

Denmark's National Reform Programme

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

October 2008

The Danish Government

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Preface

The Danish economy is in a good position. The employment level is higher than ever before and the unemployment rate has decreased to a historically low level. We have a strong public economy, a sound welfare society, and taxes have been reduced.

The international economic slowdown related to the financial turbulence will also have a dampening effect on the Danish economy. Yet the Danish point of departure is different from the situation in many other countries. The level of activity continues to be very high, and wage increases have to some extent accelerated. Thus, a key challenge is to curb the pressure on the labour market while minimising the possible negative consequences of the financial turmoil. As a consequence a political agreement to ensure financial stability was entered 5 October 2008. At the same time, we must strengthen the labour supply and ensure that unemployment will be maintained at a historically low level.

The key challenge at European level is also to contain the current financial crisis and intensify the reform process of the Lisbon Strategy. We must demonstrate responsibility in the economic policy and focus on implementing the necessary structural reforms required to sustain lasting progress in growth and employment.

In Denmark we have already concluded a number of major reforms, including the *Welfare Agreement*, a *reform of the municipal and regional structures*, the *Quality Reform*, the *Globalisation Strategy* and the *Energy Agreement*. Beyond these, we have – as stated in this Reform Programme – taken a number of initiatives to address the challenges facing Denmark, cf. also the European Commission's points to watch for Denmark.

In the wake of the historically low level of unemployment and the demographic pressure, a key challenge now and in the future is to ensure sufficient labour supply in Denmark. The latest initiatives to enhance the labour supply include the September 2007 *Tax Reduction*, the *Job Scheme* and a *Plan of Action regarding Illness Absenteeism*. 29 September 2008 a *Labour Market Commission* has put forward a proposal for a *Labour Market Package*, and 1 February 2009, a *Tax Commission* will present a report on significantly reducing taxes on earned income, including lower marginal tax levels, thereby stimulating work incentives.

A purposive effort is required to reach the ambitious goals we have committed ourselves to in the field of education. As a consequence strengthening this area is a key element in the *Globalisation Strategy*. Furthermore, a wide range of additional initiatives support the policy goals within the field of education.

A number of improvements have already ensured – and further improvements will in the coming years ensure – a marked development in the capacity of the energy infrastructure to our neighbouring countries and the connections between the east and west of Denmark.

The Danish Government

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Introduction: The Danish Reform Strategy

The Reform Programme 2008 is Denmark's second national reform programme which replaces the national reform programme from 2005. The Reform Programme 2008 is not a fundamental recast of the Danish reform strategy but an extension of the reform programme 2005 and the intervening progress reports from 2006 and 2007. Furthermore, the Reform Programme should be set in the context of the annual Convergence Programmes which account for the development of the public finances.

A main priority for the Government continues to be the implementation of the necessary economic structural reforms. These are to ensure that Denmark will be capable of reaping the benefits of globalisation and creating the welfare model of the 21st Century. Within the framework of the Lisbon Strategy, the essential challenges in the years to come are:

- *Continuous stable economic development and ensuring continuous sustainable public finances.* Prime measures include: 1) Ensuring the structural public surplus of $\frac{3}{4}$ - $1\frac{3}{4}$ per cent of the GDP towards 2010 and at least balance in 2011-2015, 2) Public consumption expenditure (in nominal terms) can grow in line with the overall economy 3) Taxes on earned income are to be reduced.
- *Ensuring the continual high level of employment while meeting the challenge of curtailing capacity on the labour market.* Prime measures include: 1) Increasing the labour supply and the working hours in the medium term. This goal will be reached through a number of initiatives, including a Tax Reform which significantly reduces taxes on earned income, including lower marginal tax levels, thereby stimulating work incentives and 2) Continuous improvements of the labour market structures through development of the Danish model of Flexicurity.
- *A continuous strengthening of the area of knowledge and innovation.* Prime measures include: 1) Continuous and cost-efficient improvements of primary school and youth education programmes, 2) Increasing the number of students who complete upper-secondary or tertiary education, 3) Improving the pace of completion, 4) Continuous implementation of the strengthened quality and scope of research, 5) Improving of the framework conditions for innovation activities in enterprises and 6) Focusing on the collaboration between business and public research.
- *A continuous improvement of the framework conditions of enterprises in order to unlock the business potential.* Prime measures include: 1) A modernisation of the business regulation to make it clearer, simpler and more competitive, 2) Reducing administrative burdens, 3) Improving the conditions for entrepreneurs, 4) Development of the modern infrastructure.
- *Ensuring that the handling of the abovementioned challenges is combined with a continuously high level of protection of the climate and environment to the benefit of nature, health, and consumers.* Prime measures include: 1) Continuous improvements of

the energy efficiency, 2) Sustainable energy must account for at least 30 per cent of the energy consumption in 2025, and 3) A green growth vision unifying a high protection level of the environment and nature with a modern and competitive agricultural production.

The Danish Government is pleased to note that the European Commission emphasizes the strength of the Danish economy in its assessment of the Second Progress Report to the National Reform Program. The Commission points out that Denmark has made very good progress complying with the challenges defined in the National Reform Programme 2005.

The Government is furthermore pleased to note that the Commission commends the Danish macroeconomic strategy while calling attention to the continuous need to take steps to increase the labour supply towards 2015. Finally, the Government notes that the Commission adheres to three of the five points to watch from the previous year. The reforms and initiatives presented in the present reform programme relate specifically to these points.

Unemployment has decreased even further since last year and in July and August 2008, it reached a historically low level of 1.6 per cent. The employment has increased further too and is high compared to other countries. An implication of the historically low level of unemployment is a lack of labour in Denmark.

It is a key challenge for Denmark to ensure higher employment permanently while meeting the challenge of curtailing capacity on the labour market. The Government has taken a number of measures. The latest measures include the September 2007 *Tax Reduction*, the *Job Scheme* and the *Action Plan regarding Illness Absenteeism*, which all contribute to an increase in labour supply in the short run.

To increase the labour supply even more, the Government has asked a *Labour Market Commission* to hasten its work. 29 September 2008 the Labour Market Commission has put forward a proposal for a *Labour Market Package*. The Labour Commission will continue its work and present a proposal to a package to be published in the middle of 2009. 1 February, the Tax Commission will present its report on a tax reform aimed at significantly reducing taxes on earned income, including lower marginal tax levels, thereby stimulating work incentives. The Government's initiatives to increase the supply of labour – thus addressing the Commission's point to watch for Denmark as regards the labour supply – is accounted for in Chapter 1 and Chapter 4.

A key element in the Globalisation Strategy is to strengthen the Danish education system. The Globalisation Fund will be implemented gradually in the course of the years to come. In 2008, extra DKK 60 million will be earmarked for teaching capacity in 2008. The amount increases to DKK 1.2 billion in 2012. The current initiatives within the field of education in relation to the realization of the

Globalisation Fund include DKK 130 million earmarked for supplementary training of teachers and supervisors.

In the same period of time, DKK 90 million have been earmarked for internationalisation of the courses. DKK 325 million has been earmarked to strengthen the academic profile and research at the University Colleges. In addition to this, the marked focus on research in the realization of the Globalisation Strategy contributes to reaching the Government's goal of public research constituting 1 per cent of GDP in 2010.

A wide range of additional initiatives in the field of education will contribute to ensuring that the Government's ambitious goals within the field of education will be met. The initiatives – which address the Commissions' points to watch regarding the education systems – are set out in Chapter 2.

The last point to watch for Denmark mentioned in the Commission's assessment of the progress report 2007 is improvements of the energy interconnections. A vast number of improvements have already ensured – and further improvements will in the coming years ensure – that the connections to Denmark's neighbouring countries and between the East and West of Denmark are developed. The competition and safety of supply on the energy market will also be strengthened. The improvements of the energy infrastructure are described in Chapter 3.

The four priority areas adopted by the European Council in March 2006 – which were reconfirmed at the Spring Council in March 2008 as the cornerstone of the Lisbon Strategy – constitute an appropriate and focused framework for the implementation of the Lisbon Strategy. The four priority areas and the Commission's three points to watch for Denmark constitute central points of reference for Denmark's National Reform Programme 2008 and are reflected in the following manner:

- Chapter 1 focuses on the overall economic framework for the Danish reform strategy.
- Chapter 2 focuses on the Lisbon Strategy's first area of priority: *Investing in knowledge and innovation*. Hence, the point to watch for Denmark regarding “*to reinforce, in a cost-effective manner, measures to improve primary and secondary education and the number of students finalising upper-secondary or tertiary education to reach the ambitious targets set*” is dealt with in this chapter.
- Chapter 3 focuses on the second priority area of the Lisbon Strategy: *Unlocking the business potential*. Among other things, the chapter deals with better competition and the Commissions' point to watch regarding “*continuing to implement measures on energy interconnection in order to improve the functioning of the electricity and gas markets*” is dealt with in this chapter.
- Chapter 4 focuses on the third priority area of the Lisbon Strategy: *Investing in people and modernising the labour markets*. The Commission's point to watch for

Denmark regarding “*increasing labour supply and hours worked over the medium term, including further initiatives to work and additional steps to integrate older workers, immigrants and their descendants into the labour market*” is dealt with in this chapter.

- Chapter 5 focuses on the Lisbon Strategy’s fourth priority area: *Climate Change and Energy*. The latest measures, which mean that Denmark has already begun to comply with the future obligations of the EU’s Climate and Energy Package, are dealt with in this chapter.

Further information about the results and indicators for the Danish structural policy can be found in the Government’s annual review of Danish competitiveness: www.konkurrenceevne.dk.

1. The economic framework

At the current juncture, the Danish economy is in a strong initial position. The level of activity and employment is very high after the upswing the last few years, and unemployment is at a historical low. At the same time public finances have been consolidated significantly. The potential for further growth is limited in the years to come, due to the high level of capacity utilization and the demographic pressure on the labour force.

Fiscal policy setting is based on the 2015-plan, the medium-term strategy, presented by the Government in August 2007, cf. Towards new goals – Denmark 2015. Key objectives for the medium-term strategy are to support a stable economic development and ensure sustainable public finances. In light of cyclical pressures, adjustments have been made to the economic policy setting since the beginning of 2008, strengthening expenditure discipline and increasing labour supply.

Among the key targets and policy requirements leading up to 2015 are: Structural public budget surpluses within a target interval of $\frac{3}{4}$ - $1\frac{1}{4}$ per cent of GDP towards 2010, and surplus or balance in 2011-2015. EMU-debt is reduced further. New initiatives should increase employment by 20,000 persons and sustain average working hours towards 2015. Public consumption expenditures can grow in line with the overall economy. Income taxes are lowered, notably on earned income. Energy consumption shall remain stable and renewable energy sources should account for at least 30 per cent of total energy consumption by 2025.

1.1 Economic outlook

Output growth has slowed over the last year after the strong upturn which began in 2003. Despite slowing growth, unemployment has continued to decline at an undiminished pace, reaching an unusually low level of 1.6 per cent of the labour force in July and August. Labour market pressures are still pronounced and the wages increased almost 5 per cent in the second quarter in the private sector. Inflation has risen markedly and is now at its highest level in almost 20 years, mainly due to rising prices of food and energy.

The potential for further growth is limited by the very high level of capacity utilization and demographic factors with a declining trend in the working-age population. Hence, demand growth needs to be quite moderate in the coming years in order to facilitate reduced pressure on the labour market and on wage competitiveness.

GDP-growth is expected to slow to around 1 per cent this year and $\frac{1}{2}$ per cent in 2009. Lower growth reflects a clear easing of demand pressures, led by lower growth in private consumption, falling residential investments, and relatively weak growth in exports. In Denmark the expected slowdown is not an indication of a crisis or a weak cyclical position, but rather an adjustment that may reduce the risk of excessive pressures followed by a more protracted slowdown exacerbated by weak competitiveness and unsustainable demands for real wage increase at the current stage.

The key challenge for stability-oriented policies in the current setting is to avoid longer lasting inflation and to make sure that higher inflation does not lead to higher wage demands that would more fundamentally challenge macroeconomic stability. These conditions require fiscal caution over the next years and continued efforts in structural policies with a view to raising the growth potential and lowering the structural rate of unemployment – efforts that will ultimately limit the rise in unemployment now in sight.

Fiscal policy planning is based on the 2015-plan published in 2007. In light of cyclical and inflationary pressures, policy adjustments have been made since early 2008 while adhering to the central targets and initiatives in the plan. The aim has been a dampening of expenditure growth in light of the recorded slippages in local budgets with a view to ensure better compliance in local government spending. Moreover, the Job Scheme from February and the scheduled reintroduction of contributions to the Special Pension Scheme in 2009 dampen the demand impact from economic policies.

In total, fiscal policy is estimated to add a demand stimulus of 0.1 per cent of GDP in 2008 and, on the basis of the draft budget for 2009, to have an expansionary impact on economic activity of around 0.2 per cent of GDP in 2009, including the effect of reintroducing contributions to the Special Pension Scheme in line with current legislation, *cf. table 1.1*. The fiscal stance is thus slightly expansionary considering Denmark's cyclical position. This is to be seen in conjunction with initiatives that raise the labour supply. These initiatives include raising the income threshold for the middle-tier income tax and the initiatives in the Job Scheme.

The favourable cyclical conditions have boosted the fiscal surplus over the last few years. From fiscal surpluses at around 4 per cent of GDP in 2004-2007, the surplus is expected to remain high in 2008-2009 at around 3-3½ per cent of GDP, *cf. table 1.1*. The declining trend partly reflects the slowdown in the economy. When adjusted for cyclical and other transitory factors, the structural surplus is estimated at 1.6 per cent of GDP in 2008 and 1.2 per cent in 2009 (adjusted for the reintroduction of contributions to the Special Pension Scheme in line with current legislation). The structural surplus is thus within the defined target interval (medium-term objective, MTO), which aims at an average surplus of ¾-1¾ per cent of GDP until 2010.

Table 1.1
Public finances, 2004-2009

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|--|------|------|------|------|------|------|
| Per cent of GDP | | | | | | |
| Actual budget balance (EDP-basis) | 1.9 | 5.0 | 4.8 | 4.4 | - | - |
| Actual balance (national accounts basis) | 1.9 | 5.0 | 4.9 | 4.8 | 3.6 | 3.0 |
| Structural budget balance ¹ | 1.4 | 2.6 | 2.8 | 2.5 | 1.6 | 1.2 |

1) Adjusted for contributions to the Special Pension Scheme (SP).

Source: Statistics Denmark and own calculations.

The large fiscal surpluses contribute to a significant reduction in both the public gross debt (EMU debt) and the central and local government net debt. The EMU-debt is expected to decline from around 26½ per cent of GDP in 2007 to 18½ per cent of GDP in 2009. In 2007, the net debt turned in to a net asset position of around 3 per cent of GDP, which is expected to increase to 9¼ per cent of GDP in 2009.

Denmark fulfils the EMU convergence criteria concerning exchange rates, inflation, interest rates, and public finances, *cf. table 1.2*.

Table 1.2
Convergence criteria in 2007

| | Consumer price inflation (HICP) ¹⁾ Per cent | Long-term yield (10-year Gov't) ¹⁾ Per cent | Public balance (EDP-basis) Per cent of GDP | Public gross debt (EU-definition) |
|----------------------|---|---|---|-----------------------------------|
| Denmark | 2.0 | 4.3 | 4.4 | 26.4 |
| EU25 | 2.7 | 4.6 | -1.2 | 59.9 |
| Euro Area | 2.5 | 4.3 | -1.0 | 66.9 |
| Convergence criteria | 3.2 | 6.5 | -3.0 | 60.0 |

1) Calculated for April 2007 until March 2008.

Source: EU-Commission, Eurostat, Statistics Denmark and Danish Ministry of Finance's calculations.

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 objectives for economic policy and public finances towards 2015. The Danish convergence program for 2007 also incorporates the 2015-strategy¹. The central objectives for the individual policy areas are the following (*cf. box 1.1*):

¹ The Danish convergence programme to be published later this year will contain an update of the 2015-plan, including the latest cyclical assessment.

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 key objectives for *fiscal policy* are to ensure stable economic developments and sustainable public finances. The cornerstone is for planned and projected public expenditures to be financed without needs for fiscal tightening over the long run.

This takes place via a savings strategy, but also by implementing reforms to make public finances more robust. Fiscal policy has aimed to establish and maintain a structural budget surplus and thus gradually bring down public debt, especially given the current favourable conditions with high revenues from North Sea activities and a relatively large number of people ages 16-45 compared to the group aged 65+. The Welfare Agreement from 2006 includes longer-term reforms of both the voluntary early retirement scheme and public pensions, thus making public finances more robust with respect to increasing life expectancy.

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 minimum requirement to the structural budget position is balance, cf. box 1.1. Thus, Denmark meets the requirement in the Stability and Growth Pact stating 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 the GDP. Should the structural budget balance fall short of the targets in the 2015-plan, this would signal a need to adjust the economic policies.

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 $26\frac{1}{2}$ per cent of (cyclically adjusted) GDP. Should projected spending in 2015 exceed the threshold of $26\frac{1}{2}$ 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 cornerstone of *tax policies* is the tax freeze. This entails that no tax or duty must increase whether it be fixed in per cent or the nominal amount DKK.

To support economic growth and 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. To strengthen work incentives, the job allowance (tax deduction for earned income) is raised gradually by 1 January 2008 and 1 January 2009. Furthermore, the marginal tax rate is reduced by raising the income threshold for the middle income tax by 1 January 2009. This reduces the marginal tax rate for around 575.000 persons, who no longer have to pay middle income tax. This supports the ambition of 'making work pay', cf. also the EU Commission's point to watch regarding the need to strengthen work incentives to increase labour supply.

It is the aim of the Government to implement a tax reform with further reductions in taxes on earned income. A Tax Commission has been established, and will present its proposals for a tax reform in early 2009. The purpose of a tax reform is significant reductions in tax on earned income, including lower marginal tax levels, thereby stimulating work incentives. At the same time the reform will support the Government's objectives in the climate- and energy strategy, and be distributionally well-balanced. The reform will be implemented within the sustainable fiscal framework.

The Government has appointed a Labour Market Commission to give recommendations by the middle of 2009 on how to meet the requirements in the 2015-plan concerning employment and hours worked. The Job Scheme from February 2008 is estimated to raise the labour supply in the shorter term. Since the unemployment rate has fallen more than previously expected, and has reached a very low level, the Government has asked its Labour Market Commission for recommendations for further reforms to increase the labour supply and employment within a shorter time frame. The Labour Market Commission presented their first set of recommendations in September 2008.

Box 1.1

Key elements and objectives in the fiscal policy

A sustainable public economy

- Fiscal policy must be sustainable over 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 further 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 balance. Gross debt is reduced further towards 2015.
- Fiscal policy aims at stable and high employment. Fiscal policy focus on stable economic developments and sustainable public finances ensures confidence in the fixed exchange rate policy. The targets for the structural balance may allow some room for manoeuvre for fiscal policy in case of more substantial economic downturns.

Higher employment

- New initiatives should increase employment 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 has appointed a Labour Market Commission to give recommendations on how to meet or exceed the requirements concerning employment and hours worked.

High quality of public service

- The expenditures for public consumption can increase in line with the overall economy. Expenditures may amount to up to $26\frac{1}{2}$ per cent of GDP (cyclically-adjusted) in 2015.
- The recent structural reform of the local and regional governments provides conditions for a better prioritization of public expenditure. An aim is to free resources for further public services in municipalities and regions amounting to DKK 1.2 billion in 2009, increasing to DKK 5 billion in 2013 by making administration more effective. This target has been included in the 2009 budget agreement between the Government and the interest group and member authority of the Danish municipalities (LGDK).
- DKK 10 billion have been allocated over the next 4 years for the initiatives in the Government's proposed reforms on a Strategy for better quality of public services – including tri-partite agreements.
- A quality fund of DKK 50 billion has been established to finance public investments in the health sector, schools, day-care institutions, care of the elderly, etc. over the next 10 years.

Tax freeze and lower income tax

- The tax freeze ensures that no-one will be imposed higher taxes.
- Tax on labour income will be reduced. The income tax will overall be reduced by DKK $9\frac{1}{2}$ billion in 2008-2009. The tax reduction and the financing of it are in line with the tax freeze.
- The Government has established a Tax Commission that will present proposals for a tax reform which will reduce income tax further.

Climate- and energy strategies

- Energy consumption will be reduced (by 4 per cent in 2020 compared to the 2006 level) and renewable energy sources will account for at least 30 per cent of total energy consumption by 2025.
- To reach the ambitious goals of the climate- and energy strategies, energy taxes will be fixed in real terms at their 2008 level.

2. Denmark as a knowledge and innovation society

In order to be able to reap the full benefits of Globalisation, a continuous challenge is to strengthen the field of knowledge and innovation even further. One of the key points to watch for Denmark is to ensure measures which in a cost-effective manner improve primary and secondary education and the number of students completing upper-secondary or tertiary education. Simultaneously, continued implementation of the strengthening of the quality and scope of research together with focus on the interplay between the business sector and public research must likewise contribute to Denmark utilising the opportunities of globalisation.

2.1 Primary and secondary education

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

- Denmark's primary school is to be of world class and ensure that the brightest pupils match the level of the best pupils in other countries, while the level of the weakest pupils must be raised.
- At least 95 per cent of a youth cohort must complete a youth education programme by 2015. An intermediate aim is to ensure that at least 85 per cent of all young people are to complete a youth education programme by 2010.

The primary school is to ensure that the pupils acquire good academic knowledge and skills, encourage creativity and self-dependence and prepare the pupils for further education. The pupils in the primary school are to be among the world's best within the four core subject areas: Reading, mathematics, science, and English.

Box 2.1

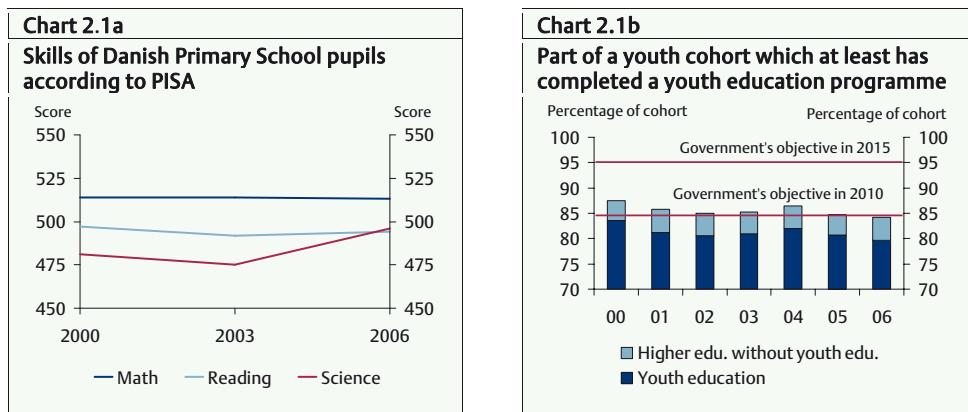
Initiatives in the Primary School (preschool class – 9th grade) to improve reading skills

- In order to address the problems as early as possible, compulsory language screening of all three-year-old children has been introduced and a new screening will take place when entering preschool class.
- The Government has simultaneously strengthened the evaluation of each individual pupil considerably. Personal education plans and tests must ensure that the needs of each individual pupil are identified and that the individual pupil is provided help in time when needed.
- Teacher training has been improved academically in order for e.g. Danish teachers to become more qualified and specialised.

In the latest PISA study from 2006, the 15 year old Danish pupils' skills in reading and science match the OECD average. In mathematics, the skills are somewhat above the average, but not sufficient for a position among the top five. The 15-year age group has improved its academic knowledge and skills in the science subjects from a position at the very bottom to a position in the middle.

On the other hand, the achievements of the 15 year age group in reading and mathematics are not significantly different from those in the 2003 study. However, the gap to the top five has been reduced, but the gap to the absolute top has increased since

the best country has improved its performances. Still, progress has been made in the younger grades: A study among pupils in the third grade shows that the score in reading has increased by 3 per cent and the reading speed by 10 per cent from 2000 to 2006. The skills of the Danish primary school pupils are shown in *chart 2.1a*.



Source: PISA.

Note: Based on a 25 year profile model.

Source: Competitiveness Report 2008.

The latest figures (2006) show that approximately 80 per cent of a youth cohort is expected to complete a youth education programme within 25 years of having finished the 9th grade¹. To this must be added that about 4 per cent of a youth cohort is expected to complete a higher education programme without having completed a youth education programme in advance. As such it is expected that a total of approximately 84 per cent of a youth cohort, having finished the 9th grade in 2006, shall complete at least one youth education programme within the next 25 years, cf. *chart 2.1b*.

Compared to 2005, a slight decline has occurred in 2006 in the number of young people expected to complete a youth education programme. This slight decline could be caused by the extraordinary good employment opportunities that might have prevented some young people from starting a course or motivated some young people to leave the course and take a full-time job.

Due to a delay in data, the trend towards 2008 is yet unknown. Thus, the effects of many educational initiatives in the *Agreement on implementation of the Globalisation Fund* launched in 2007 are not yet traceable in the statistics.

¹ The so-called “profile model” utilized to certify the education conduct of the young people is explained in more detail in Annex 2.

Box 2.2**Initiatives in the field of youth education to support that 95 per cent of a youth cohort are to complete a youth education programme by 2015**

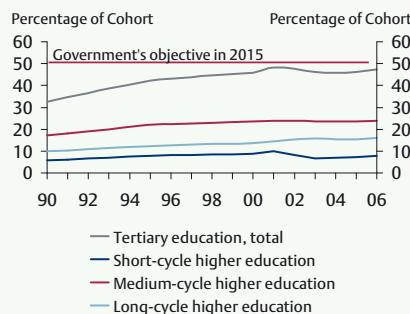
- Introductory programmes and bridging courses to be introduced in order to bridge the transition from school to the youth education system.
- The vocational education and training (VET) system has 12 clusters of occupation. Furthermore, new educational rules and regulations have been elaborated for 109 types of VET.
- Different levels ("ladderisation") have been introduced in the majority of the VET programmes with the aim of enabling the student to dismount the ladder with a certain level of work competences and eventually, with the possibility of ascending again.
- All students should be offered training in entrepreneurship. In the training programme there is generally an increased focus on creativity and innovation. Furthermore, the educational options in foreign languages have been strengthened.
- Ability grouping has been introduced in all subjects in order to meet the needs of both strong and weak learners.
- All vocational colleges should elaborate action plans for promoting a higher completion rate. In these plans the colleges must have a clear end regarding completion in order for them to contribute to accomplishing the task that 95 per cent complete a youth education programme.
- General and practice-oriented basic courses have been introduced in order to meet the needs of both strong and weak learners. Furthermore, teacher contact has become mandatory and mentoring schemes and social/psychological counselling functions have been introduced in order to support young people with weak abilities.

