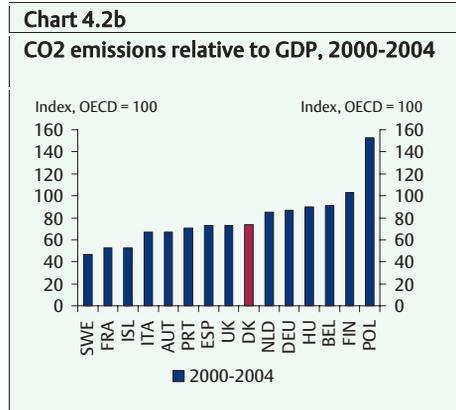
Source: Danish Institute of Agricultural Sciences.

It is expected that the reorganisation of vehicle taxation together with the initiatives for bio fuels will support the decoupling of the link between growth in GDP and CO<sub>2</sub> emissions caused by transport, cf. *chart 4.2a*. Cf. *chart 4.2b* Denmark has an average CO<sub>2</sub>/GDP-ratio.



Note: Enterprise emissions of CO2 not including emissions from bunkering of Danish-operated vessels and aircraft abroad. The high CO2 emissions in 1996 were due to an extraordinarily high export of electricity to our neighbouring countries (Sweden and Norway) whose electricity production from hydropower was limited by a low level of precipitation that year.

Source: Statistics Denmark.



Note: The chart shows emissions of CO2 in relation to GDP at current prices corrected for purchasing power. The average for the OECD is weighted. Local emissions of CO2 can fluctuate significantly from year to year, among other reasons because of the weather, which influences energy consumption. For each country an index is calculated for each of the years 2000 to 2004, after which the average is found. The extent to which the precipitation pattern in the period 2000 – 2004 corresponds to the general trend should be considered.

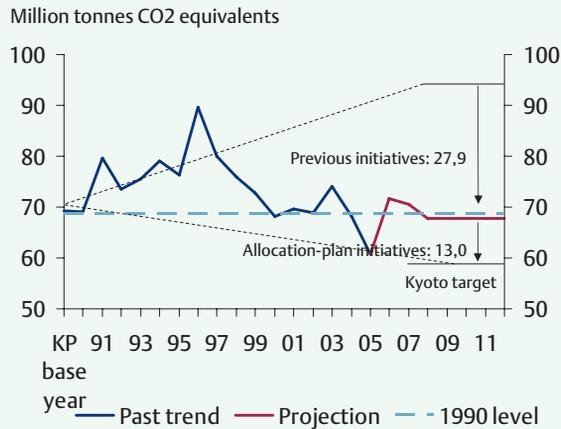
Source: OECD Fact book 2007.

In relation to reducing the effects of particle pollution in air that are harmful to health the government has introduced a *further reduction of taxation for all new vehicles that are supplied with a particle filter*. For heavy vehicles a new act on environmental zones has been passed which gives the five largest urban municipalities the possibility of demanding the fitting of particle filters on older lorries and busses. Furthermore work is being done on the introduction of requirements on particle emissions from new wood-burning stoves and targeted technological developments in this area, just as a campaign has been run on correct fuel-burning practices for stoves. Denmark is also faced with a challenge in relation to nitrogen oxide emissions, which also contribute to the formation of particles. The government has proposed a tax on NOx from stationary sources. In addition to this, work is being done on reducing NOx emissions from other significant sources.

### 4.3 Efforts against climate change

In August 2007 the Commission approved the government’s proposal for a *national allocation plan* for CO<sub>2</sub> quotas for the period 2008-12. The allocation plan explains how Denmark will reach its climate objective in 2008-12, cf. also the Commission’s point to watch regarding identification of further emission-reducing measures.

According to the allocation plan a significant part of the climate deficit<sup>1</sup> will be met in accordance with the polluter-pays principle. Part of the reduction will come from enterprises covered by allowances. In addition to this, CO<sub>2</sub> sequestration in forests and soil, new reduction measures in sectors not covered by allowances, government purchasing of real JI and CDM climate credits from climate projects in Eastern Europe and developing countries contribute in helping Denmark meet its ambitious climate commitments.

**Chart 4.3****Annual greenhouse gas emissions in million tonnes CO<sub>2</sub> equivalents**

Note: The blue line shows real emissions up to 2004 and continues as a red line for the projected emissions for 2005-12.

Source: Danish EPA.

Chart 4.3 illustrates the effect of past initiatives as well as initiatives in the allocation plan, which together must ensure that the climate objective in 2008-12 is met.

Denmark remains of the opinion that Denmark should be compensated for the especially high electricity imports in the basis year 1990, and a decision in the EU on this base-year problem is awaited.

#### 4.4 Stopping the decrease in biodiversity

The government's *action plan for biological diversity and nature protection in Denmark 2004-2009* and the *joint Danish genome resource strategy* continue as the foundation of the government's initiatives to stop the decrease in biodiversity in Denmark by 2010 at the latest. One of the most important elements is that consideration for biological diversity is integrated in the relevant sectors' policies and activities. The effort against de-

<sup>1</sup> The deficit is calculated as the difference between expected emissions and the Kyoto target. The difference between what Denmark is allowed to emit and what the Ministry of the Environment estimates that Denmark will emit without new measures is 13 million tonnes CO<sub>2</sub> annually. Of this, 5 million tonnes CO<sub>2</sub> are from the so-called base-year problem.

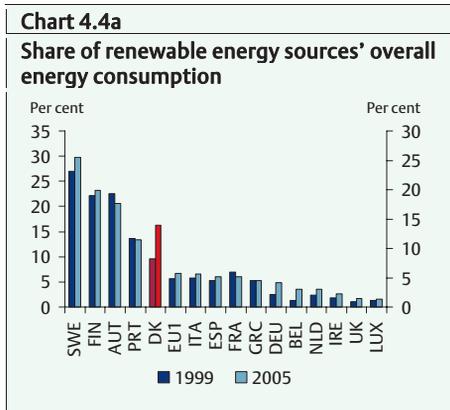
creases in biodiversity is especially aimed at nature protection, forestry, agriculture and fisheries, but also water, energy, transport and tourism are important to securing biodiversity. In 2006, the targets that Denmark will seek to achieve in the *EU Rural development programme* for the coming period of 2007-2013 were decided, only for the first phase for 2007-08. The general legislation for the establishment of national parks was passed in 2007, and the first *national park* is expected to be established in Thy in 2008. Furthermore the government has earmarked DKK 558 million for strengthened water and nature initiatives in 2007-2009. These strengthened nature initiatives are to provide a significant and cost effective contribution towards implementation of the EU Water Framework Directive and the Habitat and Bird Protection Directives.

#### 4.5 Energy policy

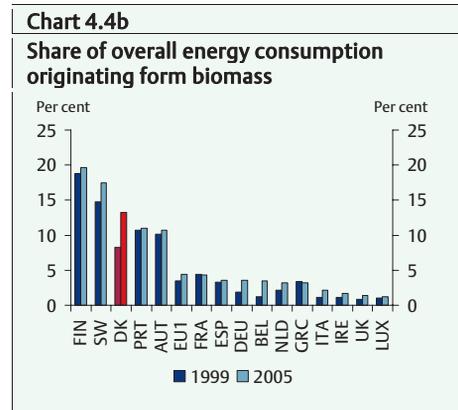
In March 2007 the European Council adopted a range of ambitious objectives for energy policy, including the following binding targets:

- Energy savings corresponding to 20 per cent of consumption must be implemented by 2020.
- Renewable energy must supply 20 per cent of the EU's energy consumption in 2020.
- Bio fuel must supply at least 10 per cent of the transport sector's consumption in 2020.

Over the past 25 years, Denmark has achieved major energy savings and greater energy efficiency. This is an important reason why current energy consumption is almost unchanged compared to 1972, despite the significant economic growth since then. At the same time renewable energy has been expanded significantly, and today it accounts for approximately 15 per cent of total energy consumption and approx. 28 per cent of domestic electricity supply, cf. *chart 4.4a*. Recent initiatives in the area include the establishment of two new *offshore wind farms*. A call for tender for construction contracts was issued 2004 and 2005.



Source: Eurostat.



Note: Biomass includes waste.  
Source: Eurostat.

Furthermore, biomass continues to be used increasingly for electricity and heat production, cf. *chart 4.4b*.

With a view to combating increases in energy consumption, in June 2005 the government and a large majority of the political parties in the Danish Parliament reached *an agreement on future energy saving efforts*. The agreement includes an annual target for new energy savings of 1.15 per cent of total consumption in the period 2006-2013, or 1.7 per cent of total consumption excluding transport.

A significant part of the new energy savings must be delivered by the grid and distribution companies in the electricity, natural gas, district heating and oil sectors. This will be based on a market-oriented approach based on targets and with a high degree of free choice of method. At the same time, the agreement is highly focused on energy savings in both new and existing buildings. In relation to energy efficiency of buildings, in a number of areas Denmark has gone beyond the EU requirements in the EU directive on the energy efficiency of buildings. The political agreement also contains decisions entailing that the public sector must buy energy efficient products and carry out viable savings measures.

In January 2007 the government presented its energy proposal *A visionary Danish energy policy* (in Danish: *En visionær dansk energipolitik*) that contains proposals for new and more ambitious goals for Danish energy policy. The long-term vision is that Denmark must become independent of fossil fuels. This must be achieved by continually increasing the share of renewable energy and at the same time strengthening energy-saving efforts. The share of renewable energy must therefore be increased from 15 per cent to at least 30 per cent in 2025. Among the targets bio fuels must account for 10 per cent of the transport sector's fuel consumption in 2020.

In addition to this, the government's proposal from January 2007 proposes that the target for energy savings is raised from 1.15 per cent to 1.25 per cent annually and that they are extended to 2025, primarily through a significant increase in the energy-saving commitments for energy producers. Finally the government will double public investment in research, development and demonstration of energy technology from DKK 0.5 billion annually to DKK 1 billion annually in 2010. The government has started negotiations on its new energy proposal with the parties of the Danish Parliament. In order to strengthen research, development and demonstration in the field of energy, in spring 2007 a new environmental technology development and demonstration programme (EUDP) was established. The programme must utilise the DKK 200 million that were earmarked in 2006 for development and testing of second generation technology for the production of bio fuels.

In the *electricity infrastructure area* an expansion has taken place that is to ensure the functioning of the electricity market, security of supply and competitive electricity prices. See chapter 3.4 for further descriptions of these measures.

**Box 4.1****Denmark's contribution to the EU's Growth and Employment Strategy 2005-2008: Energy and climate change**

Since preparing the National Reform Programme in 2005 the government has launched a number of initiatives designed at ensuring sustainable use of resources and synergy between environmental protection and economic growth. The Reform Programme and the annual Progress Reports focus specifically on initiatives that have the objective of promoting the use of environmentally efficient technology especially within transport and energy, promoting the internalisation of environmental costs and decoupling the link between economic growth and environmental impacts, launching initiatives to combat climate change and at the same time implementing the Kyoto targets in a cost efficient manner, stopping the decrease in biodiversity.

The most central initiatives during the period of the reform programme have been:

- In 2005 the government and a large majority of the Danish Parliament made an agreement on *future energy saving efforts*.
- In 2005 the government presented an *action plan for the future electricity infrastructure*, which has resulted in planning work and extension of the electricity infrastructure.
- In 2006 the government presented a report that was followed up by an action plan in 2007: *Danish solutions to global environmental challenges* as a contribution to ETAP. The intention of this initiative is to create synergy between the work of Denmark and the EU on developing environmentally efficient technology for the global market.
- In June 2007 the government presented a policy paper for debate on *sustainable development*.
- In August 2007 the Commission approved the Danish *allocation plan* for CO<sub>2</sub> allowances for the period 2008-2012. The allocation plan is to ensure that the Danish climate deficit is removed so that Denmark reaches its Kyoto target of a 21 per cent CO<sub>2</sub> reduction in the period 2008-2012.
- In June 2007 the government adjusted vehicle registration tax so that fuel efficient cars and goods vehicles are favoured. This restructuring is to contribute to decoupling the link between economic growth and environmental impacts in the transport sector – a decoupling that is already apparent in other sectors
- In 2007 the government and the Danish Parliament agreed on an environmentally conducive reorganisation of vehicle taxation.
- In September 2007 the government and the Danish Parliament agreed on maintaining the real value of energy taxation in order to support the ambitious targets of the climate and energy policy. From the start of 2008 onwards, energy taxes will be regulated in relation to changes in the normal price index.
- The government has set a target on the inclusion of 5.75 per cent bio fuel in fuel for transport in 2010.
- The government has started initiatives in order to implement the action plan for biological diversity and nature protection and in connection with this has decided to establish the first Danish national park in Thy in 2007.
- The government has decided that two 200 MW offshore wind farms are to be built.
- The government has started several initiatives that are to reduce particle pollution, these initiatives include relaxing taxation for particle filters and the passing of an environmental zone act.
- In 2005 the government presented an energy strategy 2025, which was followed up in January 2007 by A visionary Danish energy policy 2025. The policy proposal proposes that: the share of renewable energy is increased to 30 per cent in 2025, energy saving efforts are increased to 1.25 per cent annually, bio fuels in 2020 account for 10 per cent of fuel consumption in the transport sector and that public investments in research, development and demonstration of energy technology are doubled to DKK 1 billion annually. The proposal is still being negotiated with the parties of the Danish Parliament.



## 5. Danish employment policy

Denmark has implemented a series of measures over the years aimed at increasing labour supply and reducing structural unemployment. The employment rate is above the joint EU objectives and structural unemployment is relatively low. The government's objective remains to ensure a proper balance between the elements of the flexicurity model by improving labour market structures and increasing employment of the main challenges laid down in the National Reform Programme 2005.

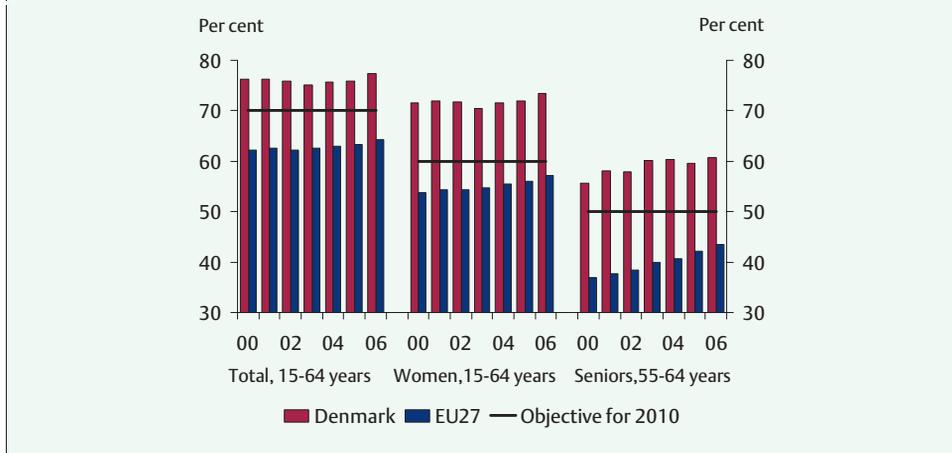
A central element is the challenge of increasing the labour supply which is also emphasised as the first point of to watch in the Commission's evaluation of the National Reform Programme 2006. The government's objective with the 2015 plan is to increase structural employment by 20,000 persons up until 2015, and initiatives have been taken to ensure at least sustained average working hours for the employed.

### 5.1 Employment objectives

In accordance with the European employment strategy, the Danish government is implementing reforms, which will contribute to fulfil the objectives for increased employment, work quality and to strengthen social cohesion<sup>1</sup>. The initiatives are primarily being financed through national funds, while the EU Social and Regional Funds are also contributing to some extent, cf. Annex 5.4 and Annex 6. Denmark fulfils the three EU employment objectives for the overall population, women and senior citizens, respectively, cf. chart 5.1.

**Chart 5.1**

**Fulfilment of the EU's employment objective for the totality of Danish population, women and senior citizens**



Source: Eurostat.

<sup>1</sup> Contributions by the social partners, the Danish National Employment Council and the Danish Council of Organisations of Disabled People have been included as Annex 7.1-7.5. Denmark's position on selected Community indicators and national data is included in Annex 5.2 and 5.3.

The overall employment rate has increased from 75.9 per cent in 2005 to 77.4 per cent in 2006, corresponding to an increase of 1.5 percentage points. In 2006, an increase of total performed working hours of 4.1 per cent in relation to the level in 2005 was registered. Work productivity increased by 1.3 per cent from 2005 to 2006. The moderate increase in work productivity, which characterises the euro zone, thus also applies in Denmark. However, the increase from 2005 to 2006 is higher than the previous two years where the increases were 0.7 and 1.1 per cent, respectively.

The government is aiming at further increasing employment, cf. also the point to watch of the Commission on the need for increased labour supply. In the late summer 2007 the government submitted a new plan for the Danish economy up until 2015 cf. *Towards New Goals - Denmark 2015*. The plan requires new labour market policy initiatives to strengthen non-subsidised employment permanently by another 20,000 persons up until 2015 and ensure that the average working hours as a minimum are kept unchanged. The plan also includes initiatives that will contribute to a continued strengthening of employment for immigrants and their descendants as well as senior citizens, cf. the Commission's point to watch in this respect. This ambitious objective will for example be realised by focusing on the following areas:

- *Greater influx of labour* from other countries to the private as well as the public sector.
- *Targeting the public schemes for persons with reduced working capacity and further development of the preventive efforts.*
- *Enhancement of labour market policy, for instance by focusing on ensuring incentives to seek employment and upgrading of skills. Unemployed people must be matched with vacancies as quickly as possible.*
- Continued efforts to *enhance employment for immigrants and descendants.*
- Continued work ensuring a good transition from education to work and young people completing an education programme more quickly than today.
- Continued enhancement of employment of senior citizens.

In addition, the government will set up a *labour market commission* of independent experts. Before the end of 2008 the commission shall present its recommendations to help meet the government's vision on employment and working time.

## **5.2 Labour supply, etc.**

The Danish labour market is experiencing recruitment problems in the private sector as well as in parts of the public sector. In the spring of 2007 Danish enterprises have been unsuccessful in filling approximately 58,000 positions, corresponding to 2.1 per cent of the total employment in Denmark. In the spring of 2006 the equivalent number was approx 47,000 positions. Against this background, the government has launched a number of initiatives, cf. *box 5.1* The initiatives are for instance the tax package referred to in Chapter 1, and most recently the plan aimed at generating more labour in Denmark in order to increase the labour supply and eliminate the labour market shortage.

In the autumn of 2007 the government will present a plan containing a number of specific initiatives aimed at generating more labour in Denmark. The key elements of the plan are:

- *Recipients of unemployment benefits, social assistance and persons on anticipatory social pensions.* Extended measures to help the remaining unemployed recipients of social and unemployment benefits obtain employment and increased access to the labour market for people on anticipatory social pensions to ensure that they do not lose the right to anticipatory social pension at a later stage.
- *Elderly persons and recipients of old age pension.* Better opportunities for recipients of old age pension to work without having their pension reduced, and introduction of a tax reduction of a maximum of DKK 100,000 for tax payers who are 64 years old and remain at work. To obtain the reduction the person must have been full-time employed from the age of 60.
- *Public employees.* Reduction of absenteeism due to sickness and improving public employees' possibility of changing from part-time to full-time employment.
- *Recruitment of foreign employees.* Extension of the Green Card scheme, the Job Card scheme and the research tax scheme, better terms for enterprises looking for foreign labour, targeted recruitment of foreign employees for parts of the public sector and strengthened measures on retaining and integrating people who come to Denmark.
- *Students.* A better opportunity to work without having their state education grants affected.

As described in the Progress Report 2006 the Welfare Agreement included actions to ensure a sufficient labour supply and preventing the occurrence of shortages. This applies especially in regard to encouraging late retirement from the labour market and helping more immigrants and their descendants into employment.

In August 2006 a task force was set up to analyse the labour market shortages and make proposals on how to solve specific recruitment problems. The task force will be discussing possible initiatives on the basis of three general approaches:

- *The availability approach* (availability administration and availability rules).
- *The enterprise approach* (the recruitment practices of enterprises).
- *The authorities' approach* (efficient assistance to enterprises with recruitment problems).

**Box 5.1****Labour supply, short and long term**

The most recent approaches to increase the labour supply in the short term:

- Implementation of the reform package *A new chance for all* running from the second half of 2006 with increased efforts for disadvantaged unemployed people (recipients of social assistance and starting allowances).
- Implementation of parts of the *Welfare Agreement* for special target groups: Senior citizens: e.g. extended wage-subsidy scheme, young persons: e.g. activation moved forward and for immigrants and their descendants: e.g. better wage-subsidy schemes and job packages. The general importance of the Welfare Agreement in relation to active labour market policy can be seen in box 5.2.
- Setting up a task force to analyse labour market shortages.
- Tightening of rules and procedures to ensure that unemployed people are actually available for the labour market.
- Extension of the Job Card scheme in order to ensure an influx of highly skilled labour in fields where there is a shortage of labour.
- 13-point plan with new initiatives to facilitate the recruitment of foreign labour to Denmark.
- Revision of the East Agreement which means that enterprises covered by collective agreements will be able to be pre-approved to employ persons from the new EU countries.
- The tax agreement from August 2007 is expected to increase the labour supply through a positive effect on average working hours.
- The government's plan to attract more labour to Denmark. The key elements of the plan were presented in October 2007. The plan will be further defined during the autumn of 2007.