2.2 Tertiary education

One of the key objectives in the education field is that 50 per cent of a youth cohort as a minimum should have completed a tertiary education in 2015 while reducing the age of completion. The Government has introduced a number of measures to increase the quality, strengthen the standards and improve the speed of completion and the attractiveness of higher education programmes in Denmark.

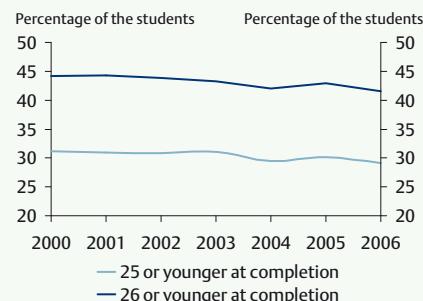
As a follow-up to the Globalisation Agreement, the Government has, *inter alia*, introduced a new taximeter bonus model for the universities. The model implies that approximately DKK 500 million a year is to be divided between the universities from 2009. The criterion for distribution is completion speed.

In concrete terms, a bachelor bonus is to be introduced and will be released to the universities when a student completes a bachelor programme within the prescribed period of study including one extra year, and a master's bonus, which will be released to the universities when the student has successfully completed a master's degree within the prescribed period of study. At the same time new rules regarding the master's thesis have been introduced which, *inter alia*, mean more stringent requirements regarding submission deadlines.

Figure 2.2a**Share of a youth cohort that will complete a tertiary education programme**

Note: Based on a 25 year profile model. Medium cycle higher education includes bachelors. The 2006 figures have been adjusted for lack of data.

Source: Competitiveness Report 2008.

Figure 2.2b**Age distribution at completion of tertiary education**

Note: Please note that the figures for university education programmes 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 figures for 2006 are preliminary and should be interpreted with caution.

Source: Competitiveness Report 2008.

In 2006, almost every third 25-34 year old held a degree in higher education. Given the behaviour in the education system in 2006, 47 per cent of a youth cohort will complete a tertiary education, *cf. chart 2.2a*. In fact, the share of a youth cohort that is expected to complete a higher education has risen over the last years and there are signs that this growth will continue.

There has been a slight decline in the number of students who complete a tertiary education before they are 26 years of age, *cf. chart 2.2b*. There are, however, indications that the behaviour of coming youth cohorts will be different. Thus, the typical age at commencement of a higher education programme fell by almost half a year between 2003 and 2006.

Box 2.3**Initiatives supporting at least 50 per cent of a youth cohort completing a higher education in 2015 (amounts are enumerated in 2007-prices)**

Initiatives concerning the implementation of the Globalisation Fund:

- A total of DKK 130 million has been allocated in 2007-2009 for initiatives aimed at ensuring the in-service training of teachers at medium-cycle education programmes and in-service training of traineeship supervisors.
- A total of DKK 200 million has been allocated in 2007-2009 for initiatives aimed at strengthening quality and standards at university colleges. At the same time a total of DKK 125 million has been allocated for 2008 and 2009 for strengthening and spreading research affiliation etc.
- With the Act on Academies of Professional Higher Education (May 2008), up to 10 academies of professional higher education are to be established at the beginning of September 2008, and they are to be ready to go into operation on 1 January 2009. The academies of professional higher education are to offer academy profession programmes and in-service and higher education programmes within their geographical coverage area. In addition, the academies are to develop new education programmes and function as centres of knowledge and expertise. Finally, the academies are to function as growth layers for the technical and commercial professional bachelor programmes.
- A total of DKK 65 million has been allocated in 2008-2009 to support a reform of the short-cycle education programmes. Higher education is to be made more attractive in order for more young people to commence and complete an education. For this reason the short-cycle higher education programmes are to a higher degree to be targeted to the needs of the labour market and company internship is to be compulsory at all short-cycle higher education programmes.
- A total of DKK 90 million has been allocated for 2007-2009 for the internationalisation of education programmes. More young people are to have the opportunity of taking a high-quality study period abroad. Correspondingly, it is to be possible for highly qualified foreign students and teachers to come to Denmark.
- A total of DKK 60 million in 2008, rising to approx. DKK 1.2 billion in 2012, is to be earmarked for teaching capacity, rising state education grant costs etc., which are due to increased student intake, improved retention of students in higher education and increased study activity per student.

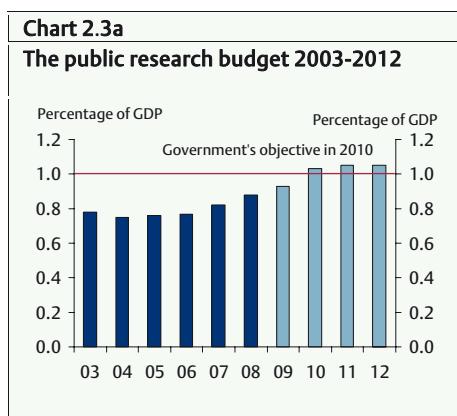
In addition to the initiatives detailed in *box 2.3*, which follow as a result of the implementation of the Globalisation Fund, further measures have been launched to strengthen higher education programmes:

- More stringent specific admission requirements have been introduced from summer 2008 at a number of university programmes. The new requirements have been introduced to strengthen standards at the universities, including the possibility of completing the programmes.
- At the end of 2007, a process was initiated with a view to a number of elite courses being offered at selected master's programmes from 1 September 2008 and 2009, respectively. The selected master's programmes are granted an extra elite taximeter.
- From 2010, a new basis of distribution is to be introduced for allocating core funding which makes use of quality criteria to a higher degree. The indicator groups are the universities' research, education, and dissemination of knowledge.
- With effect from 1 September 2007, a binding time limit was introduced for writing the master's thesis. This change is aimed at ensuring that the students to a greater extent complete their education programme within the prescribed period of study.

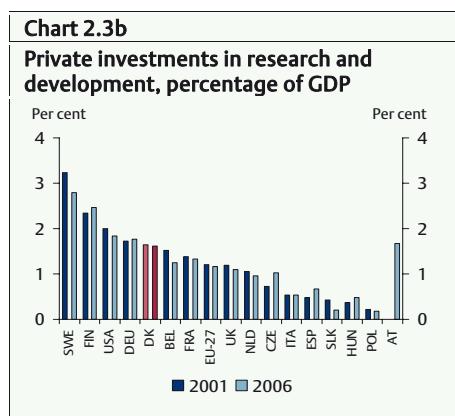
- Strengthening the educational efforts, among other things to avoid unnecessary drop-out and with a view to the form of teaching being adapted to the students' needs and supporting active learning. The new PhD Executive Order, which entered into force on 1 February 2008, also obliges the universities to offer the students a course in knowledge dissemination and guidance concerning teaching.
- An agreement has been entered with the universities to increase the PhD intake up to 2010, and a new possibility has been opened of completing a Business PhD in the public sector.

2.3 Public research – focus on quality, relevance and competition

Publicly financed expenditure for research and development is to reach 1 per cent of GDP in 2010. Significant increases have been budgeted with in both 2009 and 2010, cf. chart 2.3a. On this basis, the Government has launched a number of initiatives concerning prioritisation and quality of assurance of research.



Source: Draft Budget 2009, Statistics Denmark.



Source: Eurostat.

In May 2008, the Government published the FORSK2015 catalogue. Every fourth year FORSK2015 is to result in a strong, progressive basis for deciding the political prioritisation of the funds for strategic research in the coming years' Budgets. Up to now, the FORSK2015 initiative has resulted in 21 proposals for particularly promising research themes to be used in the political prioritisation of strategic research areas on the 2009 Budget.

The Government's objective is that the quality of public research should measure up to the world's best. Thus, it has been decided to develop a bibliometric research indicator after the Norwegian model, which is to promote publishing in the most esteemed publication channels and strengthen the quality of Danish research. The model will be utilised in relation to the distribution of the increasing core funding that the universities are to receive in the coming years.

The University Research Investment Capital (UNIK) initiative is new pool of research funds inspired by the Swedish Linnaeus Grant and the German Excellence initiative. The objective is to promote world-class research and to strengthen university managements' prioritisation of strategic research. The funds are distributed in a process of competition between the universities. The pool, which comprises a total of DKK 480 million divided over the budget years 2008 and 2009, can be applied for large-scale investments in promising research areas. An international panel of experts assesses the research proposals. The UNIK initiative is expected to result in 5 – 8 large grants of DKK 10 – 20 million per annum for five years, which is significantly larger than the traditional research council grants.

In spring 2008, a broad majority in the Danish Parliament adopted an amendment of the Act on Research Guidance, which among other things ensures a new model for implementing a special allocation for research training. At the same time the future framework for the Danish National Research Foundation has been obtained by means of a law that secures the long-term financial basis of the Foundation. The state contributes with DKK 3 billion to the funding.

A whole series of initiatives have been implemented to further the internationalisation of Danish research. In 2007, Denmark entered bilateral agreements on research cooperation with Israel and China as well as partnership agreements with leading universities and institutions in the USA and Japan. In 2007 and 2008, Danish innovation centres were established in Shanghai and Munich. The objective is to build bridges between Danish and foreign research environments and enterprises. At the beginning of 2008, the Danish Ministry of Science, Technology and Innovation launched a strategy that sets up indicators for enhanced cooperation with China in the areas of higher education, research, and innovation.

2.4 Research, innovation and dissemination of knowledge in the private sector
 It is the objective of the Government that Danish enterprises should be among the most innovative in the world. Danish enterprises' innovative activity is found in the middle part of the rankings in both the EU and the OECD. The most recent data show that 37 per cent of Danish enterprises introduced one or more product and/or process innovations between 2004 and 2006. On the other hand, Denmark's ranking is relatively high with respect to EPO patent applications and EU trademarks.

According to OECD calculations, Danish trade and industry invested an amount corresponding to 1.65 per cent of GDP in research and development in 2006, which places Denmark as the country in the OECD where the business sector spends the eighth highest sum on research. The share, however, has been declining slightly in recent years, *cf. chart 2.3b*.

The Government has initiated the work of drawing up a company directed innovation strategy with special focus on improving framework conditions for enterprises'

innovation policy by means of increased protection of rights and more knowledge of new forms of innovation. Work is in progress to create a better overview and co-ordination of innovation policy.

In addition, in 2007 and 2008 a number of initiatives have been launched within research, innovation and knowledge dissemination in the private sector. The initiatives are listed in *box 2.4*.

| Box 2.4 |
|---|
| New initiatives to strengthen research, innovation and dissemination of knowledge in the private sector |
| <ul style="list-style-type: none">• In 2008 the Danish Council of Technology and Innovation launched an appendix to the Council's four-year Action Plan for the implementation of the globalisation strategy, InnovationDenmark 2007-2010. The objective is to further strengthen innovation policy by launching crosscutting strategies and programmes with focus on new areas, including a programme for enterprises' international innovation activities and open innovation as well as the strategy for employee-driven innovation in enterprises and innovation in service trades. Innovation Denmark forms part of the Government's innovation policy, including the company oriented innovation strategy.• Six innovation environments have been selected for the 2009-2011 period. The innovation environments constitute an important link between research and knowledge environments on the one hand and the private capital market on the other. Since 1998 the innovation environments have played a part in establishing more than 600 knowledge-based entrepreneurial enterprises, and the average survival rate after five years is approx. 45 per cent. Many of these knowledge-based entrepreneurial enterprises are patent active. The ability of the innovation environments to attract private capital is increasing significantly and between 2002 and 2006, DKK 1.9 billion was attracted, corresponding to DKK 4.6 for every DKK 1 of government money invested in the innovation environments.• Danish innovation centres have been opened in Silicon Valley, Shanghai and Munich. Innovation Centre Denmark™ functions as a bridgehead in the hot spots of the global economy where the task is to assist innovative Danish enterprises and knowledge environments to find partners, investors, networks, knowledge, and technology and to help with set-up options.• A pool of a total of DKK 20 million was established for 2008-2011 for selected trial and demonstration projects concerning employee-driven innovation in the public sector. The pool is a focus area under the programme for user-driver innovation.• An electronic marketplace has been launched for trade in knowledge. |

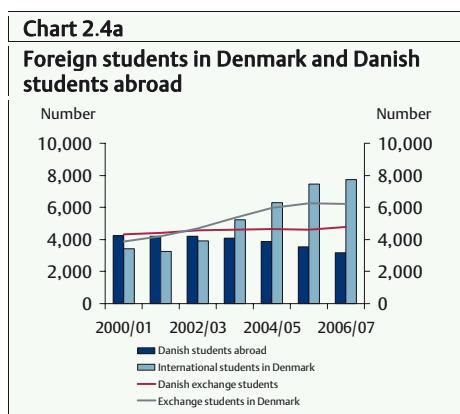
2.5 The fifth freedom – the free movement of knowledge

In order to compete globally and fulfil the objectives of the Lisbon strategy, Europe must be able to educate, retain and attract the best talents. An important part of the efforts to establish the fifth freedom will take place at European level. Denmark is therefore actively working for the necessary decisions to be made in the EU with a view to the establishment of an internal market for knowledge – a fifth freedom – where knowledge, ideas, researchers, and students can move about freely.

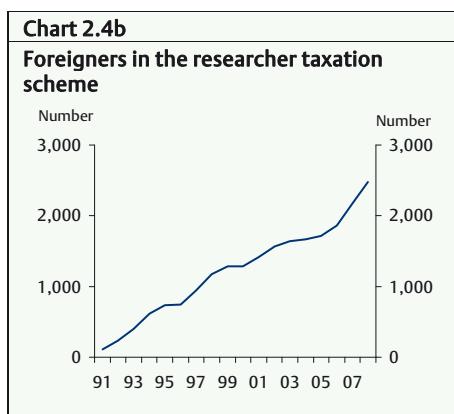
Young people who take an education abroad are an important source of new knowledge, and they contribute to more internationalised courses and research environments and the possibility of attracting highly specialised knowledge and labour.

From *chart 2.4a* it appears that the number of foreign students in Denmark has risen in recent years. In 2005 foreign students constituted just under 8 per cent of students in higher education in Denmark, which is on a level with the OECD average. An increasing number of Danish students choose to take part of their education abroad, while the number of Danes completing an entire education programme abroad has decreased slightly in recent years.

As can be seen in *chart 2.4b*, the number of employees in the researcher taxation scheme has risen in a stable manner since the scheme was introduced in 1992. As per 1 January 2008, 2474 researchers and key employees were attached to the scheme.



Source: Cirius.



Source: Ministry of Taxation.

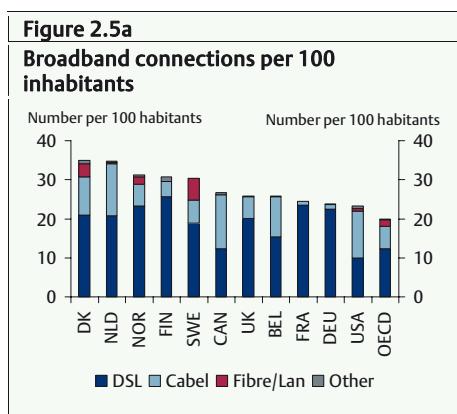
The Government has launched initiatives in a number of key areas to increase student and researcher mobility and contribute to improving the mobility of knowledge:

- As part of the *Job Scheme* described in more detail in chapter 4, the researcher taxation scheme is to be revised to allow the possibility of choosing between 25 per cent gross taxation for three years and 33 per cent gross taxation for five years. Foreign researchers will have the possibility of shorter stays in Denmark as guest teachers before appointment under the special taxation scheme.
- A scheme has been introduced under which students can take the public grant with them to a recognised foreign educational institution. Such a scholarship to study abroad can be used to fully or partially finance study fees. Students at university education programmes can receive the grant for a maximum of two years.
- An action plan for *Proactive Global Marketing of Denmark 2007-10* is in the process of being implemented. The objective of the action plan's initiatives is to contribute to the creation of a clear, positive picture of Denmark abroad. This image is to ensure that Denmark's position is strong in the global competition for, *inter alia*, creative and competent employees and students in the future.

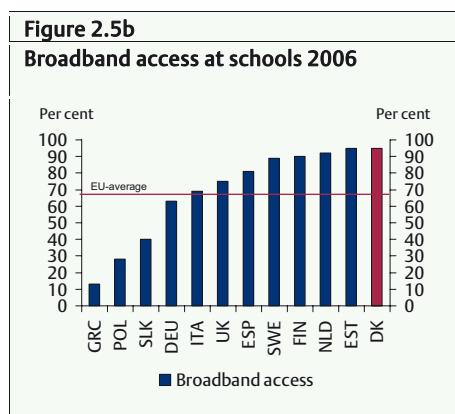
2.6 Expanded application of information and communication technology

Denmark is one of the countries in the EU with the highest distribution and application of information and communication technology, *cf. chart 2.5a*. With 35.1 broadband subscribers per 100 inhabitants, Denmark continues to be the country in the world with the highest broadband penetration². The competition on the telecommunications market in Denmark and technological development has meant that the prices for broadband access have fallen by about 80 per cent between 2000 and 2008.

In 2007, 78 per cent of all Danish households had internet access and 70 per cent had a broadband connection³. By comparison, the EU average in 2007 for internet access was 54 per cent and broadband⁴ 42 per cent. Internet access in Danish schools is among the highest in the EU and was 95 per cent in 2006 compared to 67 per cent for the EU as a whole, *cf. chart 2.5b*.



Source: OECD.



Source: EU Commission.

As one of the world leaders in IT, Denmark has good conditions for becoming a role model in terms of reducing energy consumption, both through a greener life cycle for IT solutions and by promoting innovative IT solutions that can reduce energy consumption and CO2 emissions in other sectors. An action plan has been drawn up with a number of concrete initiatives for Denmark to actively promote green IT locally and internationally. A growing use of alternative types of communication that give the user more mobility has been recorded. Mobile broadband is a technology that became increasingly popular in 2007. In the period from July to December 2007, the amount of data transferred via the mobile net increased 26 times in relation to the corresponding period in 2006⁵.

² In the OECD context broadband is defined as an internet subscription with a download speed of minimum 256 kbit/kbit/s.

³ The figure will be higher if internet access is calculated in percentage of population instead of per household as there is normally more than one person per household.

⁴ Eurostat defines a broadband connection as an internet connection with a download speed of minimum 144kbit/s.

⁵ The amount of data thus rose from 21.5 million MB to 564.4 million MB.

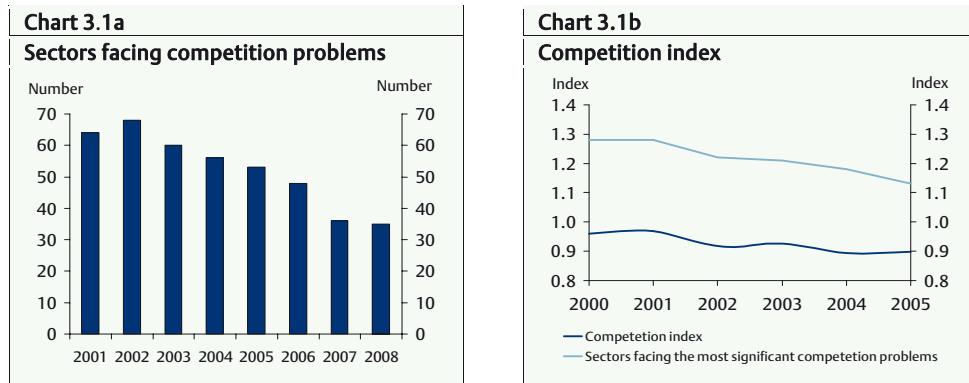
3. Unlocking Denmark's full business potential (Efficiency, Competitiveness and the Internal Market)

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

The EU Commission's points to watch for Denmark in terms of energy interconnections are discussed in this chapter. Competitiveness and efficiency in the gas and electricity markets have improved significantly since last year's report.

3.1 Realising the potential of globalisation through enhanced competition

The Government's overall competition policy objective is for Denmark's competitiveness to be on a par with the best-performing OECD countries in 2010. From 2007 to 2008, the number of sectors facing significant competition problems has fallen from 36 to 35, *cf. chart 3.1a*. The aim is to reduce the number of sectors facing significant competition problems to a maximum of 32 by 2010, equivalent to a 50 per cent reduction in the 2001 figure.



Source: Competition Report 2008.

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

Source: Competition Report 2008.

Other factors also indicate an improvement in Denmark's competitive position. A new competition index¹ seeking to measure Denmark's competitiveness at sector level also indicates an improvement in Denmark's competitive position from 2000-2005, *cf. chart 3.1a*. As will appear from *chart 3.1b*, the greatest improvement, measured in relative terms, has taken place in the sectors facing the most significant competition problems.

The Danish Competition Authority's 2008 report of price differences between Denmark and the EU-9² shows that Danish prices in 2006, as in 2005, were 8 per cent above the average, adjusted for VAT and other taxes and the high level of prosperity in Denmark. Services prices, in particular, are relatively high in Denmark.

Danish competitiveness is expected to continue improving over the coming years as the full effects of the most recent amendments to the Danish Competition Act feed through to increased competitiveness³. Moreover, the Government has implemented the following initiatives to improve long-term competitiveness:

- 1 January 2008, a committee was appointed to consider how the efficiency of merger control in Denmark could be improved, including taking a position on whether or not to change the threshold values for merger reporting. The committee will serve until autumn 2008.
- The Competition Authority has prepared a systematic investigation strategy targeting cartels. With this strategy – and the penalty relief scheme introduced on 1 July 2007 – Denmark has stepped up its fight against cartels.
- The Government has appointed a new, more focused Public Procurement Committee to encourage and increase public-sector competition.

In its evaluation of Denmark's National Reform Programme 2007, the EU Commission notes that improving the energy interconnections is a point to watch for Denmark. Competitiveness in the Danish electricity and gas markets is increasing these years due, to a great extent, to the expansion of the energy infrastructure across Danish borders.

As far as the gas market is concerned, the construction of a pipeline to Poland (the Baltic pipe) is under consideration. Other ideas under consideration are extending the pipelines to Norway (Skanled and Europipe II) and Germany. A gas exchange has been established in Denmark. Since spring 2008, gas operators have been able to use the exchange for trading. Moreover, the storage capacity has been expanded.

¹ The index is based on the following eight objective indicators: The existence of competition-restricting public regulation, concentration, import-adjusted concentration, addition rate, market share mobility, diversification of productivity, payroll premium and return on assets. The index focuses on the 50 per cent of the sectors with the lowest index, as changes in these sectors may be attributable to changes that do not significantly affect competition, e.g. an increase in concentration from an already low level.

² EU-9: Belgium, Denmark, Finland, France, Italy, the Netherlands, the UK, Sweden and Germany.

³ The strengthening of the Danish Competition Act was described in detail in Denmark's National Reform Programme 2007.

Regarding the electricity market, the existing pipeline between Jutland (Denmark) and Germany has been extended and trading in the pipeline is now possible within the operating day. Moreover, it has been decided to strengthen the existing transfer pipeline to Norway. The most important element in Danish electricity market developments is the German-Danish market coupling project, launched in September 2008. The market coupling mechanism is expected to lead to more efficient exchange of electricity between the two countries. Finally, an electricity pipeline between Eastern and Western Denmark will increase competition and improve security of supply, starting in 2010.

3.2 The Internal Market

The Internal Market Scoreboard from July 2008 for the transposition of internal market directives shows that, as far as Denmark is concerned, there has been a slight improvement in the transposition deficit from 0.9 per cent last year to 0.7 per cent this year. The number of regulatory breaches has also fallen slightly. In April 2008, Denmark thus had 25 pending cases involving regulatory breaches in the EU, down one case relative to 2007.

The Danish Government has drawn up an action plan for the transposition of the *EU Services Directive*. Further to the transposition, screenings of authorisation schemes have been performed, as well as screenings to establish whether Danish regulatory requirements for services providers are in compliance with the Services Directive. Moreover, work is still ongoing to establish a *one-stop shop* for foreign enterprises, the objective being to reduce administrative barriers to foreign enterprises' access to the Danish market. The one-stop shop is expected to be established in early 2010.

To follow up on the regulation on the surveillance and control of marketed products, scheduled to take effect in 2010, an overall inter-ministerial programme will be prepared to ensure coordination of efforts and implementation of market surveillance.

3.3 Better regulation

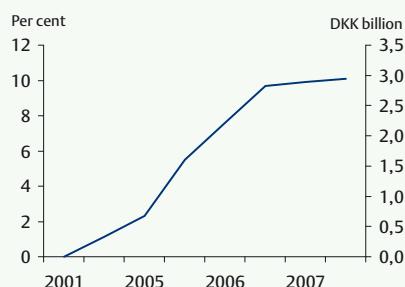
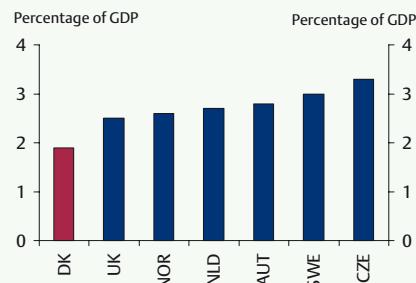
The Government's objective is to reduce the administrative burdens of Danish enterprises by up to 25 per cent in 2010 relative to the 2001 level. During the period from 2001 to 2007, administrative costs were reduced from about DKK 30.9 billion to approximately DKK 27.8 billion, equivalent to a 10.1 per cent reduction, *cf. chart 3.2a*.

Work is continuing on further specific inter-ministerial proposals which, between them, are estimated to generate sufficient savings to meet the 2010 target. In 2006/2007, adoption of new rules generated administrative savings of some of DKK 228 million, but, at the same time, other rules were adopted which resulted in costs of about DKK 146 million, about 50 per cent of which can be attributed to new EU requirements.

Box 3.1**Danish focus on burdens of annoyance by involvement of enterprises**

Efficient business regulation and administrative relief is not just a question of simplification of rules through a quantitative reduction of administrative burdens. The so-called “burdens of annoyance” are also significant. In 2007, the Danish Government launched the so-called “Burden Hunter” project. Under this project, project members visited enterprises to gain insight into enterprises’ perception of the public sector and the services offered. The experience gained from the project has been positive. A new method, including direct involvement of enterprises, process studies, etc., has shed new light on enterprises’ perception of burdens, and a number of initiatives have been implemented as a result of the project.

Denmark has a healthy business climate. The World Bank has conducted a survey of business regulation placing Denmark as number one among the EU member states. As in previous years, administrative costs in Denmark relative to GDP are among the lowest in the EU, *cf. chart 3.2b*.

Chart 3.2a**Administrative relief for the business sector****Chart 3.2b****Administrative costs as per cent of GDP**

Source: Competitiveness Report 2008.

Source: Competitiveness Report 2008.

Denmark has launched a wide range of initiatives to ensure continued focus on better regulation and reduction of enterprises’ administrative costs, *cf. box 3.2*.

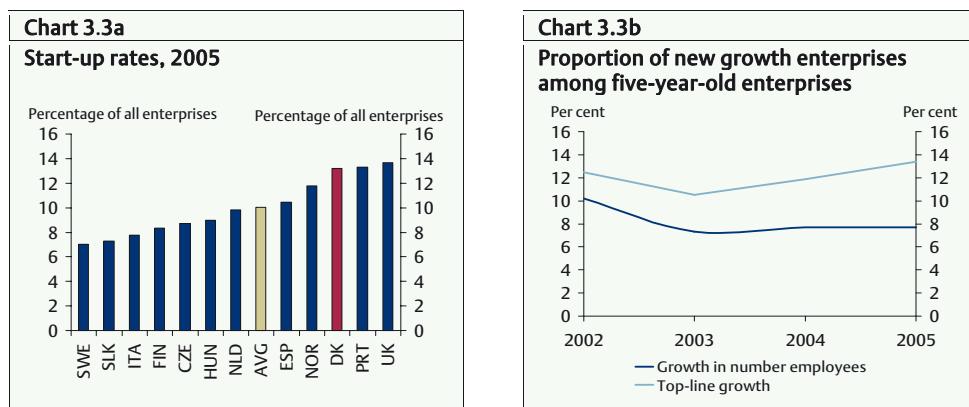
Box 3.2**Initiatives for better regulation and reduction of administrative costs**

- Compulsory assessment of the administrative consequences for the business sector prior to the adoption of new regulation; proposals that are expected to create administrative costs equivalent to more than 10,000 hours per year must be submitted to the Government for separate assessment. The ministries with the highest administrative costs are to draw up action plans for achieving a 25 per cent reduction in administrative costs under the existing regulation. This year, identification of workable EU proposals for the simplification of rules is included in the action plans and, in the form of initiatives, these proposals contribute to achieving a 25 per cent reduction in administrative costs.
- Denmark has intensified work on digitalisation including, in particular, increased cross-authority re-use of data, optimisation of selected enterprise processes, development of several system-to-system solutions and reporting solutions, and enabling immediate settlement of cases. These initiatives aim to ensure that enterprises need only report the required information to the public sector once.
- Under the auspices of the "Burden Hunter" project, a new method has been developed for the collection of knowledge by ministries. Through the involvement of enterprises, knowledge is collected about enterprises' perception of burdens – especially the so-called "burdens of annoyance" – and proposals are prepared for the simplification of rules based on this knowledge. The Danish Government will submit an overall plan for debureaucratisation, with particular focus on relief of burdens of annoyance on small and medium-sized enterprises.
- Danish efforts to reduce administrative costs related to EU regulation have been intensified. In order to ensure early action on potentially burdensome EU regulation, Denmark launched a new process in 2008 to capture administratively burdensome EU regulation. Thus, all new EU regulation is screened for administrative costs and a feasibility assessment of potential administrative costs is conducted. In relation to the extensive work of measuring administrative burdens at EU level, Denmark, at the end of 2008, will submit a proposal to the Commission on the simplification of rules in the 13 priority areas.

3.4 Entrepreneurship

Each year, a large number of enterprises are started in Denmark. The Danish start-up rate has reached a 10-year high, and in 2005 approximately 13 per cent of all Danish enterprises were less than a year old, placing Denmark in third position relative to other EU member states, *cf. chart 3.3a*.

A key challenge facing Denmark is creating more new growth enterprises. Denmark is still lagging behind several other countries in terms of the proportion of new growth enterprises. However, the proportion of new enterprises with more than five employees achieving high growth has shown an upward trend over recent years. This is particularly true when it comes to top-line growth, *cf. chart 3.3b*.



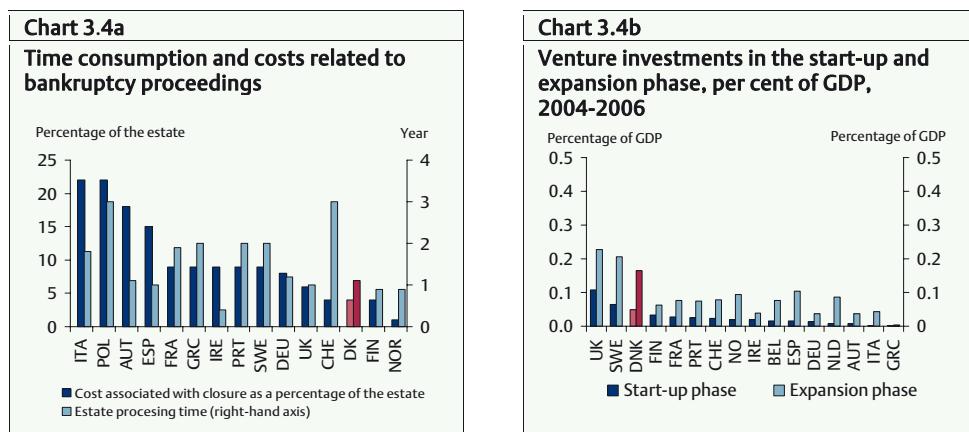
Note: Number of new enterprises as a percentage of the total number of enterprises. New enterprises have been in operation for less than a year. AVG is an unweighted average of the 12 countries.

Source: Eurostat and a special run by Statistics Denmark.

Note: New growth enterprises relative to the total number of entrepreneurs, including all new enterprises of between one and five years at the beginning of the growth period, with an average growth rate of more than 72.8 per cent (20 per cent a year) over a three-year period. The new enterprises need to have 5+ employees at the beginning of the growth period.

Source: Own calculations based on data provided by Statistics Denmark.

Possibilities of starting up a new enterprise in Denmark are good. It takes just six days to register a new enterprise and no fees or taxes are levied on the actual start-up, placing Denmark among the top countries. Denmark has the second-lowest transaction costs associated with filing bankruptcy in the EU and, on average, it takes 1.1 years to finalise an estate in Denmark, *cf. chart 3.4a*. In terms of GDP, the Danish venture capital market is the third-largest in Europe, driven by high start-up and expansion investments, *cf. chart 3.4b*.



Source: The World Bank, Dong Business 2008.

Source: EVRA.

Under the Globalisation Strategy, the Government's overall efforts to promote entrepreneurship have been targeted at strengthening Denmark's entrepreneurial culture and skills; expanding advisory services; revising bankruptcy legislation; and strengthening the access to finance. Several new initiatives have been launched since last year, *cf. Annex 4*.

3.5 Infrastructure

To overcome quite a significant investment backlog, built up over recent decades, political transport agreements in 2003, 2005, 2006, and 2008 have allocated funds totalling DKK 30.4 billion until 2014 for investment in the Danish road and rail infrastructure.

Moreover, the Government appointed an *Infrastructure Committee* in autumn 2006. The Committee was commissioned to assess key challenges and development opportunities for Danish infrastructure and Government transport investment in the period until 2030. The assessment was to be based on long-term expectations for transport needs and patterns, taking into consideration demographics, urbanisation and urban development, commuting, trading, etc. In its report, published in January 2008, the Infrastructure Committee recommends six focus areas: 1) The ring links in the greater Copenhagen area should be completed, both as far as the road and rail links are concerned, 2) An overall plan should be drawn up for infrastructure development in the urban region of East Jutland, 3) It should be ensured that all parts of Denmark are effectively connected to overall transport hubs and corridors, 4) Danish gateways to other countries should be a central element in an efficient transport infrastructure, 5) Intelligent technological solutions should ensure optimum utilisation of the infrastructure, and 6) Efforts to contain the environmental and climate impacts of transport should be intensified.

According to plan, the Government will submit a proposal for a transport investment plan in autumn 2008 based on the report of the Infrastructure Committee.

The agreement on a fixed link across the Fehmarn Belt will be implemented as a treaty between Denmark and Germany as regards the establishment of the link. The treaty was signed 3 September 2008 and, according to plan, a bill for a planning act will be introduced in the Danish Parliament by the end of 2008. The aim is for the link to open in 2018.

3.6 Competition and efficiency in the public sector

In August 2007 the Government submitted its proposal for a quality reform. *The Quality Reform* sets up a number of initiatives designed to increase competition exposure through easier access to public procurement, outsourcing, and public-private partnerships (PPPs), and a number of initiatives designed to strengthen free choice. The key initiatives are described the National Reform Programme 2007.

The initiatives are part of respectively the Government's plan of future initiatives for 2008 and the budget for 2008. Implementation takes place from 2008 to 2010. The Danish competition initiatives should be seen in light of the multi-annual cooperation agreement submitted in 2006 regarding increasing the competition exposure of municipality tasks towards 2010. The municipalities have during the last year increased the share of tasks exposed to competition with 2 pct. to 23.7 pct. In June 2008, the Government and the municipalities agreed on 26.5 pct. as the target for competition exposure for municipality tasks in 2010, measured in terms of the indicator of competition exposure.

In June 2008, the Government put out a plan to increase public efficiency, *Citizen-Related Service – Plan of freeing resources to citizen-related service*. The plan puts forth four methods to free resources: 1) Less expenses for administration, 2) Less expenses for procurement and energy, 3) Less illness absenteeism, 4) New technology and better organization of work. The plan is to be carried out in cooperation with municipalities and regions. The Government's objective is to free resources for DKK 1 billion in 2009 – increasing to DKK 5 billion in 2013. The freed resources remain in the municipalities and regions.

The Government has allocated DKK 3 billion to *a fund for labour economizing technology*. The selection of projects and hereby the concrete utilization of the funds for labour economizing technology will – for the first time – be on budget in 2009.

In summer 2007, the Government, Danish Municipalities, and Danish Regions launched a *cross-public strategy for digitalization* of the public sector 2007-2010. The strategy contains 35 initiatives to be carried out until 2010 and includes digitalization targeted at improvements in the service to citizens and firms and coordinating and prioritizing the contributions to digitalization in the public sector through mutually binding cooperation at all levels.

3.7 Regional growth policy

The interaction between EU financed, national, regional, and local business policies is reflected in the structural funds framework for 2007-2013; in Denmark's strategic reference framework; in operational structural funds programmes; and in regional business development strategies and action plans. To this should be added regional partnership agreements on growth and business development entered into between the Government and the regional growth forums with a view to implementing the Globalisation Strategy regionally and supporting regional business development strategies. The overall objectives of the Danish structural funds initiatives are set out in detail in Denmark's National Reform Programme 2007. The Danish structural funds initiatives are designed to help spur overall growth in Europe and realise the Lisbon objectives by bracing Danish enterprises for globalisation and improving regional growth conditions.

Specifically, it should be mentioned that the Danish social fund initiatives 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. The social fund initiatives thus also contribute to addressing the Danish point to watch of increasing the labour supply. 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.

Danish regional business policy initiatives are subsidised by approximately DKK 1 billion a year, including approximately DKK 0.5 billion from EU structural funds. These funds help to support the implementation of the Government's Globalisation Strategy and regional business development strategies within the framework of the operational programmes.

In 2007, the greatest overall focus of the growth forums was tourism and innovation, followed by education and entrepreneurship. Activities totalling DKK 962 million were prioritised. Growth forums prioritised some 25 per cent of these funds for tourism, 18 per cent for innovation and new technology, and approximately 16 per cent for educational activities. Finally, 14 per cent of the funds were prioritised for entrepreneurship. The specific initiatives of individual growth forums are based on regional business development strategies, Danish structural funds programmes, and the partnership agreements with the Government on growth and business development. However, initiatives vary from region to region due to different starting points and challenges.

In 2008, stock was also taken of the six regional partnership agreements, showing good progress. At the same time, supplementary agreements were concluded between the Government and each growth forum. The supplementary agreements put increased focus on e.g. attracting and retaining foreign labour and foreign students and creating better conditions for innovation and entrepreneurship. A number of business clusters have also come into focus. Furthermore, the focus on realising the energy sector's growth potential has been sharpened as has the focus on promoting cross-border cooperation.

Ten per cent of the structural funds, about DKK 50 million a year, are exposed to competition and are designed to help implement particularly promising projects. For 2008, the Danish Growth Council has selected the themes '*Promotion of Energy Efficiency and Renewable Energy*', '*Good Framework Conditions for Foreign Labourers in Denmark*' and '*Improved Framework Conditions for Developing Cluster Relations*'.

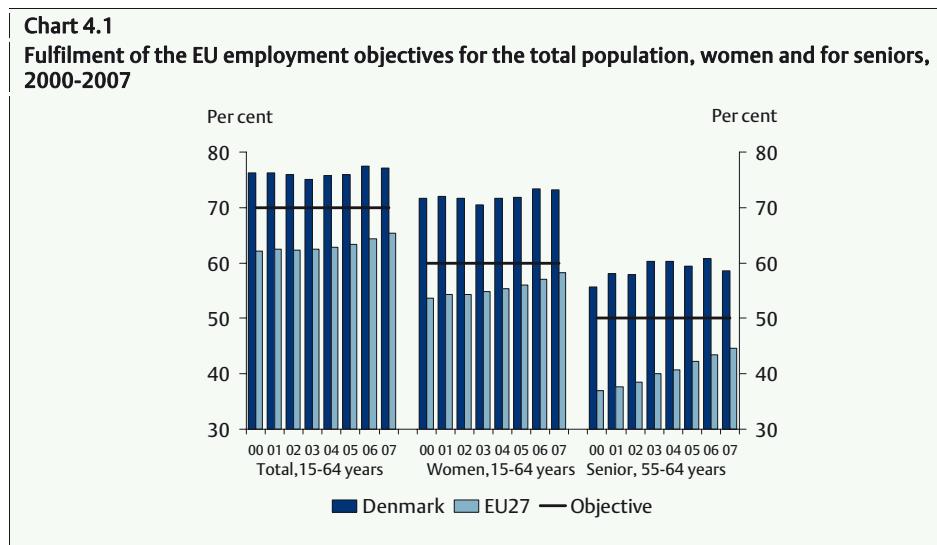
In 2007-2008, the Danish Growth Council contributed to sustain the momentum in the implementation of regional business development strategies – e.g. by placing focus on energy and on keeping foreign labour in Denmark.

4. The employment and labour market policy

Denmark has implemented a series of reform measures that have contributed to increasing the labour supply and reducing the structural unemployment over the years. The employment rate is significantly above the EU objectives and unemployment is historically low. Increasing labour supply continues to be a central point to watch for Denmark. Thus, a sustained, higher employment must be ensured as the challenge of curtailing capacity on the labour market must be met, including an increase of the labour supply and working hours on the medium term. Furthermore, the Government has the goal of improving the structure of the labour market and increasing employment through continued development of the flexicurity model.

4.1 The EU employment objectives for the Lisbon Strategy¹

Denmark fulfils the objectives in the Lisbon Strategy regarding employment rates for the 15-64 year olds, for 15-64 year olds women and 55-64 year olds seniors, cf. chart 4.1.



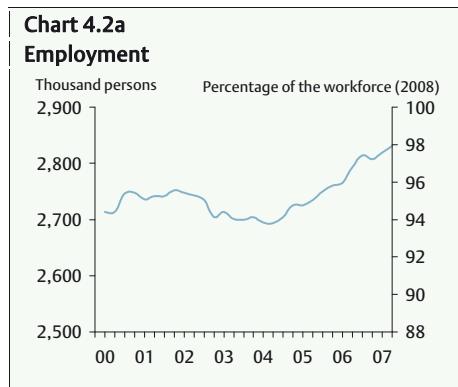
Source: Eurostat.

4.2 The labour supply

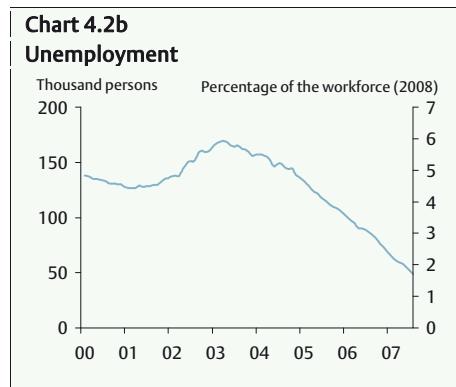
Low unemployment, high employment rates and a high labour demand characterises the Danish labour market. This is inter alia reflected in continued, however declining recruitment problems. In spring 2008, Danish enterprises had to give up filling approximately 39,000 positions, corresponding to 1.4 per cent of the total employment. In comparison, this figure was 2.1 per cent in 2007. Even though the recruitment challenge has declined slightly, the high capacity utilisation, declining unemployment, and the demographic pressure on the labour market continues to

¹ Further reference is made, in general, to the contributions from the social partners and others, enclosed as annex 8.

restrain the growth potentials in the production. In July 2008, the seasonally adjusted unemployment for the 16-64 year olds was 44,000 full-time persons corresponding to 1.6 per cent of the labour force, *cf. chart. 4.2b*. Unemployment dropped by almost 127,000 persons corresponding to approximately 4.4 per cent of the labour force compared to December 2003, where unemployment reached a peak.

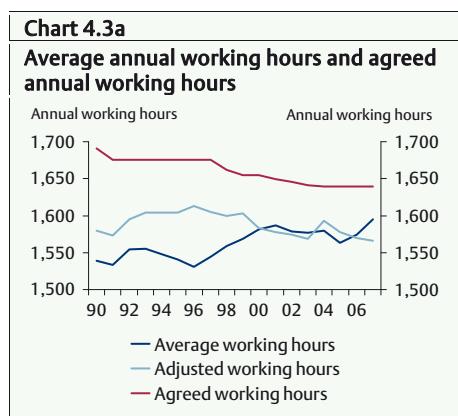


Source: Statistics Denmark and own calculations.

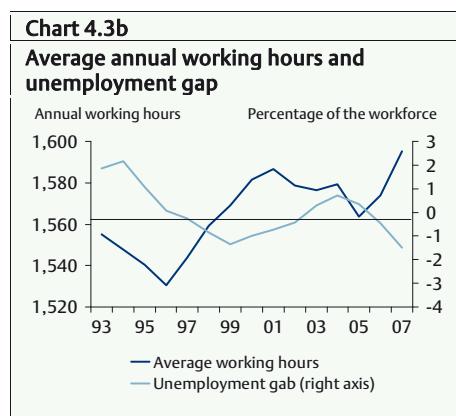


Source: Statistics Denmark and own calculations.

The average annual working hours has increased by 2 per cent from 2005 to 2007, *cf. chart 4.3a*. This corresponds to an increase of almost 32 hours per year. In the same period, the agreed working hours have been more stable, which indicates that the actual pressure on the labour market has increased the working hours. In general, a trend of the average annual working hours being low when the unemployment gap is positive and being relatively high when the gap is negative can be ascertained, *cf. chart 4.3b*.



Source: ADAM, Statistics Denmark and own calculations.



Remark: The unemployment gap is the difference between unemployment and the calculated level for the structural unemployment.

Source: Statistics Denmark and own calculations.

At the same time, a strong growth in employment of almost 91,000 persons corresponding to approx. 3.2 per cent of the labour force has been ascertained. In 2007 alone, the total number of performed working hours, i.e. the total employment measured in hours, increased by 3.1 per cent. Finally, the labour productivity declined by 1.1 per cent in 2007. The labour productivity decline must be seen in light of the extraordinarily low unemployment which has implied that the most disadvantaged groups, including persons with reduced working capacity, have been included on the labour market.

The Government's goal is to ensure that the necessary and qualified manpower is available to the enterprises. Several initiatives have commenced in order to ensure an increased labour supply in line with the European Commission's point to watch for Denmark from 2007, cf. box 4.1.

Box 4.1

Initiatives to increase the labour supply

- The agreement *Lower tax on labour* including a reduction of the tax on labour income.
- The appointment of a *Labour Market Commission* that must submit proposals to ensure a lasting increase of employment and labour supply.
- The appointment of a *Tax Commission* that must prepare models for a tax reform where, inter alia, tax on labour income is reduced.
- The agreement on a *Job Scheme* that shall increase the labour supply now and in the future.
- Submission of *Action Plan for a Reduction of Illness Absenteeism*.
- Political negotiations regarding a *Labour Market Package*.

In September 2007, the Government entered into the agreement *Lower Tax on Labour* (cf. chapter 1), which among other things includes an increase of the employment deduction and the intermediate tax rate. On the whole, the agreement is estimated to increase the labour supply corresponding to 7-8,000 full-time persons.

In December 2007, the Government formed a *Labour Market Commission* which is to present proposals for how employment and labour supply can be increased permanently and contribute to ensuring that the fiscal policy in the 2015 plan is sustainable. The Commission is broadly composed of independent, expert members. The social partners are involved in the work through a tripartite forum. In light of the increased risk of low growth due to lack of labour supply, the Government has requested the Labour Market Commission to prepare a proposal for a *Labour Market Package* already in the autumn of 2008. The package should include proposals that contribute to an increased labour supply within a shorter time frame. The Labour Market Commission presented this package 29 September, 2008. The Commission's complete initiative will be presented to the Government in the middle of 2009.

In January 2008, the Government appointed a *Tax Commission*, cf. chapter 1. The purpose of a tax reform is significant reductions in tax on earned income, including lower marginal tax levels, thereby stimulating work incentives. The Tax Commission must submit a report to the Government by 1 February 2009 at the latest.

In February 2008, the Government entered into an agreement regarding a *Job Scheme*, which shall increase the labour supply in the short as well as in the long term. The Job Scheme aims at increasing employment, thus making people independent of public benefits. The main points in the Scheme are a continued strengthening of the employment amongst seniors and persons with reduced working capacity. Moreover, the Scheme focuses on increasing the recruitment and retaining of qualified foreign labour inter alia by marketing Denmark as an attractive country to work in and facilitate the access to jobs in Denmark. The Job Scheme includes the following main points:

- *Certainty for the right to incapacity benefits.* Disability pensioners who are under the old scheme have received full assurance that they do not risk losing the right to incapacity benefits if they work.
- *Pensioners shall have improved opportunities to work.* A special lower-limit allowance of DKK 30,000 per year has been introduced for pensioners and the employment requirement for postponed pension is reduced.
- *Tax reduction for 64 year olds in employment.* This is achieved if the 64-year-old has worked full-time since the age of 60 and has an average annual earned income below DKK 550,000 from the ages 57-59. The scheme will come into force gradually.
- *New regulations for supplementary unemployment benefits.* The regulations have been harmonized and adjusted. In the future, supplementary unemployment benefits can be received for 30 weeks within 104 weeks. The adjustment shall create increased transition from part-time work to full-time work by ensuring sufficient incentive with employers and employees. The adjustment is expected to have an employment effect of 1,700 full-time persons. The agreement must be seen in context with the Tripartite Agreements from 2007 where the Government together with Local Government Denmark, Danish Regions, Danish Confederation of Trade Unions, and Confederation of Professionals in Denmark agreed to work on public employees in part-time jobs having the opportunity for full-time or more hours (cf. annex 8).
- *More adult apprentices.* The scheme has been expanded with a further 1,500 adult apprentices in 2008 and 2009. An assessment of the scheme has been conducted and will be discussed in autumn.
- *Increased effort for international recruitment.* It has become easier for highly qualified manpower to enter Denmark. The initiatives include an expansion of the positive list, reduction of the amount limit in the job card scheme from DKK 450,000 to DKK 375,000 per year, expansion of the Green Card scheme, introduction of group residence permits, and more flexible job transfer for foreigners. In October 2008, three new international recruitment centres will be opened which will service companies and job seekers.

The Job Scheme is estimated to have a provisional employment effect of almost 7,000 whole-year persons. The effects of increased international recruitment are not included in this estimate.

In June 2008, the Government submitted an *Action Plan to reduce Illness Absenteeism*. The plan contains 30 actual proposals and will be negotiated politically in autumn 2008. Four areas are in focus 1) Strengthened prevention of illness absenteeism, 2) Promotion of an early effort upon illness, 3) Focus on ill people being more active during illness absence and 4) Improved interaction between the health and employment efforts.

The Action Plan is estimated to reduce illness absenteeism by 4,500 persons within a short number of years. The working environment effort must simultaneously contribute to preventing illness absenteeism, attrition and early withdrawal from the labour market. The prevention fund supports projects for the prevention of physical and psychological attrition and companies in the attrition-threatened industries will receive offers from the Danish Working Environment Authority regarding extended preventative guidance.

4.3 Continued development of the flexicurity model

The European Council's conclusions from the Spring Council on Growth and Employment in March 2008 emphasise that flexicurity creates a balance between flexibility and security on the labour market and contributes to utilise the opportunities of globalisation. The European Council encourages the Member States to implement the adopted principles of flexicurity while preparing their National Reform Programmes 2008.

The Danish model is characterised by flexible employment and dismissal regulations, income-replacing benefits (unemployment benefits or social assistance) upon unemployment and a comprehensive active labour market policy, ordinary education as well as adult vocational education. The Government evaluates the need for development of the model on an ongoing basis in order to ensure that persons who can work do get a job.

The European joint indicators for monitoring and measuring of the development of the flexicurity elements show, as far as Denmark is concerned, high values for the input and process indicators compared to other EU countries.

The social partners contribute to ensure the development of the Danish flexicurity model, in particular via collective agreements, the latest ones being from 2007 (the private labour market) and 2008 (the public labour market). In the private sector, funds have been set aside for skills development and on a number of areas agreements have been concluded regarding more flexible working hours. As part of the public collective agreements, initiatives have commenced regarding skills development, retention of senior employees and improvement of the quality of the work, cf. the Tripartite Agreement in 2007 between the Government, the public employers and The Danish Confederation of Trade Unions, Confederation of Professionals in Denmark, and the Danish Confederation of Professional Associations. Moreover, on the Government area, "plus time" has been agreed on,

which provides the opportunity to negotiate weekly working hours that exceed the normal working hours.