Approaches to increase the labour supply in the long term:

- Implementation of parts of the Welfare Agreement e.g. changed rules on labour market withdrawal, including voluntary early retirement allowance, etc.
- Establishment of a prevention fund which is to prevent attrition and industrial injuries and provide reinforced support to retraining sick and disabled people.

In March 2007 the *Job Card scheme* by the implementation of the agreement on future immigration, was extended to include e.g. midwives, dentists, architects, surveyors, lawyers, economists, marine engineers and building engineers. The agreement also extends the scheme in such a way that residence permits are issued to all foreigners who can document a concrete job offer with an annual salary of more than DKK 450,000 and the usual wage and employment conditions, regardless of whether there is a shortage of labour in the field. The government is also contemplating lowering the annual pay limit.

An agreement on future immigration has been concluded which entails that a *Green Card scheme* is to be introduced, enabling specially qualified foreigners to obtain a visa to seek employment in Denmark for up to six months. The government is also considering adjusting the scheme in connection with the work concerning improving the opportunities to recruit foreign labour, as mentioned above.

The government has launched 13 new initiatives to facilitate enterprises' access to recruitment through increased knowledge and tools, and to market Denmark in Sweden, Poland and Germany as an attractive country in which to work. The initiatives include establishing a hotline for enterprises and a new website [www.workimport.dk](http://www.workimport.dk) with all necessary knowledge for enterprises and offering the opportunity of direct

job seeking from abroad. In addition, job fairs, media campaigns and cooperation with the authorities in the three countries mentioned have been launched.

Most recently, the transitional scheme for EU enlargement has been changed starting from 1 January 2008. The change enables enterprises covered by a collective agreement to *employ people from the new EU countries* without having obtained a work permit. The first adaption of the so-called East Agreement entered into force in June 2006, enabling enterprises covered by a collective agreement to be pre-approved to employ citizens from the new EU countries without the citizens first having obtained work and residence permits. Since June 2006 there has been a significant increase in the number of work and residence permits issued.

### 5.3 Efforts for special target groups

The government has launched several initiatives for special target groups with a view to increase labour supply and employment. The initiatives should be seen in the light of the recommendations made by the European Council in 2006 and 2007.

The employment rate of 55-64 year-olds is above the EU average and fulfils the EU's overall 50 per cent objective, cf. *table 5.1*. In the period from 1996 to 2006 a positive development has been observed in the employment rate of *senior citizens*, in particular for the age group over 60 years.

	1996	1998	2000	2002	2003	2004	2005	2006
55-64 year-olds	48.4	49.8	53.0	56.7	57.7	57.8	58.0	58.4
55-59 year-olds	73.8	66.0	70.4	73.2	73.7	74.0	74.6	75.8
60-64 year-olds	30.3	30.3	30.6	33.9	35.8	36.4	37.7	38.9

Source: Statistics Denmark. A national definition of employment rates has been used, giving slightly lower employment rates as compared to the figures used by the European Commission, cf. Annex 5.2.

From 2019 the welfare reform entails a gradual *adjustment of the voluntary early retirement pay scheme and an increase in the age of retirement*. The rules on retirement are therefore adjusted to demographic developments which contribute to an increase in the labour supply in the long term, cf. the Progress Report 2006. On a long-term basis, later retirement will constitute the most important contribution to the increase in employment.

On a short-term basis the employment opportunities of the elderly are to be reinforced, cf. the Progress Report 2006, through the introduction of a temporary subsidised job scheme in private enterprises for persons above 55 years of age and, and who have been unemployed for 12 consecutive months. At the same time, a number of special rules in the labour market policy for older employees have been revoked. The unemployment benefit period is harmonised at 4 years for all age groups, and

individuals aged 58-59 accede to the same rights and duties as regards activation as other people. As at 1 January 2008 a scheme will be introduced enabling persons above 55 years of age and who lose their right to unemployment benefits to obtain a *senior job* in their municipality on ordinary wage and employment terms and the person is - as a starting point - ensured employment up until the early retirement age.

The reform concerning *postponed pension and the reform of the anticipatory social pension scheme* has made it more attractive to employ persons with a lasting reduced working ability through so-called flexjobs. In July 2006 the scheme was adjusted to ensure a better selection for flexjob, enabling more people to obtain a flexjob and ensuring that fewer people are waiting to become employed in a flexjob. By the end of 2006 about 42,500 people were employed in a flexjob and about 12,000 people were expecting to obtain a flexjob. The government and the parties behind the *Agreement on anticipatory social pension and the inclusive labour market* have started discussions on further development of the area. In the public sector, in connection with the agreement and collective bargaining negotiations in 2005 it was agreed to take special efforts to retain experienced employees in the labour market, cf. *Annex 7*.

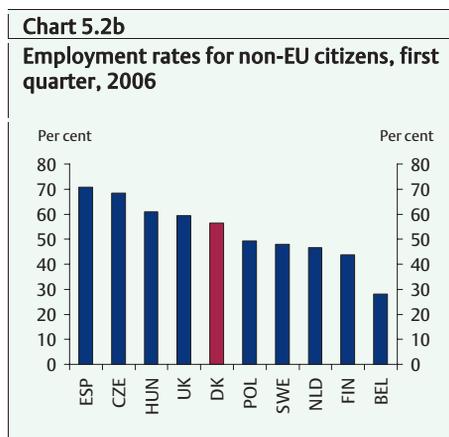
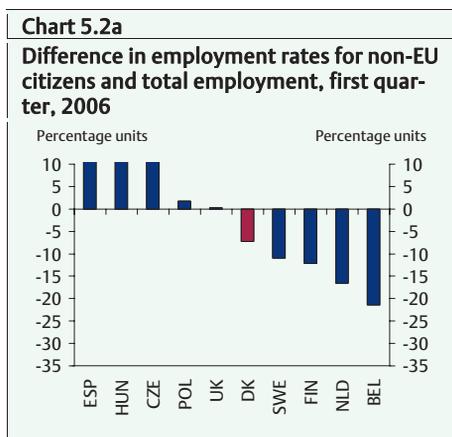
Since the Progress Report 2006 the government has also launched the following new senior policy initiatives:

- In order to follow-up on the campaign *A couple of extra years make a difference*, which ended in February 2006, the government has launched a senior practice award to be granted every year.
- A website has been set up which is a knowledge bank on good senior practices ([www.seniorpraksis.dk](http://www.seniorpraksis.dk)).
- In June 2007 a three-party agreement between the social partners at public level<sup>2</sup> was concluded. The three-party agreement includes allocation of a pool of DKK 600 million for senior policy initiatives that are to promote the retention of elderly employees in the labour market. The pool will be implemented by the collective bargaining rounds in 2008.

In relation to *immigrants and descendants* the government has strengthened the *special efforts in order to increase employment among immigrants*. Immigrants from non-EU countries have a significantly lower employment rate, cf. *chart 5.2a*. The employment rate for non-EU nationals in Denmark is, however, not higher than in a number of other EU countries.

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<sup>2</sup> The government has together with Local government Denmark, Danish Regions, Danish Confederation of Trade Unions, Salaried Employees' and Civil Servants' Confederation and the Danish Confederation of Professional Associations participated in three-party discussions on development of employees' competences, attractive workplaces and recruitment of employees for the public sector. The three-party discussions are an independent part of the government's quality reform which is seeking new paths for high quality in public service.



Source: Eurostat.

The employment rate for 16 to 66-year-old *immigrants and their descendants from non-Western countries* has increased from 44 per cent in 2000 to 50 per cent in 2006. As mentioned in the Progress Report 2006 the government has e.g. implemented the reform package *A new chance for all* which entailed that foreigners covered by the Danish Integration Act must be included in an integration contract during the first 7 years following their arrival in Denmark, or until the individual foreigner obtains a permanent residence permit. The contract entails a commitment to learn Danish and make an effort to gain employment.

Another part of the efforts in the reform package for recipients of social assistance and starting allowances was started in June 2006. The objectives are: for 25 per cent of the group of recipients of social assistance and starting allowances to obtain employment or ordinary education; that the group obtain a degree of self-sufficiency of 15 per cent; and that an activation rate of 40 per cent for the group can be obtained. The results up until the first quarter of 2007 show progress for all three objectives.

Furthermore, as a follow-up to the Welfare Agreement a number of new initiatives have been launched in order to reduce the high rate of unemployment among ethnic minorities.

- Unemployed persons will obtain easier access to enterprises through partnership agreements which also increase their job opportunities.
- Hiring of 300 job consultants in regions with the highest number of unemployed immigrants.
- Employment targeted offers aimed at unemployed self-supporting people, i.e. unemployed persons who do not meet the conditions for receiving public assistance benefits.
- Long-term unemployed recipients of social assistance and starting allowance are eligible to obtain wage-subsidised-employment at private enterprises with a

higher wage subsidy.

- Right and duty to repeated activation for all persons over the age of 30 and who receive social assistance and starting allowance.

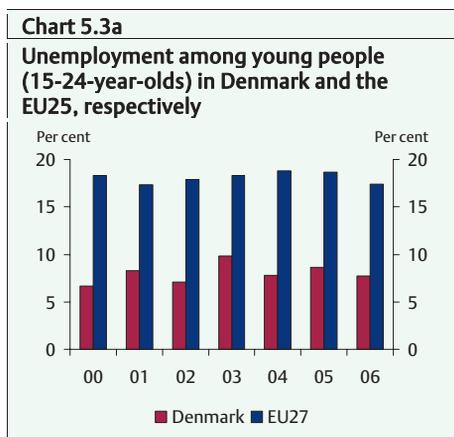
As further follow-up on the Welfare Agreement the government in December 2006 made an agreement with the social partners, Local government Denmark and Danish Regions with the following points (for more information, see Annex 7):

- 12 job packages in industries with good job opportunities. These are overall targeted courses to upgrade the skills of weak unemployed persons, e.g. immigrants with language problems for a certain job.
- Extension of the use of mentor schemes.
- Testing and support of the use of clarification of competences of ethnic minorities' qualifications brought with them from abroad.

Moreover, in February 2007 the government launched the diversity programme *Workplace for new Danes*, the purpose of which is for more enterprises to become better at exploiting the possibilities connected with hiring persons with immigrant background and managing diversified groups of employees. DKK 23 million has been allocated for this purpose and a number of specific projects have been implemented with great success, for instance, a number of job banks have been set up throughout Denmark where unemployed persons and employers can meet in an informal way.

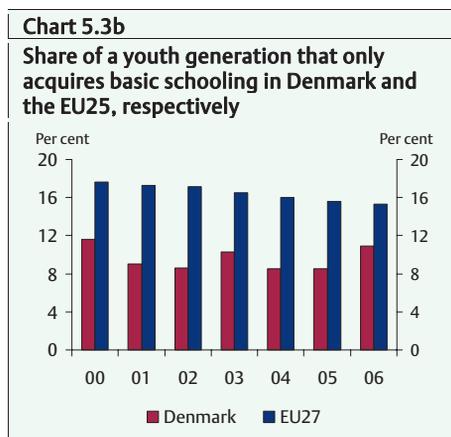
*Unemployment among young people* (16-24-year-olds) is among the lowest in the EU and lower than the average unemployment in Denmark. In May 2007, unemployment among young people amounted to 2.3 per cent of the labour force, which is a decrease of 0.6 percentage points as compared to the same month in 2006. According to *EU Labour Force Survey*, the Danish youth unemployment rate is significantly lower than the average level for EU27, cf. *chart 5.3a*. There is still room for improvements with respect to the number of young persons who only acquire basic schooling, cf. *chart 5.3b*. See also *Chapter 2*.

In relation to the group of young recipients of unemployment benefits between 25 and 30 years old without education, rules have been introduced as at 1 June 2007 under which young people – instead of accepting a subsidised job early in the unemployment period – are encouraged to begin ordinary education. In this connection, the municipalities are being offered the opportunity to use a number of new tools, including *mentor schemes*, special initiatives to obtain *job training*, development of *specialist, basic level Danish* and a task force which is to strengthen the targeted efforts of the business schools.



Note: The EU Labour Force Survey defines unemployment as the number of unemployed individuals in the age group 15-24-year-olds in relation to the overall population in the same age group.

Source: EU Labour Force Survey.



Source: Eurostat.

The government's strategy aiming at promoting the labour supply also includes a *modernisation of social protection and efforts in relation to disabled persons*:

- In May 2007 changes were adopted to the rules on compensation for disabled persons in industries which mean that persons with physical and mental disabilities are given equal status in relation to receiving personal assistance. Application rounds were notified in 2006 and 2007 to promote the employment efforts aimed at disabled persons. The objective is to launch innovative activities to help with the integration of disabled persons into the ordinary labour market and to retain existing workplaces for the disabled. There has been an enormous interest in the scheme and 12 projects were launched in 2006.
- An *active social policy* must be utilised in order to handle the social problems that lie beyond unemployment. This has been especially set out in the action plan for social protection and social inclusion (NAP).
- In August 2006 the government introduced its second action programme for the weakest groups in society *The Joint Responsibility II* focusing on helping these groups out of isolation and on increasing the possibilities as many people as possible to obtain attachment to the labour market in the long term. DKK 662 millions have been set aside for this purpose over a four-year period to implement the initiatives that cover the establishment of enterprise centres for people at the margin of the labour market and efforts in relation to preparing employees to work with socially vulnerable colleagues.
- In the area of disability a national network has been set up as part of the government's initiative package *New ways to work* which aims to collect knowledge about disability and jobs (*cf. Annex 7*). In connection with the municipal structural reform the municipalities took over responsibility for making an offer of

protected employment to disabled persons who are not able to use the offers under other legislation, e.g. job offers. Furthermore, on 1 January 2007 the national special unit *Disability & Jobs* was set up. The unit was set up to enable support of the employment efforts for disabled people.

#### 5.4 Gender equality and female employment

The female rate of employment is high in Denmark, *cf. chart 5.1*. Denmark attaches great importance to the implementation of goals and initiatives stated in the EU Pact for Gender Equality. A number of new initiatives can be mentioned:

- The government has made a report on men's and women's education and jobs, contributing to the efforts on breaking down the *gender-divided labour market*.
- Enterprises on the private labour market with more than 35 employees and which meet certain qualifying criterion have been instructed by statute to prepare *gender-specific pay statistics*. A website has also been created on equal pay to collect the knowledge available in this area.
- As part of the general labour market monitoring *bills in this area are gender mainstreamed*. An overall assessment of the gender-equality-related consequences of the bill must be made.
- A series of new initiatives will be launched in 2007 in order to increase the number of *women in management positions*, including establishment of a mentor scheme across the public and private sector as well as preparation of a charter for more women in top and intermediate management positions with the participation of public and private organisations. In 2007 a new study on the expectations for the number of women in management positions in the private as well as the public sector was made.
- All children in Denmark have a right to receive an offer of child care irrespective of the parents' labour market attachment. Since July 2006 all municipalities have been required to offer a child care guarantee when the child is 6 months old. Approximately 90 per cent of all children aged 1-2 years and approximately 97 per cent of all children aged 3-5 years are currently benefiting from the offer of child care. Most recently, the government has reduced the maximum parent contribution for child care from 33 per cent to 25 per cent of expenditures and as of 1 January 2008 the family allowance for children below three years of age will be raised.
- The *Family and Working Life Commission* in May 2007 presented its report with 31 concrete recommendations on how the Danish society can become more flexible so that individual families are able to create a good balance between working life and family life. The government is currently reviewing the recommendations of the Commission.

#### 5.5 Adaptability

The Danish labour market is characterised by flexible rules on hiring and dismissal, a well-developed unemployment benefit system, and an active labour market policy - the so-called *flexicurity model*. The government is very attentive to the necessity of de-

veloping the model by adjusting the incentives and ensuring that everyone who is able to work also obtains a job.

The adaptability of employees and enterprises should be further improved in close cooperation with the social partners, who contribute to flexible rules of hiring and firing through collective agreements. With the most recent collective bargaining rounds on the private labour market, *cf. the decentralised wage negotiations model* which is further mentioned in the National Reform Programme 2005, new initiatives have been taken on flexible work organisation and flexible pay<sup>3</sup> and a number of measures have been introduced that support the efforts on development of competences, the balance between family and working life and senior citizens, *cf. Annex 7*.

Denmark actively supports the work on *flexicurity* at EU level, including the development of joint guidelines for *flexicurity*. The government and the social partners have prepared a joint paper on *flexicurity* which has been forwarded to the European Commission.

The implementation of the Welfare Agreement contributes to maintaining the balance of the *flexicurity model*. The adjustments build on several years of changes to labour market policy, including active job seeking, strengthened availability assessment, efficient job placement, increased focus on activation and harmonisation and simplification of rules, and are in good compliance with the recommendation from the European Council to the Member States on strengthening their *active labour market policies*. The implementation of the Welfare Agreement's reforms of active labour market policy can be seen in box 5.2.

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<sup>3</sup> Flexible rules on working hours in collective agreements have been extended so that the daily working hours to be agreed on now lie between 6 a.m. and 6 p.m. A special savings scheme will be set up or a "Free choice account" for every employee varying from area to area. There is an obligatory contribution of 1 per cent of pay and up until 2010 the contribution will rise to 7.5 per cent for many areas. There are different payment schemes where the employees e.g. can have their deposit transferred as pension contributions or have it paid in connection with leisure time and holiday, *cf. Annex 7*.

**Box 5.2****The importance of the Welfare Agreement for active labour market policy**

In the spring of 2007 the following initiatives were implemented:

- The government platform entitled *New Objectives* from 2005 focused on setting new objectives for increased employment of immigrants, lowering the age for completing education, reducing sickness absence, retaining more elderly people in the labour market and improving the labour market structures.
- Unemployed people are invited to one type of interview: the *job interview* which focuses on job and job seeking.
- *The role of the unemployment insurance funds is reinforced*. CV interviews will have to be carried out with all insured unemployed individuals at the time of the notification of unemployment, placements, and carrying out systematic availability assessments of insured unemployed individuals every three months.
- *Strengthened efforts* are implemented aiming at enabling young people between 25 and 30 to gain access to the labour market or obtain an education. Activation efforts of young people are moved forward. Young people can instead choose to apply for ordinary education programmes and have eight weeks to select an appropriate education programme.
- The *prevention fund*, which is to prevent attrition and industrial injuries and strengthen working environment initiatives (DKK 3 billion up until 2017 with an annual expenditure of approximately DKK 350 million).

In the autumn of 2007 the following will be implemented:

- A new model for regular placement activity is to be introduced, in which unemployed individuals, who are referred to a job without obtaining it, are to be included in a subsequent systematic placement programme. If the individuals do not have a job after three months, a number of activation offers must be presented in order to help the unemployed gain access to the labour market.
- A requirement that unemployed individuals log on to Jobnet.dk at least once a week to confirm that they are still seeking employment is to be introduced.
- The activation effort will be moved forward so that the deadline for the first activation offer for unemployed individuals over 30 years of age will be advanced to after 9 months of unemployment.
- All insured unemployed persons must be included in an intensive activation effort after 2½ years with unemployment benefits for the rest of the unemployment benefit period.
- Minimum requirements as to the duration of active offers are to be introduced.
- Finally, the government reimbursement of municipalities' activation expenditures is to be determined so that it creates an increased economic incentive to deliver an active effort.

**Box 5.3****Denmark's contribution to the Growth and Employment strategy 2005-2008: Employment through flexicurity**

Since the preparation of the National Reform Programme in 2005 the government has taken a number of initiatives to ensure balance between the elements of the flexicurity model in order to increase employment and the labour supply.