4.4 Upgrading qualifications and continuing education

The goal of the Government's Globalisation Strategy, within the area of adult and supplementary, vocational training, is to ensure life-long learning for everyone. The effort must be effective and flexible and sustain good job opportunities for the individual. It must contribute to increased competitiveness, high employment, and prosperity.

Participation in adult and supplementary education and training in Denmark is high regarding groups with a high education level as well as unskilled groups. In 2006, almost every fourth person in the labour force between the ages of 25-64 had participated in adult and supplementary training activities. As a follow-up to the agreement from 2007 with the social partners, the Government has executed a large number of initiatives that will strengthen the activities.

The Government has set aside a pool of DKK 1 billion for the financing of public operational costs for more vocational adult and supplementary training. The social partners have, on their part, strengthened the frameworks for the adult and supplementary training effort with the renewed collective agreements on the private labour market in 2007, in which skills development comprises an important part. In the collective agreement on the national, regional, and local area for 2008, funds have also been set aside for the upgrading of qualifications of employees in public service.

Furthermore, an *increase of the rates for labour market education* has been agreed. The aim is to give institutions an increased incentive to offer courses. Strengthened framework conditions for labour market education ensure an increased activity and greater flexibility in the execution of the educations. In 2007-2009, DKK 100 million have been set aside to ensure improved consulting of employees and companies with particular focus on the target group of low-skilled persons and the small and medium-sized enterprises.

Finally, in the period 2008-2010, the *National Centre for Skills Development* has been established. The Centre shall contribute to clarifying the development and the effect of the total adult and supplementary education effort in Denmark.

4.5 The effort for special target groups

Box 4.2

The effort in relation to special target groups

- Seniors – *e.g. strengthening of employment opportunities, removal of the exemption from activation measures.*
- Ethnic minorities (immigrants and descendants) – *e.g. targeted campaigns and increased activation measures.*
- Disabled – *e.g. trials and special effort on promoting flexi jobs.*

In the period 1998-2007, a positive development in the employment rate for seniors has been noted, cf. table 4.1. In 2007, 77.8 per cent of the 55-59 year olds were employed whilst 40.5 per cent of the 60-64 year olds were employed. For both groups, the employment rate has increased by more than 10 per cent points since 1998.

Table 4.1
The employment rate for senior employees (per cent)

| | 1998 | 2000 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-----------------|------|------|------|------|------|------|------|------|
| 55-64 year olds | 49,8 | 53,0 | 56,7 | 57,7 | 57,8 | 58,0 | 58,4 | 59,3 |
| 55-59 year olds | 66,0 | 70,4 | 73,2 | 73,7 | 74,0 | 74,6 | 75,8 | 77,8 |
| 60-64 year olds | 30,3 | 30,6 | 33,9 | 35,8 | 36,4 | 37,7 | 38,9 | 40,5 |

Remark: A national definition of employment rates has been used, which varies slightly compared to the figures the EU Commission uses, cf. annex 6.

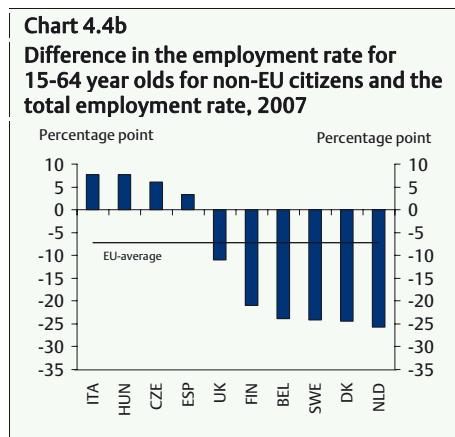
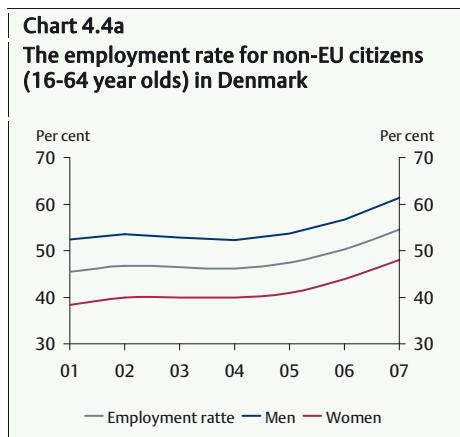
Source: Statistics Denmark and own calculations.

The employment options for seniors have been improved by the introduction of a provisional wage subsidy scheme with employment in private companies for persons who are over 55 years old and who have been unemployed for 12 consecutive months². Moreover, as of 1 January 2008, a scheme was introduced in which 55 year olds and above who lose the right to unemployment benefits can get a municipal senior job under ordinary salary and employment terms up to the early retirement age. In collective agreements on certain areas, senior days and senior bonuses have been agreed on. In addition, a Senior Think Tank has been appointed which shall promote the political debate about seniors and increase seniors' participation in employment.

In 2007, 53.4 per cent of the 16-64 year olds immigrants from non-western countries and 65.2 per cent of the 16-64 year olds descendants from non-western countries were employed. In comparison, 76.8 per cent of persons of Danish origin between 16-64 years olds were employed. Among immigrants and descendants from non-western countries, the employment rate increased by 4.3 per cent points from 2006

² The previous special rules for seniors in the labour market policy are annulled, cf. Welfare Agreement (see Progress Report 2007 for more information).

to 2007, *cf. chart 4.3a*. In the same period, the rate for persons with Danish origins increased by 1.6 per cent point. As shown in *chart 4.3b*, the difference in the employment rates for non-EU citizens and the total employment rate in Denmark is at the same level as the other Nordic countries, whilst the difference is somewhat higher than the average for the EU. This must be seen in light of the high total employment rates in the Nordic countries.



The campaign “*A new Chance for Everyone*” lasted from 1 July 2006 to 30 June 2008 and implied a special effort for social assistance and starting allowance recipients who have been unemployed for at least one year. Immigrants comprise approximately one third of the target group and the results show that far more long-term social assistance recipients, including immigrants, get employed than previously seen. The degree of self-support has been doubled and the degree of activation has been more than doubled. Three years ago, one in six young immigrants was dependent on social assistance or starting allowance. Today, the figure is only one in eleven. The effort is replaced by new regulations regarding repeated activation for all target groups and hereby also the target group for “*A new Chance for Everyone*”.

In the period 2002-2006, estimated 50,000 more disabled people have become employed. In 2004-2007, a number of initiatives has been taken in order to ensure a strengthened and new development of the effort within the frameworks of the Government’s strategy, “*Disability and work – an employment strategy for disabled persons*”. Among other things, a trial was initiated with the allocation of social mentors to persons who have a temporary mental disorder. The trial shall clarify the need for support for these persons. In 2007, a trial was initiated with the preparation of a “flexi job certificate”. The certificate will clearly state that the person has been referred to a flexi job and which safeguarding requirements might be needed for employment. At the same time, the certificate informs of assistance schemes that may be granted.

As part of the incapacity benefit reform (2003), a report has been prepared for the Danish Parliament regarding the development of the incapacity benefit area and the inclusive labour market. On this background, discussions in the conciliation circle behind the reform have been planned regarding the need for adjustments in the area.

4.6 Equal opportunities and employment of women

The employment rate of women is high in Denmark, *cf. chart 4.1*. The Government is working on realising the goals and on implementation of the initiatives stated in the EU's *Equal Opportunities Pact*. Previously commenced initiatives and new initiatives include:

Promotion the share of *women in management* has been attempted through a number of initiatives. A top executive camp was held where top executives and public opinion formers discussed new initiatives in order to increase the number of women in management, a mentor scheme across the public and private sectors has been introduced, a charter for more women in management with participation of public and private organisations has been set up, 10 top executives as equal opportunity ambassadors have been appointed and a new survey of expectations to the share of women in management in the private and public sectors has been implemented.

In order to contribute to the breaking down of *the gender-divided education choice* information was sent out to all schools as a follow-up on the report about women's and men's educations and jobs, which focuses on the *gender-divided labour market*. The purpose is to ensure that young people make an informed educational choice that is not hampered by traditional expectations.

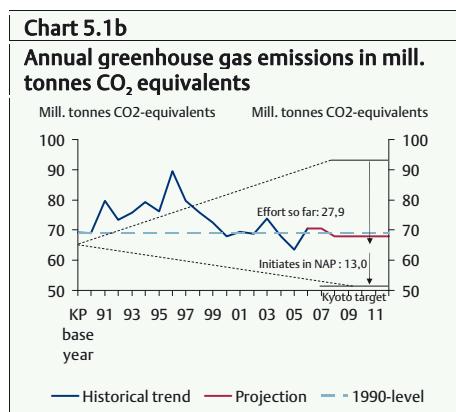
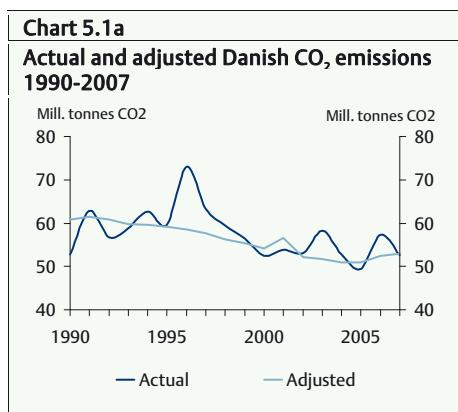
As part of the monitoring of *salary development for men and women*, large companies will be processing their first equal pay statistics in the cooperation committees in autumn 2008. The initiative is part of a change to the equal pay law of 2006. The 3rd wage analysis of the wage differences between women and men, which covers the entire labour market in the period 1997-2006, will be published in autumn 2008. Finally, in autumn 2008 the Government will publish a guide which aims at inspiring companies to consider whether women's and men's qualifications can be used better if they are placed in job functions unusual for their gender and to distribute the job functions more equally between women and men.

5. Climate change and energy

Like other countries, Denmark is facing several major challenges: Climate change, security of supply, and high and difficult-to-predict energy prices. In order to address these challenges, Denmark's energy and climate strategy is three-pronged, focusing on energy conservation and efficiency, increased use of renewable energy, and technology development. By hosting COP15 in Copenhagen in 2009, Denmark has taken on a large part of the responsibility to ensure a new global climate agreement to follow on from the Kyoto Protocol.

5.1 Efforts to curb climate change

Denmark's National Allocation Plan (NAP) for CO₂ emissions for the period 2008-12, which was approved by the Commission in August 2007, lays down the short-term framework for meeting Denmark's greenhouse gas emissions reduction targets. As can be seen from chart 5.1a, actual CO₂ emissions vary from year to year, while adjusted CO₂ emissions (adjusted for fluctuations in temperature and net exports of electricity) have been continuously reduced since 1990. However, in 2006 and 2007, adjusted CO₂ emissions increased slightly, primarily due to temporary fluctuations in the price of allowances and coal.



Source: The Danish Energy Agency, Energy Statistics 2007. Calculations in the Energy Statistics include international air traffic based on fuels sold for this.

Note: The blue line illustrates the actual trend until 2006 and continues as a red line illustrating the projected emissions for 2007-2012.

Source: The Danish EPA .

As can be seen from the projected figures in chart 5.1b, total greenhouse gas emissions would stabilise at around 70 million tonnes of CO₂ equivalents without any further reduction measures. Chart 5.1b also illustrates how Denmark, through further initiatives, is fulfilling its very ambitious climate commitment to reduce its greenhouse gas emissions in 2008-12 by 21 per cent relative to the 1990 level. Some of the reduction will stem from the sector subject to allowances (ETS sector). Furthermore,

carbon sinks (forests and soils), new measures for reducing greenhouse gas emissions in non-ETS sectors, as well as state procurement of JI/CDM credits from climate projects in Eastern Europe and developing countries will also contribute to reaching the goal.

Denmark stands by the agreement that stipulates that Denmark shall be compensated for its particularly high electricity imports in the base year 1990. Specific clarification of the base year problem is still pending in the EU.

Today, Denmark is among the countries with the lowest consumption of energy per unit of GDP in the EU. This has been achieved through substantial savings in energy consumption over the last 30 years, and through initiatives to make energy supply and production more efficient, e.g. through increased use of combined heat and power production. The Government continues to assign high priority to *energy savings* and has increased its level of ambition significantly with the latest political agreement of February 2008. With this agreement, the Government has agreed to raise annual savings in end consumption to 1.5 per cent. Energy companies are to ensure realisation of a considerable proportion of overall savings.

In March 2008, the Government submitted a *climate adaptation strategy* which contains a number of specific proposals for initiatives to help curb the negative effects of climate change.

As follow-up to the Government's climate adaptation strategy, a *Knowledge Centre for Climate Adaptation* has been established under the Danish Energy Agency and a cross-cutting coordination forum for climate adaptation with representatives from all relevant central-government authorities, Local Government Denmark and the Regions. Furthermore, a coordinating body for research into climate adaptation will be established at the National Environmental Research Institute of Denmark/ University of Aarhus.

To support its long-term climate and energy policy vision, the Government has also established a *Climate Commission*, which, up to 2010 is to analyse how Denmark can meet its long-term climate and energy targets in the best possible manner, including the long-term target of fossil fuel independence.

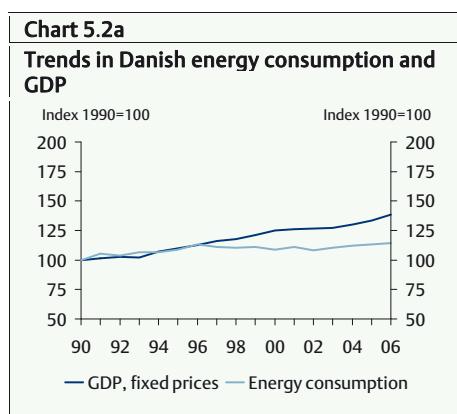
Furthermore, in September 2007, the Government set up a broadly composed *business and industry climate panel* with representatives from a number of organizations, enterprises, and knowledge institutions. The purpose of this panel is to provide the Government with advice on business activities and branding in connection with the climate conference in Copenhagen in 2009 as well as on exploiting possible growth potentials in the climate area and on the responsibilities of knowledge institutions as well as business and industry with regard to managing the challenge of climate change.

Climate challenges are also included in long-term planning at local level. A new survey by Local Government Denmark shows that around one third of Danish municipalities are working with climate adaptation. The focus of the municipalities is primarily on wastewater and sewerage, nature and coastal protection, and harbours.

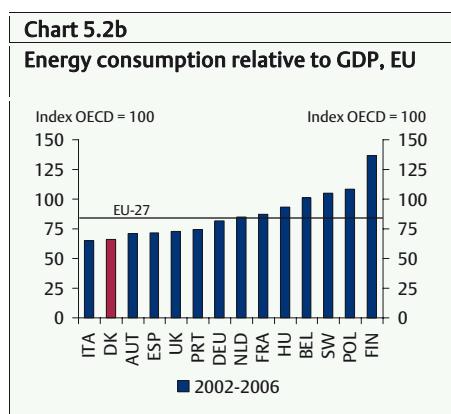
Agreeing on a new global climate agreement, which is to constitute the framework for global efforts against climate change after 2012, is an especially great challenge. *The climate conference in Copenhagen in 2009* could very well be paramount for the development of global climate and energy policy as the UN Climate Change Conference 2007 in Bali agreed to a Road Map which has the objective of a new global climate agreement in Copenhagen. As the host of the climate conference in Copenhagen, the Government will put all its efforts into facilitating conclusion of an agreement which in the best possible way unites considerations for the environment, economic growth, and living conditions, as well as long-term security of energy supply.

5.2 Energy policy

Experience from Denmark shows that high economic growth can be maintained without increasing energy consumption through an active and persistent energy policy that aims at energy efficiency, renewable energy, and technological development. The Danish economy has grown by more than 75 per cent over the last 25 years and in the same period energy consumption has remained more or less constant, *cf. chart 5.2a*. The proportion of renewable energy has increased during the same period. This development must be maintained and intensified in the years to come. It is an ambitious aim that will require extensive and targeted efforts. Targets cover overall energy consumption across sectors, including energy consumption by transport, which has shown constant growth throughout recent years.



Source: OECD Factbook 2008.



Source: OECD Factbook 2008 and the IMF.

21 February 2008, the Government entered into a broadly based energy agreement for *Danish Energy Policy in the period 2008-2011*. The targets of the energy agreement are:

- A drop in overall gross energy consumption by 2 per cent by 2011 and by 4 per cent by 2020, compared to consumption in 2006, and
- An increase in the use of renewable energy to 20 per cent relative to gross energy consumption in 2011.

The energy agreement contains a number of initiatives to ensure increased use of renewable energy sources. In general, there will be an increase in the support to renewable energy through e.g. support to more use of biomass by power plants, continued expansion of biogas-plant capacity, continued expansion of wind power both on and offshore as well as support for increased use of renewable energy in the transport sector.

- The use of *biomass* will be stimulated through an increase in subsidies to biomass-based electricity production from DKK 0.10 to DKK 0.15 /kWh. Furthermore, all new and existing biogas plants will have a fixed electricity settlement price of DKK 0.745 /kWh, or a fixed price supplement of DKK 0.405 /kWh, when biogas is used together with natural gas. The electricity settlement price and the price supplement will be regulated by 60 per cent of the increase in the net price index.
- Work to offer for tender new 400-megawatt offshore wind turbines to be built in the Kattegat See was commenced in 2008 with a view to full operation before 2012. For onshore wind turbines, a bill has been adopted on improved settlement prices and price supplements. Subsidies to new wind turbines will be raised to DKK 0.25 /kWh for 22,000 full peak-load hours, as well as DKK 0.023 /kWh in balancing costs and DKK 0.004 /kWh to the "green fund". Wind turbines under the scrapping scheme will be granted an extra fixed supplement of DKK 0.08 /kWh for the first 12,000 full peak-load hours.
- In the *transport sector*, hydrogen and electric cars will be exempted from taxes until 2012 and a pilot scheme will be established for electric cars. The Government's target is for bio fuels etc. to make up 5.75 per cent by 2010 and 10 per cent by 2020 of fuel consumption by onshore transport. Only bio fuels that live up to the future EU sustainability criteria will be included in measuring target fulfilment. Instruments to fulfil the target could also include production of renewable electricity for electric cars, plug-in hybrid cars, etc.; cf. the EU objectives on this area.
- Finally, a total of DKK 25 million will be set aside annually for four years for subsidies to *smaller technologies* such as solar power cells and wave power, financed by PSO funds.

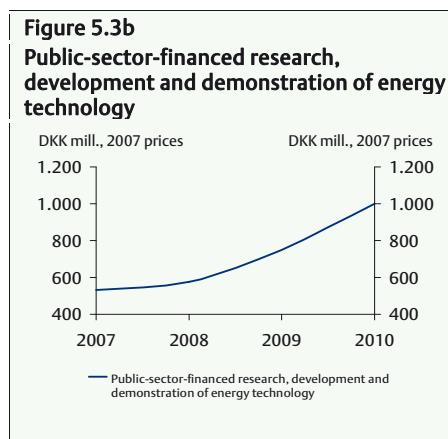
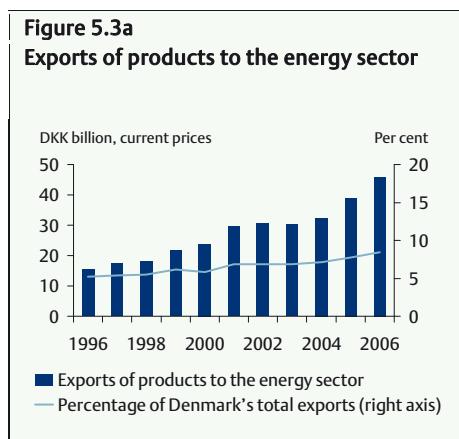
With these energy agreement initiatives, Denmark has already taken steps to fulfil future obligations under the EU climate and energy package.

The Government has also set up a Tax Commission to prepare models for an overall reform of the Danish tax system. According to the terms of reference, the reform must promote the Government's ambitions in the climate and energy area by urging private individuals and enterprises to act in an environmentally friendly and energy-saving way. Denmark already has one of the EU's highest environment and energy tax levels measured as a percentage of GDP.

5.3 Promoting eco-efficient technology

In June 2007, the Government submitted its action plan for promoting eco-efficient technology *'Danish solutions to global environmental challenges'*. Focusing on Danish strongholds, the action plan aims at promoting the development and marketing of technological solutions that address important environmental challenges. The action plan is part of the realisation of the Globalisation Fund. At the same time, the action plan constitutes Denmark's contribution to implementation of the EU Environmental Technologies Action Plan, ETAP. Furthermore, *inter alia*, the rural development programme supports targeted initiatives for environmental technologies.

The action plan comprises nine specific initiatives for promoting eco-efficient technologies. Focus is e.g. on establishing eco-innovation partnerships between enterprises, researchers and authorities as well as on assistance to Danish enterprises which export environmental and energy technologies. There will also be increased funding for research efforts that underpin environmental technology innovation as well as increased assistance to test and demonstrate new and promising environmental and energy technologies.



Source: Energy Statistics 2006.

Note: Agreement on financing for 2009-2010 is expected in autumn 2008.

Source: Energy Policy Agreement of 21 February 2008.

Research and technology development efforts have been given higher priority in recent years. The establishment of the Programme for Energy Technology Development and

Demonstration (EUDP) in 2006 has improved the framework conditions for development and demonstration of new technologies and has enhanced the opportunities for commercial exploitation. Danish research environments rank well internationally within a number of technology areas, and exports of energy technology have seen a strong upward trend in recent years, *cf. chart 5.3a*.

Most recently, in April 2008, the EUPD committed itself to support the building of a demonstration plant for the production of 2nd generation bio ethanol in Kalundborg. The Government's objective is to have at least one large-scale demonstration plant for bio ethanol production established before 2009.

The Government wants to ensure a further significant boost in public-sector-funded research, development and demonstration of energy technology. Until 2009, public sector funding is to be doubled compared to 2006, *cf. figure 5.3b*, so that public sector funding for energy purposes will total DKK one billion annually from 2010.

In order to enhance consulting, information and knowledge building, a *Secretariat for eco-efficient technology* has been established in the Danish EPA. Amongst other things, the Secretariat offers guidance to enterprises and entrepreneurs about environmental focus areas, future legislation and opportunities for subsidies. A new website, www.ecoinnovation.dk, has been established as a single point of access to seek information and monitor developments in the environmental technology area. Cooperation partnerships have been set up with the regional growth houses, Eurocenter, and other actors. In order to assist the work of the Secretariat and the partnerships, different analyses have been prepared, e.g. on Danish strongholds, and market analyses for selected countries.

In the area of agriculture, work on preparation of a certification scheme has commenced, as has a project to revise BAT fact sheets, and a project to establish a technology list for municipalities to use for preparing environmental approvals of livestock farms.

As a part of the focus in the action plan on global environmental challenges and the exports potential of Danish enterprises, a cooperation agreement was entered with China in the environment area, and a similar agreement is underway with India.

The Minister for the Environment has taken the initiative to establish a commercial forum for environmental technology in order to enhance the contribution of Danish business and industry to solving global environmental challenges.

5.4 Green growth

The Government has great ambitions in the area of environment and nature. Targets must be reached through the joint efforts of the public sector, enterprises, stakeholder organisations, and private individuals. The Government wants a green growth vision which unites a high level of environmental and nature protection with modern

and competitive agricultural production. The environment, climate, and nature must be protected even better than today, and progress in nature must be ensured. Run-off of nutrients must be reduced even more, and emissions of greenhouse gasses and the harmful effects of pesticides must be brought down.

Therefore, at the turn of the year 2008, an overall proposal for Green Growth will be presented by the Government. The proposal is expected to contain e.g. the following elements:

- Environment and Nature Plan Denmark 2020
- Growth-oriented Agriculture
- Investments in Nature, the Environment, and Growth

Denmark's international commitments and the Government's ambitions require extensive efforts for the environment and nature in addition to what has been laid down in existing measures and action plans. Thus, the Government's aim is, amongst other things, to reduce further phosphorus and nitrogen run-off and leaching, to safeguard biodiversity, more and better nature and additional physical improvement of watercourses, as well as a substantial reduction in the harmful effects of pesticides. In the course of 2008, a draft proposal for state water plans will be prepared. This will be taken into consideration in the proposal.

Denmark also emphasises the EU target of stopping the loss of biodiversity by 2010. Initiatives in the 246 Natura 2000 areas will therefore be included in the overall proposal.

Long-term efforts for nature and the environment will be in continuation of the extensive initiatives and programmes which the Government has launched on an ongoing basis. In this way, the Government has ensured a significant strengthening of the environment area, including by earmarking an extra DKK one billion for measures for nature and the environment in the period 2006-09. For instance, an additional DKK 558 million has been set aside in 2007-09 for nature restoration, aimed specifically at wetlands and watercourses. Efforts will be continued in 2010-13, when the Government will set aside another DKK one billion for projects within nature restoration, the aquatic environment etc. Furthermore, as a milestone, the Government wishes to set aside 75 per cent of the funds in the rural development programme for 2009-13 for nature and environment purposes.

In 2008, the development of five national park areas was initiated. Amongst other things, the purpose is to safeguard biodiversity and create a more coherent network of nature areas and a better framework for outdoor life. In order to give nature more space, the Government is working to ensure that the effects of agriculture on the environment are reduced. This means e.g. that the environmental approval scheme for livestock farms includes a requirement for the use of new and improved technologies.

Furthermore, in June 2008, the Government published a strategy for cleaner air. With this strategy, the Government emphasises and focuses efforts to bring down air pollution. The strategy designates five focus areas for special efforts, including cleaner air in cities, eco-efficient technology etc. There will also still be measures aimed at especially vulnerable species and measures to combat invasive species have already been launched.

Targets and initiatives within public sector green procurement and eco-labels are continuously being considered. Most recently, the Minister of the Environment has launched an action plan for enhanced efforts regarding public-sector green procurement. This action plan contains seven areas of initiative, including partnerships, an update of tools used in green procurement, and an enhancement of private, professional procurement.

In fall 2008, the Government will moreover submit a new strategy for sustainable development. This strategy is to contribute to setting the framework for Denmark's nature and environment policy in the coming years, including through focusing the targets and funds which the Government particularly wishes to promote. Furthermore; how environmental, financial, and social targets can underpin each other in an integrated strategy on sustainability is to be clarified.

Annex 1. The most significant Danish Reforms, 2005-08

Box 1.1

The most significant Danish reforms, 2005-08

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

In 2005, the Government concluded a parliamentary agreement 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 and creating more effective administration.