The most important initiatives taken in the reform programme period have been:

- The government platform entitled *New Objectives* from 2005 focused on setting new objectives for increased employment of immigrants, lowering the age for completing an education, reducing sickness absence, getting more elderly people on the labour market and improving the labour market structures.
- The reform package *A new chance for all* from 2005 enhanced the incentive to work, introduced an education guarantee and an education duty for recipients of social assistance between the ages of 18 and 25 who have not already obtained a formal education. The package also introduced an integration contract obligating foreigners in Denmark to learn Danish and make an effort to obtain employment.
- The government in 2005 launched an *action plan for the use of private providers in job procurement activities* in order to create a better match on the labour market.
- The reform concerning *postponed pension and the reform of the anticipatory social pension scheme* has made it more attractive to employ persons with lasting reduced working ability through flexjobs.
- The *Welfare Agreement* which was made between the government and a large majority of the Danish Parliament in 2006 includes initiatives in the area of employment (labour market as well as education), particularly regarding later average retirement age, and an estimated increase in employment by 250,000 persons up until 2040 is expected to result from the Agreement.
- The government and the social partners in 2006 and 2007 adopted revisions to the *East Agreement* for the purpose of securing a simpler and faster procedure for the engagement of persons from the new EU countries.
- In August 2006 a *task force* was established to analyse labour market shortages and make proposals about how concrete recruitment problems may be avoided.
- The *Structural reform* which came into force in 2007 strengthens employment efforts as it constitutes one common access for all unemployed individuals and enterprises.
- The government's *2015 plan* from 2007 contains initiatives aimed at a permanent employment increase of an additional 20,000 persons up until 2015. The plan thus is in continuation of the government's 2010 plan which targeted a durable employment increase of 50,000 persons up until 2010.
- A number of initiatives have been implemented to improve the possibilities of recruiting foreign labour, including the introduction of a Job Card scheme, the introduction of residence permits for foreigners with a concrete job offer of an annual salary of DKK 450,000 and a *Green Card scheme*.
- The government has taken a series of gender equality initiatives, including introduction of: *gender-specific pay statistics*, *childcare guarantee* when the child is six months old, the Act on *Parental Leave Equalisation* and introduction of *gender mainstreaming* in all legislation. The government's *Family and Working Life Commission* has completed its work.
- The government has taken a number initiatives concerning elderly people, including the campaign *A few extra years makes a difference*, setting up a *seniors practice award* and a *knowledge bank on good seniors practice*, allocation of a pool of DKK 600 million as part of the *three party agreement* to test senior-citizen policy measures.
- The government has taken a series of political initiatives to increase the employment rate of immigrants and their descendants, including the *integration contract*, a number of initiatives in the *Welfare Agreement* and the diversity programme *Workplace for new Danes*.
- The government has taken a number of initiatives to improve the access of socially vulnerable groups and disabled persons to the labour market, including a *scheme for remission of debt*, a *temporary employee's scheme*, a *mentor scheme*, the employment strategy *New ways to employment* and the action programme *The Joint Responsibility II*.
- The government has taken initiative to reduce the maximum parent contribution for childcare from 33 per cent to 25 per cent.
- Throughout the entire reform programme period the aim has been to adjust the Danish flexicurity model regularly, which apart from the government's initiatives concerning active labour market policy, has taken place because of the social partners' initiatives in connection with collective bargaining.



## Annex 2. Research, education and innovation policy

This annex elaborates the initiatives the government is implementing or is planning to launch as indicated in chapter 2. At the end of the annex there is an overview of selected Community indicators in the area.

### 2.1 Initiatives within public research

#### More funds for public research

In 2010, the publicly financed costs of research and development are to rise to 1 per cent of GDP through gradual phase in.

#### More funds for strategic research

The government has allocated more funds for strategic research, inter alia in the areas of food, health, ICT and energy. These areas can be the driving force in continued prosperity growth or in solving important problems in society. A large part of strategic research is conducted in cooperation between private companies and public research institutions.

#### New initiative for financing university research

A total of DKK 480 million in 2008 and 2009 has been allocated for a new initiative to finance university research. *University Research Investment Capital* (UNIK) is to support large-scale research activities at the universities. In April 2008, the individual university managements are for the first time to present proposals for long-term research activities, which are to be evaluated by an international panel of experts. The Minister for Science, Technology and Innovation will make the final decision concerning the distribution of grants.

#### More large and long-term allocations

The Danish Council for Strategic Research awards an increasing number of allocations to large and long-term projects. Likewise, the Danish Council for Independent Research has decided to increase the share of large research allocations.

#### Pool for research infrastructure

DKK 600 million has been allocated for an infrastructure pool for financing investments in large-scale, interdisciplinary infrastructure such as advanced equipment, databases, laboratory facilities, test plants etc. in Denmark and abroad. The first application round, with a pool of DKK 200 million, opened in spring 2007, and decisions regarding the distribution of funds are expected in autumn 2007. There is, moreover, work in progress on a long-term Danish strategy for investments and prioritisations of large-scale research infrastructure.

### **Better basis for prioritising**

The basis for political prioritisation of strategic research is to be strengthened. For this reason, ongoing, broad mapping is to be implemented of the research requirements created by social and commercial development, and of the qualifications of the Danish research institutions for fulfilling them. Every fourth year, the first time in summer 2008, a catalogue is to be compiled of themes for strategic research.

### **Quality barometer and evaluation of large-scale programmes**

The quality of Danish research is to be systematically measured and evaluated. In connection with the government's Competitiveness Report, a *quality barometer* has been established, which is to present an annual picture of the development in the quality of Danish research. In addition, the Danish Agency for Science, Technology and Innovation has launched work on developing a Danish bibliometric research indicator that is to identify and measure Danish research publication across the institutions. One central database is to be developed in this connection in which research publishing activities will be registered. The indicator is to be utilised inter alia in the quality-financing model for the distribution of core funding for research in connection with the implementation of the 2010 budget.

### **Strengthened Danish participation in international research cooperation**

At present the EU is considerably expanding strategic research cooperation, but Danish participation in EU framework programmes has been declining. In 2006 the Act on the Research Advisory System etc. was therefore amended with a view to ensuring the legal basis for the possibility of the Danish Council for Independent Research and the Danish Council for Strategic Research to transfer allocation and decision-making competence to international fora. This is to ensure that the Danish research council system to an appropriate degree can participate in research cooperation in the Nordic countries and the EU and any other contexts.

### **Research institutions to finance the testing of whether it is worthwhile taking out a patent on an invention - Proof of Concept**

Some of the funds allocated for the commercialisation of research results are to be employed to test the commercial potential of an idea. Funds are to be allocated to the research institutions by means of competition. In spring 2006 a trial scheme was initiated with Proof of Concept funds for public research institutions. In the autumn, a further DKK 40 million was allocated and distributed to the institutions over a three-year period starting in July 2007.

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

### **Four-year plan of action for innovation policy: InnovationDenmark 2007-2010**

In 2007 the Danish Council for Technology and Innovation (appointed by the Minister for Science, Technology and Innovation) has drawn up an overall four-year plan of action for the implementation of the Globalisation Strategy in areas important for the dissemination of knowledge and innovation, called InnovationDenmark 2007–

2010. The plan of action contains more than 70 specific initiatives aimed at promoting innovation in trade and industry – in particular by means of enhanced interaction and dissemination of knowledge between knowledge institutions and companies.

### **New possibilities for cooperation between companies and research institutions**

From 2007 the funds for innovation cooperation between companies and research institutions are gathered together in one pool. The possibility is given of supporting a wider range of projects and networks – among other things with the tender of "open funds" for new forms of cooperation, pilot projects etc. that are to improve the interaction between research and business, and which can not be covered by existing instruments. The first tender of open funds is to be conducted in autumn 2007. The possibility of SMEs to take part in cooperation projects is to be improved. In 2008 a "discount coupon scheme" is to be introduced for SMEs, the contribution of small enterprises to co-finance research projects will be doubled up, and matchmakers are to strengthen cooperation between companies and research institutions.

### **Two new Advanced Technology Group (GTS) institutes**

Two new, approved advanced technology service institutes (GTSs) have been established to provide advisory services, research and development in new technology to Danish companies. The technological service has been made more flexible so that it can be adjusted to the needs of the market for new knowledge and technology. In addition, the results of the institutes are to be evaluated internationally.

The one is AgroTech and the other is the Alexandra Institute. AgroTech was established as a GTS institute in recognition of the fact that high technological research and development are decisive for the development of the agriculture and food industries, where there is a great need for technological service. The Alexandra Institute is to develop its competences primarily in the area of pervasive computing and place them at the disposal of the Danish business sector. Pervasive computing is directed at a large section of trade and industry in almost all lines of business.

In 2007 an "Innovation Centre for E business" will be established within the framework of the GTS system. The Innovation Centre for E business is to launch strategic initiatives that can break down some of the barriers blocking the application of ICT by small and medium-sized enterprises.

### **Easier route to agreements on IPR**

Agreements about immaterial rights play a key role when public research institutions and private companies cooperate on research and development. It is important that clear prior agreements have been entered about the ownership and exploitation of inventions so that all parties are aware of their rights and obligations. Therefore, as part of the Globalisation Strategy the Danish Agency for Research, Innovation and Technology together with the business community and the research institutions have appointed a committee which is to make it easier to enter agreements concerning IPR. One of the ways of achieving this is to draw up a number of advisory model

agreements that the parties can use when they commence research cooperation or contract negotiations. The results of the committee's work are expected at the beginning of 2008.

### **Innovation agents**

The Regional Innovation Agents is a three-year project being conducted by the Danish Council for Technology and Innovation in cooperation with regional authorities. The job of the innovation agents – who are experienced company advisers from the GTS – is to create innovation in small and medium-sized enterprises wishing to innovate but with no tradition of making use of knowledge institutions. The goal is for the innovation agents to contact at least 750 enterprises over the next three years and to create innovation in a minimum of 300 of these enterprises. A total of DKK 30 million has been set aside for the initiative, which was launched in spring 2007.

### **It should be easier for private companies to take part in publicly financed research**

Research-intensive Danish companies must to a higher degree compete for research funds on the same terms as the public research institutions. Notices and information on public tender competition for research funding should be so organised as to further participation by companies.

### **Programme for user-driven innovation**

In 2007 a programme was launched for user-driven innovation that is to strengthen the framework conditions for the work of companies and public institutions in the field of user-driven innovation. A unified research environment is to be assembled in the field of user-driven innovation. The research environment must be interdisciplinary. Vocational PhD programmes are to be initiated in connection with the research environment. At the same time concrete trials are to be initiated with user-driven innovation in companies and public institutions. Furthermore, frameworks are to be created that allow the possibility of establishing networks between, for example, companies and knowledge institutions, in-service training offers are to be developed etc.

### **Strategy for Danish participation in the EU's technology initiatives**

The Danish Council for Technology and Innovation has prepared a strategy for Danish participation in the big strategic technology initiatives that the EU is planning as part of the 7<sup>th</sup> framework programme for research. The strategy focuses on the way in which the Council can support stepped-up participation by Danish companies and technological service institutes in the 7<sup>th</sup> framework programme. The Council will, inter alia, actively support Danish participation in a number of the new instruments in the 7<sup>th</sup> framework programme (among them the so-called 'Article 169' initiatives).

## **Bridgeheads for contact with international research, innovation and business environments**

In connection with selected embassies and trade offices abroad, user-financed bridgeheads functions are to be established for contact with leading research, innovation and business environments in the USA, China and Germany, inter alia.

## **2.3 Expanded application of information and communication technology (ICT)**

### **User portal**

In January 2007 the common public user portal ([www.borger.dk](http://www.borger.dk)) was launched. In 2008 [borger.dk](http://borger.dk) is to be expanded to also include "my page", where as a citizen one can obtain a complete overview of all one's accounts with the authorities and direct access to digital self-service solutions.

### **It should be easier for companies to send business communications**

Companies should be able to communicate digitally with other companies and the public sector. In 2007, an open, Internet-based infrastructure will make it possible for companies to send business communications in a simple, cheap, flexible and secure way, for example electronic invoices over the Internet. Open, international standards are the basis of the system, which will be established in cooperation with private ICT suppliers.

### **Net Safe Now!**

A key precondition for strengthening ICT security in Denmark is that the citizens have greater knowledge of ICT security. 333 activities were held under Net Safe Now! in 2006, which geographically covered the whole country.

### **Secure communication with the digital signature**

The government's initiative to give all citizens a digital signature furthers the spread of secure communication in connection with digital administration and e-trading, among other things. In order to future-proof the signature, in 2006 the government together with the regions and municipalities launched an activity that is to result in carrying on and developing a new, improved digital signature after 2008.

### **Wireless broadband frequencies**

Work aimed at ensuring access to broadband for the last households and companies is continuing in 2007 when the government has held an auction for available frequencies in the 3410-3800 MHz frequency range (FWA-frequencies). The provider can make use of these frequencies to provide wireless broadband. In connection with the authorisation, it is a requirement that before the end of 2010 broadband coverage should be ensured in the areas where broadband coverage is now limited.

### **Transition from analogue to digital TV signal**

In June 2007 a broad political agreement was reached concerning the future of digital TV. The agreement means that from the end of October 2009 five nation-wide transmission networks (MUX) can be used for TV purposes. In addition, a MUX has been reserved for research and experimentation purposes. This can take place between the end of October 2009 and the end of October 2010. It will subsequently be transferred to TV purposes – inter alia broadcasting mobile TV. In addition, two MUX still have to be distributed politically. For the present, the two MUX have been set aside as an innovation reserve.

### **Implementation of the Globalisation Fund and the research reserve**

The Globalisation agreement means, among other things, a strengthening of strategic research. DKK 65 million has been allocated to strengthen research in the areas of nanotechnology, biotechnology and ICT technologies between 2007 and 2010. Moreover, agreement has been reached to allocate DKK 70 million in 2007 and 2008 from the research reserve to strengthen ICT research. The funds will be implemented by the Danish Council for Strategic Research.

### **Publication of the strategic review**

With a point of departure in the government's Globalisation Strategy, in 2006-2007 the Ministry of Science, Technology and Innovation conducted a strategic review of telecommunications regulation. The review includes analysis of whether the general framework conditions are optimal in terms of supporting innovation and investments. The completed strategic review report was published in June 2007. The report concludes that the framework for the telecommunications market is good and the development generally positive. The conclusions and recommendations were issued for a broad consultation procedure in summer 2007 and are to be followed up by political discussion in autumn 2007.

### **The universal service obligation in the future**

Every citizen has the right to have a number of basic telecommunications services supplied. This is the so-called "universal service obligation". Today this service obligation includes basic telecommunications services such as fixed telephony, ISDN, certain leased lines, special services for the disabled, directory inquiries services, and maritime emergency and safety services. The current universal service obligation runs to the end of 2007. As part of the future designation, in 2007 an Act on the Alignment of Rules on the Universal Service Obligation was adopted in 2007.

### **More competition and free choice**

The plan for the implementation of open standards in the public sector. The government emphasises the establishment of common open standards, and a timetable has been drawn up for implementing open standards in the public sector. The timetable is a follow-up to motion B103 on the utilisation of open standards for software in the public sector, adopted by the Danish Parliament on 2 June 2006.

### **Open standards for e-trading – EasyTrade**

There has been a rising demand for standards to support the whole of the e-trading process – from issuing electronic catalogues to orders and invoices. With the release of the free public standard for the most used business documents, OIOUBL, this demand was met in 2006 by the release of a new open standard.

### **Liberalisation of frequency administration**

On 20 June, a parliamentary majority forming the telecommunications agreement group entered a supplementary agreement concerning the new general principles for frequency administration in Denmark. The agreement states that the methods for the allocation of frequency authorisations are to be reviewed, and that access to trading in frequency authorisations should be expanded. In addition, the utilisation of frequencies should be liberalised further. This will require an amendment to the Frequency Act, and a Bill is expected to be presented in 2008 with a view to entering into force from 1 January 2009.

### **Strengthening the dialogue between companies and research institutions**

The efforts to strengthen the dialogue between companies and research institutions in the area of ICT will also continue in 2007. Among other things, the contracts have been prolonged with three high-technology networks on "Pervasive Communication", "Mobile Systems" and Health IT ("SundhedsITnet").

### **More bachelor programmes at the IT-University**

Funds have been allocated for the establishment of more bachelor programmes at the IT University to increase students' options in the field of ICT. DKK 40 million has been allocated in 2007-2009 over the research funds of the Globalisation Fund.

### **Danes' ICT skills to be promoted**

Danes should have the basic ICT skills for managing in the knowledge society. For this reason, in 2006 the Ministry of Science, Technology and Innovation devised an IT skills barometer for the population's ICT skills. The first measurement shows that 62 per cent of Danes have middling to good ICT skills, 18 per cent have weak ICT skills, while the remaining 20 per cent have never used a computer.

### **National e-learning strategy**

It is the ambition of the Ministry of Science, Technology and Innovation that Denmark should be among the leading countries in the world in the field of e-learning. E-learning is to contribute to raising competence development in the whole of society. The government is allocating more than DKK 135 million over three years to create even greater utilisation of ICT and a higher quality of e-learning. In June 2007 the Minister for Science, Technology and Innovation published a national strategy for e-learning that contains a number of initiatives for furthering the utilisation of e-learning in Denmark.

## 2.4 Education (universities)

### **The universities' core funding to be distributed according to quality**

Core funding is to be allocated to the universities following an overall assessment of the actual results and goals for the quality of research, education and dissemination of knowledge. The new allocation of the core funding of the universities is to be introduced after the quality goals enter into force in 2009.

### **Government research is to be integrated in the universities**

Up to now government research has not educated BAs and MAs. From 1 January 2007 government research is integrated at five universities, so that this part of research also supports the education programmes. Assignments for the authorities and cooperation with the business sector must continue to be prioritised. The ministry responsible is to enter a multi-annual contract with relevant universities concerning solutions to tasks for the authorities.

### **All university programmes must meet international standards**

All university programmes – existing as well as new – are to be evaluated by an Accreditation Council, which will be an academically independent body within the state administration. The Accreditation Council is to live up to internationally recognised standards and involve foreign experts in evaluating the education programmes. The criteria for accreditation are to ensure that the education programmes live up to high international standards. Only programmes that are accredited can receive state grants. The field of work of the Council encompasses the higher education programmes under the Minister for Education, the Minister for Culture and the Minister for Science, Technology and Innovation. On 1 April 2007 the Act entered into force in the area of the Ministry of Science, Technology and Innovation, while it is not to enter into force for the other ministerial areas until 1 January 2008.

### **Bachelor programmes are to provide better job opportunities**

The bachelor programmes are to be complete courses also aiming at employment. At the same time the universities are to develop new Master's programmes allowing Bachelors to choose between several MA courses aimed at different parts of the labour market.

### **Systematic dialogue with the users**

The universities are to establish panels of users that are to ensure systematic dialogue with users concerning the quality and relevance of the education programmes for society with a view to, for example, the development of new and existing programmes and developing new forms of education.

### **The number of PhD scholarships and Vocational PhDs is to be doubled.**

In 2006 approx. 1500 PhD students were enrolled. Annual PhD intake has increased by approx. 400 since 2002. The Ministry of Science, Technology and Innovation has entered an agreement with the universities to further increase the intake, so that in

2010 and onwards around 2400 PhD students will be admitted annually. The increase in PhDs will take place in particular within the natural sciences, technical sciences, IT and the health sciences, where there is great demand by society.

### **Elite education programmes are to challenge the most talented students**

The universities are to establish elite MA programmes, i.e. 2-year programmes with a very high standard of teaching and high admission requirements, so that the most talented students can measure up to the best abroad. The universities are also to establish vocationally oriented elite programmes.

### **Focus on good teaching**

Good teaching is decisive for the academic level, the motivation and the retention of the students. PhD. students are to complete a course with an examination in pedagogical theory and practice and teaching techniques. The pedagogical updating of lecturers is to be strengthened. All senior lecturers and professors must teach, and good teaching is to be rewarded, just like good research.

### **The universities are to attract more foreign teachers and students who are highly qualified**

There are to be more scholarships for talented foreign students. At the same time, many more students should have the possibility of studying abroad. From July 2008, a new grant scheme for studying abroad will give young Danes the possibility of taking a whole MA programme or a study period at a university abroad.

### **The universities should have greater freedom to attract talented researchers**

The universities should have the possibility of attracting particularly talented researchers by making flexible use of the salary. In addition, they should be able to appoint super professors with independent management responsibility.

### **The admission system should encourage a quicker start**

Young Danes commence their education late and take a long time to complete it. They are approximately 4 years older when they complete their higher education than if they had passed straight through the education system without delay. Therefore, initiatives are to be launched to encourage the students and universities to bring down the average age. The admissions system at higher education programmes is to be adjusted to encourage the young people to start earlier. For this reason, from and including the 2009 intake, applicants commencing a higher education programme at the latest two years after completion of the entry qualification will be rewarded. The reward will take the form of the applicants in question having their entry qualification average multiplied by 1.08.

### **More quickly through the university programmes**

In order to encourage the universities to ensure that the students complete their studies within the prescribed period of study, the universities will only receive the part of the educational allocation (taximeter funding) that comes from students whose

examinations at BA and MA level together have been passed within the prescribed period of study plus one year.

The following are the initiatives in the area:

- There will be binding deadlines for the students' writing their thesis, corresponding to the prescribed period of study of typically half a year. If the thesis has not been completed, the student has used up an examination attempt.
- In their curricula the universities are to make sure that the education programmes are so organised that the content and academic targets can be reached within the prescribed period of study.
- It should be clearly stated on the degree certificate whether or not the examination has been passed within the prescribed study period.
- The universities must automatically register the students for examination. No student should be able to register for a subject or course without automatically being registered for examination.
- The universities are to give the students who fail the opportunity for swift re-examination.

### **The knowledge of the universities must be utilised in society**

The universities are to set up concrete targets for the utilisation of the results of research and for cooperation with the business sector. These results are to have an implication for the amount of money allocated to the individual university. Researchers should be able to receive assistance in testing and documenting whether an invention has commercial potential.

## **Annex 2.5 Education (primary and lower secondary school, youth education programmes, short and medium cycle higher education, adult education etc.)**

### **Pre-school services**

Language assessment of all children is to be introduced at the age of 3, and again at the age of 6 when they start the pre-school class, so that the educational theory and practice and the teaching can take a starting point in the language qualifications of the individual. Likewise, educational curricula are to be drawn up in all day-care institutions and subject divided teaching is to be introduced in Danish and, in particular, reading in the pre-school class.

### **Primary and lower secondary school**

Compulsory education is to be extended from 9 to 10 years of schooling by the pre-school class being made into an obligatory part of the primary and lower secondary school. The evaluation culture is to be strengthened by the introduction of ten national tests during the course of schooling and an individual plan is to be introduced for each pupil. The final examination of the primary and lower secondary school is to be made compulsory and the number of subjects tested is to be expanded. Action plans are to be set up for fundamental subject areas: reading, mathematics, natural

science subjects and English, and a new teacher training programme is to be launched that ensures better quality in the education programme and targeted in-service training efforts for teachers and head teachers in the primary and lower secondary school.

### **Transition between primary and lower secondary school and youth education**

Establishment of Youth Guidance Centres (The Danish Guidance Reform) and increased parental involvement in the guidance. A new 10<sup>th</sup> class is to be established. There is to be early, differentiated guidance in the primary and lower secondary school, a mentor scheme for especially vulnerable youngsters is to be set up, and systematic reach-out activities after primary and lower secondary school are to be established.

### **General and vocational upper secondary education**

The local authorities are to be responsible for contributing to ensuring that all young people complete a youth education programme, by, among other things, better guidance and improved educational opportunities for young people with inadequate pre-qualifications, including education for mentally retarded young people.

The vocationally oriented youth education programmes are to be strengthened among other things by in-service teacher training and a better school environment. Initiatives for more internships in vocational education programmes are to be stepped up in both private and public enterprises, inter alia through a national campaign in cooperation with trade and industry and the organisations. More flexible routes and educational options are to be introduced in vocational education to meet the needs of all pupils, the strong and the less strong. In addition, stepped division of the vocational education programmes is to be introduced that matches the needs of the labour market, so that all young people can get an education that suits their qualifications, and which provides better possibilities of access to higher education.

### **Short and medium-cycle higher education**

New professional and practice oriented education programmes are to be introduced. The medium-cycle higher education programmes are to be gathered in fewer, multi-subject bachelor colleges (university colleges) with academically strong and modern educational environments. The short-cycle higher education programmes are to be made more attractive and flexible, they are to be targeted to the needs of the labour market, and entry routes from vocational education are to be improved. New, attractive education programmes are to be developed within natural science, technical science and health.

### **Adult vocational education and training**

Guidance and advisory services are to be strengthened for the employed and companies. Better and easier access to recognition of prior learning is to be ensured within all publicly financed adult and continuing education programmes, from preparatory

adult education to diploma level (the lowest continuing education level at higher education level).

Significant efforts are to be made to increase the number of participants at reading, writing and arithmetic courses for adults. The options are to be made more flexible and the possibilities for combining reading, writing and arithmetic courses with adult vocational training are to be utilised better.

In the area of Danish teaching for adult foreigners and in other general and vocationally oriented adult education programmes, better options are to be developed for bilinguals who have problems with the Danish language with a view to them managing on the labour market and as citizens.

Adult and continuing education options in adult vocational training programmes are to be made more attractive, targeted and flexible in relation to the needs of the individual and the companies. A wider and better range of qualifying adult education programmes is to be developed in the special adult education and training system (diploma to master's level). The number of adult apprentices who can achieve a vocational education qualification is to be raised through increased public grants.

Safeguarding the framework conditions of the institutions, more flexible tuition fees and a new model for financing allowances in vocationally oriented adult and continuing education are to be discussed with the labour market parties and the parties to the welfare agreement. Systematic competence development in small and medium-sized enterprises is to be promoted in both public and private companies by the development of methods and tools, among other things. Increased public and private investment in adult and continuing education is to be furthered.

The development in adult and continuing education initiatives is to be monitored by the development of an indicator system for the initiative.

## 2.6 Selected Community indicators in the area of education

<b>Table 2.1</b>						
<b>Community indicators</b>						
<b>Indicator</b>	<b>DK 2000</b>	<b>DK 2004</b>	<b>DK 2005</b>	<b>DK 2006</b>	<b>EU-15 (2006)</b>	<b>EU-27 (2006)</b>
<b>Guideline 23</b>						
Share of 18-24-year-olds with maximum 9th class, total (1)	11.6	8.5	8.5	10.9	17.0	15.3
Share of 18-24-year-olds with maximum 9th class, men	13.4	10.4	9.4	12.8	19.4	17.5
Share of 18-24-year-olds with maximum 9th class, women	9.9	6.7	7.5	9.1	14.5	13.2
Ed. level for 22-year-olds, total (2)	72.0	76.2b	77.1	77.4	74.8	77.8
Ed. level for 22-year-old men	67.5	74.3b	73.8	73.4	71.5	74.8
Ed. level for 22-year-old women	76.5	78.1b	80.5	81.5	78.2	80.7
Continuing ed. 25-64-year-olds, total (3)	19.4	25.6	27.4	29.2	11.1	9.6
Continuing ed. 25-64-year-old men	17.1	22.1	23.6	24.6	10.2	8.8
Continuing ed. 25-64-year-old women	21.8	29.1	31.2	33.8	12.1	10.4
Continuing ed. 25-34-year-olds, total	27.1	36.5	38.8	39.2	17.7	15.5
Continuing ed. 25-34-year-old men	25.2	34.6	37.0	37.6	16.9	14.8
Continuing ed. 25-34-year old women	29.8	38.4	40.6	40.9	18.5	16.3
Continuing ed. 55-64-year-olds, total	10.3	16.6	18.9	21.8	5.6	4.6
Continuing ed. 55-64-year-old men	8.7	12.9	14.5	15.9	4.8	4.0
Continuing ed. 55-64-year-old women	11.9	20.2	23.2	27.5	6.4	5.1
<b>Guideline 24</b>						
Expenditure on ed. as share of GDP (4)	8.3	8.3**	-	-	5.2e**	5.2e**
*) Most recent figures are from 2005.						
**) Most recent figures are from 2003.						
Note: a= changed method of calculation e= estimate f= preliminary b= data breakpoint.						
1) Share of the 18-24-year-olds who have completed maximum 9th class and do not participate in other education.						
2) Share of 22-year-olds who at minimum have completed a youth education programme. The 20-24 age group is used as a proxy.						
3) Share of the population in the 25-64 age group participating in continuing education and training.						
4) Total costs of education as a share of GDP.						
Source: Indicators for monitoring the Employment Guidelines 2007 compendium (May 2006).						



## Annex 4. A visionary Danish energy policy

It is the vision of the Danish government that Denmark in the long term should become entirely independent of fossil fuels – coal, oil and natural gas – which will be replaced by the use of renewable energy.

The consumption of oil and natural gas is undesirable in that Denmark is dependent on producer countries and insecure maritime and overland transport routes. In addition, the use of fossil fuels is one of the main causes of the increase in the greenhouse effect.

It is crucial that energy policy should be as cost effective as possible and sustain continued growth, high employment and competitive advantage. One important aspect of energy policy is to ensure close international cooperation, in particular under EU auspices. Therefore, the government wishes to have a long-term energy plan which will provide Denmark with robust and environmentally correct energy supplies. Definite targets must be established and the means of attaining them defined. Up until 2025, the government will:

- Reduce the use of *fossil fuels* by at least 15 pct. compared with today.
- Effectively counteract rises in *overall energy consumption*, which must remain static.

This long-term vision and the specific partial targets must be achieved through strengthening efforts in the following crucial areas:

- *Efficient energy generation and consumption*. Energy saving efforts will be increased by 1.25 pct. annually with a view to holding overall energy consumption static until 2025.
- *Renewable energy*. The share of renewable energy must be increased to at least 30 pct. of energy consumption by 2025.
- *New and more efficient energy technologies*. In the run-up to 2010, the government is seeking to double publicly financed research, development and demonstration energy technology initiatives to DKK 1 billion annually.

Targets and means will be assessed every four years. In 2015, an overall halfway assessment of the extent to which targets have been met will be made and initiatives and measures taken will be assessed. Government efforts will concentrate on the following five areas:

### Energy savings

*Overall energy consumption must not rise. The government proposes:*

- An energy saving market. From 2010 onwards, households and businesses must have subsidies available for performing energy saving measures through the sale of energy saving certificates to utility companies.

- Increased energy saving requirements on utility companies
- Energy savings in sectors not subject to CO<sub>2</sub> quotas
- Campaigns to promote energy savings in buildings

### **Renewable energy**

*We must gradually replace our current use of coal, oil and natural gas with renewable energy sources.*

*The government proposes:*

- The reform and efficiency enhancement of the subsidy system for promoting the use of renewable energy
- More biogas
- More wind energy through strategic planning of wind turbine building
- Improved exploitation of energy from waste
- Rationalisation of the levy system
- More heat pumps for householders
- Continued liberalisation of the rules applying to the use of fuels in electricity and heating generation

### **New and more efficient energy technologies**

*There is a need for new and more efficient energy technologies to achieve these ambitious goals.*

*The government proposes:*

- An energy Technology Development and Demonstration Programme. The establishment of a new government financed programme for the development and demonstration of energy technology.
- Further development of Danish strengths in the areas of: 2 generation biofuels for transport, future large and highly efficient wind turbines, efficient low energy buildings and hydrogen and fuel cells

### **Transport**

*Energy consumption in the transport sector must be made more efficient and completely reformed in the long term. The government proposes:*

- Biofuels for transport. The government is ready to promote biofuels. The proportion of biofuels used in transport will increase to 10 pct. by 2020. The government is ready to set up partial targets earlier than 2020 provided that adequately economically competitive and environmentally sustainable technologies have been developed.
- Tax exemption for hydrogen powered cars

### **Infrastructure**

High security of supply also depends on efficient markets and efficient electricity and natural gas supply networks. That focus will also remain on the efficient extraction of oil and gas.

## Annex 5. The Danish Employment Policy

### 5.1 Selected Community indicators in the employment field

	DK 2000	DK 2004	DK 2005	DK 2006	EU-15 (2006)	EU-27 (2006)
<b>Indicators</b>						
<b>Guideline 17</b>						
Employment rate, 15 to 64-year-olds (1)	76.4	76.0	75.9	77.4	66.0	64.3
Employment rate, 15 to 64-year-olds, men	80.7	79.9	79.8	79.3	73.5	71.6
Employment rate, 15 to 64-year-olds, women	72.1	72.0	71.9	73.4	58.1	57.1
Employment rate, 55 to 64-year-olds	54.6	51.8	59.5	60.7	45.3	43.5
Employment rate, 55 to 64-year-olds, men	61.9	69.3	65.6	67.1	54.1	52.6
Employment rate, 55 to 64-year-olds, women	46.2	54.2	53.5	54.3	36.8	34.8
Unemployment rate, total (2)	4.5	5.2	4.8	3.9	7.8	8.2
Unemployment rate, men	4.0	5.0	4.4	3.3	7.1	7.6
Unemployment rate, women	5.0	5.4	5.3	4.5	8.6	9.0
<b>Guideline 18</b>						
Youth unemployment, 15 to 24-year-olds, total (3)	6.7	7.8	8.6	7.7	16.1	17.4
Youth unemployment, 15 to 24-year-olds, men	6.5	8.5	8.6	7.9	15.7	17.1
Youth unemployment, 15 to 24-year-olds, women	7.0	7.1	8.6	7.5	16.4	17.9
Gender differences, employment rate (women-men) (4)	0.9	0.9	0.9	1.2	1.9	1.6
Gender differences, employment rate (women-men) (5)	9.2	8.1	7.9	7.8	15.1	14.5
Change in labour supply, total (6)	-0.5	1.2	-0.2	1.0	1.3	1.1
Change in labour supply, men	-0.8	0.5	-0.4	0.8	0.9	0.8
Change in labour supply, women	-0.3	1.9	0.0	1.4	1.8	1.5
Average retirement age, total (7)	-	62.1	60.9	-	61.1e*	60.9e*
Average retirement age, men	-	62.6	61.2	-	61.4e*	61.4e*
Average retirement age, women	-	61.6	60.7	-	60.8e*	60.4e*
<b>Guideline 19</b>						
Difference in unemployment rate between EU citizens and non-EU citizens (8)	9.2	13.8	8.7	-	9.4*	8.1*
The unemployment trap (9)	-	91.0	90.0	-	75.7*	75.5*
Long-term unemployed, total (10)	0.9	1.2	1.1	0.8	3.1f	3.6f
Long-term unemployed, total (10)	0.8	1.1	1.1	0.7	2.8f	3.3f
Long-term unemployed, total (10)	1.1	1.3	1.2	0.9	3.5f	4.0f
<b>Guideline 22</b>						
Taxation of low incomes (11)	41.2	39.3	39.3	-	39.4*	39.4*
Gender differences, wages (12)	15.0	17.0	18.0	-	15.0e*	15.0e*

**Table 5.1 (continued)****Key figures of Community indicators in the area of employment**

- \*) The most recently updated figures are from 2005  
 \*\*) The most recently updated figures are from 2003.
- 1) Share of the population between 15 and 64 years of age in employment.
  - 2) Share of the labour force that is unemployed.
  - 3) Share of the population between 15 and 24 years of age that is unemployed.
  - 4) Difference in unemployment rates between men and women in percentage points. Calculated as women-men.
  - 5) Difference in employment rates between men and women in percentage points. Calculated as women-men.
  - 6) Annual change in the labour supply, including unemployed and employed persons between 15 and 64 years of age.
  - 7) Average age for labour market withdrawal. Based on a probability model that takes into account the relative change in activity level from one year to another at a certain age.
  - 8) Difference in unemployment rates between EU citizens and non-EU citizens, in percentage points.
  - 9) The marginal effective tax on earned income taking into account the combined effect of increased tax on work and removal of social benefits when taking a job. Calculated as the ration between changes in personal net income divided by changes in gross income for a person who moves from unemployment to a job at a wage of 67 percent of the average wage.
  - 10) Share of long-term unemployment in the labour force (12 months or more)
  - 11) The ratio between income tax plus social benefits divided by wage costs for an employee that earning 67 percent of the average wage.
  - 12) Difference between men and women's average gross hourly wage as a share of men's average gross hourly wage.

Note: e= estimate, f= preliminary figures

Source: Indicators for monitoring the Employment Guidelines 2005 compendium (May 2006)

## 5.2 National indicators, cf. the decision of the Employment Committee (EMCO)

	<b>Year</b>	<b>In total</b>	<b>Men</b>	<b>Women</b>
<b>A) Number of newly unemployed young persons</b>				
	2003	38,229	21,121	17,108
	2004	46,232	24,420	21,812
	2005	39,022	19,021	20,001
	2006	31,688	15,353	16,335
<b>(B) Number of newly unemployed person (A) who were still unemployed after six months</b>				
	2003	1,299	747	552
	2004	3,036	1,424	1,612
	2005	2,411	1,215	1,196
	2006	1,802	830	972
<b>Share (B)/(A) output indicator</b>				
	2003	0.03	0.04	0.03
	2004	0.07	0.06	0.07
	2005	0.06	0.06	0.06
	2006	0.06	0.05	0.06
<b>(C) Number of newly unemployed persons (A) who have been offered an action plan within six months</b>				
	2003	466	244	222
	2004	1,629	872	757
	2005	891	460	431
	2006	1,716	784	932
<b>Share (C)/(A)</b>				
	2003	0.01	0.01	0.01
	2004	0.04	0.04	0.03
	2005	0.02	0.02	0.02
	2006	0.5	0.05	0.06
<b>D) Number of newly unemployed persons who were still unemployed after six months (B) and who have not been offered an action plan (1)</b>				
	2003	587	352	235
	2004	443	248	195
	2005	213	128	85
	2006	0	0	0
<b>Share (D)/(B)</b>				
	2003	0.45	0.47	0.43
	2004	0.15	0.17	0.12
	2005	0.09	0.11	0.07
	2006	0.00	0.00	0.00

**Table 5.2 (continued)****Young people must be offered an action plan within 12 months of unemployment – input and output indicators**

Remarks regarding the calculations:

*Regarding the calculation period:* The calculation period starts when the unemployed person receives a job plan, contact interviews or activation offers. For instance, this means that if the calculation period is year 2006, the number of newly unemployed persons under the age of 30 will include unemployed people who had their first day of unemployment six months earlier, i.e. during the second half of 2005 and the first half of 2006.

*Regarding calculation A: newly unemployed persons.* The calculation basis has been changed in relation to NAP 2004; this means that the number of newly unemployed persons is based on the reports of the unemployment insurance funds about the first day of unemployment of the unemployed persons. In earlier calculations (NAP 2004), the basis of the calculations of newly unemployed persons was – for want of something better – the first time the person becomes unemployed without having received unemployment benefits for the previous 52 weeks.

*Regarding calculation B:* The number of young people with 26 weeks of uninterrupted unemployment/activation. The calculation includes the number of newly unemployed persons registered as full-time unemployed/in full-time activation for 26 weeks from the first day of unemployment.

*Regarding the distribution of young people and adults:* As of the first of July 2003, the youth group was extended to include persons up to the age of 29 entitled to a job plan within six months of unemployment. A transitional scheme provided that 25 to 29-year-olds who had their first day of unemployment during the first half of 2003, were entitled to a job plan within 12 months of unemployment, but before 31 December 2003.

*Regarding individual action plans (IHP) and job plans:* With the labour market reform in 2003, job plans were introduced instead of individual action plans (IHP) as per 1 July 2003. In 2003, 2004 and 2005, calculations C and D include job plans instead of IHP.

- 1) From 2004 this category includes people who have neither received a contact interview, a job plan nor have begun activation 26 weeks from the first day of unemployment.

Source: The National Labour Market Authority, AMS (AMANDA data).

**Table 5.3****Young people must be offered an action plan within six months of unemployment – data for the purpose of measuring the extent of the effort**

	Year	In total	Men	Women
<b>Number of newly unemployed young persons</b>				
	2003	38,229	21,121	17,108
	2004	46,232	24,420	21,812
	2005	39,022	19,021	20,001
	2006	31,688	15,353	16,335
<b>Up-grading of skills and qualifications</b>				
	2003	371	200	171
	2004	757	378	379
	2005	725	340	385
	2006	637	274	363
<b>Jobs with a wage subsidy in the public sector</b>				
	2003	37	7	30
	2004	59	16	43
	2005	66	19	47
	2006	78	19	59
<b>Jobs with a wage subsidy in the private sector</b>				
	2003	25	18	7
	2004	107	70	37
	2005	106	57	49
	2006	72	42	30
<b>Other</b>				
	2003	30	11	19
	2004	90	41	49
	2005	69	33	36
	2006	81	26	55

Note: The distribution between activity types is based on the first stated activity in the job plan or the offer that the person has participated in. Thus, the distribution shows the distribution between activity types for young unemployed people who, within 6 months of unemployment, have either a job plan or have participated in an offer. With the labour market reform in 2003, the former vocational guidance and education/training offers were replaced by a new tool "Up-grading of skills and qualifications" and job training was replaced by "jobs with a wage subsidy". The designations of the types of activity in the tables have been changed correspondingly.

Source: Statistics Denmark, AMANDA and DREAM.