In June 2006, the Government 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 age limits 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 can reach around 19½ years. The agreement also includes labour market initiatives, among these strengthened efforts to reduce the unemployment level and initiatives to get more immigrants and descendants into work. Overall the Welfare Agreement is expected to raise employment by 250,000 persons in 2040 given the projected increase in life expectancy for 60 year olds.

In connection with the Welfare Agreement the Government has established a "Globalisation Fund" amounting to DKK 10 billion in 2012. Among other things, the Globalisation Fund is allocated to ensure that at least 95 per cent of a youth cohort completes an upper-secondary education by 2015 and at least 50 per cent complete a tertiary education. The Globalisation Fund is a part of the Government's Globalisation Strategy that contains initiatives concerning research, education, innovation and entrepreneurship.

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 *cf. box 1.1* in chapter 1

A Quality Reform presented in August 2007 focuses on high quality in the public service sector. The Quality Reform allocates DKK 10 billion from 2008-11 to implement the reform. Furthermore, a Quality Fund of DKK 50 billion finances an increase in public investment towards 2018.

In February 2008 the Government concluded an agreement in the Danish Parliament concerning a Job Plan. The agreement aims primarily at increasing labour supply in the short term. The plan's initiatives includes giving old-age pensioners better opportunities to work, tax-rebate for 64 year-olds working full-time from age 60 to 64, and a strategy to reduce illness absenteeism. At the same time an agreement was reached regarding increased efforts to recruit highly qualified foreign labour. One of the initiatives in the Job Scheme concerning shorter duration of complementary unemployment benefits for part-time workers is expected to contribute to a permanent increase in employment by increasing the average hours worked.

In February 2008, the Government concluded an ambitious energy agreement with a broad majority in the Danish Parliament. The agreement includes better conditions for wind power and other sources of renewable energy. The parties agreed that renewable energy should account for at least 20 per cent of total gross energy consumption in 2011.

The Labour Market Commission presented their first set of proposals for labour market reforms in September 2008, aiming for increased labour supply and employment in the short term.

Annex 2. Initiatives that promote the education policy objectives

Box 2.1

Initiatives within general and vocational upper-secondary education that promote the 95 per cent objective

Better guidance and transition to upper secondary education:

- *Personal education plan* is introduced in the 8th grade, ensuring that the pupil's educational choices can be made on the basis of careful consideration.
- *Special guidance* already from 6th to 9th grade for pupils who are at risk of not beginning or completing an upper secondary education programme.
- *Introduction courses and Bridge-building courses* will facilitate transition between primary school and upper secondary education. In specific terms, pupils in 8th and 9th grade are given the opportunity to receive teaching and guidance on an upper secondary education programme in order to get a taste of the various opportunities open to them.
- *Mentoring scheme* for young people who have inadequate contact with responsible adults and a daily life characterised by randomness. The mentoring scheme starts in 9th grade and continues in transition to upper secondary education.
- *Specially planned programmes, etc.* Pupils who are weary of school or for another reason do not benefit from the teaching provided are given the opportunity to meet the requirements of compulsory education in other ways than offered within mainstream schooling. This can take the form of, for example, specially planned programmes or the complete or partial fulfilment of compulsory education through a vocationally oriented education and training programme or through employment.
- *A targeted 10th grade (launched August 2008)*. In 10th grade, a young person must build bridges to at least two different education programmes, one of which must be either a vocational education and training programme or a vocationally oriented upper secondary education programme. At the same time, the young person can spend up to four weeks participating in voluntary bridge-building programmes to a vocationally oriented upper secondary education programme or combinations of bridge building to a vocationally oriented upper secondary education programme and a non-paid practical training placement that has an educational perspective. The academic year is planned in such a way as to ensure that young people who drop out of an upper secondary education programme stay within the field of education. In addition, exams can be taken in the winter semester, allowing the pupils concerned to begin a vocational education or training programme in January if they are ready to do so.
- *Outreach guidance (launched August 2008)*. The municipalities must expand the outreach guidance to encompass all young people under 25 years of age. Young people under 25 years of age who have not completed an upper secondary education programme and who are not currently enrolled in such a programme will be offered guidance.

Box 2.2

Legislative amendments to the vocational education and training (VET) programmes (Initiatives)

- *Reinforced education guarantee (July 2008).* Students who are suited, willing to relocate and actively seeking practical training placements are given a guarantee of being able to complete an education programme within the access channel they have already started.
- *12 new access channels (July 2008).* Students are presented with a clearer system of vocational education and training (VET) programmes, where students can get a better idea of the education and vocational opportunities available to them.
- *Better basic courses (fully phased in by July 2008).* The basic courses are made more attractive to students with varying academic skills. Students must, for example, be offered more practice-oriented basic courses, basic programmes which offer the additional option of choosing more advanced-level courses, and basic course packages which provide more rigid programme of study and which are targeted at, for example, students who have difficulties coping with many choices.
- *The guidance concerning education, practical training placements and professional opportunities is strengthened in the basic course.*
- *More differentiated programmes (July 2008).* The programmes are differentiated (divided into different levels) in order to provide clear choice of education programmes to young people with strong and weak academic skills and also to create a clear way into further education.
- *Opportunity of streaming (fully phased in by July 2008).* Students with good academic skills can choose more advanced-level study in programme-oriented and vocationally oriented subjects. Students with weaker academic skills can opt out of or substitute a subject or a level in a subject that only has the purpose of preparing for further education.
- *Better opportunity for individual vocational education and training (VET) programmes (August 2007).* Schools and students find it easier to plan individual VET programmes if these programmes do not require the approval of a national trade committee. The programmes can comprise parts of one or more of the standard VET programmes. The colleges are given a special grant per student towards advice, guidance and administration.
- *Greater effort to prevent drop-out (fully phased in by August 2008).* The college draws up action plans containing specific goals and strategies designed to raise the number of students that successfully complete the programme. The plans are published and evaluated annually. The Danish Ministry of Education can enter into intervention agreements with colleges that have not reduced the drop-out rate to an adequate level. Furthermore, the colleges must also improve their system for tracking drop-out in order to strengthen their ability not only to take action at an early stage to help students at risk of dropping out but also to enhance the cooperation with the Youth Guidance Centre.
- *Compulsory contact teacher scheme (August 2007).* The compulsory contact teacher scheme will be introduced to ensure better coherence throughout a student's education and provide support to the student's competence development.
- *Introduction of mentoring scheme (August 2008).* The colleges must offer mentoring to students who are at risk of dropping out and in need of special adult contact.
- *Offer of social and psychological counselling (August 2008).* The colleges must offer students social and psychological counselling if personal problems threaten the student's ongoing education.
- *Better school environment (August 2007).* The school environment will be improved, for example through homework cafes and more varied teaching.
- *Better educational coverage of new occupational fields (August 2007).* Analyses and prognoses will be conducted that contribute to faster education coverage of new occupational fields as well as areas where they overlap. This will give more practical training placements and a more well-functioning labour market.
- *Increased internationalisation (August 2007).* Students are given better opportunities to undertake practical training and school education abroad and better opportunities for teaching in and of foreign languages.
- *Strengthened teacher training programme and competence development (August 2007).* The colleges are given extra funds for strengthening competence development training. The education and training of vocational teachers will be brought more up-to-date.

Box 2.3**Initiatives that promote the objective of at least 50 per cent of a youth cohort completing a higher education programme in 2015**

Initiatives concerning agreement regarding implementation of the globalisation fund:

- A total of DKK 130 million in 2007-2009 is earmarked for initiatives designed to ensure provision of competence development training for teachers employed in medium-cycle higher education programmes as well as competence development training for training placement counsellors.
- A total of DKK 200 million in 2007-2009 is earmarked for initiatives designed to strengthen quality as well as academic and professional standards at academies of professional higher education. In addition, a total of DKK 125 million is earmarked for strengthening and spreading research affiliation, etc.
- With the Act on Vocational Academies for Higher Education (May 2008), up to 10 vocational academies will be established at the beginning of September 2008 and they must be operational by 1 January 2009. The vocational academies must offer vocational academy programmes and supplementary and higher education programmes in their geographical coverage areas. In addition, the academies must develop new programmes and act as knowledge centres. Lastly, the academies must function as growth layers for the technical and business-oriented professional bachelor programmes.
- A total of DKK 65 million in 2008-2009 is earmarked for reforming the short-cycle higher education programmes. The higher education programmes must be made more attractive in a way that persuades more young people to embark on and complete an education programme. The short-cycle higher education programmes must therefore be tailored more to the needs of the labour market, and a practical training placement must be a compulsory element in all short-cycle higher education programmes.
- A total of DKK 90 million in 2007-2007 is earmarked for internationalisation of education and training programmes. A greater number of young people must have the opportunity to go on a high-quality period of study abroad. Similarly, it must be possible for highly qualified foreign students and teachers to come to Denmark.
- A total of DKK 60 million in 2008, rising to approximately DKK 1.2 billion in 2012, is earmarked for strengthening teaching capacity and meeting increased student grant and loan expenditure arising from increased student enrolment, improved retention of students in higher education and also increased study activity per student.

Box 2.4**Initiatives that promote the objective of everyone engaging in lifelong learning**

- Guidance and advice is strengthened in respect to employed people and companies.
- Improved recognition of prior learning is ensured in publicly financed adult education and continuing training programmes.
- Concerted effort to increase the number of participants in reading, writing and numeracy courses designed for adults.
- Better offers for students who have problems with Danish as a second language.
- Adult education and continuing training programmes, such as labour market-related programmes, are made more attractive, flexible and oriented towards a specific purpose.
- Better and broader range of programmes is offered in respect to competence development programmes for adults in the special continuing training system for adults (diploma to master's level).
- The number of adult apprentices that can acquire a vocational education and training qualification is increased through increased public grants.
- New framework conditions for financing, providing and completing adult education and continuing training.

Key indicators in the education field

| Table 2.1 Total number of youth education programmes in the period 2000-2006 | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| General and vocational upper secondary education programmes | 97,5 06 | 98,519 | 99,628 | 102,013 | 106,519 | 105,999 | 110,045 |
| General upper secondary programmes | 64,724 | 65,029 | 65,903 | 67,794 | 70,530 | 72,577 | 75,908 |
| Vocationally oriented upper secondary programmes | 32,707 | 33,411 | 33,622 | 34,079 | 35,904 | 33,343 | 34,136 |
| Vocational education and training programmes | 129,215 | 125,531 | 121,590 | 126,328 | 127,490 | 129,305 | 127,313 |
| VET programmes – basic courses | 41,872 | 42,162 | 41,647 | 44,887 | 46,454 | 47,609 | 46,472 |
| VET programmes main courses, etc. | 83,272 | 79,589 | 75,925 | 78,348 | 77,909 | 78,154 | 78,989 |
| Youth education programmes, total | 226,721 | 224,050 | 221,218 | 228,341 | 234,009 | 235,304 | 237,358 |

Source: Danish Ministry of Education.

| Table 2.2 Completion rates broken down by youth education programme in the period 2000-2006 | | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| Per cent | | | | | | | |
| General and vocational upper secondary education programmes | 82 | 82 | 82 | 82 | 82 | 82 | 83 |
| General upper secondary programmes | 82 | 81 | 81 | 82 | 83 | 83 | 84 |
| Vocationally oriented upper secondary programmes | 79 | 79 | 78 | 78 | 77 | 74 | 76 |
| Vocational education and training programmes | 59 | 58 | 56 | 54 | 52 | 49 | 51 |
| VET programmes – basic courses | 77 | 76 | 74 | 72 | 70 | 68 | 69 |
| VET programmes main courses, etc. | 82 | 81 | 80 | 79 | 78 | 78 | 80 |

Note: Basic courses and main courses include drop-out when the total completion rate is calculated. This accounts for lower completion rates for vocational education, and training programmes as a whole, compared to completion rates for basic courses and main courses.

Source: Danish Ministry of Education.

Table 2.3

Completion rates broken down by youth education programme, gender and ethnic background in 2006

| | Men | | | Women | | |
|--|-----------|------------|-----------|-----------|------------|-----------|
| | Danish | Non-Danish | All | Danish | Non-Danish | All |
| Per cent | | | | | | |
| General and vocational upper secondary education programmes | 82 | 70 | 81 | 86 | 74 | 85 |
| General upper secondary programmes | 83 | 67 | 81 | 86 | 72 | 85 |
| Vocationally oriented upper secondary programmes | 76 | 65 | 74 | 80 | 69 | 79 |
| Vocational education and training programmes | 51 | 29 | 49 | 53 | 49 | 53 |
| VET programmes – basic courses | 71 | 55 | 69 | 69 | 63 | 68 |
| VET programmes – main courses, etc. | 81 | 68 | 80 | 81 | 77 | 80 |

Note: Basic courses and main courses include drop-out when the total completion rate is calculated. This accounts for lower completion rates for vocational education, and training programmes as a whole, compared to completion rates for basic courses and main courses.

Source: Danish Ministry of Education.

Table 2.4

Proportion of those who 15 months after a discontinued education have embarked on a new programme

| | Men | | | Women | | | Total |
|---|--------|------------|------|--------|------------|------|-------|
| | Danish | Non-Danish | All | Danish | Non-Danish | All | |
| Per cent | | | | | | | |
| General and vocational upper secondary education programmes | 42.9 | 26.8 | 40.5 | 39.1 | 26.4 | 37.0 | 38.7 |
| Vocational education and training programmes | 21.5 | 19.2 | 21.2 | 22.8 | 20.4 | 22.5 | 21.8 |

Source: Danish Ministry of Education.

Table 2.5

Total number of short-cycle higher education programmes and professional bachelor programmes in the period 2000-2006

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|--------|--------|--------|--------|--------|--------|--------|
| Short-cycle higher education programmes | 20,040 | 20,232 | 18,754 | 16,816 | 16,616 | 17,685 | 18,618 |
| Professional bachelor programmes | 64,946 | 66,750 | 68,283 | 68,398 | 68,145 | 67,719 | 66,723 |

Source: Danish Ministry of Education.

Table 2.6

Completion rates broken down by short-cycle higher education programmes and professional bachelor programmes in the period 2000-2006

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|------|------|------|------|------|------|------|
| Per cent | | | | | | | |
| Short-cycle higher education programmes | 72 | 68 | 66 | 69 | 74 | 70 | 74 |
| Professional bachelor programmes | 79 | 77 | 75 | 75 | 75 | 74 | 76 |

Source: Danish Ministry of Education.

Table 2.7

Completion rates broken down by short-cycle higher education programmes and professional bachelor programmes, gender and ethnic background in 2006

| | Men | | | Women | | |
|---|--------|------------|-----|--------|------------|-----|
| | Danish | Non-Danish | All | Danish | Non-Danish | All |
| Per cent | | | | | | |
| Short-cycle higher education programmes | 76 | 56 | 73 | 77 | 65 | 75 |
| Professional bachelor programmes | 70 | 65 | 70 | 79 | 74 | 79 |

Source: Danish Ministry of Education.

Table 2.8

Proportion of those who 15 months after a discontinued education have embarked on a new programme

| Interrupted programme | Men | | | Women | | | Total |
|---|--------|------------|------|--------|------------|------|--------------|
| | Danish | Non-Danish | All | Danish | Non-Danish | All | |
| Per cent | | | | | | | |
| Short-cycle higher education programmes | 31.2 | 26.6 | 30.0 | 38.0 | 24.8 | 34.1 | 31.7 |
| Professional bachelor programme | 26.6 | 21.1 | 26.0 | 27.2 | 26.0 | 27.1 | 26.6 |

Source: Danish Ministry of Education.

Box 2.5

The method of calculating the future education levels and time spans of the youth cohorts (The Profile Model)

The final education level and the whole time span of the individual are not known until the qualifying education has been completed. Some people complete their course at the age of 25 and some at the age of 45. Thus, one has to watch a youth cohort for a long period of time in order to estimate the final level of education and education time span. At this point in time, the analysis no longer illustrates the current education pattern.

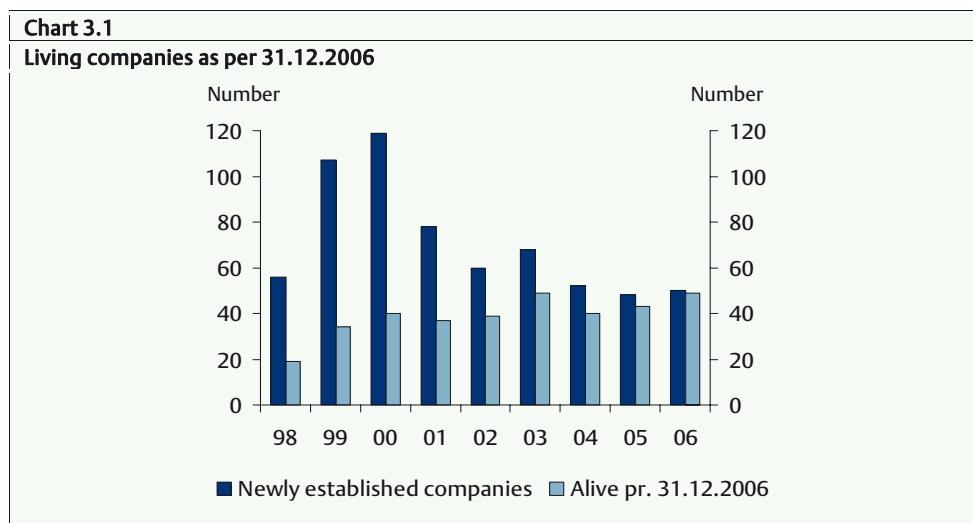
In order to obtain a present picture of the consequences of changes and displacements in the education programmes, a so-called profile model is applied, which certifies the education conduct of a youth cohort. The profile model certification's point of reference is the present study activity observed in the population. In the education register of Statistics Denmark, the educational status of all Danes is registered thus giving the opportunity to map actual changes in the educational systems. The analysis is carried out on an annual basis under the term "The Profile Model". The present version of the model whose certification point is the youth cohort who graduated from primary school in 2006 is designated "Profile2006".

The profile model calculates how a youth cohort will move about in the educational system if it has the same study activity as the students had in 2006. The model is a simulation of individual study courses of an entire youth cohort, thus Profile2006 simulates the educational conduct of 65,000 people. Every course is delimited to a period of 25 years after primary school graduation. The educational course of every individual is simulated on the basis of a known pattern with the extrapolation's starting year. Subsequently, the people's final education levels and time spans of the people are enumerated.

Source: UNI-C Statistics and Analysis.

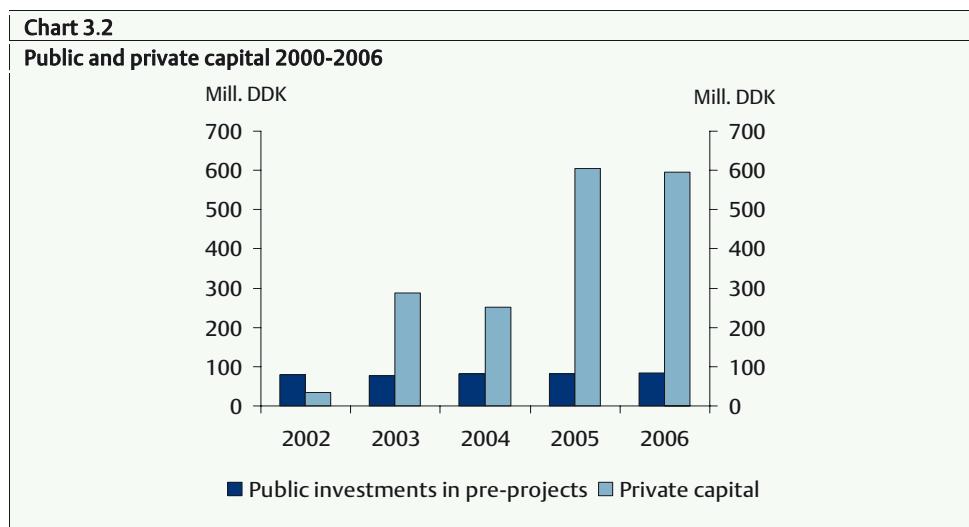
Annex 3. Innovation environments and broadband prices

Since 1998, innovation environments have helped to establish more than 600 knowledge-based entrepreneurial enterprises, as appears from *chart 3.1*. The average survival rate among knowledge-based entrepreneurial enterprises after five years is approx. 45 per cent. A large number of these knowledge-based entrepreneurial enterprises are patent active, as almost 75 per cent of the companies have protected their idea by patent, patent application or another form of IPR. The ability of the innovation environments to attract private capital from external private investors is showing considerable headway. In 2006 the innovation environments attracted approximately DKK 600 million in private capital. In the period between 2002 and 2006 DKK 1.9 billion was attracted, corresponding to DKK 4.6 for every DKK 1 of Government money invested in the innovation environments, *cf. chart 3. 2.*



Note: The figures for newly established companies with active CVR (Central Business Register) number (638) do not fully reflect all the pilot projects that have been initiated by the innovation environments (more than 700 since 1998). Two innovations environments have been closed down in this period, and the "living" pilot projects that were initiated have been continued to a certain extent in the other innovation environments. Moreover, some pilot projects had their allocation annulled before the company was set up. The reason that the figure for newly established companies in 2002-2006 is lower than the figure for new pilot projects in the same years is that not all pilot projects were registered as companies at the end of the year, that some pilot projects that had obtained grants had their grants annulled for various reason, and that one innovation environment was closed during the period.

Source: Performance account for innovation environments 2006. Danish Agency for Science, Technology and Innovation (2007).



Source: Performance account for innovation environments 2006. Danish Agency for Science, Technology and Innovation (2007).

The prices of broadband subscriptions are falling, cf. table 3.1.

Table 3.1
A month's subscription to broadband, current prices

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Change 00-08 Per cent |
|-----------------------------|------|------|------|------|------|------|------|------|------|-----------------------------|
| Minimum 512/128 kbit/s | 599 | 395 | 430 | 430 | 340 | 289 | 198 | 178 | 149 | -75 |
| Minimum 2048/512 kbits/s | 995 | 849 | 785 | 780 | 530 | 459 | 379 | 328 | 168 | -83 |

The table shows the development in prices for two types of ADSL connections from 2000 to 2007. Both subscriptions are nationwide and with no upper limit on the amount of data available to the subscriber.

Annex 4. New entrepreneurial initiatives

Box 4.1

New entrepreneurial initiatives

Advisory services

- The advisory services offered by the powerhouses have been extended through expanded cooperation with private and public advisers. Moreover, *startvaekst.dk* has been relaunched with focus on growth enterprises. Over the coming years, new online offers will be developed to sustain growth in new and small enterprises. The online offers will be integrated in the advisory programmes of the powerhouses.
- AcceleRace is a new development programme targeting new growth enterprises with significant international growth potential. The programme focuses on the industry and market understanding of entrepreneurs and their business and execution skills. In the longer term, the programme will be offered by the regional powerhouses.
- A committee has been appointed to prepare a design proposal for a more coherent advisory system.

Finance

- The revision of the set-up account scheme has improved savings opportunities and incentives for enterprise start-ups. An amendment from January 2008 provides entrepreneurs with improved tax deduction and depreciation opportunities after starting up a new enterprise.
- The limit for "Get Started Loans" to entrepreneurs has been raised from DKK 500,000 to DKK 1 million.
- A new venture fund, Sunstone Capital, has been established in Denmark, managing funds of more than EUR 400 million. The primary investment focus of the fund is early-stage life science and technology-intensive enterprises.
- A committee has been set up to look into the possibilities of strengthening the venture capital market.

Bankruptcy

- The Danish Bankruptcy Act was amended in 2007 in order to ensure quicker and more efficient administration of bankruptcy estates.

Culture

- "V days" is a campaign to promote the entrepreneurial culture in Denmark. The "V days" campaign took place at the end of 2007, with more than 70 entrepreneurial events in just one week.
- Denmark participates in Global Entrepreneurship Week 2008 – a globally coordinated initiative designed to promote entrepreneurship.
- A committee has been appointed to develop a new strategy for education, innovation and entrepreneurship.

Annex 5. Use of EU structural funds

The structural funds period 2007-2013

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

- *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.

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

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

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

The social fund initiatives under the *Regional competitiveness and employment objective* will focus on the theme "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 employment objective. Half of the funds will be contributed by the Social Fund, while the Regional Fund will contribute the other half. The social fund initiatives will focus on two priority areas, while the Regional Fund initiatives (excluding technical assistance) will focus on one priority area, *cf. table 5.1*.

| Table 5.1 Overview of funds allocated through the “regional competitiveness and employment” objective | | | | |
|--|--------------------------------|-------------------------------|-------------------------------------|---|
| Current prices (DKK million) | Available 2007-2013 | Available per year | Commitments made in 2007 | Available in 2008 (incl. unutilised commitments from 2007) |
| The Regional Fund | | | | |
| Innovation and knowledge | 1825 | 260 | 6.1 | 514 |
| Total | 1825 | 260 | 6.1 | 514 |
| The Social Fund | | | | |
| A qualified labour force (better jobs) | 1333 | 190 | 9.2 | 370 |
| Expansion of the labour force (more jobs) | 493 | 70 | 0.5 | 139 |
| Total | 1825 | 260 | 9.7 | 509 |

Note: Excluding technical assistance.

During the period 2007-2013, Danish structural funds under the regional competitiveness and employment objective can be used anywhere in the country. Most of the funds – DKK 450 million a year – have been tentatively allocated between the six regional growth forums based on objective criteria, including the number of inhabitants in the region; the number of unemployed people; the number of lowly educated people; and the population in disadvantaged areas (peripheral regions). The remaining DKK 50¹ million a year will be exposed to competition through Danish regional growth forums according to themes selected by the Danish Growth Council: “Promotion of Energy Efficiency and Renewable Energy”, “Good Framework Conditions for Foreign Labourers in Denmark” and “Improved Framework Conditions for Developing Cluster Relations”.

At least 35 per cent of the structural funds must be allocated for the benefit of peripheral regions. Subject to recommendation by the growth forums, investment funding to individual enterprises may be provided in the socio-economically weakest

¹ The difference can be attributed to the fact that table 5.1 has been calculated in current prices, while table 5.2 has been calculated in 2008 prices.

peripheral regions. Structural funds are co-financed by at least 50 per cent funds from the Danish Government, regions, municipalities or private operators.

The regions have earmarked approximately DKK 500 million for business development in 2008, *cf. table 5.2*. Allocation of these funds, like the structural funds, is subject to recommendation by regional growth forums.