	<b>Year</b>	<b>In total</b>	<b>Men</b>	<b>Women</b>
<b>(A) Number of newly unemployed adults</b>				
	2003	141,113	70,129	70,984
	2004	115,269	58,515	56,754
	2005	106,533	52,464	54,069
	2006	84,055	39,362	44,693
<b>B) Number of newly unemployed persons (A) who were still unemployed after 12 months</b>				
	2003	4,473	2,520	1,953
	2004	2,996	1,653	1,343
	2005	2,470	1,328	1,142
	2006	1,537	816	721
<b>Share (B)/(A) output indicator</b>				
	2003	0.3	0.04	0.03
	2004	0.03	0.03	0.02
	2005	0.02	0.03	0.02
	2006	0.02	0.02	0.02
<b>(C) Number of newly unemployed persons (A) who have been offered an action plan within 12 months (1)</b>				
	2003	2,208	1,277	931
	2004	1,540	889	651
	2005	874	502	372
	2006	1,471	776	695
<b>Share (C)/(A)</b>				
	2003	0.02	0.02	0.01
	2004	0.01	0.02	0.01
	2005	0.01	0.01	0.01
	2006	0.02	0.02	0.02
<b>(D) Number of newly unemployed persons who were still unemployed after 12 months (B) and who have not been offered an action plan (1)</b>				
	2003	791	489	302
	2004	176	105	71
	2005	134	90	44
	2006	41	20	21
<b>Share (D)/(B)</b>				
	2003	0.18	0.19	0.15
	2004	0.06	0.06	0.05
	2005	0.05	0.07	0.04
	2006	0.03	0.02	0.03

**Table 5.4 (continued)****Adults must be offered an action plan within 12 months of unemployment – input and output indicators**

Remarks regarding the calculations:

*Regarding the calculation period:* In the former calculations (NAP 2004), the calculation period from the first day of unemployment spell. The calculation methods have now been changed; this means that the calculation period starts when the unemployed person is offered a job plan, contact interviews and activation measures. For instance, this means that if the calculation period is year 2006, the number of newly unemployed persons under the age of 29 will include unemployed people with their first day of unemployment 12 months before the chosen calculation period, i.e. in year 2005.

*Regarding calculation A: Newly unemployed persons.* The basis of the calculation has been changed in relation to NAP 2004; this means that the number of newly unemployed persons is based on the reports from the unemployment insurance funds of the unemployed persons' first day of unemployment. In earlier calculations (NAP 2004), the basis of calculation of newly unemployed persons was – for want of something better – the first day the person became unemployed and had not received unemployment benefits for the previous 52 weeks.

*Regarding calculation B:* The number of adults with 52 weeks of uninterrupted unemployment/activation. The calculation includes the number of newly unemployed persons who are registered as full-time unemployed/in full-time activation for 52 weeks from the time of the first day of unemployment.

*Regarding the distribution of young persons and adults:* As of the 1<sup>st</sup> of July 2003, the youth group was extended to include people up to the age of 29 who are entitled to a job plan within six months of unemployment. The transitional scheme provided that 25 to 29-year-olds with their first day of unemployment during the first half of 2003 were entitled to a job plan within 12 months of unemployment, but before 31 December 2003. The adults (30 to 59-years olds) are entitled to a job plan within 52 weeks of unemployment

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

- 1) From 2004, this category includes cases where a job plan has been drawn up, an activation offer has been given or a contact interview has been carried out within 52 weeks after the start unemployment. Earlier the category only included an individual action plan or an activation offer.

Source: The National Labour Market Authority, AMS (AMANDA data)

**Table 5.5****Adults must be offered an action plan within 12 months of unemployment – data for measuring the extent of the effort**

	Year	Total	Men	Women
<b>Number of newly unemployed adults</b>				
	2003	141,113	70,129	70,984
	2004	115,269	58,515	56,754
	2005	106,533	52,464	54,069
	2006	84,055	39,362	44,693
<b>Up-grading of skills and qualifications</b>				
	2003	1,081	548	533
	2004	808	382	426
	2005	940	446	494
	2006	574	284	290
<b>Jobs with a wage subsidy in the public sector</b>				
	2003	115	31	84
	2004	76	34	42
	2005	83	25	58
	2006	78	33	45
<b>Jobs with a wage subsidy in the private sector</b>				
	2003	47	30	17
	2004	67	42	25
	2005	58	42	16
	2006	49	28	21
<b>Other</b>				
	2003	33	16	17
	2004	93	45	48
	2005	94	56	38
	2006	84	45	39

Note: The distribution between activity types is based on the first stated activity in the job plan or the offer that the person has participated in. Thus, the distribution shows the distribution between activity types for young unemployed people who, within 12 months of unemployment, have received either a job plan or have participated in an activation offer. With the labour market reform in 2003, the former vocational guidance and education/training offers were replaced by a new tool “Up-grading of skills and qualifications” and job training was replaced by “jobs with a wage subsidy”. The designations of the types of activity in the tables have been changed correspondingly.

Source: Statistics Denmark, AMANDA and DREAM

**Table 5.6**

**Average number of participants in activation programmes, 2002-2005 (2006); the share of long-term unemployed persons participating in activation measures should be at least 25 per cent by year 2010, at the latest**

	<b>Year</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>
<b>(F) Average number of insured unemployed persons</b>				
	2002	123,251	57,188	66,0622
	2003	146,331	70,158	76,1733
	2004	149,252	70,367	78,8855
	2005	132,849	60,256	72,5933
	2006	104,706	45,150	59,5566
Average number of participants in activation programmes (E) who started from unemployment.				
Activation type				
Employment with a wage subsidy (1)				
	2002	14,472	5,807	8,3655
	2003	12,950	5,572	7,3799
	2004	16,717	7,390	9,3288
	2005	14,431	6,675	7,7566
	2006	15,485	5,015	10,4790
Vocational guidance and up-grading of skills and qualifications (2)				
	2002	26,477	9,060	17,4177
	2003	21,046	7,248	13,7988
	2004	18,320	6,520	11,8000
	2005	17,073	5,912	11,1611
	2006	15,485	5,015	10,4700
<b>(E) Total</b>				
	2002	40,949	14,867	25,7822
	2003	33,996	12,820	21,1777
	2004	35,037	13,910	21,1288
	2005	31,504	12,587	18,9177
	2006	26,552	9,454	17,0988
Share (E)/(E+F) – input indicator (3)				
	2002	0.25	0.21	0.288
	2003	0.19	0.15	0.222
	2004	0.19	0.17	0.211
	2005	0.19	0.17	0.211
	2006	0.20	0.17	0.222
<b>(G) Number of completed activation programmes</b>				
	2002	168,147	72,951	95,1966
	2003	150,420	66,741	83,6799
	2004	177,474	80,242	97,2322
	2005	197,380	87,159	110,2211
	2006	153,087	64,410	88,6777
<b>(H) Number of completed activation programmes where the persons are still unemployed three and six months, respectively, after completing the activation programme</b>				
<b>After 3 months</b>				
	2002	56,276	25,634	30,6422
	2003	68,096	31,001	37,0955
	2004	76,284	35,321	40,9633
	2005	85,260	38,366	46,8944

**Table 5.6 (continued)**

**Average number of participants in activation programmes, 2002-2005 (2006); the share of long-term unemployed persons participating in activation measures should be at least 25 per cent by year 2010, at the latest**

	Year	Total	Men	Women
<b>After 6 months</b>				
	2002	54,585	24,964	29,621
	2003	59,051	26,894	32,157
	2004	61,284	28,628	32,656
	2005	62,111	28,079	34,032
Share (H)/(G) – output indicator				
<b>After 3 months</b>				
	2002	0.33	0.35	0.32
	2003	0.45	0.46	0.44
	2004	0.43	0.44	0.42
	2005	0.43	0.44	0.43
<b>After 6 months</b>				
	2002	0.32	0.34	0.31
	2003	0.39	0.40	0.38
	2004	0.35	0.36	0.34
	2005	0.31	0.32	0.31

Note: Statistics Denmark has been used as the source for (F), whereas AMANDA has been used for (E); this is different from NAP 2002. E and F only include data for insured unemployed persons. One of the reasons for this is to ensure that the same sources are used to show developments for the same elements in the entire NAP 2003. Another reason is that the National Labour Market Authority (AMS) has not previously delivered data for this table. In the attempt to recreate the table from last year, AMS has used the AMFORA statistics on the website of Statistics Denmark. This exercise led to the conclusion that recipients of social assistance have been included under the headings education and job training (E) (the numerator), while only insured unemployed persons were included in (F) (the denominator). Technically, this does not make any sense. It should be noted that job training includes individual job training. Therefore, the data for education and job training are lower than in NAP 2002. This entails that  $(E)/(E+F)$  and  $(E)/(F)$  are lower than in previous years.

Remarks concerning completed activation programmes:

As far as completed activation programmes are concerned, it should be noted that the number of activation programmes deviates from earlier runs. However, the difference is not immediately explainable, as AMS is not in possession of the programmes that have been run at an earlier stage for precisely this Annex table. As the figures are not identical for NAP 2002 and NAP 2003,  $(H)/(G)$  is different. It should be noted that  $(H)/(G)$  is higher after three months than in NAP 2002. It should also be noted that  $H/G$  after six months is lower than  $H/G$  after three months generally expected. As a result the  $H/G$  pattern differs compared to the NAP 2002.

- 1) The category "Job training" was changed to "Employment with wage subsidy" in 2003.
- 2) The category "Education" was changed to "Vocational guidance and up-grading of skills and qualifications" in 2003.
- 3) New definition of the degree of activation.

Source: Statistics Denmark, AMANDA and DREAM.

**Table 5.7**

**Share of the population aged +75 years residing in specialised institutions and share of home help recipients in the population aged +80 years, 2004-2006**

	Year	Total
<b>Persons aged +75 years</b>		
Specialised institutions	2004	22,446
	2005	17,102
	2006	14,597
Population	2004	378,926
	2005	379,443
	2006	380,633
Percentage of persons residing in specialised institutions	2004	5.92
	2005	4.51
	2006	3.83
<b>Persons aged +80 years</b>		
Home help	2006	111,422
Population	2006	222,829
Percentage of persons receiving home help	2006	50.00

Source: Statistics Denmark.

**Table 5.8**

**Employment and unemployment rates for persons of Danish origin, descendants and immigrants from Western countries, and immigrants from non-Western countries low, medium and high qualification levels. Age group 16 to 66 years. Years: 2001-2006**

	Year	Total	Men	Women
<b>Low qualification level – employment rate</b>				
Persons of Danish origin, descendants and immigrants from Western countries				
	2001	61.8	68.5	55.6
	2002	61.7	68.1	55.8
	2003	60.6	66.5	55.0
	2004	58.6	64.2	53.3
	2005	58.2	63.8	52.7
	2006	59.2	65.2	53.3
Immigrants from non-Western countries				
	2001	44.1	51.9	36.5
	2002	43.4	51.0	36.2
	2003	44.0	51.6	37.5
	2004	42.5	49.4	35.9
	2005	43.1	50.1	36.3
	2006	46.6	53.0	40.1

**Table 5.8**

**Employment and unemployment rates for persons of Danish origin, descendants and immigrants from Western countries, and immigrants from non-Western countries low, medium and high qualification levels. Age group 16 to 66 years. Years: 2001-2006**

	Year	Total	Men	Women
<b>Low qualification level – unemployment rate</b>				
Persons of Danish origin, descendants and immigrants from Western countries				
	2001	5.8	4.9	6.8
	2002	5.5	4.8	6.2
	2003	5.7	5.1	6.4
	2004	7.0	6.3	7.8
	2005	6.6	5.8	7.4
	2006	5.2	4.4	6.2
Immigrants from non-Western countries				
	2001	15.7	14.4	17.4
	2002	12.7	11.6	14.0
	2003	13.1	12.0	14.4
	2004	17.1	15.5	19.3
	2005	17.1	15.3	19.4
	2006	13.0	11.5	15.0
<b>Medium qualification level – employment rate</b>				
Persons of Danish origin, descendants and immigrants from Western countries				
	2001	81.8	84.0	79.3
	2002	81.9	84.0	79.5
	2003	81.3	83.2	79.1
	2004	79.8	82.0	77.3
	2005	79.8	82.2	77.2
	2006	80.8	83.2	78.1
Immigrants from non-Western countries				
	2001	52.3	57.8	46.0
	2002	51.5	56.9	45.5
	2003	53.4	58.2	48.1
	2004	52.1	56.2	47.3
	2005	53.4	57.8	48.8
	2006	57.8	61.7	53.9
<b>Medium qualification level – unemployment rate</b>				
Persons of Danish origin, descendants and immigrants from Western countries				
	2001	3.5	3.1	4.0
	2002	3.3	3.7	3.0
	2003	3.6	3.5	3.8
	2004	4.6	4.3	4.9
	2005	4.0	3.7	4.5
	2006	3.1	2.7	3.5
Immigrants from non-Western countries				
	2001	13.6	13.7	13.5
	2002	11.2	10.8	11.5
	2003	11.6	11.9	11.2
	2004	14.6	14.7	14.4
	2005	14.1	13.7	14.4
	2006	11.0	10.7	11.4

**Table 5.8**

**Employment and unemployment rates for persons of Danish origin, descendants and immigrants from Western countries, and immigrants from non-Western countries low, medium and high qualification levels. Age group 16 to 66 years. Years: 2001-2006**

	Year	Total	Men	Women
<b>High qualification level – employment rate</b>				
Persons of Danish origin, descendants and immigrants from Western countries				
	2001	88.5	89.7	87.4
	2002	88.4	89.6	87.4
	2003	87.5	88.4	86.7
	2004	86.1	87.2	85.1
	2005	86.2	87.4	85.1
	2006	86.7	88.0	85.7
Immigrants from non-Western countries				
	2001	56.5	59.3	52.2
	2002	55.2	57.6	51.8
	2003	56.2	57.9	53.8
	2004	55.3	56.8	53.3
	2005	56.8	57.7	55.6
	2006	60.9	61.3	60.3
<b>High qualification level – unemployment rate</b>				
Persons of Danish origin, descendants and immigrants from Western countries				
	2001	2.4	2.3	2.5
	2002	2.3	2.2	2.4
	2003	2.8	2.9	2.7
	2004	3.6	3.7	3.5
	2005	3.2	3.2	3.2
	2006	2.6	2.6	2.7
Immigrants from non-Western countries				
	2001	11.8	12.2	11.3
	2002	9.5	8.4	10.2
	2003	10.7	11.5	9.5
	2004	14.0	14.7	12.9
	2005	13.8	14.6	12.8
	2006	10.9	11.4	10.3

Source: Statistics Denmark.

**Table 5.9**

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

	16 to 64-year-olds
<b>Group of people with a disability or long-term illness</b>	
(A) Number of people with a disability or long-term illness	678,114
(B) Number of people without a disability or long-term illness	2,764,858
(C) Total	3,442,972
(A)/(C) per cent	20

Source: Socialforskningsinstituttet 2004.

**Tabel 5.10**  
**People with a disability or long-term illness, second quarter 2001**

	Have a self-evaluated reduced working capacity	Do not have a self-evaluated reduced working capacity	Entire group of persons with a disability or long-term illness	Do not have a disability or long-term illness
<b>Principal employment status, per cent, all 16 to 64-year-olds</b>				
Employed	47	81	58	85
Unemployed	7	3	5	4
Outside the labour force	44	12	34	6
In education/training	2	3	3	5
Total	100	99	100	100
<b>Principal employment status, revaluated figures, all 16 to 64-year-olds</b>				
Employed	214,325	181,049	395,374	2,367.116
Unemployed	29,819	6,588	36,407	100,500
Outside the labour force	202,060	26,458	228,518	169,546
In education/training	10,497	7,319	17,815	25,359
Total	456,701	221,414	678,114	2,662.521
<b>Principal employment status, per cent, all 16 to 64-year-olds women</b>				
Employed	43	77	53	81
Unemployed	6	3	5	4
Outside the labour force	48	14	38	8
In education/training	3	5	3	5
Total	100	99	99	98
<b>Principal employment status, revaluated figures, all 16 to 64-year-old women</b>				
Employed	112,593	77,301	189,894	1,107.003
Unemployed	15,591	3,358	18,949	58,986
Outside the labour force	123,398	14,073	137,470	101,137
In education/training	7,099	4,795	11,894	70,145
Total	258,681	99,528	358,208	1,337.271
<b>Principal employment status, per cent, all 16 to 64-year-olds men</b>				
Employed	51	85	64	88
Unemployed	7	3	5	3
Outside the labour force	40	10	28	5
In education/training	2	2	2	4
Total	100	100	99	100
<b>Principal employment status, revaluated figures, all 16 to 64-year-old men</b>				
Employed	101,732	103,748	205,480	1,260.114
Unemployed	14,228	3,229	17,458	41,513
Outside the labour force	78,662	12,385	91,048	68,409
In education/training	3,398	2,524	5,922	57,551
Total	198,020	121,887	319,907	1,427.588

- 1) The figures for people with a disability or long-term illness have not been updated since NAP 2004. The figures are from a so-called ad hoc module used by the EU Member States in connection with their LFS (Labour Force Survey) in 2002. Since then, this ad hoc module has not been repeated.
- 2) Persons on leave from employment or unemployment are included as employed and unemployed persons, respectively.

Source: Statistics Denmark and SFI (calculations on the basis of register data and LFS).

## 5.3 Active labour market policy– expenditure in the employment field

	<b>2004 (account)</b>	<b>2005 (account)</b>	<b>2006 (account)</b>	<b>2007 (draft budget)</b>
<b>DKK million, current prices</b>				
Insured unemployed persons – financial support	28,239	25,273	19,927	19,281
- of which: activation allowances	2,708	2,815	2,258	2,340
- of which: wage subsidies to employers in the private sector	485	460	345	284
- of which: wage subsidies to employers in the public sector	2,153	1,487	1,246	1,637
- of which: subsidies to adult apprentices	99	106	123	120
- of which: unemployment benefits	22,793	20,405	15,955	14,900
Insured unemployed persons – operating costs in connection with activation measures	2,324	2,481	2,118	1,524
Social benefit recipients – support costs for persons in activation	13,868	13,683	12,496	12,119
Social benefit recipients – operating costs in connection with activation measures	1,816	1,825	2,300	3,235
Sickness benefits	11,117	11,241	11,801	11,504
Vocational rehabilitation, etc., financial support	3,891	3,528	3,362	3,360
Rehabilitation institutions, etc., operating costs	699	671	722	633
Flex jobs, wage subsidies	3,864	4,821	5,873	6,672
Jobs on special terms, wage subsidies	167	164	137	142
Unemployment allowances	1,260	1,655	1,784	1,961
<b>Total</b>	<b>67,245</b>	<b>65,342</b>	<b>60,521</b>	<b>60,431</b>
<p>Note: Expenditure on wage subsidies, transitional allowances payments, etc., maternity benefits and childcare leave are not included. The expenditure of the public employment service on staff and other operating costs amounted to DKK 835,8 million in 2006.</p> <p>It is not possible to make a separate estimate of the expenditure of local government authorities on staff and other operating costs in the employment field. As regards operating costs for rehabilitation institutions, etc., the estimates for 2006 constitute these authorities budgeted costs for year 2006.</p> <p>Source: The Budgets for the financial years 2006 and 2007, the national accounts for 2004-2006, the accounts of the local government authorities for 2004-2006, the budgets of the local government authorities for 2007, estimates of local government requests for equalisation payments and own estimates.</p>				



## Annex 6. Use of structural funds

A new EU structural fund period, covering the period from 2007 to 2013, began on 1 January 2007. Consequently, the structural fund programmes for the period 2000-2006 are being phased out, while the structural fund programmes for the period 2007-2013 are in their initial stages. Denmark was among the first EU countries to have its strategic reference framework and the new operational programmes (part of the regional competitiveness and employment objective) approved by the EU-Commission. Preparation of the programmes under the territorial cooperation objective is progressing according to plan.

### The structural fund 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 difficulties (Objective 2); and support of adaptation and modernisation of education, business education and employment policies and systems (Objective 3).

Denmark has 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 Regional Fund

*The Regional Fund appropriation for the Objective 2 Programme* (DKK 1.012 billion) was granted to selected areas facing structural difficulties – in the Bornholm region and in the counties of Funen, Northern Jutland, Ringkjøbing, Storstrøm, Southern 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 priorities – one targeting framework conditions (development of the region in question) and the other targeting enterprise development, *cf. table 6.1*.

- Financial support for *framework conditions* was given to public-sector projects with a positive impact on the general development conditions in the region, e.g. by improving the region's attractiveness as an industrial location, a residential area or a tourist destination. Financial support was also granted to counselling 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.
- As far as *business funding* was concerned, 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, counselling, feasibility studies, environmental management and market surveys. The beneficiaries were private manufacturing and service enterprises, primarily SMEs.

At the end of 2006, approximately 86 per cent of the regional funds had been allocated and 68 per cent of the funds under the commitment framework had been disbursed to projects. At the end of 2006, the project was estimated to have created some 3,000 jobs and preserved another 3,000 jobs in the areas covered by the programme. The assessment of job creation is based on applicants' impact assessments following the completion of the projects. Projects and disbursements must be completed by the end of 2008.

*The Community Initiative Urban* (DKK 37.6 million) targeted the urban area of Gellerup-Hasle-Herredsvang in western Århus (Jutland). The aim was to create a sustainable 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 co-financed by municipal funds.

Virtually all of the objectives of the programme have been achieved – in some areas, significantly above target. The programme funds have been allocated and just over 68 per cent of the funds under the commitment framework had been disbursed to projects at the end of 2006. Most of the projects are expected to be completed by the end of 2007. Disbursements must be completed by the end of 2008.

**Table 6.1****Overview of funds allocated through the Regional Fund's Objective 2 Programme and Urban**

	Funds available 2000-2006	Funds available 2006	Consumption 2006 (2006 prices)	Funds available 2007
<b>(DKK million, current prices)</b>				
<b>Objective 2 Programme, 2000-2006</b>				
Regional development	707.5	176.1	62.6	113.6
Enterprise development	304.8	54.7	40.0	14.6
<b>Total</b>	<b>1,012.3</b>	<b>230.8</b>	<b>102.6</b>	<b>128.2</b>
<b>Urban, 2000-2006</b>				
Competencies and jobs	10.8	0.9	0.4	0.5
Mobilisation of social and organisational resources	7.2	0.1	0.0	0.1
Integration through cultural and leisure activities	19.6	7.0	5.1	1.8
<b>Total</b>	<b>37.6</b>	<b>8.0</b>	<b>5.5</b>	<b>2.4</b>

Note: Excluding technical assistance. Totals may not sum due to the effect of rounding. Column A "Funds available 2000-2006" is the Commission's overall financing framework targeting Denmark. Column B "Funds available 2006" is column A less total consumption under the programme for 2000-2005. Column C "Consumption 2006" is total consumption under the programme for 2000-2006 less column B. The column "Funds available for 2007" is column B less column C.

*The Community Initiative Interreg III* has been designed to stimulate cooperation across the internal and external borders of the European Union. This initiative has supported a wide range of cooperation projects internally in the EU and between the EU and third countries bordering the EU.

Projects concerning development of SMEs, education/training, environmental protection and infrastructure are typically carried out by public authorities, semi-public authorities or socio-economic players.

Denmark participates in a number of programmes under the *Interreg III*, including three Danish-German programmes and the Øresund programme between Sweden and Denmark, as well as two programmes focusing on the countries bordering the North Sea and the Baltic Sea. At the end of 2006, the funds under the programmes had been allocated and between 60 per cent and 75 per cent of the funds had been disbursed to projects. Projects and disbursements must be completed by the end of 2008.

### **The Social Fund**

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

*The Objective 3 Programme* has covered the entire country and has been the largest of the social fund programmes in Denmark (approximately DKK 2.9 billion from 2000 to 2006). Under the programme, funding has been 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 competencies, *cf. table 6.2*.

Approximately 80 per cent of all appropriations under Objective 3 are granted to projects focusing on individuals, while the remaining 20 per cent are granted to projects focusing on measures for the development of systems and structures.

Measured in terms of the objectives established at the start of the programme, the overall assessment of the measures focused on individuals is that this initiative fulfils the innovation objective, i.e. contributes something new to the policy area in question. The projects are generally innovative and the results fulfil the expectations or are even better than expected. The effect generated by the projects focusing on individuals has manifested itself first and foremost in the competency development and skills upgrading of project participants, helping them to gain access to employment or maintain their attachment to the labour market.

Projects focusing on measures for the development of systems also fulfil the innovation objective, e.g. by involving external partners and by focusing on the roles of executives and non-executives. This illustrates the difference between measures focusing on individuals and measures focusing on systems.

**Table 6.2****Overview of funds allocated through the Social Fund's Objectives 3 and 2**

	<b>Funds available 2000-2006</b>	<b>Funds available 2006</b>	<b>Consumption 2006 (2006 prices)</b>	<b>Funds available 2007</b>
<b>(DKK million, current prices)</b>				
<b>Objective 3, 2000-2006</b>				
Active labour market policy	517.1	225.8	78.5	147.3
Labour-market integration	945.0	430.8	151.4	279.4
- New longer programmes, inclusion	898.1	387.9	128.8	259.1
- Special integration initiatives	46.9	42.9	22.6	20.30
Competency development	1,085.4	564.0	209.9	354.1
Entrepreneurship and innovation culture	301.5	181.3	43.8	137.5
<b>Total</b>	<b>2,849.0</b>	<b>1,401.9</b>	<b>483.6</b>	<b>918.30</b>
<b>Objective 2, 2000-2006</b>				
Competency development	392.1	180.4	43.8	136.6
<b>Total</b>	<b>392.1</b>	<b>180.4</b>	<b>43.8</b>	<b>136.6</b>

Note: Excluding technical assistance. The term "Competency development" under Objective 2 covers priority area 3 of the programme, which integrates the original priorities "Competency development" and "Development of strategic infrastructure" into one priority called "Competency development" for which consumption in terms of "Quality optimisation" has been marginal. See also the note in table 6.1.

At the end of 2006, about 95 per cent of the programme funds had been allocated and approximately 64 per cent of the funds had been disbursed. Thus, the bulk of the funds available for 2007 had already been allocated.

*The Social Fund Objective 2 Programme* (approximately DKK 400 million) has covered Danish regions that are at a disadvantage in terms of jobs, employment, business environment and infrastructure. The programme has 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 has provided funding under priority 3 of the programme, which is sub-divided into the following three types of activities:

- Competency development
- Development of strategic infrastructures
- Quality optimization

Projects under Objective 2, which have focused on competency development, have involved relatively large numbers of people and thus the programme has amply reached its objectives in this area. The Programme has also more than reached its objectives as regards the number of enterprises that have participated in competency

development projects. Moreover, it is estimated<sup>1</sup> that the projects carried out under the ‘Competency development’ priority area of the Objective 2 Programme area have contributed to creating new educational offers and to strengthening cooperation between educational institutions in the regions.

At the end of 2006, approximately 99 per cent of the programme funds had been allocated and about 62 per cent of the funds had been disbursed. In other words, the bulk of the funds available for 2007 had already been allocated.

*The Community Initiative Equal* (approximately DKK 225 million) is a transnational cooperation project designed to find new approaches to combating discrimination and inequalities of any kind in the labour market. The Equal programme has 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 and refugees.
- Dismantling of the gender-segregated 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.

The overall assessment is that the programme has resulted in a number of useful quantitative and especially qualitative solutions, reflected in changes in attitudes and method testing that have been mainstreamed – especially to other practitioners. Quantitative effects have been found within selected themes for some target groups. However, the statistical uncertainty in this respect is quite large.

### **The structural fund period 2007-2013**

In the period from 2007 to 2013, EU structural funds are to contribute to the realisation of three objectives:

- The convergence objective is to improve growth conditions in the least developed countries and regions. Denmark will not receive funds under Objective 1.
- The competitiveness and employment objective is to strengthen competitiveness, attractiveness and employment outside the least developed regions. The whole country is covered by this objective.
- 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.

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<sup>1</sup> Danish Technological Institute conducted a mid-term evaluation of the Programme in 2003 and updated its evaluation in 2005. The evaluations can be downloaded from [http://www.ebst.dk/regionale\\_forhold/0/7/0](http://www.ebst.dk/regionale_forhold/0/7/0) (available in Danish only).

Denmark runs a regional fund programme and a social fund programme under the regional competitiveness and employment objective and is also involved in a number of programmes under the territorial objective.

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 the convergence objective funds (Objective 1) and 75 per cent of the competitiveness and employment objective (Objective 2) will be earmarked for a number of priorities in this area.

The Danish strategy for use of 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 fund initiatives on the development of business policy framework conditions for Danish enterprises with a view to strengthening competitiveness and employment – and thus Danish and European growth.

This means that the Danish structural fund initiatives revolve around four drivers 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 fund initiatives must take into consideration four cross-cutting issues: equality; environment; employment policy; and cities, rural areas and areas facing structural difficulties.

The social fund initiatives under the *regional competitiveness and employment objective* will focus on the theme “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 “Innovation and knowledge”, the aim being to ensure that Danish enterprises have good framework conditions as far as entrepreneurship, innovation and use of new technology are concerned.

Denmark will be allocated about DKK 0.5 billion a year in the period 2007-13 under the regional competitiveness and growth objective. Half of the funds will be contributed by the Social Fund, while the Regional Fund will contribute the other half. The funding from the Social Fund is divided on two priorities, while the Regional Fund (excluding technical assistance) has only one priority, cf. table 6.3.

**Table 6.3**  
**Overview of funds allocated through the “regional competitiveness and employment” objective**

	Funds available 2007-2013	Funds available per year
<b>(DKK million, 2007 prices)</b>		
<b>The Regional Fund</b>		
Innovation and knowledge	1,722	246
<b>Total</b>	<b>1,722</b>	<b>246</b>
<b>The Social Fund</b>		
A qualified labour force (better jobs)	1,260	180
Expansion of the labour force (more jobs)	462	66
<b>Total</b>	<b>1,722</b>	<b>246</b>

Note: Excluding technical assistance.

As opposed to the period 2000-06, all Danish structural funds under the regional competitiveness and employment objective may be used *anywhere* in the country. Most of the funds – DKK 443 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 (areas facing structural difficulties), cf. table 6.4.

The remaining DKK 49 million a year will be exposed to competition and be allocated through the regional growth forums according to themes determined by Danish Growth Council. For 2007, Danish Growth Council has chosen the themes “Skills upgrading and expansion of the labour force” and “Development of innovative networks”.

It has been decided that at least 35 per cent of the structural funds will be allocated to the benefit of areas facing structural difficulties. Subject to recommendation by the growth forums, investment funding to individual enterprises may be provided in the socio-economically weakest peripheral regions. Structural funds must be co-financed by at least 50 per cent funds from the Government, the regions, municipalities or private operators.

The regions have earmarked approximately DKK 400 million for business development in 2007, cf. table 6.4. Allocation of these funds, like the structural funds, is subject to recommendation by regional growth forums.

**Table 6.4****Funds for regional business development for which projects can be recommended by growth forums in 2007 (DKK million)**

	<b>Structural funds</b>	<b>Regional funds for business development</b>	<b>Total</b>
<b>Region</b>			
Northern Jutland	112	55	167
Central Jutland	72	115	187
Southern Jutland	102	80	182
Zealand	72	65	137
Capital region of Denmark	70	69	139
Bornholm	15	11	26
Funds exposed to competition	49	-	49
<b>Total</b>	<b>492</b>	<b>395</b>	<b>887</b>

Note: All amounts in the table have been rounded to the nearest DKK million and exclude budgeted funds for payroll and administrative costs. If expenses for technical assistance are included (administration, auditing, IT costs, etc.), Denmark receives approximately DKK 511 million from the EU each year for structural fund initiatives. The total regional budget for business development in 2007 amounts to approximately DKK 488 million including budgeted expenses for payroll and administrative costs.

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

*Regional growth forums* have prepared regional business development strategies and action plans, which will constitute the framework for the prioritisation of structural funds by the regional growth forums. The regional growth forums have treated the first structural fund applications.

*Danish Growth Council* plays a key role in terms of growth policy, e.g. by helping to strengthen the interaction between national and regional initiatives in growth and business development. One of the most important tasks has been to contribute to preparing the business development strategies of the regional growth forums.

Danish Growth Council has also advised the Minister for Economic and Business Affairs on various aspects of significance to regional growth, e.g. the structural fund programmes for the period 2007-2013; regional growth houses; professions colleges; and the Rural Development Programme. At its own initiative, Danish Growth Council has initiated discussions of major themes – e.g. globalisation and energy as the basis for the Council's advice on growth policy to the Minister for Economic and Business Affairs.

In order to strengthen the overall growth policy initiatives, the Government has entered into *regional partnership agreements on business development* with all growth forums. These partnership agreements are designed, in particular, to help implement the Government's globalisation strategy in all parts of the country. Consequently, they must be implemented in close relationship with the planned initiatives of the regional growth forums in terms of 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 areas facing structural difficulties; 8. Cross-border cooperation. The partnership agreements will be in effect for the period 2007-2009, but may be adjusted once a year. The Government, Danish Growth Council and the regional growth forums will follow the implementation of the agreements on an ongoing basis.

### **Territorial cooperation**

For the 2007-2013 structural fund 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 these cooperation programmes, representing a significant increase on the period 2000-2006. Cross-border cooperation contributes 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 the business sector.

The number of cross-border cooperation programmes is determined in partnership with our neighbouring countries. Denmark participates in the following programmes: a Danish-Swedish-Norwegian programme involving the Capital Region of Denmark, and the Regions Zealand, Central Jutland, Northern Jutland; two Danish-German programmes that cover the Regions Zealand and Southern Denmark; and a Southern Baltic programme covering Bornholm and Region Zealand. Moreover, Denmark participates in two transnational programmes, one for countries bordering the North Sea and another for countries bordering the Baltic Sea. The funds are prioritised and administered by cross-national committees.

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

<b>Territorial cooperation</b>			<b>ERDF-funds available for the 2007-2013 period<sup>1</sup></b>
	<b>Danish participants</b>	<b>Other participants</b>	
<b>Programmes</b>			
<b>Cross Border programmes</b>			
Two Danish-German programmes	South Denmark Region Sealand Region	Schleswig, KERN Ostholstein, Lübeck, Plön Skåne	330 mill. DKK 171 mill. DKK
Danish-Swedish-Norwegian Programme with two sub-programmes: Øresundsregion Kattegat/Skagerrak	<b>Øresund:</b> Capital Region Sealand Region <b>Kattegat/Skagerrak:</b> North Jutland Region Mid-Denmark Region	Vestra Götaland, Halland, southern regions of Norway	831 mill. DKK
South Baltic Sea Programme	Bornholm (Sealand Region)	Skåne, Kalmar, Blekinge, Klaipeda and northern regions of Poland and Mecklenburg-Vorpommern	452 mill. DKK
<b>Transnational programmes</b>			
Baltic Sea Programme	Whole of Denmark	Finland, Sweden Germany, Poland Estonia, Latvia, Lithuania Norway, Russia, Belarus	1,550 mill. DKK
North Sea Programme	Whole of Denmark	Sweden, Norway, UK, Belgium, the Netherlands, Germany	1,032 mill. DKK
<b>Interregional programmes</b>			
Co-operation Programme (IVC)	Whole of Denmark	EU, Norway and Schwitserland	2,391 mill. DKK
URBACT (cooperation among towns)	Towns in Denmark	EU, Norway and Schwitserland	395 mill. DKK
INTERACT (exchange of experience)	Whole of Denmark	EU, Norway and Schwitserland	253 mill. DKK
ESPON (analysis)	Whole of Denmark	EU, Norway and Schwitserland, Iceland and Liechtenstein	253 mill. DKK



## Annex 7. Contributions from the social partners and interested parties

### 7.1 Contributions from the social partners in the state sector

#### **The inclusive labour market (guideline 19)**

In connection with the renewal of the collective agreements and contracts in 2005 (OK05), the social partners in the state sector have agreed upon better conditions for families with children in a number of areas. Please refer to the 2005 and 2006 contribution for a more detailed description of this agreement, including the special initiatives on integration and training jobs as well as initiatives to increase the number of pupils.

#### *Job bank for ethnic minorities*

In March 2007 the social partners in the state sector in cooperation with the Ministry of Refugee, Immigrants and Integration Affairs, Local Government Denmark, the Association of Local Government Employees' Organisations, the Danish Employers' Association for the Financial Sector, the Financial Services' Union, Jobindex, and the Association of New Danes set up a job bank for ethnic minorities. The objective of the job bank was to bring together job and education-seeking people from ethnic minorities and enterprises from the state sector, the municipalities, and the financial sector with a view to hiring more employees with another ethnic background than Danish in the labour market. At the well-attended job bank young persons, through contact with about 30 exhibitors, were given the opportunity to ask questions about concrete positions and to make an appointment for a job interview. In addition, there was an opportunity for employers to review CVs and provide counselling.

#### **Promotion of flexibility combined with job security and reduction in labour market segregation (guideline 21)**

At the OK05, the social partners agreed upon the simplification of the structure of the collective agreement system, a simplification of working time, modernisation of the cooperation agreement, increased efforts for a better working environment, a reinforced effort concerning experienced employees, as well as more flexible rules concerning the lower retirement age for civil servants. Please refer to the 2005 and 2006 version of the Danish National Reform Programme for a more detailed description of the above agreement.

#### *Agreement on working time*

As described in the 2006 version, the social partners concluded a new working time agreement on 24 March 2006. The agreement covers civil servants as well as a number of other occupational sectors. The agreement is a framework agreement and paves the way for conclusion of local agreements on a much bigger scale than previously. In addition, the agreement has been simplified in terms of terminology and the

content of the individual provisions. In 2007 the social partners will evaluate the agreement with a view to assessing any need for revising the agreement in connection with OK08.

#### *Occupational health and safety - joint efforts against work-related stress*

As part of the increased efforts to ensure better occupational health and safety, the social partners have implemented the EU Agreement on work-related stress in the cooperation agreement. In continuation of this, the partners have held a number of information meetings for members of the cooperation committees regarding this new task. Moreover, common guidelines have been drawn up for the cooperation committees, describing how they can formulate guidelines for the workplaces' general initiatives to identify, prevent and handle work-related stress. The guide was published in June 2006. Moreover, the social partners are preparing to test the "Stress Barometer", which is designed to measure the extent of work-related stress. The plan is to uncover the usefulness of the tool in state sector workplaces.

### **Schemes and agreements for seniors and experienced employees in the state sector**

It has been possible for several years to agree on local schemes for senior employees working in the state sector - especially regarding working hours, retirement and pension. Furthermore, at the OK05 the social partners agreed on a series of different schemes for senior employees.

As a special initiative the social partners have developed an offer of special career clarification courses for experienced employees over the age of 50 years. The career clarification process may take the form of a series of individual and group-based counselling courses with an external adviser. The aim is, partly, to create better conditions for experienced employees to stay longer in the labour market, and, partly, to focus on competences and a developing working life. The courses may be held in a flexible manner taking into account the wishes and needs of the institutions and individual employees involved. More than 100 participants who have completed the courses are very positive in their evaluation of the courses. Almost all the participants say that they obtained a better understanding of their own job values and interests, and that they obtained clarification of their competences and talents.

Furthermore, courses for experienced employees have been carried out for the development of their coaching competences. The objective is to subsequently enable employees to act as support and sparring partners for colleagues. The implemented courses have been successful and the workplaces are working on finding appropriate ways of exploiting the new coaching competences.

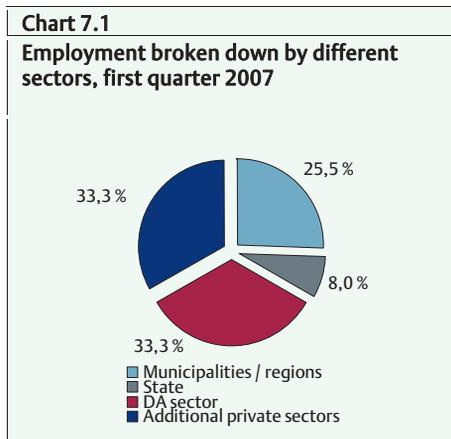
In the spring of 2007 an idea generating seminar for senior employees was held. This resulted in a series of ideas to inspire the social partners in their continued work in this area.

## 7.2 Contributions from municipal and regional social partners

### General employment policy (guideline 17)

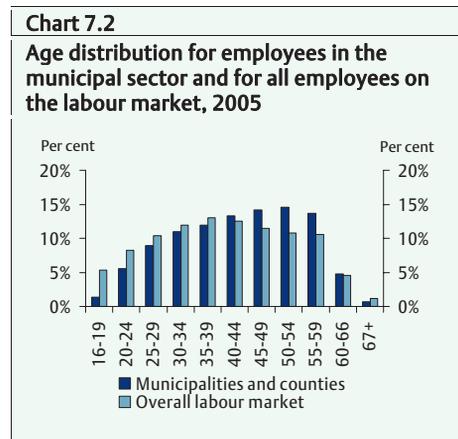
The municipal and regional social partners have chosen to update their contribution of 2006, and in order to follow the development of the different points, the numbers of the guidelines have been maintained.

As illustrated by the following chart 7.1, the municipal and regional labour market constitutes a significant proportion of the overall labour market in Denmark, and the social partners are aware of their joint responsibility for ensuring a well-functioning labour market.



Note: The division between private sector and public sector has been estimated on the basis of information from DA and FLD respectively.

Source: Statistics Denmark, DA and FLD



Note: The figure is based on the latest figures from 2006, i.e. figures from before entry into force of the municipal structural reform. The division between private sector and public sector has been estimated on the basis of information from DA and FLD respectively.

Source: Statistics Denmark. Statistics Bank.

### Challenges

The Welfare Commission in the autumn of 2006 presented an analysis report focusing on five areas of initiatives. The most important challenge is an increasing life-span, i.e. a greater number of elderly people and fewer people of working age. More people into employment is therefore – for many reasons – the best way of securing the balance of the future welfare society. A major task lies in securing increased employment in the coming years. There will be a need for a greater number of people of economically active age to participate in the labour market when the demographic development moves towards a smaller labour force.