Table 5.2

Growth forums are entitled to recommend funds for regional business development projects as follows in 2008 (DKK million)

| Region <u>(2008 prices)</u> | Structural funds | Regional funds for business development | Total |
|--------------------------------|------------------|---|-------------|
| North Jutland | 114 | 64 | 178 |
| Central Jutland | 73 | 164 | 237 |
| South Denmark | 104 | 95 | 199 |
| Zealand | 73 | 73 | 146 |
| Greater Copenhagen Area | 71 | 103 | 174 |
| Bornholm | 15 | 10 | 25 |
| Funds exposed to competition | 50 | - | 50 |
| Total | 500 | 509 | 1009 |

Note: All amounts in the table have been rounded to the nearest million in DKK and are shown excluding budgeted payroll and administration costs. If technical assistance costs are included (administration, auditing, IT costs, etc.), Denmark receives approximately DKK 520 million a year from EU structural funds.

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

Danish Regional Growth Forums are well underway implementing regional business development strategies and action plans, and interact with the Government within the priority areas and initiatives forming part of the partnership agreements.

Activities initiated on the recommendation of the growth forums vary, depending on the starting points and challenges of the regions. Accordingly, the specific initiatives of individual growth forums vary from region to region.

In 2007, the greatest overall focus of the growth forums was on tourism and innovation, followed by education and entrepreneurship, *cf. table 5.3*. Growth forums thus prioritised about 25 per cent of the funds for tourism, 18 per cent for

innovation and new technology, and approximately 16 per cent for educational activities. Finally, 14 per cent of the funds were prioritised for entrepreneurship.

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

Table 5.3
Overview of the number of prioritised projects and percentage distribution of prioritised funds allocated to key priority areas per growth forum, 2007

| | Greater Copenhagen area | Zealand | South Denmark | Central Jutland | North Jutland | Bornholm | Entire country |
|---|-------------------------|---------|---------------|-----------------|------------------|----------|----------------|
| Number of initiatives | 16 | 61 | 39 | 36 | 57 ¹⁾ | 15 | 218 |
| Per cent | | | | | | | |
| Education | 6 | 29 | 21 | 18 | 13 | 36 | 16 |
| Entrepreneurship | 0 | 2 | 2 | 31 | 28 | 6 | 14 |
| Innovation and new technology | 22 | 16 | 17 | 15 | 17 | 17 | 18 |
| Tourism | 45 | 16 | 30 | 14 | 16 | 41 | 25 |
| Energy | 0 | 28 | 0 | 11 | 10 | 0 | 9 |
| Specific cluster initiatives ²⁾ | 0 | 3 | 19 | 0 | 8 | 0 | 4 |
| Investment promotion | 28 | 6 | 9 | 11 | 0 | 0 | 11 |
| Other ³⁾ | 0 | 0 | 1 | 0 | 8 | 0 | 2 |
| Total | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Recommended amount in 2007 ⁴⁾ (DKK million) | 271 | 161 | 86 | 164 | 262 | 19 | 962 |

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

2) Clusters are a cross-priority area in the growth forums. A number of projects within the growth sources of innovation, entrepreneurship and education support the development of clusters, although without being presented as actual cluster projects in this overview.

3) This category covers funding, especially from regional development funds, granted to cover e.g. old county obligations to certain institutions and membership of various associations, organisations, etc. For instance, operational funding for tourism development companies are placed under tourism.

4) The amounts comprise both regional development funds and regionally allocated structural funds. Recommended amounts may exceed the amounts available on average to individual growth forums for individual years. As far as structural funds are concerned, funds can be drawn under the entire seven-year framework for the period 2007-2013. Only project funding is included; thus, funds earmarked by growth forums for major strategic initiatives are not included.

Source: Own calculations.

The Danish Growth Council recently initiated discussions on retention and integration of foreign labour.

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

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

Territorial cooperation

For the 2007-2013 EU structural funds period, *cross-border cooperation* has been upgraded to an objective in its own right for European territorial cooperation. Denmark receives more than DKK 700 million from the Regional Fund for its participation in cooperation programmes, representing a significant increase in 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.

Cross-border cooperation includes three priorities:

- Cross-border cooperation
- Transnational cooperation
- Interregional cooperation

The cooperation will be organised in programmes.

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

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

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

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

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

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

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

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

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

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

The structural funds period 2000-2006

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

Denmark 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 programmes from the previous period are being phased out, and all projects must be completed by the end of 2008.

The Regional Fund

The Regional Fund appropriation for the objective 2 programme (DKK 1.012 billion) was granted to selected peripheral regions – in the Bornholm region and in the counties of Funen, North Jutland, Ringkøbing, Storstrøm, South Jutland, Viborg and Århus. The programme was co-financed by the Government and regional authorities.

The Regional Fund appropriation for the objective 2 programme had two priority areas – one targeting framework conditions (development of the region in question) and the other targeting business development, *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 advice and development projects, e.g. in the form of feasibility studies and improved access to business services. The beneficiaries were counties, municipalities, public institutions, semi-public organisations, or associations.
- 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, advice, feasibility studies, environmental management and market surveys. The beneficiaries were private manufacturing and service enterprises, primarily SMEs.

The Community Initiative Urban (DKK 37.6 million) targeted the urban area of 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 mainly financed by municipal funds.

The Community Initiative Interreg III was designed to stimulate cooperation across the internal and external borders of the European Union. This initiative supported a wide range of cooperation projects internally in the EU and between the EU and third countries bordering the EU. Projects in areas such as development of SMEs, education, environmental protection and infrastructure are typically carried out by public authorities, semi-public authorities or socio-economic players.

Denmark participated in a number of programmes under the *Interreg III*, including three Danish-German programmes, the Øresund programme between Sweden and Denmark, and two programmes focusing on the countries bordering the North Sea and the Baltic Sea.

The Social Fund

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

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

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

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

- Competency development
- Development of strategic infrastructures
- Quality optimisation

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

The programme had four themes:

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

Annex 6. Selected common indicators

| Indicator | DK 2000 | DK 2005 | DK 2006 | DK 2007 | EU-15 (2007) | EU-27 (2007) |
|--|----------------|----------------|----------------|----------------|-------------------------|-------------------------|
| Guideline 17 | | | | | | |
| Employment rate, 15-64 year olds (1) | 76,4 | 75,9 | 77,4 | 77,1 | 66,9 | 65,4 |
| Employment rate, 15-64 year olds, men | 80,7 | 79,8 | 81,2 | 81,0 | 74,2 | 72,5 |
| Employment rate, 15-64 year olds, women | 72,1 | 71,9 | 73,4 | 73,2 | 59,7 | 58,3 |
| Employment rate, 55-64 year olds | 54,6 | 59,5 | 60,7 | 58,6 | 46,6 | 44,7 |
| Employment rate, 55-64 year olds, men | 61,9 | 65,6 | 67,1 | 64,9 | 55,3 | 53,9 |
| Employment rate, 55-64 year olds, women | 46,2 | 53,5 | 54,3 | 52,4 | 38,1 | 36,0 |
| Unemployment, total (2) | 4,5 | 4,8 | 3,9 | 3,8 | 7,0 | 7,1 |
| Unemployment, men | 4,0 | 4,4 | 3,3 | 3,5 | 6,3 | 6,5 |
| Unemployment, women | 5,0 | 5,3 | 4,5 | 4,2 | 7,8 | 7,8 |
| Guideline 18 | | | | | | |
| Youth unemployment, 15-24 year olds, total (3) | 6,7 | 8,6 | 7,7 | 7,9 | 14,9 | 15,5 |
| Youth unemployment, 15-24 year olds, men | 6,5 | 8,6 | 7,9 | 8,2 | 14,6 | 15,2 |
| Youth unemployment, 15-24 year olds, women | 7,0 | 8,6 | 7,5 | 7,5 | 15,2 | 15,8 |
| Gender difference, unemployment (women-men) (4) | 0,9 | 0,9 | 1,2 | 0,7 | 1,4 | 2,4 |
| Gender difference, employment rate (men-women) (5) | 9,2 | 7,9 | 7,8 | 7,8 | 14,5 | 28,4 |
| Change in job supply, total (6) | -0,5 | -0,2 | 1,0 | - | 1,3* | 1,1* |
| Change in job supply, men | -0,8 | -0,4 | 0,8 | - | 0,9* | 0,8* |
| Change in job supply, women | -0,3 | 0,0 | 1,4 | - | 1,8* | 1,5* |
| Average retirement ages, total (7) | - | 61,0 | 61,9 | - | 61,4e* | 61,2e* |
| Average retirement ages, men | - | 61,2 | 62,5 | - | 61,4e* | 61,7e* |
| Average retirement ages, women | - | 60,7 | 61,3 | - | 61,1e* | 60,7e* |

| Indicator | DK 2000 | DK 2005 | DK 2006 | DK 2007 | EU-15 (2007) | EU-27 (2007) |
|---|----------------|----------------|----------------|----------------|-------------------------|-------------------------|
| Common indicators | | | | | | |
| Guideline 19 | | | | | | |
| Difference in unemployment btw EU citizens and non-EU citizens (8) | 9,2 | 9,1 | 6,4 | - | 7,8* | 7,0* |
| Unemployment pitfall (9) | - | 91,0 | 91,0 | - | 75,5* | 75,4* |
| Long-term unemployed, total (10) | 0,9 | 1,1 | 0,8 | 0,6 | 2,81f | 6,0f |
| Long-term unemployed, men | 0,8 | 1,1 | 0,7 | 0,5 | 2,6f | 5,6f |
| Long-term unemployed, women | 1,1 | 1,2 | 0,9 | 0,7 | 3,1f | 6,0f |
| Guideline 22 | | | | | | |
| Taxation of low income groups (11) | 41,2 | 39,2 | 39,3 | - | 40,1* | 40,1* |
| Gender difference, wage (12) | 15,0 | 18,0 | 17,0 | - | 15,0e* | 15,0e* |
| Guideline 23 | | | | | | |
| Proportion 18-24 year olds with at most 9 th grade, total (13) | 11,6 | 8,5 | 10,9 | - | 17,0* | 15,3* |
| Proportion 18-24 year olds with at most 9 th grade, men | 13,4 | 9,4 | 12,8 | - | 19,4* | 17,5* |
| Proportion 18-24 year olds with at most 9 th grade, women | 9,9 | 7,5 | 9,1 | - | 14,5* | 13,2* |
| Education level for 22 year olds, total (14) | 72,0 | 77,1 | 77,4 | - | 74,8* | 77,8* |
| Education level for 22 year olds, men | 67,5 | 73,8 | 73,4 | - | 71,5* | 74,8* |
| Education level for 22 year olds, women | 76,5 | 80,5 | 81,5 | - | 78,2* | 80,7* |
| Further education 24-64 year olds, total (15) | 19,4 | 27,4 | 29,2 | - | 11,1* | 9,6* |
| Further education 25-64 year olds, men | 17,1 | 23,6 | 24,6 | - | 10,2* | 8,8* |
| Further education 25-64 year olds, women | 21,8 | 31,2 | 33,8 | - | 12,1* | 10,4* |
| Further education 25-34 year olds, total | 27,1 | 38,8 | 39,2 | - | 17,7* | 15,5* |
| Further education 25-34 year olds, men | 25,2 | 37,0 | 37,6 | - | 16,9* | 14,8* |
| Further education 25-34 year olds, women | 29,8 | 40,6 | 40,9 | - | 18,5* | 16,3* |
| Further education 55-64 year olds, total | 10,3 | 18,9 | 21,8 | - | 5,6* | 4,6* |
| Further education 55-64 year olds, men | 8,7 | 14,5 | 15,9 | - | 4,8* | 4,0* |
| Further education 55-64 year olds, women | 11,9 | 23,2 | 27,5 | - | 6,4* | 5,1* |

Table 6.1 (Continued)**Common indicators**

| Indicator | DK 2000 | DK 2005 | DK 2006 | DK 2007 | EU-15 (2007) | EU-27 (2007) |
|---|----------------|----------------|----------------|----------------|-------------------------|-------------------------|
| Guideline 24 | | | | | | |
| Costs for education as part of GDP (16) | 8,3 | 8,43 | 8,28 | - | 5,1e* | 5,1e* |

*) Latest figures are from 2006.

- 1) Share of the population in the age group 15-64 who are employed.
- 2) Share of workforce that is without work.
- 3) Share of the population in the age group 15-24 who are unemployed.
- 4) Difference in unemployment between women and men in percentage points. Calculated as women-men.
- 5) Difference in employment frequency between women and men in percentage points. Calculated as men-women.
- 6) Annual change in job supply, including unemployed and persons in jobs in the age group 15-64.
- 7) Average age for retirement from the labour market. Based on a probability model that takes into consideration the relative change in activity level from one year to another at a specific age.
- 8) Difference in unemployment between EU citizens and non-EU citizens, in percentage points.
- 9) The marginal effective tax on job income when consideration is taken for the combined effect of increased tax when working and removal of social benefits when a job is taken. Calculated as the ratio between change in personal net income divided by the change in gross income for a person who goes from being unemployed to a job with a salary of 67 per cent of the average.
- 10) Share of workforce that is long-term unemployed (12 months or more).
- 11) Ratio between income tax and social contributions divided by salary costs for an employee who earns 67 per cent of the average salary.
- 12) Difference between men's and women's average gross hourly pay as a part of men's average gross hourly pay.
- 13) Share of the 18-24 year olds who at the most have completed 9th grade and do not participate in other education.
- 14) Share of 22-year-olds who have at the least completed an upper secondary education. The age group 20-24 is used as proxy.
- 15) Share of the population in the age group 25-64 who participate in upper secondary education and training.
- 16) Total costs for education as part of the GNP.

Remark: a= changed calculation method, e= estimate, f= provisional, b= data non-compliance.
Source: Indicators for monitoring the Employment Guidelines 2008 compendium (May 2008).

Nationale indikatorer, jf. Beskæftigelseskomiteens (EMCO's) beslutning

Table 6.2

Young persons must commence a plan of action within 6 months of unemployment – input and output indicators.

| | year | Total | Men | Women |
|--|--------|--------|--------|-------|
| (A) Number of young recently unemployed | | | | |
| 2004 | 46.232 | 24.420 | 21.812 | |
| 2005 | 39.022 | 19.021 | 20.001 | |
| 2006 | 31.688 | 15.353 | 16.335 | |
| 2007 | 19.737 | 9.381 | 10.356 | |
| (B) Number of recently unemployed (A) who are still unemployed after 6 months | | | | |
| 2004 | 3.036 | 1.424 | 1.612 | |
| 2005 | 2.411 | 1.215 | 1.196 | |
| 2006 | 1.802 | 830 | 972 | |
| 2007 | 959 | 493 | 466 | |
| Share (B)/(A) output indicator | | | | |
| 2004 | 0,07 | 0,06 | 0,07 | |
| 2005 | 0,06 | 0,06 | 0,06 | |
| 2006 | 0,06 | 0,05 | 0,06 | |
| 2007 | 0,05 | 0,05 | 0,04 | |
| (C) Number of recently unemployed (A) who have obtained a plan of action within 6 months | | | | |
| 2004 | 1.629 | 872 | 757 | |
| 2005 | 891 | 460 | 431 | |
| 2006 | 1.716 | 784 | 932 | |
| 2007 | 959 | 493 | 466 | |
| Share (C)/(A) | | | | |
| 2004 | 0,04 | 0,04 | 0,03 | |
| 2005 | 0,02 | 0,02 | 0,02 | |
| 2006 | 0,05 | 0,05 | 0,06 | |
| 2007 | 0,05 | 0,05 | 0,04 | |
| D) Number of recently unemployed who were still unemployed after 6 months (B) and who have not obtained a plan of action (1) | | | | |
| 2004 | 443 | 248 | 195 | |
| 2005 | 213 | 128 | 85 | |
| 2006 | 0 | 0 | 0 | |
| 2007 | 0 | 0 | 0 | |
| Share (D)/(B) | | | | |
| 2004 | 0,15 | 0,17 | 0,12 | |
| 2005 | 0,09 | 0,11 | 0,07 | |
| 2006 | 0,00 | 0,00 | 0,00 | |
| 2007 | 0,00 | 0,00 | 0,00 | |

Remarks to the calculation:

Regarding the calculation period: The calculation period has its starting point at the time the unemployed receives a job plan. For example, this means that if the calculation period is the year 2007, then the Number of recently unemployed under 30 years old include unemployed who received a job plan, a contact interview or a re-training offer in the year 2007. These persons thus had their first day of unemployment 6 months earlier, i.e. in the 2nd half of 2007 and the 1st half of 2007.

Regarding measurement A: Recently unemployed: The basis of the calculation is changed in relation to NAP 2004 so the counting of the number of recently employed is based on the unemployment insurance fund's reporting of the unemployed persons' 1st day of unemployment. In earlier calculations, NAP 2004 was the basis for the counting of recently unemployed – for want of better – the first time the person is unemployed and has not received unemployment benefits in the previous 52 weeks.

Table 6.2 (Continued)**Young persons must commence a plan of action within 6 months of unemployment – input and output indicators**

Regarding measurement B: The number of young unemployed persons with 26 weeks continuous full unemployment/re-training. The measurement includes the number of recently unemployed who are registered with continued full-time unemployment/re-training for 26 weeks from the time of the first day of unemployment.

Regarding distribution of young persons and seniors: As at 1. July 2003, the young group was extended to include up to 29-year-olds who subsequently have a right to a job plan at the latest within 6 months' unemployment. As a transitional scheme it applied that 25-29 year olds with the first day of unemployment in the first half of 2003 had the right to a job plan at the latest within 12 months unemployment, however before 31.12.03.

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

Notes:

- 1) From 2004, this category of persons contains those who have not obtained a contact interview, a job plan nor have commenced a re-training offer 25 weeks after recent unemployment.

Source: AMS (AMANDA).

Table 6.3

Young persons must commence a plan of action within 6 months' unemployment – data for measurement of the scope of the effort

| Year | Total | Men | Women |
|--|--------|--------|--------|
| Number of young recently unemployed | | | |
| 2004 | 46.232 | 24.420 | 21.812 |
| 2005 | 39.022 | 19.021 | 20.001 |
| 2006 | 31.688 | 15.353 | 16.335 |
| 2007 | 19.737 | 9.381 | 10.356 |
| Upgrading of qualifications | | | |
| 2004 | 757 | 378 | 379 |
| 2005 | 725 | 340 | 385 |
| 2006 | 637 | 274 | 363 |
| 2007 | 276 | 131 | 145 |
| Public wage subsidy job | | | |
| 2004 | 59 | 16 | 43 |
| 2005 | 66 | 19 | 47 |
| 2006 | 78 | 19 | 59 |
| 2007 | 33 | 12 | 21 |
| Private wage subsidy job | | | |
| 2004 | 107 | 70 | 37 |
| 2005 | 106 | 57 | 49 |
| 2006 | 72 | 42 | 30 |
| 2007 | 49 | 33 | 16 |
| Other | | | |
| 2004 | 90 | 41 | 49 |
| 2005 | 69 | 33 | 36 |
| 2006 | 81 | 26 | 55 |
| 2007 | 37 | 20 | 17 |

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

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

Source: Statistics Denmark, AMANDA and DREAM.

Tabel 6.4**Adults must commence a plan of action within 12 months of unemployment – input and output indicators**

| Year | Total | Men | Women |
|---|--------------|------------|--------------|
| (A) Number of young recently unemployed | | | |
| 2004 | 115.269 | 58.515 | 56.754 |
| 2005 | 106.533 | 52.464 | 54.069 |
| 2006 | 84.055 | 39.362 | 44.693 |
| 2007 | 70.361 | 31.737 | 38.624 |
| (B) Number of recently unemployed (A) who are still unemployed after 12 months | | | |
| 2004 | 2.996 | 1.653 | 1.343 |
| 2005 | 2.470 | 1.328 | 1.142 |
| 2006 | 1.537 | 816 | 721 |
| 2007 | 870 | 442 | 428 |
| Share (B)/(A) output indicator | | | |
| 2004 | 0,03 | 0,03 | 0,02 |
| 2005 | 0,02 | 0,03 | 0,02 |
| 2006 | 0,02 | 0,02 | 0,02 |
| 2007 | 0,01 | 0,01 | 0,01 |
| (C) Number of recently unemployed (A) who have obtained a plan of action within 12 months | | | |
| 2004 | 1.540 | 889 | 651 |
| 2005 | 874 | 502 | 372 |
| 2006 | 1.471 | 776 | 695 |
| 2007 | 870 | 442 | 428 |
| Share (C)/(A) | | | |
| 2004 | 0,01 | 0,02 | 0,01 |
| 2005 | 0,01 | 0,01 | 0,01 |
| 2006 | 0,02 | 0,02 | 0,02 |
| 2007 | 0,01 | 0,01 | 0,01 |
| (D) Number of recently unemployed who were still unemployed after 12 months (B) and who have not obtained a plan of action (1) | | | |
| 2004 | 176 | 105 | 71 |
| 2005 | 134 | 90 | 44 |
| 2006 | 41 | 20 | 21 |
| 2007 | 0 | 0 | 0 |
| Share (D)/(B) | | | |
| 2004 | 0,06 | 0,06 | 0,05 |
| 2005 | 0,05 | 0,07 | 0,04 |
| 2006 | 0,03 | 0,02 | 0,03 |
| 2007 | 0,00 | 0,00 | 0,00 |

Remarks to the calculation:

Regarding the calculation period: In the earlier calculations (NAP 2004) the calculation period applied to the time of recent unemployment. The calculations have now been changed so that the calculation period has its starting point at the time the unemployed receives a job plan, contact interviews and re-training offers. For example, this means that if the calculation period is the year 2007, then the number of recent unemployed persons over 29 years old will include unemployed persons with the first day of unemployment 12 months before the selected calculation period, that is, in the year 2006.

Regarding measurement A: Recently unemployed The basis of the calculation is changed in relation to NAP 2004 so the counting of the number of recently employed is based on the unemployment insurance fund's reporting of the unemployed persons' 1st day of unemployment. In earlier calculations, NAP 2004 was the basis for the counting of recently unemployed – for want of better – the first time the person is unemployed and has not received unemployment benefits in the previous 52 weeks.

Regarding measurement B: The number of adult unemployed persons with 52 weeks continuous full unemployment/re-training. The measurement includes the number of recently unemployed who are registered with continued full-time unemployment/re-training for 52 weeks from the time of the first day of unemployment.

Tabel 6.4 (Continued)**Adults must commence a plan of action within 12 months of unemployment – input and output indicators**

Regarding distribution of young persons and seniors: As at 1 July 2003, the young group was extended to include up to 29 year olds who subsequently have a right to a job plan at the latest within 6 months' unemployment. As a transitional scheme it applied that 25 to 29 year olds with the first day of unemployment in the first half of 2003 had a right to a job plan at the latest within 12 months of unemployment, however before 31.12.03. The adults (30 to 59 year olds) have a right to a job plan at the latest within 52 weeks of unemployment.

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

Notes:

- 1) From 2004, this category of persons contains those who have not obtained a contact interview, a job plan nor have commenced a re-training offer 52 weeks after recent unemployment.

Source: AMS (AMANDA).

Tabel 6.5**Adults must commence a plan of action within 12 months' unemployment – data for measurement of the scope of the effort**

| | Year | Total | Men | Women |
|-------------------------------------|------|---------|--------|--------|
| Number of adult recently unemployed | | | | |
| | 2004 | 115.269 | 58.515 | 56.754 |
| | 2005 | 106.533 | 52.464 | 54.069 |
| | 2006 | 84.055 | 39.362 | 44.693 |
| | 2007 | 70.361 | 31.737 | 38.624 |
| Upgrading of qualifications | | | | |
| | 2004 | 808 | 382 | 426 |
| | 2005 | 940 | 446 | 494 |
| | 2006 | 574 | 284 | 290 |
| | 2007 | 396 | 169 | 227 |
| Public wage subsidy job | | | | |
| | 2004 | 76 | 34 | 42 |
| | 2005 | 83 | 25 | 58 |
| | 2006 | 78 | 33 | 45 |
| | 2007 | 47 | 15 | 32 |
| Private wage subsidy job | | | | |
| | 2004 | 67 | 42 | 25 |
| | 2005 | 58 | 42 | 16 |
| | 2006 | 49 | 28 | 21 |
| | 2007 | 33 | 21 | 12 |
| Other | | | | |
| | 2004 | 93 | 45 | 48 |
| | 2005 | 94 | 56 | 38 |
| | 2006 | 84 | 45 | 39 |
| | 2007 | 38 | 19 | 19 |

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

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

Source: Statistics Denmark, AMANDA and DREAM.

Tabel 6.6

Average number of participants in activation measures, 2004-2006 (2007) – At least 25 per cent of the long-term unemployed must participate in active measures at the latest 2010

| Year | Total | Men | Women |
|---|---------|--------|---------|
| <u>(f) Average number of insured unemployed persons</u> | | | |
| 2004 | 134.778 | 70.473 | 64.305 |
| 2005 | 117.319 | 63.376 | 53.942 |
| 2006 | 88.558 | 49.971 | 38.587 |
| 2007 | 61.908 | 35.312 | 26.596 |
| <u>Average number of participants in active measures (E) who commenced as unemployed. Type of activation</u> | | | |
| <u>Employment with wage subsidy</u> | | | |
| 2004 | 16.717 | 7.390 | 9.328 |
| 2005 | 14.431 | 6.675 | 7.756 |
| 2006 | 11.067 | 4.439 | 6.628 |
| 2007 | 6.236 | 2.351 | 3.885 |
| <u>Guidance and upgrading of qualifications</u> | | | |
| 2004 | 18.320 | 6.520 | 11.800 |
| 2005 | 17.073 | 5.912 | 11.161 |
| 2006 | 15.485 | 5.015 | 10.470 |
| 2007 | 9.983 | 2.990 | 6.993 |
| <u>(E) Total</u> | | | |
| 2004 | 35.037 | 13.910 | 21.128 |
| 2005 | 31.504 | 12.587 | 18.917 |
| 2006 | 27.721 | 7.366 | 14.355 |
| 2007 | 18.244 | 7.366 | 10.878 |
| <u>Share (E)/(E+F) – input indicator</u> | | | |
| 2004 | 0,21 | 0,16 | 0,25 |
| 2005 | 0,21 | 0,17 | 0,26 |
| 2006 | 0,20 | 0,13 | 0,27 |
| 2007 | 0,23 | 0,17 | 0,29 |
| <u>(G) Number of concluded activation</u> | | | |
| 2004 | 177.474 | 80.242 | 97.232 |
| 2005 | 197.380 | 87.159 | 110.221 |
| 2006 | 153.087 | 64.410 | 88.677 |
| 2007 | 153.488 | 64.598 | 88.890 |
| <u>(H) Number of completed activation procedures where the persons are still unemployed, 3 and 6 months, respectively, after conclusion of activation procedure</u> | | | |
| <u>After 3 months</u> | | | |
| 2004 | 76.284 | 35.321 | 40.963 |
| 2005 | 85.260 | 38.366 | 46.894 |
| 2006 | 57.026 | 24.025 | 33.001 |
| <u>After 6 months</u> | | | |
| 2004 | 61.284 | 28.628 | 32.656 |
| 2005 | 62.111 | 28.079 | 34.032 |
| 2006 | 41.987 | 17.888 | 24.099 |

Tabel 6.6 (Continued)

Average number of participants in activation measures, 2004-2006 (2007) – At least 25 per cent of the long-term unemployed must participate in active measures at the latest 2010

| | Year | Total | Men | Women |
|---|------|-------|------|-------|
| <u>Share (H)/(G) – output indicator</u> | | | | |
| <u>After 3 months</u> | | | | |
| | 2004 | 0,43 | 0,44 | 0,42 |
| | 2005 | 0,43 | 0,44 | 0,43 |
| | 2006 | 0,37 | 0,37 | 0,37 |
| <u>After 6 months</u> | | | | |
| | 2004 | 0,35 | 0,36 | 0,34 |
| | 2005 | 0,31 | 0,32 | 0,31 |
| | 2006 | 0,27 | 0,28 | 0,27 |

Remark: From and up to the publication of unemployment for January 2008, Statistics Denmark has conducted a reorganisation of the statistics. The underlying data basis was partly edited and changes have occurred in the concept of unemployment so that the Danish concept of unemployment is closer to the international ILO definition of unemployment. The unemployment statistics were previously calculated on the background of data from CRM but now builds on RAM (Register for Labour Market). Moreover, in consultation with the Ministry of Employment, the National Labour Market Authority and the National Directorate of Labour, Statistics Denmark chose to use the change of source as an occasion for definitive changes in the concept of unemployment. The most significant importance here is that the so-called holiday unemployment is no longer included in the unemployment. This means that the payment of holiday unemployment benefits is no longer calculated as unemployment any longer.

The historical time series is updated based on the new source, which has led to minor changes in the historical data.

Source: Statistics Denmark, AMANDA and DREAM.

Tabel 6.7**The share of the population over 75-years-old in specialised institutions and the share of over 80-year-old home care recipients in the population 2005-2007**

| | Year | Total |
|---|------|---------|
| Persons of the age 75+ | | |
| Specialised institutions | | |
| | 2005 | 17.102 |
| | 2006 | 14.597 |
| | 2007 | 11.906 |
| The population | | |
| | 2005 | 380.633 |
| | 2006 | 381.428 |
| | 2007 | 382.536 |
| Percentage who live in specialised institutions | | |
| | 2005 | 4,51 |
| | 2006 | 3,83 |
| | 2007 | 3,11 |
| Persons of the age 80+ | | |
| Home care | | |
| | 2006 | 111.422 |
| | 2007 | 115.947 |
| The population | | |
| | 2006 | 224.511 |
| | 2007 | 225.040 |
| Percentage who receive home care | | |
| | 2006 | 49,63 |
| | 2007 | 51,52 |

Source: Statistics Denmark.

Tabel 6.8

Employment and unemployment rates for persons of Danish origin, descendants and immigrants from western countries and immigrants and descendants from non-western countries distributed according to low, medium and high qualification levels. Age group 16-66-year-olds The years 2002-2007

| Year | Total | Men | Women |
|--|-------|------|-------|
| Low qualification level – employment rate | | | |
| Persons of Danish origin, descendants and immigrants from western countries | | | |
| 2004 | 58,6 | 64,2 | 53,3 |
| 2005 | 58,2 | 63,8 | 52,7 |
| 2006 | 59,2 | 65,2 | 53,3 |
| 2007 | 63,0 | 68,4 | 57,4 |
| Immigrants and descendants from non-western countries | | | |
| 2004 | 42,5 | 49,4 | 35,9 |
| 2005 | 43,1 | 50,1 | 36,3 |
| 2006 | 46,6 | 53,0 | 40,1 |
| 2007 | 51,3 | 58,0 | 44,5 |
| Low qualification level – unemployment rate | | | |
| Persons of Danish origin, descendants and immigrants from western countries | | | |
| 2004 | 7,0 | 6,3 | 7,8 |
| 2005 | 6,6 | 5,8 | 7,4 |
| 2006 | 5,2 | 4,4 | 6,2 |
| 2007 | 4,0 | 3,2 | 4,8 |
| Immigrants and descendants from non-western countries | | | |
| 2004 | 17,1 | 15,5 | 19,3 |
| 2005 | 17,1 | 15,3 | 19,4 |
| 2006 | 13,0 | 11,5 | 15,0 |
| 2007 | 10,7 | 9,0 | 12,9 |
| Medium qualification level – employment rate | | | |
| Persons of Danish origin, descendants and immigrants from western countries | | | |
| 2004 | 79,8 | 82,0 | 77,3 |
| 2005 | 79,8 | 82,2 | 77,2 |
| 2006 | 80,8 | 83,2 | 78,1 |
| Immigrants and descendants from non-western countries | | | |
| 2004 | 52,1 | 56,2 | 47,3 |
| 2005 | 53,4 | 57,8 | 48,8 |
| 2006 | 57,8 | 61,7 | 53,9 |
| Medium qualification level – unemployment rate | | | |
| Persons of Danish origin, descendants and immigrants from western countries | | | |
| 2004 | 4,6 | 4,3 | 4,9 |
| 2005 | 4,0 | 3,7 | 4,5 |
| 2006 | 3,1 | 2,7 | 3,5 |
| Immigrants and descendants from non-western countries | | | |
| 2004 | 14,6 | 14,7 | 14,4 |
| 2005 | 14,1 | 13,7 | 14,4 |
| 2006 | 11,0 | 10,7 | 11,4 |
| High qualification level – employment rate | | | |
| Persons of Danish origin, descendants and immigrants from western countries | | | |
| 2004 | 86,1 | 87,2 | 85,1 |
| 2005 | 86,2 | 87,4 | 85,1 |
| 2006 | 86,7 | 88,0 | 85,7 |
| 2007 | 89,1 | 90,5 | 87,9 |
| Immigrants and descendants from non-western countries | | | |
| 2004 | 55,3 | 56,8 | 53,3 |
| 2005 | 56,8 | 57,7 | 55,6 |
| 2006 | 60,9 | 61,3 | 60,3 |
| 2007 | 65,5 | 66,4 | 64,4 |

Table 6.8 (continued)

Employment and unemployment rates for persons of Danish origin, descendants and immigrants from western countries and immigrants and descendants from non-western countries distributed according to low, medium and high qualification levels. Age group 16-66-year-olds The years 2002-2007

| Year | Total | Men | Women |
|--|-------|------|-------|
| High qualification level – unemployment rate | | | |
| Persons of Danish origin, descendants and immigrants from western countries | | | |
| 2004 | 3,6 | 3,7 | 3,5 |
| 2005 | 3,2 | 3,2 | 3,2 |
| 2006 | 2,6 | 2,6 | 2,7 |
| 2007 | 2,0 | 1,9 | 2,1 |
| Immigrants and descendants from non-western countries | | | |
| 2004 | 14,0 | 14,7 | 12,9 |
| 2005 | 13,8 | 14,6 | 12,8 |
| 2006 | 10,9 | 11,4 | 10,3 |
| 2007 | 8,3 | 8,3 | 8,3 |

Source: Statistics Denmark.

Table 6.9

The relative size of disadvantaged groups in the population. 2001

| | 16-64-årlige |
|--|---------------------|
| The group of persons who have a disability or a long-term illness (weighted figure) | |
| (A) Number of persons who have a disability or a long-term illness | 678.114 |
| (B) Number of persons who do not have a disability or a long-term illness | 2.764.858 |
| (C) Total | 3.442.972 |
| (A)/(C) per cent | 20 |

Source: The Danish National Centre for Social Research 2004.

Table 6.10**Persons who have a disability or long-term illness, November 2001**

| | Have a self-assessed reduced working capacity | Do NOT have a self-assessed reduced working capacity | The whole group of persons who have a disability or a long-term illness | Do not have a disability or a long-term illness |
|---|--|---|--|--|
| Primary job status, percent, all 16-64 year olds | | | | |
| Employed | 47 | 81 | 58 | 85 |
| Unemployed | 7 | 3 | 5 | 4 |
| Outside of the labour force | 44 | 12 | 34 | 6 |
| Undergoing education | 2 | 3 | 3 | 5 |
| Total | 100 | 99 | 100 | 100 |
| Primary job status, weighted figures, all 16-64 year olds | | | | |
| Employed | 214.325 | 181.049 | 395.374 | 2.367.116 |
| Unemployed | 29.819 | 6.588 | 36.407 | 100.500 |
| Outside of the labour force | 202.060 | 26.458 | 228.518 | 169.546 |
| Undergoing education | 10.497 | 7.319 | 17.815 | 25.359 |
| Total | 456.701 | 221.414 | 678.114 | 2.662.521 |
| Primary job status, percent, all 16-64 year old women | | | | |
| Employed | 43 | 77 | 53 | 81 |
| Unemployed | 6 | 3 | 5 | 4 |
| Outside of the labour force | 48 | 14 | 38 | 8 |
| Undergoing education | 3 | 5 | 3 | 5 |
| Total | 100 | 99 | 99 | 98 |
| Primary job status, weighted figures, all 16-64 year old women | | | | |
| Employed | 112.593 | 77.301 | 189.894 | 1.107.003 |
| Unemployed | 15.591 | 3.358 | 18.949 | 58.986 |
| Outside of the labour force | 123.398 | 14.073 | 137.470 | 101.137 |
| Undergoing education | 7.099 | 4.795 | 11.894 | 70.145 |
| Total | 258.681 | 99.528 | 358.208 | 1.337.271 |
| Primary job status, percent, all 16-64 year old men | | | | |
| Employed | 51 | 85 | 64 | 88 |
| Unemployed | 7 | 3 | 5 | 3 |
| Outside of the labour force | 40 | 10 | 28 | 5 |
| Undergoing education | 2 | 2 | 2 | 4 |
| Total | 100 | 100 | 99 | 100 |
| Primary job status, weighted figures, all 16-64 year old men | | | | |
| Employed | 101.732 | 103.748 | 205.480 | 1.260.114 |
| Unemployed | 14.228 | 3.229 | 17.458 | 41.513 |
| Outside of the labour force | 78.662 | 12.385 | 91.048 | 68.409 |
| Undergoing education | 3.398 | 2.524 | 5.922 | 57.551 |
| Total | 198.020 | 121.887 | 319.907 | 1.427.588 |

- 1) The figures regarding persons with disability or long-term illness have not been updated since NAP 2004. The figures originate from a so-called ad hoc module, which the EU countries had attached to their LFS (Labour Force Survey) in 2002. This ad hoc module has not been repeated since.
- 2) Persons on leave from employment or unemployment are included as employed and unemployed, respectively.

Source: Statistics Denmark and The Danish National Centre for Social Research (calculations on register data and LSF).

Active labour market policy – costs on the employment area

Table 6.11**Costs on the employment area**

| DKK Mill. in current prices | 2005 (accounts) | 2006 (accounts) | 2007 (accounts) | 2008 (national budget) |
|---|----------------------------|----------------------------|----------------------------|---------------------------------------|
| Insured unemployed support | 25.273 | 19.927 | 14.234 | 13.523 |
| - of which activation benefit | 2.815 | 2.258 | 1.428 | 1.625 |
| - of which wage subsidy to private employers | 460 | 345 | 191 | 161 |
| - of which wage subsidy to public employers | 1.487 | 1.246 | 872 | 1.061 |
| - of which subsidy to adult apprentices | 106 | 123 | 147 | 107 |
| - of which unemployment benefit | 20.405 | 15.955 | 11.596 | 10.569 |
| Insured unemployed – activation costs | 2.481 | 2.118 | 1.140 | 1.108 |
| Social assistance recipients – support costs activation | 13.683 | 12.496 | 11.309 | 11.212 |
| Social assistance recipients – activation operation costs | 1.825 | 2.300 | 1.934 | 1.889 |
| Sickness benefit | 11.241 | 11.801 | 13.835 | 13.923 |
| Rehabilitation, etc., support | 3.528 | 3.362 | 3.181 | 3.250 |
| Rehabilitation centres, etc., operation costs | 671 | 722 | 968 | 832 |
| Flexijob, wage subsidy | 4.821 | 5.873 | 6.428 | 7.252 |
| Soft job, wage subsidy | 164 | 137 | 134 | 128 |
| Unemployment benefit | 1.655 | 1.784 | 1.711 | 1.165 |
| Total | 65.342 | 60.521 | 54.874 | 54.283 |

Remark: The accounts figure for 2007 is the sum of costs paid on 17.46.11. Operation costs for insured unemployed (the state in the job centre) as well as costs paid on 17.46.12. Operation costs for insured unemployed in pilot job centres. The accounts figures for 17.46.11 include power of disposal for national target groups of 17.46.13 Bottle-neck grant. The estimate for 2008 is the sum of costs budgeted on FL008 to 17.46.11, 17.46.12 as well as costs for the national target groups on 17.46.13.

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

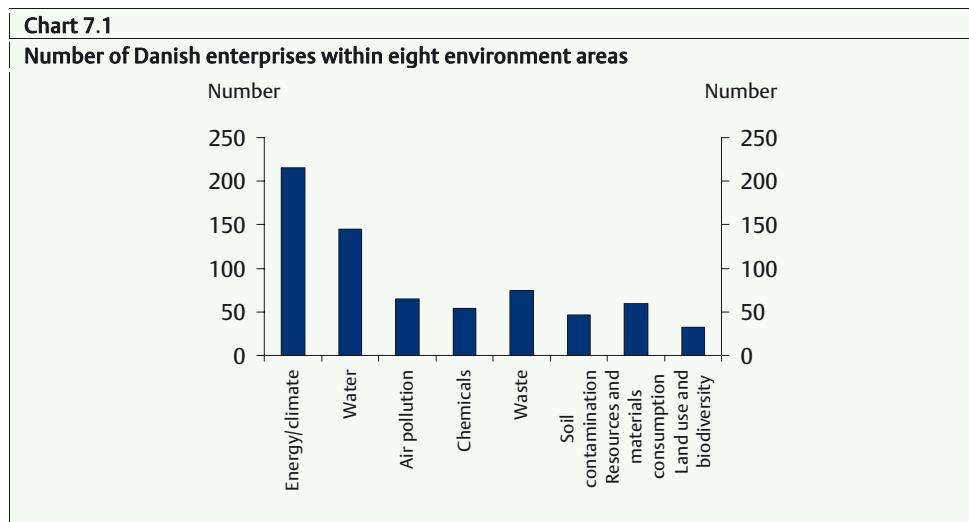
Source: Statistics Denmark social security statistics, national budget for the financial years 2006, 2007 and 2008, national accounts for 2004-2007, the municipal accounts 2004-2007, municipal budgets for 2007 and calculation of the municipal refund requests as well as own estimate.

Annex 7. Efforts for promoting eco-efficient technology

Table 7.1**New funding for eco-efficient technology broken down by main activity**

| Main activity | Funding in the period 2007-2009 |
|---|---|
| Partnership for innovation, exports promotion and consultancy for enterprises | DKK 27 million from the environment area. DKK 144 million from the Globalisation Fund for strategic research in environmental technology. |
| Research | DKK 477 million from the Globalisation Fund for an energy technological development and demonstration programme. Of this amount, DKK 200 million for the development of 2nd generation bio fuels. The government proposes to raise investments in research, development and demonstration of energy technology up to 2010, so that investments will reach DKK 1 bn. annually. |
| Climate and energy technology | DKK 45 million from the environment area, DKK 45 million from the Ministry of Food, Agriculture and Fisheries, DKK 90 million from agriculture, and DKK 75 million from EU rural development funds. |
| Promotion of eco-efficient agricultural technologies | DKK 23 million for testing, demonstration and assessment of eco-efficient technology, and DKK 20 million from the Water Fund. |
| Wetlands technologies | DKK 26 million for testing, demonstration and assessment of eco-efficient technology, and DKK 63.5 million for reduction of particulate emissions from wood-burning stoves and diesel vehicles. |
| Technology development for air pollution, noise and chemicals | |

According to a survey of Danish environmental technology strongholds, a total of 460 Danish enterprises are delivering services and technology to eight environment areas.



Source: FORA 2006, "Environmental Technology Strongholds - A Business Analysis of Cluster Formation".

According to a survey by FORA, in 2005 there were 60,000 full-time employees at the 460 Danish environment enterprises. From an overall perspective, this means that the Danish environment and energy cluster is one among of the most important business clusters in Denmark.

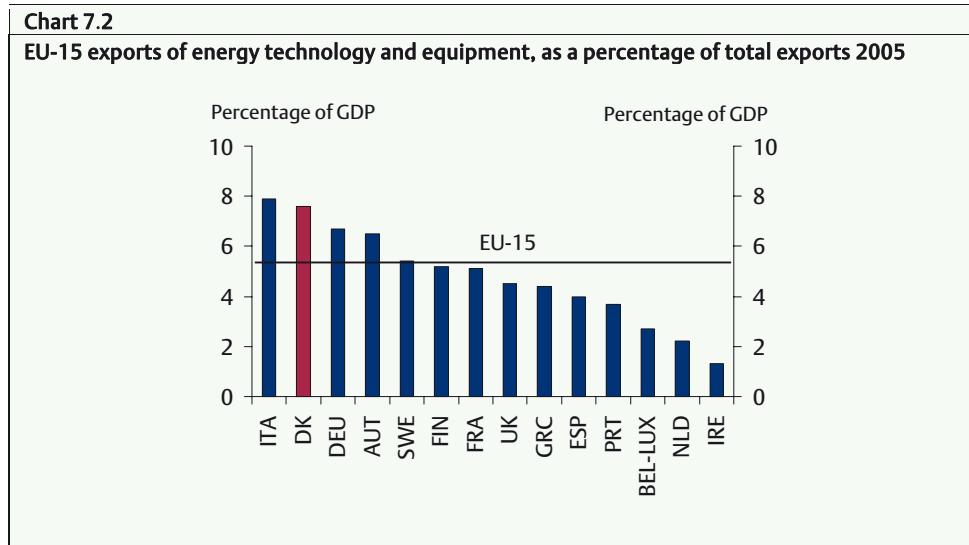
Table 7.2
People employed within the eight environment areas

| Environment area | Employees |
|-------------------------------------|-----------|
| Energy/climate | 45,475 |
| Water | 21,992 |
| Air pollution | 21,115 |
| Chemicals | 20,960 |
| Waste | 17,236 |
| Soil contamination | 15,859 |
| Resources and materials consumption | 14,547 |
| Land use and biodiversity | 8,964 |

Source: FORA, the Ministry of Economic and Business Affairs' Division for Research and Analysis, 2006.

Since the early 1990s, exports of Danish environmental and energy technologies have seen growth rates above average. Danish exports of energy technologies alone had grown to around DKK 52 billion in 2007, which corresponds to 300 per cent growth in 10 years. This is the second highest growth rate in the EU within the

energy area, and Denmark has the second largest percentage of energy technology exports relative to total exports. Two thirds of Danish exports relate to wind-power technology.



Source: Statistics Denmark and the Danish Energy Authority.

Annex 8. Contribution from the social partners and interested parties

1. Contribution from social partners in the state sector

OK08 with focus on flexibility, well-being and skills development

The social partners in the state sector entered into the collective agreement and agreement renewal 2008 (OK08); an agreement that is characterised by flexibility and which contributes to an increase of the job supply and working hours. Furthermore, the agreement means increased cooperation regarding the working environment and skills development including increased focus on low-skilled workers. On different areas, the agreement with OK08 implements several of the initiatives that were determined with the tripartite agreements from 2007 between the Government, the public employers and LO (the Danish Confederation of Trade Unions), FTF (The Confederation of Professionals) and AC (the Danish Confederation of Professional Associations).

Plus time

On working time, the parties of OK08 entered into an agreement regarding plus time, which opens new flexibility opportunities for employers and employees. The scheme can contribute to solving the labour force needs at the workplace and also involves a salary increase of the individual employee.

Plus time provides the employee and employer with the option of agreeing on average weekly working hours that are higher than the normal full-time occupation, however with a maximum 42 hours. The scheme is built on a voluntary basis and therefore requires agreement between management and the employee. The individual agreement regarding plus time can be entered into without time limitation or for a more specific period and can thus be adapted to the workplace's need for labour and according to the employee's life phases and conditions in his/her private life. An agreement about plus time means that the employee's salary is increased proportionately based on the agreed number of hours. The salary increase is pensionable. Furthermore, the plus time salary is paid during absence where there is the right to salary, e.g. during illness, maternity leave, and holiday.

Retention of seniors

The parties of the state sector agree that a central focus area for the Government's workplaces in future years is to retain seniors in their jobs. The high portion of elderly employees that will retire and the future, small generations of youngsters increases the need for retaining more seniors longer if there are to be enough hands in the future to solve the tasks with both quality and efficiency. Therefore the parties of OK08 have entered into an agreement that strengthens the Government workplaces' opportunities to retain seniors:

It is agreed that elderly employees will have the right to a *senior bonus* when they reach a specific age. The senior bonus comprises approx. 3 per cent of the employee's total fixed salary. The scheme is targeted towards employees who retire according to the average retirement age.

The motivation for the individual employee to remain longer on the labour market can vary and to ensure the greatest possible flexibility it is agreed that the employee has the right to *exchange the senior bonus for an extraordinary pension contribution*. Furthermore, up to 4 or 6 *senior days* can be exchanged depending on the age of the employee.

In the future, the collective agreements of the state sector will also cover persons who have reached the age of 70. It has been agreed that the pension contribution is paid out as salary to the employee who can also choose to deposit the amount into a pension scheme or to buy freedom. The focus on retaining seniors must be apparent in the Government workplaces' personnel policy and in connection with employee development interviews; the older employees must be offered a *senior interview*.

The abovementioned senior bonus will be financed by funds set aside by the tripartite negotiations. In order to follow the utilisation of the funds, the parties agree on creating a joint work group that shall prepare an information booklet about the new senior bonus and other options in order to promote the retention of seniors. The work group shall also initiate an evaluation of the utilisation of the tripartite funds in 2010.

Skills development

Attractive workplaces where the employees thrive and continuously develop their skills are crucial in order for the state to develop, retain and recruit good employees in the future. With OK08 the parties have agreed on strengthening the cooperation regarding skills development and the working environment at the central level between the parties and at the individual workplace. At the same time, an implementation of significant economic funds for skills development will occur including funds from the tripartite agreements.

Strategic and systematic skills development is important in order for the Government's tasks continuously to be solved with high quality and efficiency. Skills development creates motivation and commitment and for the individual employee, ongoing skills development is central to retaining and increasing his/her own opportunities on the labour market. The goal of the agreement is to promote development opportunities for all government employees and to create good frameworks for cooperation and job satisfaction at the individual workplace. In connection with OK08 a total of *DKK 410 million for skills development* has been earmarked for the coming collective agreement period. The funds are a supplement to those funds the Government's workplaces set aside for skills development. Part of

these funds will be set aside for a newly created fund for the development of the Government's workplaces.

A significant part of the parties' agreement regarding skills development is an *increased effort for skills and job development for low-skilled workers* in the state sector. The development on the labour market with increased globalisation and the technological developments often place greater demands on the low-skilled worker's skills and the greater demands on the quality of public service leads to increased demands on the employees' ongoing skills development. Therefore, in order to support the work on the individual government workplaces, the parties have obligated themselves to initiate projects and actual initiatives on the area. The effort will be targeted towards e.g. formal upgrading of qualifications, individual skills appraisal, and establishment of mentor schemes. In order to e.g. strengthen practical methods for skills development, a number of projects have been furthermore initiated to test *workplace-based cooperation regarding job swapping*.

Increased focus on job satisfaction and working environment

Good cooperation between management and employees on a good working environment is a precondition in order to create attractive workplaces. The work council is centrally placed for a good working environment to be ensured and the parties therefore agree that the work councils must take care of a number of new tasks regarding job satisfaction, illness absenteeism, and employee satisfaction. For example, in the future the work council shall determine guidelines for *the measuring of the employees' satisfaction and well-being*, including guidelines for the physical working environment. The measurements will be conducted at least every 3rd year.

The work of *reducing illness absenteeism* must be strengthened. The parties have agreed that the work council shall prepare guidelines for the institution's illness absenteeism policy, including how a request from employees for illness absence interviews must be accommodated. In addition, the work council shall discuss the institution's illness absenteeism and possible follow-up initiatives on an annual basis. The European agreement regarding *harassment and violence at the workplace* has been implemented in the cooperation agreement. The parties have agreed that the work council must determine guidelines that ensure a working environment where employees are not exposed to victimisation, (sexual) harassment or violence from colleagues, managers, or a 3rd person.

Status regarding integration and training positions

The scheme of integration and training positions in the state has been in force since 2006. As described in earlier contributions from the parties on the national area, the target group for the scheme is ethnic minorities with lack of language skills and/or weak professional qualifications – a group that finds difficulties in gaining foothold on the labour market i.e. due to lack experience from a workplace. The purpose of the 1-year employment is to ensure experience and upgrading of qualifications from a government workplace. The employees receive a standard start wage of 80 per cent

of the working hours. The remaining 20 per cent of the working hours implies an obligation for training and upgrading of skills. A plan will be prepared for the training process. The work council discusses frameworks and principles for the training process and actual recruitments are agreed upon in cooperation with the local trade union representative.

The parties agree to carry on the scheme with integration and training positions. Taking stock of the scheme's first period, in 2008, the parties obtained information from employees in the positions as well as from the managers of the scheme at the government workplaces. Since the scheme entered into force, a total of 97 persons have been employed in an integration and training position. Data from a group of employees of 59 persons shows that almost half the persons have moved into ordinary employment and that a sixth has commenced an education. A sixth did not complete employment. The training part of the position has benefited a major part of the group. The mentor scheme has functioned as a good support for the employee in the integration and training position and the mentor's commitment has proved crucial to the experience of the complete process.