Increased employment requires that the possibilities for and the encouragement of active participation in the labour market exists for everyone. This poses requirements

for the individual but also for society. Increased employment can be created in two ways: 1) The individual must work for more years during the life cycle, and 2) Giving better job opportunities for those people who are outside the labour market. At the same time these people need to have the qualifications and incentive to work. This applies not least to immigrants and their descendants who will come to represent a greater proportion of the population in the future. An example of the different challenges in the various parts of the labour market is the differences in the age distribution. As will appear from chart 7.2, the age distribution for municipal and county employees (regions in 2007) is characterised by the relatively bigger number of senior employees in this sector compared with the age distribution for the entire labour market in Denmark. On 17 June Local Government Denmark and Danish Regions, together with the Government and certain social partners on the wage earners' side (LO and AC), concluded a three-party agreement, and on 1 July an agreement was concluded between Local Government Denmark, Danish Regions, the Government, and the Salaried Employees' and Civil Servants' Confederation (FTF), wherein FTF is recommended to accede to the three-party agreement.

In the following a number of initiatives are described; i.e. initiatives pursuant to the above agreements and other initiatives, which the social partners have taken into consideration in order to meet the concrete challenges in the municipal and regional labour market.

## **Promotion of a life-cycle approach to work (guideline 18)**

### **Increased female participation in the labour market**

Denmark has the highest employment rate in Europe. This is primarily due to the fact that the employment rate for women is that much higher in Denmark than in the other EU countries. One of the prerequisites for the high employment rate of women is that the municipalities take care of children of the pre-school-age. Before the municipal reform 249 municipalities informed that they had a childcare guarantee, and 22 municipalities informed that they did not have a childcare guarantee<sup>1</sup>. After the municipal reform a certain harmonisation must be expected so that the municipalities can now offer more families with children a childcare guarantee.

### **Longer time in the labour market**

The average retirement age in Denmark in 2004 was estimated to be 62.3 years, cf. the report of the Danish National Institute of Social Research entitled "A longer working life, Copenhagen 2005". This means that Denmark has the second highest average retirement age in the EU, only surpassed by Sweden. A framework agreement on senior's policy has been concluded between Local Government Denmark, Danish Regions and the Association of Local Government Employees' Organisations enabling the conclusion of senior employees' agreements at local level with a view to retaining senior employees on ordinary terms. The retention of elderly em-

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<sup>1</sup> Source: Statistics Denmark: Childcare guarantee for children between ½-5 years.

ployees may contribute to solving recruitment challenges. Compared with other countries, many elderly employees stay in the labour market and surveys indicate that state-employed senior citizens are generally very motivated and satisfied but also that state-employed senior citizens on average withdraw from the labour market earlier than senior employees in the private sector. It is essential to ensure that individual workplaces focus on initiatives to contribute to retaining their senior employees.

### Modern social protection, for example labour market pension

Labour market pensions have existed for a number of years in the municipal and regional sectors and have been developed on an ongoing basis in connection with the renewal of collective agreements. Table 1 below shows the average pension fund contributions compared with average wages (excluding overtime) for employees appointed on a group contract basis in total, for men and for women. As shown in the table, pension fund contributions have been increasing during the period from 2005 to 2007 and this amounts to 11.4 per cent of the total wages in 2007.

In connection with the OK2005, the social partners agreed to develop the mini pension fund scheme (that covers employees who do not fulfil the waiting period conditions in the ordinary pension fund scheme). The consequences of the agreement are that the pension percentage for the mini pension fund scheme is raised to the individual collective bargaining group's fully developed pension percentage from 1 April 2006. The pension contribution of approximately 21,400 full-time employees (corresponding to 4.5 percent of all employees) is thereby raised from 7.69 percent to at least 12.5 percent (of the part of the wage that gives right to pension entitlement).

**Table 7.1**

**Total pay and pension fund contributions for employees appointed on a group contract basis, women and men**

	February	Average pay	Average pension contributions	Pension as percentage of average pay
<b>Monthly pay</b>				
<b>2007</b>	All	28,267	3,228	11.4
	Women	27,541	3,118	11.3
	Men	30,957	3,638	11.8
<b>2005</b>	All	26,542	2,973	11.2
	Women	25,812	2,871	11.1
	Men	29,171	3,340	11.4
<b>2000</b>	All	21,444	2,090	9.7
	Women	20,830	2,023	9.7
	Men	23,654	2,330	9.9

Source: The Joint Municipal Pay Data Department, LOPAKS.

As shown in table 7.2, the average monthly pay for men is higher than for women, making pension fund contributions higher for men mainly due to differences be-

tween the wages of various collective bargaining groups. Besides the fact that the increase in the mini pension fund affects more women than men, the partners have agreed that pension fund contributions should be maintained during the unpaid part of the maternity leave period, with special consideration for gender equality in pension schemes.

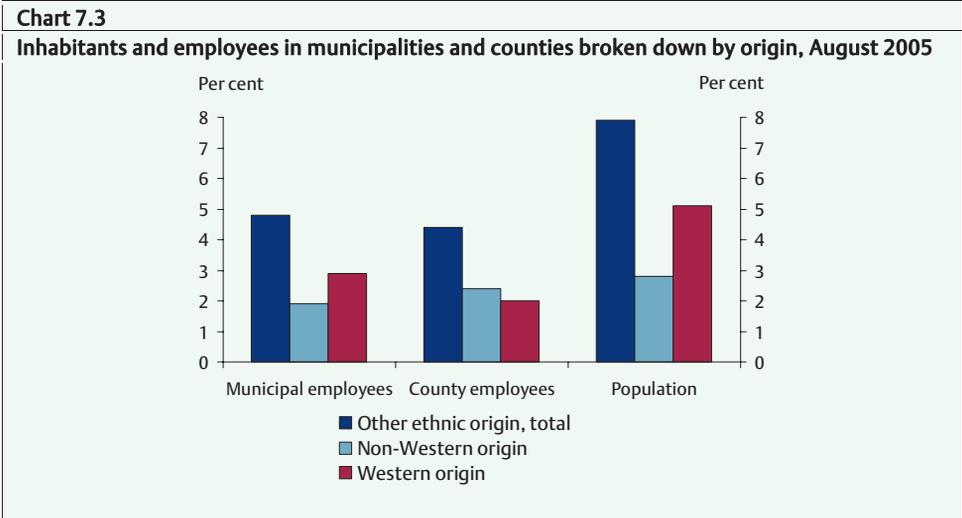
**The inclusive labour market (guideline 19)**

**The Danish "flexicurity model"**

For many years Denmark has aimed at reducing unemployment - and has succeeded by using an effective, active labour market policy. However, it is important to emphasise that an essential prerequisite for a major and active labour market effort is financing through taxes. The Danish flexicurity model with liberal rules on dismissal and earnings and work compensation, rests on a tax-financed welfare state.

**Integration**

The aim is to ensure that the proportion of non-Western immigrants and their descendants of total employees in the individual municipality and region, as far as possible, reflect the regional labour force and job composition. Chart 7.3 below shows the number of inhabitants and employees in municipalities and counties broken down by origin, August 2006 and August 2004. As illustrated by the chart, this objective is still far from being reached.



Source: Statistics Denmark, special runs.

The municipalities have seen a relative improvement from 2005 to 2006. Compared with last year's calculation, the increase in the number of employees with non-Western background is relatively higher than the increase in persons with non-Western background in the labour force in general.

As mentioned in the report from 2006 the social partners have concluded an agreement on integration and training jobs, and in this connection the launch of staff policy projects to promote integration efforts was mentioned.

In the spring of 2007, Local Government Denmark and the Association of Local Government Employees' Organisations (KTO) decided to launch the following projects focusing on integration and diversity:

- Integration and training jobs - the project aims at promoting local cooperating parties' knowledge and their use of the KTO agreement in integration and training jobs to encourage workplaces to use the agreement in their recruitment and retention of ethnic minorities in particular.
- Mentor schemes for employees with other ethnic background than Danish - the project aims at collecting knowledge on how mentor schemes can be effective in retaining employees with non-Western backgrounds. The collected knowledge will be further disseminated in municipal contexts.
- The objective of culture and diversity at the workplace is to discover what in an organisation culture prevents and, in particular, what promotes acceptance and use of diversified competences. The collected knowledge will form the basis for development of tools to promote a diversified corporate culture.
- The project on the results of diversified management aims at developing a method of measuring that will enable calculation of the results of practicing diversified management. Documenting the effects of diversified management will be new, and may increase the incentive to work on development of diversity strategically.

## Preventive labour market measures for weak groups

### Municipal job centres

In connection with the municipal reform the municipalities took over the job placement activities in the new job centres. This was a major merger where two completely different worlds were smelted together, almost without problems. The job centres will be measured on the basis of their results. The aim is for weak unemployed people to obtain employment, and the number of recipients of cash assistance seems to be falling.

**Table 7.2**

**The development in the number of persons receiving cash assistance**

<b>April 2006</b>	<b>April 2007</b>	<b>Difference</b>	<b>In per cent</b>
108,850	86,573	- 22,277	- 20.5

Source: Jobindsats.dk.

## **Improved opportunities to meet the requirements of the labour market (guideline 20)**

### **Partnership agreements**

It is decisive for the completion of the regional industrial development strategies that the required labour exists with the competences enterprises demand. Therefore in the partnership agreements concluded with the Government, the regional growth forum have agreed to cooperate on monitoring and analysing the regional labour market and regional growth so that initiatives are taken on a well-documented basis on the supply as well as the demand side. Therefore, it has been agreed that Growth forum will be cooperating with the Regional Employment Council and the educational institutions in the region to survey and monitor enterprises' demand for labour and further training and education in the short and long terms, taking into account that the regions are part of a much bigger regional labour market.

### **Recruitment**

Based on the wish to increase the breadth of the recruitment opportunities for the municipal labour market, and to create a better gender-related balance at all levels in the municipal organisation, Local Government Denmark and the Association of Local Government Employees' Organisations have chosen to launch the following two projects:

- Women in careers – The goal of this project is to increase awareness of the managerial potential of women already represented in the municipalities so that more women will want to apply for senior management positions and those responsible for recruitment will want to hire women in senior management positions.
- More men in the municipalities – The purpose is to develop ideas and methods which may inspire municipal workplaces to work targeted and systematically on recruitment and retention of more male employees in the care sector.

Today there is a shortage of healthcare-related staff resources in a number of areas. Currently, there is a particular shortage of medical specialists and nurses, and in the care sector, several professional groups are experiencing bottleneck problems. In this regard most of the regions are experienced with recruiting staff from abroad. This has primarily been relevant for medical specialists, which in recent years have been recruited from Poland, the Baltic States and Germany. A very current example is that Region Mid-Jutland has recruited 30 Indian medical specialists who will be starting work at the region's hospitals at the turn of the year. Foreign medical specialists are being recruited from a wide range of specialities; from surgical to psychiatry and general medicine. The number of foreign doctors in the overall medical labour force constitutes about six per cent. Also nurses and radiographers are being recruited from abroad, though on a somewhat lesser scale than medical specialists. In this regard, the Nordic countries and Germany have been popular areas of recruitment. Foreign nurses represent about two per cent of the total number of nurses in the labour force.

In the three-party agreement it was decided to cooperate on carrying out information campaigns to promote recruitment for the public sector. The campaigns will be carried out in 2008 and 2009. In addition, there is agreement to aim at an appropriate gender-related balance in employment within the welfare area.

### **Management**

As a result of the Danish municipal reform, 273 municipalities became 98 municipalities, and 14 counties became 5 regions, and the reform involved 675,000 employees in counties and municipalities. The reform has been called the biggest reform of the public sector in 30 years.

A major challenge for managers in the municipalities and counties involved has been to lead the way for this reform. In order to support the managers, in connection with OK-05 the municipal and regional social partners decided to allocate DKK 25 million for initiatives directed at managers at all levels in municipalities and regions. This took place under the headline "Growth house for management". Managers in the municipal and regional sector are facing challenges that make great demands on their ability to handle the task at a professional, staff-related and strategic level. In the three-party agreement and the agreement between Local Government Denmark, Danish Regions, the Government and the Salaried Employees' and Civil Servants' Confederation, funds were set aside for further training, etc of managers in municipalities and regions. Local Government Denmark, Danish Regions and the Government have acknowledged that public institution managers and heads of department at hospitals who work primarily with management must be entitled to obtain approved management graduate training.

### **Promotion of flexibility and wage-earner provisions on the labour market (guideline 21)**

#### **Positive management of restructuring Innovation**

In connection with the negotiations on implementation of the globalisation pool, DKK 3 billion has been allocated to innovation for the period 2005-2008.

Some of these funds have been earmarked for the regional growth fora and houses, which are to develop regional industrial development strategies and provide support for the realisation of these. The social partners on the municipal/regional labour market are pleased with this. The rest of the funds for innovation are to be administered by a board in respect of the Ministry of Business Affairs' stake in the funds (funds for user-driven innovation) and by the Danish Agency for Science, Technology and Innovation in respect of the Ministry of Research's stake in the funds. The public sector is weakly represented with only one member in the board and in the Danish Agency for Science, Technology and Innovation.

In the three-party negotiations on quality development of the public sector, the social partners have recognised the need for investment in innovation, and it has been agreed to allocate DKK 20 million for experimentation and demonstration projects concerning user-driven innovation in the public sector for the period 2008-2011. In addition, the agreement includes a clear encouragement to apply for DKK 400 million in the period 2007-2010 for projects in the area of user-driven innovation in the public sector. Finally, it has been agreed that a special strategy must be prepared on how the DKK 3 billion can better benefit the public sector. Thus in the future the municipal and regional labour market will be involved in discussions on development of a strategy for and investments in innovation efforts in the public sector.

## **Improvements in the quality of work, including safety and health**

### **Work on safety and health**

At the OK-05, the social partners concluded an agreement concerning work-related stress. In continuation of this agreement, the social partners have taken a number of initiatives to support the agreement:

- A conference on 2 December 2005 for 1,000 representatives from municipalities and counties
- Discussion papers and exhibitions on work-related stress at a Personnel Policy Fair on 31 August 2006, where approximately 5,000 people participated
- Release of four stress magazines from December 2005 to August 2006 with a circulation of between 15,000 to 25,000 copies per issue and more than 100,000 downloads in total
- Release of a guide on work-related stress for MED/SU (MED = participation and co-management, SU = Cooperation committee) in April 2007

A fifth stress magazine to be released in the autumn of 2007 will be more of a method book or an idea catalogue. Moreover, in the spring of 2007 the social partners decided on implementing a series of activities in order to extend and supplement the support of the agreement on work-related stress. The social partners are focusing on the following:

- A survey of the work of the MED/SU committees on guidelines, setting up networks and a knowledge database
- "Open workshop" – implementation of guidelines on stress in selected SU/MED committees
- Relevant tools for measuring stress
- LEAN without stress?
- Competency development of the local players in MED/SU, TR (trade union representatives), SR managers, etc.
- Special information efforts for managers with a view to increasing the knowledge of and ability to work to reduce work-related stress
- Specific stress factors and combating of these within different types of jobs and sectors

- Clarification of reported industrial injuries in relation to stress for the purpose of initiating targeted measures on identified problem areas
- General information efforts with information for local campaigns, establishment of a knowledge bank, etc.

Furthermore, the social partners agreed to resume negotiations on initiatives/efforts in relation to work-related stress on 1 October 2007 at the latest. As part of the three-party agreement it was agreed that all state sector workplaces from 2008 must measure the satisfaction and well-being of employees at least every three years. At the same time, it was agreed that employers and persons on long-term sick leave must engage in a more active dialogue about sickness absence, and that Local Government Denmark and Danish Regions must provide for statements of the sickness absence at institutional level. The agreement specifies that the cooperating bodies in the municipalities and regions must agree on guidelines concerning the content and follow-up to measurements of satisfaction and well-being of employees as well as sickness absence.

## **Ensuring an employment-friendly wage development (guideline 22)**

### **Flexible determination of wage**

In the municipal and regional sectors, the negotiating and contracting parties are responsible for the structure of wage systems and trends in wages.

Already in 1995 and again in 1997, the social partners agreed on a new wage system, which meant that parts of the determination of wages will be designated to local levels close to the workplace, and closely related to the required work. The aim is for the wage system to encourage productivity as well as creativity. With the decentralised model the social partners agreed on establishing a statistical basis for local wage bargaining, ensuring that the local social partners are attentive towards ensuring equal pay for women and men.

At the most recent renewal of collective agreements, the wage system was changed and adapted to the different areas of collective agreements in order to better reflect the special challenges of the various specialised areas, but still with the principle on local wage negotiations and agreements made close to the workplace.

At the most recent renewal of collective agreements the wage system was changed and adapted to the various occupational sectors in order to better reflect the special challenges of the different sectors, but still with the principle of local wage negotiations and agreements made close to the workplace.

### **Equal pay**

In 2006, the Act on Equal Pay was amended which means that major enterprises from 2007 must prepare gender-specific pay statistics and inform the staff about these. In the municipal and regional area the requirements of the new Act have already been met as the social partners have concluded an agreement concerning the statisti-

cal basis for local wage bargaining that will ensure that the local partners are aware of gender aspects in connection with the local determination of wages. The social partners' agreement on pay statistics has included a provision on gender-specific statistics since 2002.

Chart 7.4 below shows the development in the wages of employees employed on a group contract basis, as well as for men and women individually, from February 1998 to February 2007, which is the timeframe during which local determination of wages was introduced. As illustrated by the chart, there is generally a balance between the development in the wages of men and women; however, there are variations within the individual areas. The Joint Municipal Pay Data Department prepares annual detailed equal pay statistics for employees in municipalities and counties (from 1 January 2007 called "regions").



Note: Gross pay = total pay minus overtime.

Source: The Joint Municipal Pay Data Department, LOPAKS.

At OK-02 the Association of Local Government Employees' Organisations, Local Government Denmark and the Association of County Councils in Denmark (now called "Danish Regions") agreed on implementing a project on illuminating the determination of wages, including gender-related wage differences between the private sector and the municipal and county sectors. The study showed that men are paid more on average than women in the (county) municipal sector but that the difference is considerably reduced (to less than 5 per cent) after taking into account for instance education and work functions, but there are considerable differences within individual groups.

## **Adaption of education and acquiring the needed competences (guideline 24)**

### **Growth fora and partnership agreements**

The business development strategies and the Government's partnership agreement focus on increasing and developing the labour force at all levels. One of the initiatives is to strengthen adult education and training by enhancing cooperation between educational institutions and enterprises in order for employees at all levels to acquire better possibilities for upgrading skills and retraining.

In the partnership agreements, the Government and the regional growth fora have agreed to promote good interaction between educational institutions, enterprises and municipalities in the region in order to render education more attractive to young people, reduce drop-out rates, and to strengthen youth culture in general. The Growth Forum will help support already launched and planned initiatives in the area of education, including setting up mentor schemes that will contribute to special efforts for young people in the region who are on the verge of dropping out of the educational system, e.g. immigrants and young people with low education and training incentives.

### **Flexible learning processes and access to education**

The public sector must be dynamic and help characterise the development of society. This requires an optimal framework for competency development of employees. And this requires skilled and motivated managers and employees who upgrade their skills throughout their working life and who contribute to the development of the public service by means of their competences and know-how.

### **Continued training**

The three-party agreement between the Government, Local Government Denmark, Danish Regions, the Danish Confederation of Trade Unions and the Danish Confederation of Professional Associations and the agreement between Local Government Denmark, Danish Regions, the Government and 'Salaried Employees' and Civil Servants' Confederation include a number of initiatives on strengthening adult vocational training. The agreements meant an increased dimension to the basic training for educational care workers and assistants. In addition, 15,000 more unskilled employees will be given the opportunity to take up an education in the period 2008-2015. Furthermore, the social partners have agreed on strengthening competency development in the upcoming collective bargaining rounds. The Government has set aside DKK 700 million in advance for this purpose. Moreover, the payment for participating in vocational training programmes etc. has been reduced by about DKK 500 million and DKK 275 million has been set aside to increase activity on specialised courses.

### **7.3 Contribution from the social partners in the private sector**

The social partners on the private labour market (the Organisation of Managerial and Executive Staff in Denmark (LH), the Danish Confederation of Employers' Associations in Agriculture (SALA), the Danish Confederation of Trade Unions (LO) and the Confederation of Danish Employers (DA)) have taken stock of the following initiatives started in the programme period and draw attention to the fact that in the third year of the reform new collective agreements between DA/LO have been negotiated.

In the new collective agreements DA/LO have concluded agreements on pay and working conditions for the next three years. The collective agreements add further elements to the labour market pensions, which will have an overall contribution of 12 per cent in 2010. The wage earners will pay one-third and the employers two-thirds.

A number of central elements will be developed in the collective agreements period up until February 2010. These are efforts to strengthen the cohesion between family life and working life, free choice schemes, initiatives aimed at seniors, and competency development.