2. Contribution from municipal and regional social partners

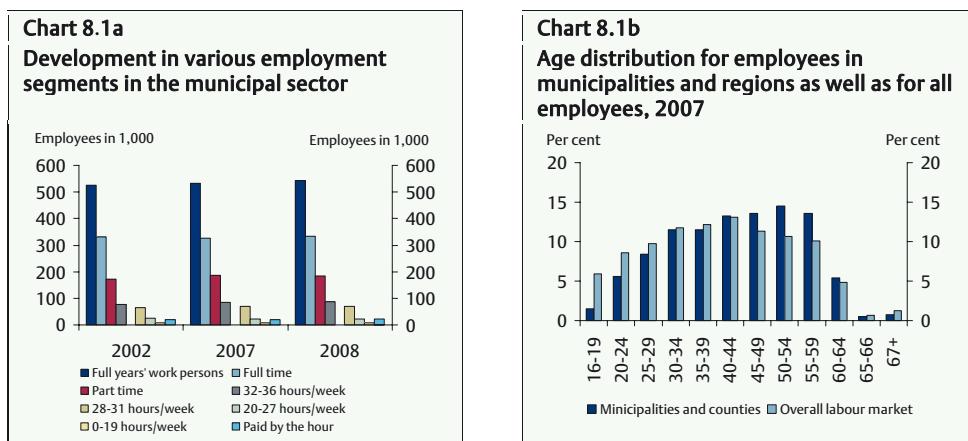
Compared to earlier years, the municipal and regional social partners' contribution this year, following agreement with the Government's representatives, has significantly reduced in scope. The presentation focuses to a higher degree than previously on key figures for it to be possible to calculate the effect of the parties' agreements and incentives. For the sake of comparability with earlier years, the guideline numbers have been retained.

The greatest challenge for municipalities and regions will be the lack of labour in the coming years. A large part of the public employees will leave the labour market to take early retirement or retire and at the same time, smaller and coveted generations will enter the labour market. Such a challenge will not be solved by recruitment alone. Municipalities and regions must also be able to retain employees. In times of scant economic and human resources, good management is crucial to the success of an organisation.

The fact that good management is a focus area is emphasised for example in the tripartite agreements from June 2007 between the Government and KL (Local Government Denmark), Danish Regions, FOA (Trade and Labour), AC (The Danish Confederation of Professional Associations) and FTF (Confederation of Danish professionals) where DKK 200 million has been set aside for the period 2008 – 2011 for manager education. It has been agreed here that all municipal and regional managers will have the right (not the obligation) to complete a manager education at diploma level. At the same time, significant funds have been set aside to strengthen further training, continuing education, and skills development. Moreover, as an incentive to counteract early retirement, DKK 900 million has been set aside for the period 2008 – 2011 for senior initiatives.

In the recently concluded collective agreement negotiations, agreements were concluded regarding health schemes, skills development, and senior schemes. A selection of the social partners' initiatives with the collective agreement renewal 2008 etc. is described in more detail in the following.

General employment policy (Guideline 17)



Source: Common municipality office regarding wage data.

Source: Statistics Denmark.

As seen in *chart 8.1a*, a slight increase in the number of employees in municipalities and regions took place in 2008. This reflects a larger number of full-time employees and fewer part-time employees.

The annual calculation takes place in February every year. This, the municipal and regional parties' agreements on easing the access to full-time employment, which came into force on 1 January 2008, have not yet had an impact on the figures. These agreements regarding part-time employees' access to a higher number of hours have the purpose of easing the part-time employees' opportunities to achieve a higher number of hours according to own choice.

Promotion of work through the entire life (Guideline 18), *Senior Initiatives*

As *chart 8.1b* shows the age distribution for employees in municipalities and regions is characterised by fewer young people and more older employees compared to the age distribution on the total labour market. The number of seniors (60+ years old) has increased gradually through a number of years. In the period 1998 to 2007, the number of employees in the age group 60-64 in municipalities and regions has increased from 2.90 per cent to 5.79 per cent corresponding to an approximate doubling.

The ageing labour force will now and in the future be a challenge for municipalities and regions as part of ensuring the necessary labour force. In connection with tripartite agreements entered into between the Government and the social partners on the municipal and regional area, funds were set aside for efforts concerning senior political initiatives.

The funds implemented with the collective agreement negotiations in spring 2008 are primarily used for a senior scheme where the senior employee can choose between the senior bonus, extraordinary pension contribution, days off, or special voluntary skills development course. In addition, it is agreed that older employees must be offered a senior interview, just as it is agreed to discuss the municipality's/region's senior efforts with employee representatives in the municipality's/region's upper co-management committee. The new initiatives must be seen as a supplement to the existing senior initiatives which also take place in municipalities and regions, including the Framework Agreement regarding senior policy, various projects, etc.

Improvement of salary during maternity and adoption leave – the “6-6-6 model”

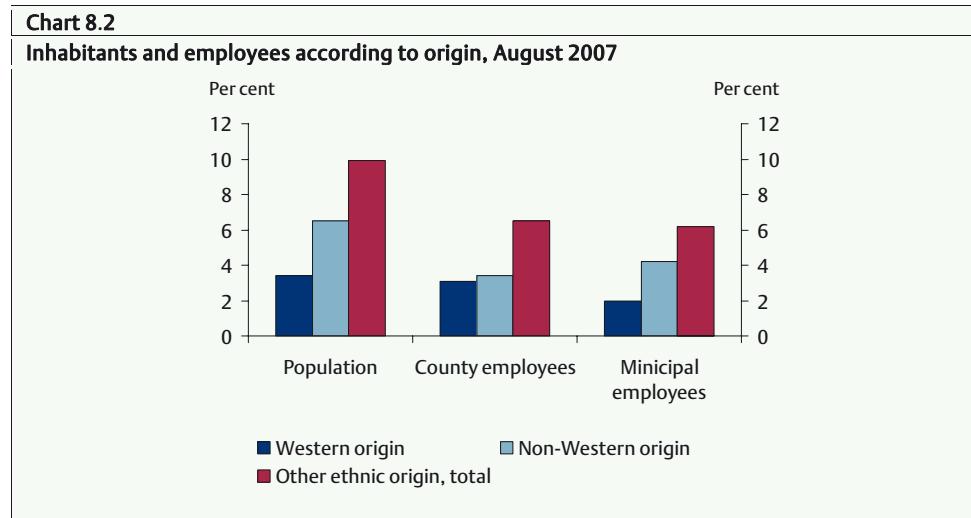
With the agreement and collective agreement renewal 1 April 2008, the municipal and regional social partners agreed on an improvement of the right to pay during maternity and adoption leave, including earmarking maternity leave with salary for the father. After the child's 14th week, the mother and father each have a right to 6 weeks' absence with pay. The right to pay no longer applies if the reserved leave is not used. Moreover, the father and mother together have a right to a further 6 weeks' maternity leave with pay. Corresponding stipulations are agreed on for adoptive parents. The stipulation applies to births / receipts after 31 March 2008.

The inclusive labour market, Guideline 19

An important focus area in connection with the labour force challenge in municipalities and regions has been to create increased broadness at the workplaces.

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

The tripartite agreements include a goal that the share of employees in municipalities and regions from non-western countries must reflect the composition in the regional workforce.



Source: Statistics Denmark, special runs.

As *chart 8.2* reflects, the goal has not yet been met. But as in earlier years, there has also been progress in 2007 with regard to the integration of employees with non-western ethnic backgrounds.

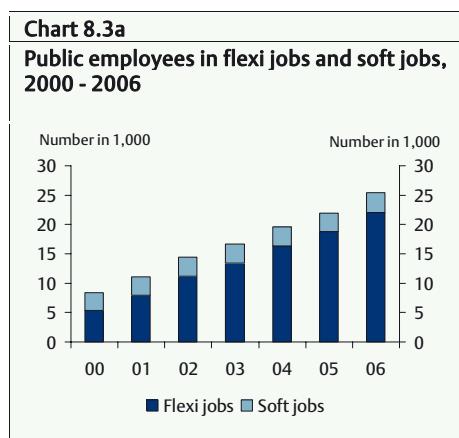
Local Government Denmark and KTO (Association of Local Government Employees' Organisations) are currently well on the way implementing 3 projects to promote the integration of ethnic minorities with other origins than Danish – recruitment to the municipal labour market and diversity as the retention element in the personnel policy where the difference in personnel make-up is profited by. The initiation of the projects was agreed on in spring 2007.

The three projects concern: Integration and training positions which have the purpose of promoting the local party cooperation's knowledge of the KTO agreement regarding integration and training positions. Culture and diversity at the workplace has the purpose of investigating what promotes the acceptance and use of diverse skills in an organisation's culture with a view to the development of tools that can promote a diverse company culture. The effects of diversity at the workplace which has the purpose of developing a measuring method make it possible to calculate the effect of practising multifarious management.

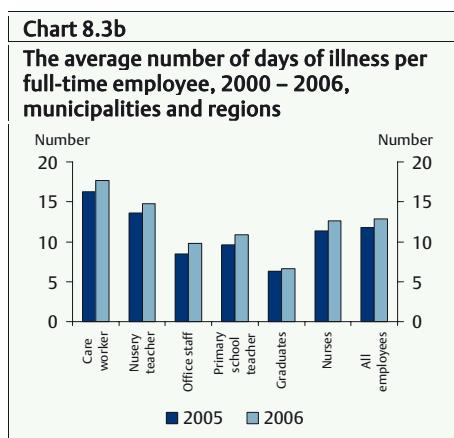
In cooperation with the other parties on the hospital area, Danish Regions has conducted a comprehensive diversity project. The project has the purpose of gathering and communicating the many experiences that are part of the work with diversity within the healthcare services.

Just as in recent years there has been success in creating space for more employees with non-western backgrounds at municipal and regional workplaces, the inclusion has also increased with regard to other groups with special backgrounds.

Promotion of flexibility on the labour market (Guideline 21)



Source: Statistics Denmark.



Source: Common municipality office regarding wage data.

Chart 8.3a shows that the number of public employees in flexi jobs has increased significantly since 2000 and simultaneously the number of employees in soft jobs has been more or less stable.

Improvement of the quality of the work includes safety and health

Chart 8.3b shows that the illness absenteeism in the period 2005 to 2006 has increased for employees in municipalities and regions, just as it has increased in other sectors. Illness absenteeism has increased for all larger personnel groups but there are great differences between the various groups' illness absenteeism.

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

The average total illness absenteeism is higher in municipalities and regions than in the state and private sectors, but compared to other countries – e.g. Sweden – the illness absenteeism is relatively low. The difference between the sectors' illness

absenteeism is connected to, among other things, the difference in work functions and gender distribution.

3. Contribution from the social partners in the private sector

The social partners in the private sector The Organisation of Managerial and Executive Staff in Denmark (LH), The Danish Confederation of Employers' Associations in Agriculture (SALA), The Danish Confederate of Trade Unions (LO) and The Confederation of Danish Employers (DA) find it pivotal that the development of the employment policy takes place in close collaboration with the social partners and will therefore, with this contribution, account for some of the partners' initiatives and actions. As a result of the DA/LO area succeeding in reaching agreements in spring 2007 about salary and working terms for the next 3 years, there are no special initiatives in 2008 to emphasise on this area. Referral is made to the parties' contribution to the National Reform Programme 2007.

1) Ensuring sufficient job supply

In February 2007, LO and DA entered into an agreement that shall ensure that the Danish welfare society and companies can get the labour force that is needed. With the agreement, DA and LO wish to indicate that the social partners are ready to take a greater joint responsibility for the solution of these challenges. This will be done partly through a comprehensive upgrading of qualifications of those Danes most exposed on the labour market and partly by ensuring an increased inflow of foreign employees with the demanded qualifications. The agreement shall ensure that the foreign labour force will be covered by the same conditions as Danish employees and in so doing will work under well-organised conditions.

The agreement contains a number of initiatives within 3 areas:

- Organisation
- Upgrading of qualifications
- Recruitment of foreign manpower

Organisation

The social partners want to take on a greater responsibility to ensure that the inflow of qualified manpower from abroad and good opportunities for low-skilled workers to be employed go hand-in-hand. The agreement contains a proposal that a tripartite committee is created with the Minister for Employment and representatives from the main organisations on the labour market, which can monitor any imbalances on the labour market, advise on the recruitment need for foreign manpower, and monitor the authorities' control efforts. Employees and employers agree that foreign manpower must work under Danish conditions in accordance with the principles of the Danish flexicurity model.

With a larger inflow of qualified manpower from third countries, the authorities need a complete registration of work and residence permits. Information about this must

be made available by the authorities to the tripartite committee and the social partners.

At the same time, the registration must give the parties the opportunity to ensure that work is done under conditions that are in accordance with the principles in the Danish model. Employees from abroad must be far better informed about the working conditions in Denmark – including information about the collective agreement system.

Upgrading of qualifications

In the agreement, LO and DA proposed that funds be set aside for the education of a further 2,500 adult apprentices with wage subsidies already from 2008. The agreement contained a proposal for a new model in the employment effort where the unemployed initially find the job and then get the necessary qualification in cooperation with the company and the jobcentre. LO and DA agree on placing greater focus on the upgrading of the low-skilled workers by e.g. proposing that low-skilled workers should have the possibility to be employed in training positions in areas with lack of manpower.

Recruitment of foreign manpower

LO and DA propose that a Green Card Scheme should be introduced after which qualified foreigners can achieve access to the Danish labour market under Danish salary and employment conditions. The proposal is to organise the scheme with a point system which simply and without bureaucracy builds on the criteria: Education, language, experience, and employment contract.

LO and DA propose that the Job Card solution's income limit be reduced to DKK 375,000 and that a tripartite committee must monitor that this reduction does not create undesirable differences on the labour market.

For companies covered by the collective agreement, LO and DA proposed to introduce a Group Residence Permit where employees from third countries will have the opportunity to work and educate themselves in Denmark for up to two years with the option of extension. The employee's trade union representative must be involved in order to secure the salary and working conditions.

It was proposed to introduce a "Fast Track" quota of 1,000 persons in 2008 within areas in shortage of supply for jobs covered by collective agreements and that a tripartite committee must discuss the size of the quota on an ongoing basis.

The information to foreign employees regarding regulations and conditions on the Danish labour market must be increased and focused marketing will be conducted abroad to increase knowledge of the advantages of and terms for being employed in Denmark.

The integration of new foreign employees in society and at the workplace must be improved through cooperation between employees, employers and municipalities.

2) Flexicurity and Globalisation

The increasing interest in flexicurity has made LO and DA prepare written material about flexicurity in Denmark to use when the parties receive delegations or give presentations at conferences etc. abroad in order to explain how the Danish labour market is organised.

In light of the discussions regarding globalisation the cooperation committee, which is a two-part forum between LO and DA, has brought the theme about the global workplace up to be debated in its 2007-08 annual report. The annual report contributes with examples from five Danish companies on how the companies have handled outsourcing fields of work and employment of foreign employees. The annual report has the purpose of spreading knowledge and inspiration in order for the companies and their employees to learn from each others' experiences.

In December 2007, the European Court of Justice made ruled in the so-called Laval case about the extent of the trade unions' right to conflict in relation to the EU treaty's stipulations regarding free exchange of services. On this background, the Government appointed a committee including participation of the social partners to consider the significance of the Laval judgement and evaluate the need to adapt legislation and find proposals for solutions.

In June 2008, a unanimous committee submitted a report with a recommendation that a provision is inserted into the act on posting of workers concerning industrial action. This insertion clarifies that the requirements which the foreign providers of services are faced with are based on the collective agreements that are entered into by the most representative social partners in Denmark and which apply to the entire Danish area.

The solution indicated by the committee shows that in close cooperation with the social partners, a model can quickly be found on how compliance with fundamental Danish wage terms can be required, by foreign companies as well, and simultaneously that the EU principle regarding free movement is respected.

3) The parties' involvement in the development of political initiatives on the employment area

In spring 2008, the parties contributed with input to the Labour Market Commission, which the Government formed and which according to the plan shall conclude its work at the latest in the middle of 2009. The parties have also submitted proposals for improvements of the illness benefit legislation and have participated in discussions in a public servant committee formed by the Government regarding illness absenteeism. DA and LO have set the scene for a joint dialogue with the

Minister of Employment in the further developments in extension of the Action Plan regarding Illness Absenteeism, which the Government published in June 2008.

LO, DA, and Lederne (Executives' Central Organisation) have entered into a partnership agreement with the Ministry of Education regarding prior learning in order to strengthen the possibilities recognizing the skills gained through one's career. It will now be easier to test whether executives' commercial experience and courses can provide access to a further education or the possibility of shortening an education course.

One of the four prioritised working environment problems up to 2010 is to reduce the number of muscle and skeletal ailments. LO and DA participate – following a report from a united expert committee – in tripartite discussions with the Government regarding a strategy for and further development of methods of prevention that can match the challenges that must be lifted.

4) The effort for special target groups

The individual manager is a key person when applied to the integration of persons who are outside of the labour market. With support from The Ministry of Refugee, Immigration and Integration Affairs, LH commenced a project "From manager to manager", which will strengthen the integration of employees with other ethnic background in small and medium-sized businesses.

LH is part of a consortium that will develop, provide and hold company courses with a view to equipping companies to accept and cooperate with socially at-risk employees.

With the support of The Ministry of Refugee, Immigration and Integration Affairs, SALA and among others, LO, has commenced a project that has the purpose of showing job seekers with a non-Danish background as well as the employment professional players, that there are jobs and good employment opportunities within agriculture. Through company visits, awareness and knowledge of the manpower need and job opportunities are strengthened. Right now, job seekers are being "paired" with actual companies. The project focuses on the region of Southern Denmark after which the hopefully good experiences will be spread out to the entire country. The project will be concluded in March 2009.

DA and LO have initiated a new integration project – the VIP2 project in cooperation with a number of so-called method municipalities. The project's purpose is to contribute to a faster and better integration of immigrants on the labour market by actually testing and developing tools and methods of the efforts locally.

Through a project, SALA-LO has focused on retaining seniors on the labour market. This will take place via workshops, regional seminars and consultant support at

company level in order to draw up senior policies, inspire with a senior practice which encourages longer continuance on the labour market, removes barriers for longer continuance on the labour market and gets the largest possible benefits from the seniors' final years on the labour market. The project will be concluded in December 2009.

Table 8.1
Varying weekly working hours on the DA/LO area

| Reference period for avg. 37 hours per week | Before OK 2004 | Before OK 2007 | After OK 2007 |
|---|----------------|----------------|---------------|
| Share of employees in per cent | | | |
| No access | 5 | 25 | 2 |
| 3-4 weeks | 2 | 0 | 0 |
| 2½-4 months | 16 | 7 | 4 |
| 6 months | 10 | 15 | 12 |
| 10 months | 0 | 0 | 0 |
| 12 months or more | 67 | 77 | 83 |
| Total | 100 | 100 | 100 |

Remark: Based on collective agreements for almost 90per cent of the DA/LO area. The reference period is the period where the working hours on average must be 37 hours per week.

Source: DA (The Confederation of Danish Employers'.

Table 8.2
Access to part-time on the DA/LO area

| | Before OK 2004 | Before OK 2007 | After OK 2007 |
|------------------------------|----------------|----------------|---------------|
| Employees in per cent | | | |
| Free access | 34 | 51 | 50 |
| Partial access | 59 | 46 | 47 |
| No access | 7 | 3 | 3 |
| Total | 100 | 100 | 100 |

Remark: Based on collective agreements for almost 90 per cent of the DA/LO area. In the group "no access", there may be the option for part-time for special company types. Partial access contains areas with access to part-time within specific weekly hour limits and for new employees.

Source: DA (The Confederation of Danish Employers').

4. The Disabled People's Organisations Denmark's contribution to Denmark's National Reform Programme 2008 – 2010

Utilise the potential in order for more people with disabilities to get a job

Figures from SFI (The Danish National Centre of Social Research) show that the employment rate is 57 per cent among people with disabilities. For visible and/or psychological disabilities, the rate is even lower. This indicates that prejudice about disability continues to pose a barrier for retention and inclusion. At the same time, many people with disabilities who are outside of the labour market do want to work

and believe that they can live up to the demands of the labour market. The survey estimates that the employment potential is 36,000 persons – employed under various terms. Thus, there must be continued significant focus on improving the opportunities so that everyone can participate in the labour market.

Need for larger knowledge basis for development of methods for targeted effort

There is a great need for specialised knowledge about the specific needs and opportunities for the disabled group in order to be included on the labour market. Which schemes have positive evaluations? More knowledge shall ensure that the individual players (the person, the company, the job centre, etc.) become aware of which role they each can and should play and which action possibilities are in place in order to increase the employment rate.

Greater focus on industries that expel the most to incapacity benefit

There is a need for an early and improved effort in order to prevent incapacity benefits as the only option. In the SFI survey, 43 per cent state that their disability or health problem came about at the workplace. There is great potential in avoiding permanent exclusion from the labour market. DH (The Disabled People's Organisations Denmark) saw this clearly reflected in the Prevention Fund's work and prioritising. Targeted and systematic focus must be placed on those industries that expel the most people to incapacity benefit.

The incapacity benefit reform functions – greater focus on prevention

DH sees it as a goal that the least possible amount of people experience incapacity benefits as the only option. But for people with serious, chronic illnesses/disabilities and who following testing have shown not to be in possession of the capacity to work that makes them able to participate on the labour market, the incapacity benefit ensures a financially stable minimum basis for a life outside of the labour market. DH believes that the incapacity benefit is a good provision for those who need it.

Need for an earlier and more holistic effort

Long-term unemployment or absence makes it difficult to retain a realistic labour market perspective. Receiving incapacity benefit is often a year-long process where prior to getting the benefit, the person has received illness benefit and/or social security and has been through many clarification processes before the matter is handed over for clarification with regard to incapacity benefit. It is necessary that the correct, individual effort is set in early – before the incapacity benefit is even mentioned! It is in this process that the potential for fewer people going over to permanent public support is to be found. Instead of precautions with more or less random activities, there is a need for a holistic effort with a secure economic perspective. This will particularly benefit people with the need for a long-term treatment process, e.g. with psychiatric ailments. Legislation does not accommodate the necessary possibility for this. Therefore, some people are pressed into the process of applying for incapacity benefits.

Need for a new rehabilitation effort and rehabilitation service

Even though the current range of work and services is broad, there are serious collaboration problems that must be solved. Added to this is that some fall within the duration limit in the illness benefit law and go over to social security. If you have a spouse with a high income, you lose your entire income basis. This threatens the livelihood itself and can in itself create the motivation to apply for incapacity benefit.

DH therefore proposes a new rehabilitation effort with rehabilitation benefits at the same level as incapacity benefits. Rehabilitation is an interconnected, cross-functional holistic effort with focus on the citizen's own skills and wishes. The individual should have an associated rehabilitation coordinator. Disability pensioners must also have the right to rehabilitation. This will strengthen their possibilities of returning.

Successful rehabilitation requires security in the process – in particular the economy. DH believes that there is a need for a rehabilitation benefit where the time perspective may be longer than is the case for e.g. illness benefits. This benefit must be for persons with permanently reduced functionality who have the possibility to improve the working capacity but where the work must be specialized and the perspective long-term.

Distribute personal assistance to persons with psychological disability

In 2007, personal assistance to persons in employment was changed so it is possible to use the scheme for persons with psychological disabilities. However, the number of schemes has dropped from 77 to 42. There is a need to investigate the cause of this decline. At the same time, the share of giving incapacity benefits based on psychological disability has increased within recent years. An increased dissemination of this scheme can contribute to fewer people being expelled from the labour market.

Persons in protected occupation

People employed in protected employment must be ensured access to supported employment on the labour market. This gives more dignity to the individual. Thus, protected employment must be moved from the law on social services to the employment legislation. The current organisational barriers in relation to moving the protected employment to supported employment must be broken down. The organising of the work must never pose a barrier in itself.

5. Contribution from the Employment Council

The Employment Council supports the Lisbon Strategy's overall objectives on the employment area.

The Employment Council agrees that the situation with low unemployment, high employment, and recruitment problems contains great employment political challenges in the future. If the Government is to realise its objective of ensuring companies the necessary and qualified labour force, there is a need for further

initiatives on the two tracks, which have already been laid out – to strengthen the national recruitment and ease the international recruitment.

The Employment Council deems it crucial that the Government places further focus on how the national labour force can be expanded and ensure that all the various employment political efforts and tools result in more hands being made active. The Employment council therefore urges the Government to ensure that the implemented employment policy is targeted towards areas with good employment opportunities or lack of manpower.

The Employment Council notes that the Government's commenced initiatives are primarily directed towards increasing the labour force; a goal the Council supports. But in light of the low unemployment and high employment rate, the Employment Council finds that more targeted focus should be placed on an effort that combines procurement with upgrading of qualifications so that it is ensured that the supply of manpower can continue to match the companies' demand for qualified manpower.

6. Contribution from the Working Environment Council

The Working Environment Council supports the Lisbon Strategy's overall objectives on the employment area. The Working Environment Council places importance on the total working environment effort contributing significantly to the achieving of the objectives regarding increased employment. A good working environment contributes to the later withdrawal from the labour market and prevents disabilities and illness absenteeism.

The Working Environment Council must emphasise that an ongoing interaction with the Government and the social partners is a bearing principle in the total working environment effort.

A significant element in this connection is the national 2010 Action Plan, which comprises a common framework for goals and prioritizes the efforts of the Government and the social partners up to and including 2010. There is agreement that occupational accidents, psychological working environment, noise and muscle and skeletal ailments must have the highest priority amongst all players and actual goals have been set up for the effort, e.g. reduction of illness absenteeism as a result of muscle and skeletal ailments.

The Working Environment Council places importance on this interaction being retained and reflected in future efforts.

The Working Environment council has noted the Government's focus on continuing the development of the flexicurity model. In this regard, The Working Environment Council is aware of the perspectives in companies' social capital and through the National Research Centre for the Working Environment, the Council has had a white paper prepared on the subject.

The companies' social capital is the quality that enables the companies' management and employees to solve its core tasks together. In order to be able to solve a company's core task, it is necessary for the managers and employees to have the ability to cooperate. The cooperation is based on a high degree of trust and fairness.

The Danish labour market model and flexicurity rests on, among other things, a gradually constructed basis of social capital, which is important to be aware of. A number of the competitive advantages that Denmark has with flexicurity can, for example, be attributed to the companies' social capital.