In enterprises with more than 35 employees, the employees can ask that enterprises covered by a DA/LO cooperation agreement set up cooperation committees. The cooperation committee includes managers' and employees' representatives. The cooperation committee at the individual enterprise is involved in the organisation of principles for local working and welfare conditions, and the staff policy of the enterprise. The cooperation committee discusses principles on education policy in the enterprise, seniors policy, equal treatment and integration.

#### **Family and working life**

The collective agreements include many and comprehensive provisions about the interaction between working life and family life. The development in the family policy themes of the collective agreements between DA and LO has taken place on an ongoing basis and the process has accelerated since the early 1990s. A comprehensive set of family policy rights combined with considerable flexibility in the organisation of working hours have been developed.

Flexibility as regards organisation of working hours supports the decentralised process that characterises the regulation of pay and working conditions on the Danish private labour market. At enterprise level the flexibility makes it possible to agree on solutions that meet the requirements and wishes of enterprises and employees. In addition, 3/4 of the wage earners covered by collective agreements between DA and LO is covered by collective agreements that allow the use of annual work standards.

In connection with equal treatment and integration, the cooperation agreement recommends that "in connection with organising the enterprise's staff policy, appropri-

ate efforts should be made to ensure that the job can be combined with the role as a parent".

In the event of sickness and injury, employees in the DA/LO area with nine months' seniority in the enterprise are entitled to full pay for 8-9 weeks. For sickness of children, employees and employees under education are entitled to absence with full pay when it is necessary to take care of children of less than 14 years of age in their home. The scheme applies to the child's first day off sick. In addition, employees are entitled to absence with full pay for hospitalisation together with their child when this is considered necessary. The scheme applies for no less than one week within a period of 12 months.

In the event of pregnancy and maternity etc. employees in the area of DA and LO with nine months' seniority are entitled to absence with pay for four weeks before the expected birth (pregnancy leave), 14 weeks after the birth (maternity leave), two weeks' paternal leave and a total of nine months' parental leave. The absence with pay in the parental leave period applies from the 15th to the 23rd week and three weeks must be taken by the mother, three weeks by the father. In order to support a labour market with equal opportunities for women and men equalisation of the enterprises' expenses for pay during maternity leave covered by the collective agreements has been established.

### **Competence development**

The collective agreements support a dynamic labour market with ongoing upgrading of skills and where the individual employee is able to undergo education and training to a higher level of skills; either in the same enterprise or at another enterprise.

When an education course is taken at the request of the enterprise or as part of an education plan made in the enterprise, employees with nine months' seniority in the enterprise are entitled to full pay (often for two weeks/year). The enterprises pay salary and any public training compensation is assigned to the enterprise.

In addition, the individual employee is entitled to two weeks' education by choice with an allowance of up to 85 per cent of ordinary pay under the collective agreement. In order to receive compensation for loss of earnings the training must fall within the area of the sector and the collective agreement. In addition, the individual employee is entitled to participate in an individual clarification of competences course. The individual clarification of competences course may include setting up a plan for employee's development to obtain a skilled level within the area of the collective agreement. This may also include a test of the employee's reading, writing and arithmetic skills as well as efforts aimed at correcting any lack of skills that might exist. The employee will receive ordinary pay during these courses.

By the end of the collective agreement period, the enterprises will contribute about DKK 520 per full-time employee to a competence development fund which will

handle payment of grants for wage earners participating in individual clarification of competences or self-selected education within the area of the fund.

As at 1 January 2007 a project was initiated in the area of SALA/LO rooted in the Cooperation Board and offering a number of enterprises the possibility of enhancing the enterprise culture and improving the employees' innovative competences. The production processes are thus being renewed and improved and employee satisfaction is being raised. The project runs up until the end of 2008 and involves a total of 24 enterprises. One of the objectives is to make use of the employees' knowledge, insight and experience in a new way, and thus positively influence cooperation between employees and enterprises.

### **Seniors on the labour market**

A number of sector collective agreements and the cooperation agreement between LO and DA forms the framework for efforts by enterprises in the area of senior policy. The agreements determine that the design of senior policy falls within the area of the cooperation committee at the individual enterprise. At the same time, it should be emphasised that a specific senior's agreement must be concluded between the individual employee and the enterprise, and that it must reflect the requirements of both parties. In some areas specific proposals have been formulated as to which terms should be included in a senior's agreement.

### **Flexible work organisation and flexible pay**

The flexible rules on working hours laid down in the collective agreements and adapted to the competitive terms of the enterprises and the requirements of the employees have been extended so that the daily working hours by agreement between employees and the enterprises can now lie between 06:00 a.m. to 06:00 p.m. The regulation of working hours takes place mainly in agreements made at the individual enterprise. The parties at the individual enterprise may to some extent conclude agreements that correspond to the requirements of the enterprise and the employees, even if an agreement should derogate from the rules on working hours as laid down in the collective agreement. The provisions on working hours in the collective agreements thus primarily work as a framework applicable if the parties at the enterprise are not able to make an agreement themselves.

A special savings account or Free Choice Account will be set up for the individual employee. The establishment of this special savings/Free Choice Account varies from one collective agreement area to another. In 2010 many schemes will include up to 7.5 per cent of the employee's pay. A compulsory contribution of 1 per cent and more will need to be made and in addition special holiday pay of up to four per cent will be discontinued. Finally, the individual employee may choose to refrain from taking the five special days off in exchange for having 2.5 per cent of pay set aside in the account. The employees may in a number of schemes choose to have the deposit paid in connection with leisure time, to have the deposit transferred as extraordinary pension contributions, and to transfer the deposit to the subsequent holiday year.

## Flexicurity

Increasing interest in the flexicurity model has meant that the social partners are spending a lot of energy on receiving delegations and participating in conferences, etc, abroad in order to describe how the Danish labour market is organised. DA, LO and the Ministry of Employment have prepared a joint paper as an approach to the development of the European Commission's principles on flexicurity. In May 2007 DA, in cooperation with the German, Portuguese and Slovenian employers' organisations, prepared a discussion pamphlet entitled "Modernising Europe's labour markets Flexicurity – greater security through better employment opportunities".

## Integration of refugees and immigrants in the labour market

On 13 December 2006, the Government, the social partners and the municipal partners entered into a new four-party agreement on integration. The new agreement should be seen as a supplement to the four-party agreement on integration from 2002.

The agreement includes a number of additional tools for the municipalities' integration efforts, as these can be expected to contribute positively to the integration of immigrants in the workplace. New frameworks have thus been set up on how the municipalities may enhance their efforts and improve results.

The agreement includes the following:

1. The stepladder model
2. Job packages
3. Mentor scheme
4. Network for immigrant women
5. Clarification of competences
6. Local cooperation between the municipalities/job centres, enterprises, and workplace management and employees

One of the central factors in the agreement is the development of 12 so-called "job packages". The job packages have been prepared by the DA membership organisations in cooperation with the LO wage earners' organisations. The job packages combine professional/linguistic courses targeted at certain job units on the unskilled labour market with courses that involve enterprise training and wage subsidies.

The social partners will continue to support and disseminate the use of the stepladder model (a combination of guidance and upgrading of skills, enterprise training, wage subsidy and employment on special pay and working terms).

As part of the agreement DA and LO will together with Local Government Denmark launch a new integration project; the VIP2 project. The objective of the project is to contribute to quicker and better integration of immigrants in the labour market by specifically testing and developing tools and methods in the stepladder model at local level. The aim is to achieve an early start at enterprises for employable unem-

ployed people and those who are at a long distance from the labour market, including immigrants and their descendants covered by the New Chance-target group. The secretariat of the project is with DA.

The aim of the project running up until 2009 is to:

- Test and support the use of the stepladder model, including various job packages
- Develop the use of mentor schemes and similar support at the enterprises
- Test and support the use of clarification of competences
- Cooperate with the ethnic special unit at the National Labour Market Authority and the Integration service on dissemination of experience with using the stepladder model at job centres, local employment councils, local trade unions and other relevant players

The new project includes two approaches:

- Dialogue and knowledge dissemination aimed at the 91 jobcentres and local employment councils, enterprises, trade unions and other players
- Method testing and method development aimed at continued development of the stepladder model as a tool in selected areas in cooperation with five municipalities

The manager plays a key role in relation to integration. It is up to the manager with direct staff responsibility to ensure integration in the workplace. Many managers handle the task of integration and retention of immigrant employees very well, and have good experience in this respect. However, about 40 per cent of Danish enterprises still have no experience with managing diversified groups of employees.

In order to carry out the integration task the Organisation of Managerial and Executive Staff in Denmark has, together with CABI (National Centre for Employment Initiatives), developed the network offer "From manager to manager". The basic idea is to disseminate knowledge on good management of ethnically diversified groups of employees to as many managers as possible.

The pivotal point is knowledge sharing among managers with and without experience in managing ethnically diversified groups of employees. Knowledge sharing takes place at network meetings with a professional project manager.

### **Working environment efforts**

In March 2007 the report "Ten years with the action plan Clean Working Environment 2005" drew up a preliminary status of the working environment efforts launched. The report evaluates and concludes on the seven visions laid down in the action programme. The report clearly indicates that it was a success to determine a joint plan for strengthened working environment efforts. All safety and health players have provided a targeted and focused effort for the seven visions of the action programme.

All the objectives were not reached but clear improvements in the working environment have taken place from 1996 to 2005:

- The total number of reported industrial accidents and fatal accidents has decreased
- The number of reported work-related injuries to shoulder, neck and arms as a consequence of monotonous repetitive work has fallen
- The occurrence of highly repetitive work dangerous to health has been reduced by 18 per cent
- Up until 2003 there was a drop in the number of reported injuries due to heavy lifting, pushing and stretching
- The number of brain injuries due to exposure to organic solvents has dropped, and there was a fall in the total use of carcinogenic substances
- The incidence of self-reporting symptoms in connection with bad indoor climate has fallen
- The numbers of reported industrial accidents and reported work-related injuries for children and young persons have dropped

Cooperation between the safety and health players continues during the new national action plan on the working environment running up until 2010.

#### **7.4 Contribution from the Employment Council**

The Employment Council supports the overall objectives of the Lisbon Strategy in the employment field. For this reason, Danish employment policy should focus on Denmark in general and include groups that need special efforts. Like last year, the Employment Council therefore recommends that a decision be taken in relation to Chapter 5 of the Reform Programme in accordance with the mainstreaming principle so that focus is on the importance of withdrawal and retention of people with reduced working capacity on the labour market.

The Employment Council encourages the Government to define the need for new efforts on the basis of the increasing labour shortages and the growing bottleneck problems on the Danish labour market. The report plays down that the greatest challenge for the labour market in the coming years will be to ensure sufficient and skilled labour supply. The Employment Council therefore finds that the Government should focus on the employment system's ability to handle future bottleneck challenges in a tight Danish labour market in order to ensure that enterprises are able to attract the required skilled labour.

As regards the employment effort, the Employment Council finds that focus should be on whether the public employment system sufficiently prioritises initiatives to find skilled and motivated labour for enterprises on the ordinary labour market.

The Employment Council wishes to propose that a section be added in Chapter 5 concerning concrete initiatives introduced to strengthen employment measures and reduce emerging bottleneck problems on the labour market.

According to the Employment Council it is essential that there is focus on life-long learning for disabled persons. This group's over-representation in the group of persons with relatively short education is part of the explanation as to why it is more difficult for disabled persons to obtain and retain employment.

### **7.5 Contributions from the Danish Council of Organisations of Disabled People (DSI)**

Disabled people are as diverse as other people and are affected by diverse problems in relation to the labour market. It is therefore important that the objectives and results focused upon in the action plan do not only reflect disabled people as a single isolated aspect in relation to the inclusive labour market. Disability must be mainstreamed in all guidelines. The Danish Council of Organisations of Disabled People (will change name to the Danish Disability Organisations from 1 January 2008) have the following demands for improved employment policy:

#### **Employment situation for disabled persons**

The labour market attachment of disabled persons is generally not satisfactory. There is a far greater potential to ensure that disabled persons obtain employment. There are positive tendencies in the employment rate, but it is a question of marginals. The employment rate for disabled persons has increased from 53 per cent in 2002 to 56 per cent in 2005. New figures suggest that the employment rate has not changed since 2005. This is considerably lower than for non-disabled persons where the employment rate is about 83 per cent (The Danish National Institute of Social Research).

#### **Special initiatives for persons referred to flex jobs**

The development in relation to persons with permanently reduced working ability is still catastrophic despite the overall positive Danish employment situation. More than 30 per cent of the people referred to flexjobs are unemployed – a development that is becoming worse.

The DSI finds it important that efforts are strengthened for this group of unemployed people. The DSI demands more active efforts from the job centres and a far better use of the opportunities available to launch active courses.

In the 2006 welfare agreement the Government set up a Prevention Fund for better focus on preventive measures. As part of the work of the Fund the target group; people with reduced working capacity, should be focused on as they are in danger of permanent elimination from the labour market. The DSI finds that this target group is not being prioritised to a particularly high extent in the preliminary work of the fund.

#### **There is a need for broadly focused equal treatment of disabled people**

People with reduced working capacity should have the same rights to participate in society and the world of work as others. For this reason, the employment area and

sectors and structures of society must be coherent and inclusive, and discriminatory treatment should not take place. There is now legislation about this as well. But does this legislation work according to the intentions of the legislators? Unfortunately, this does not seem to be the case. The judgments made so far have frankly given rise to great wonder. Even the Minister for Employment finds that one of the cases is about direct discrimination in the sense of the law despite the decision coming to a different result. The case has been appealed and therefore it is too early to demand an amendment.

In January 2007, the Government sent a bill on setting up a joint complaint's board for equal treatment to hearing. This was a very positive move which, however, has not been followed up for presentation to the Danish parliament. This is deeply worrying. The DSI can only encourage the Government to promote the process.

### **Information for enterprises regarding support and compensation opportunities**

There is a need for more knowledge and accessible counselling for enterprises concerning disabled people in employment, including especially opportunities for support and compensation schemes. In addition, there is a need for better information concerning the new duties of enterprises in relation to equal treatment and reasonable adjustment. In the new employment system, in Vejle a special unit has been set up in the area of disability but the DSI is still waiting to hear about positive results from this unit.

### **Barriers to labour market attachment**

In 2006, the DSI launched the project entitled "From barrier to career", in which employed disabled people try to remove barriers. The project is being financed by the National Labour Market Authority. The means of reaching the goal is dialogue meetings where employed disabled people (the so-called barrier breakers) visit various enterprises. The project is progressing well. The enterprises want the visits and about half of the visits lead to job openings. The project shows that it is possible to be a good example for the job centres.

The labour market participation of disabled people is closely connected with good conditions for education, transport and access. It is only through a mainstreamed, sector-based and coherent effort that the employment gap of disabled people can be reduced. The DSI would appreciate it if authorities and labour market partners used more resources on attitude-influencing activities and made active efforts to enable more disabled people to be included in the labour market.

### **Government strategy "Disability and employment"**

The DSI finds the Government's multi-annual employment strategy of 2004 for the disabled very relevant. In keeping with the Government's policy, the objective of the DSI is to ensure that the employment potential among the many disabled persons, who are unfortunately outside the labour market, contributes much more and in a

better way than is the case today. The assessment of the Government's employment strategy shows only a slight increase in the employment rate. The DSI finds that the Government's employment strategy in the future will need to focus on the most exposed groups. Therefore it is important to create an overview of which groups have the lowest employment rate, which measures are currently being carried out, and which efforts could be implemented in order to improve the situation in the future.

### **General employment policy (guideline 17)**

Denmark has a support and compensation legislation with few deficiencies. Most recently, the Danish parliament has adopted an extension to the personal assistance scheme which means that people with reduced cognitive and/or psychological abilities will be offered a personal assistant. The DSI expects this to increase labour market attachment for a number of groups. There is therefore a great need to make a special effort to increase the employment rate of disabled persons in all sectors of the Danish labour market. The labour market should have a sufficient degree of flexibility to include disabled people - in principle, in all jobs where disabled persons have the required skills, and the efforts of the public employment service in relation to disabled persons should be reinforced.

### **Promotion of a life-cycle approach to work (guideline 18)**

The starting point of the DSI's work is the Danish disability policy's basic assumption that all persons should have an equal opportunity to participate in society. This also means that all forms of direct or indirect differential treatment must be countered. The Danish National Institute of Social Research has documented that far from all disabled people receive the help that they need to sustain an independent life - at work, during education or in leisure time. In addition, employed disabled persons do not benefit to the same extent as other employees from the advantages and benefits in collective agreements, for example health agreements, insurance schemes, etc.

Finally, the DSI emphasises that there is still comprehensive age discrimination in relation to disabled people. Disabled people do not have the same possibilities of postponing their retirement age as other people. The DSI finds this deeply regretful, especially since the Government's policy is to make people stay on the labour market as long as possible.

### **The inclusive labour market (guideline 19)**

There is a need to promote labour market inclusion in relation to all disabled persons in order to prevent more disabled persons from having to rely permanently on public transfer payments. Increasing numbers of disabled persons are unfortunately excluded from the Danish labour market. Studies made by the Danish Association of the Blind, the Danish Epilepsy Association and the hearing impairment area show that these groups have a substantially lower employment rate than the average for other disabled people.

In order to change the situation it is naturally important that the public employment system makes an effective effort but also that enterprises show inclusiveness. In 2004, the DSI launched a job and information portal supported by the National Labour Market Authority [www.ijobnu.dk](http://www.ijobnu.dk). The portal is for people with reduced working capacity and persons who have left the labour market prematurely due to their disability. The experience shows that there are many unemployed persons who have registered their CV online (more than 3,000 people) but enterprises are slow to advertise job vacancies. For the entire two-year period less than 500 vacancies have been advertised. The DSI finds this regretful and estimates that there will continue to be a great need for information on enterprises.

### **Government initiative "New paths to employment"**

People with a mental disability have a very weak and unstable labour market attachment. In this connection, the DSI welcomes the Government's initiative "New paths to employment". The DSI will contribute to the realisation of the Government's efforts when in October 2007 it opens its "Knowledge network" which is aiming at making knowledge about disability and employment accessible to job centres, other players and citizens.

### **Improved matching of labour market needs (guideline 20)**

The DSI has great expectations regarding the new employment system which was implemented on 1 January 2007. However, there is nothing to indicate so far that this has improved the job situation for disabled people. However, it is still too soon to say anything definite in that reports on the lack of prioritisation of disability and jobs, waiting time for tools, etc may be linked to the general problems of implementing the new municipal reform. The DSI encourages the Government to ensure that the special employment efforts for disabled people receive the local attention needed to ensure increased labour market participation.

### **Promotion of flexibility on the labour market (guideline 21)**

It is important to make it possible for disabled persons to obtain a job on the labour market with quality, both for the individual person and for the enterprise. The new forms of work organisation do not pay sufficient consideration to the needs and special situation of disabled persons. Labour market flexibility should be extended to also apply to disabled persons.

The DSI is not interested in a divided labour market where disabled persons are kept on the sideline, are employed in special jobs and are not considered to belong to the regular staff, or are completely excluded from the labour market. In addition, people with reduced working capacity who are or who aspire to being self-employed must of course enjoy possibilities of support and help. This is a problem today as the rules discriminate against disabled people who are not able to work full time in their own enterprise. These people have a different horizon for proving the viability of the enterprise.

### **Ensuring an employment-friendly wage development and increased investments in human resources (guideline 22 and 23)**

Disabled people must have the same possibilities of education and further education as other people and be ensured career development that prevents exclusion from the labour market. This will help create equal opportunities for all on the labour market, for example as regards satisfactory wage development without differential treatment. Too many disabled persons leave the educational system too early. For instance *the DSI calls for new efforts to help young disabled people from school to place of education to job.*

The life-long learning initiative in relation to disabled persons is an area which the DSI finds has too low a political priority. A comprehensive approach will require full and direct access to social-pedagogical support, aids and tools, and compensatory activities in the field of continued and further education and training.

### **Adjustment of educational systems to new competency requirements (guideline 24)**

There is no doubt that there are great problems in ensuring that disabled people acquire educational competences at the same level as other people. Disabled people are over-represented in the group of people with a relatively short education. Often there is a mismatch between the educational qualifications of disabled people and the skills that are needed. In addition, many disabled people do not have the possibility of acquiring a qualifying education. This is in particular in relation to the lack of physical accessibility at educational institutions and lack of information about and access to social pedagogic support. This creates barriers in relation to ensuring disabled people a free educational choice.

The DSI finds it important that efforts are taken to cover the educational level for disabled people so that the right knowledge can be found relative to a specific effort. We know that three per cent of disabled people are taking an education course<sup>1</sup>. For example, 53 per cent of deaf persons have only completed basic schooling as their highest educational achievement.

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<sup>1</sup> Clausen, Thomas, Pedersen, Jane G., Olsen, Bente M. and Bengtsson, Steen (2004): (Barriers to disabled persons' employment opportunities). Copenhagen: Danish National Institute of Social Research, Working Paper 15:2003.

