

# Denmark's National Reform Programme

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

October 2005

The Danish Government

# The Danish Reform Strategy

## Annex

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## 2. Denmark as a knowledge society

Annexes 2.1 through 2.4 relate to section 2 of The National Reform Programme and describe in more detail the steps taken by the government to ensure the necessary focus with respect to both investment and quality.

### Annex 2.1 Investment in research and development

#### Initiatives within research and development

##### Reform of the research advisory system

In 2003, the government took the initiative to ensure greater coherence in the prioritisation of public research grants by thoroughly reforming the research advisory system. The aim of the reform was furthermore to improve the quality of research, increase coordination and internationalisation of Danish research, and increase dissemination and exploitation of Danish research.

A number of instruments are to ensure the best possible exploitation of the aggregate Danish research resources. Moreover, an appropriate balance between 1) prioritisations made by the research community and 2) political prioritisations should be ensured.

#### 1. Prioritisations made by the research community

##### Research centres of international standard

Since 1991 the Danish National Research Foundation has invested considerable amounts in establishing new research centres of high international standard based on recommendations from existing research environments. The implemented reform ensures that the Danish National Research Foundation continues its activities for a new period and contributes to the continued renewal of Danish research environments.

The reform of the research advisory system has led to the splitting up of the councils into two categories: research councils supporting independent basic research, and research councils supporting politically prioritised strategic research.

##### Basic research

The Danish Councils for Independent Research (DFR) are responsible for supporting research activities based on the researchers' own ideas. DFR consist of five scientific research councils that fund high quality research in all scientific fields. This type of funding is in line with the Danish tradition of supporting research of the highest quality based on applications from researchers submitted in open competition.

## **2. Political research prioritisations**

### **Strategic research**

The purpose of the Danish Council for Strategic Research (DSF) is to support research in politically prioritised and thematically defined fields, and to strengthen public-private research cooperation. DSF is to ensure that strategically selected research topics are furthered in a manner ensuring that only research of the highest quality is funded. In the spring of 2005 the Danish Council for Strategic Research presented its first major initiative identifying the 10 areas of research that are considered to have the biggest growth potential for Denmark.

### **The High-Technology Foundation**

The government has established the High-Technology Foundation in order to promote strategic research and the prioritisation of research with considerable commercial potential. The purpose of the foundation is to strengthen growth and employment by supporting strategic high-tech research and innovation projects of international standard. This includes the specific objective of furthering research and innovation in SMEs. The return on the foundation's capital is to be used to support new strategic projects within, for instance, nanotechnology, biotechnology and ICT.

### **Modernising the institutions**

#### **The universities**

The purpose of the university reform was to improve the framework and conditions thereby enabling the universities to strengthen their international competitiveness through quality development, strategic efforts and prioritisations.

The new management structure implies that an independent board with a majority of external members replaces collegiate bodies made up of members elected internally; the board appoints the rector. Another novelty is that the universities are to actively contribute to the dissemination of the latest knowledge to society in general.

The new University Act emphasises that the universities both internally and across institutional borders should aim at increased specialisation as well as more binding forms of cooperation and establishment of consortia to build up necessary scientific critical mass.

#### **The government research institutions**

The government research institutions' main task is to provide research-based knowledge and advice to relevant ministries and authorities. The purpose of the reform was to make the government research institutions professionally independent of their respective ministries in order for their research and knowledge-generating activities to be carried out in accordance with commonly accepted scientific criteria.

## Human resources

### More PhDs

In 2004, the government decided to increase the allocations for research training from 2005, so that it will become possible to increase the annual intake from 1,000 to 1,500 PhD-students in 2006. The government will present plans for a gradual doubling of the number of PhD-students. The increase in the number of PhD-students is primarily to be in the fields of natural science, technical science and health science. The number of industrial PhDs should also be increased.

### Promoting talent

The government is planning a special initiative EliteForsk, which is to be a brand comprising existing as well as new initiatives to promote talent among young researchers. Detailed guidelines for the initiative are being drawn up.

### Mobility and internationalisation

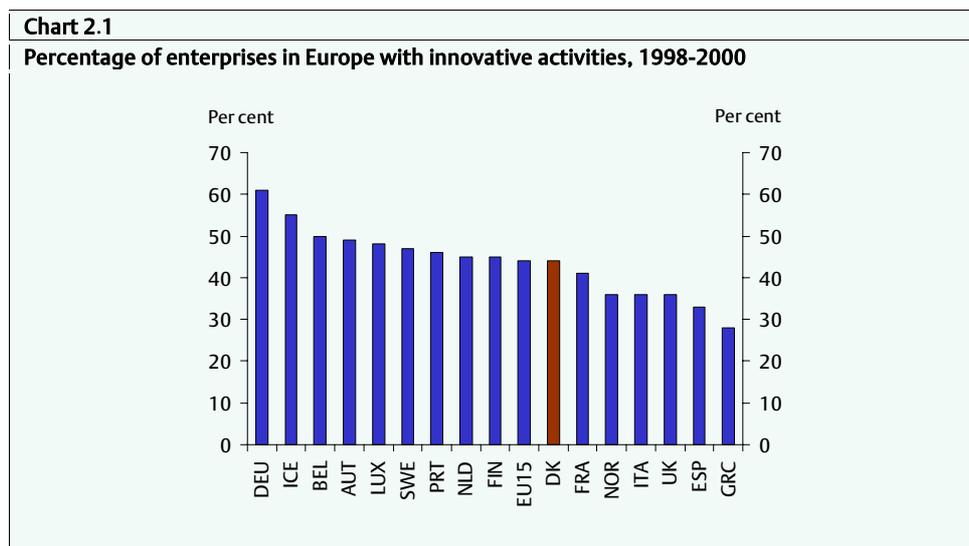
The government sets great store by being able to attract the best researchers – Danish as well as foreign. The government has set up an EU-funded mobility centre for an initial period of three years; the mobility centre is to help foreign researchers, companies and research institutions establish contact with Danish research environments.

The government is also planning to launch a programme making it possible to employ very highly qualified researchers on terms that are different from the normal terms of salary and employment for government employees.

Finally, in May 2005, the new University Act was amended to ensure increased internationalisation of the universities' study programmes including better conditions for increased student mobility.

### Knowledge transfer and innovation

High-technology start-ups and intermediate to high-technology start-ups have traditionally constituted less than 2 per cent of the all new enterprises; and Danish enterprises innovate less than enterprises in other European countries, *cf. chart 2.1*. Danish enterprises must therefore become better at converting new knowledge into new products and new services.



Source: European Commission: "Innovation in Europe. Results for the EU, Iceland and Norway", published 2004.

### Increased weight on development in the food, agriculture and fishery sector

The EU's rural development regulation for 2007-2013, which is politically agreed, brings into focus increased competitiveness and innovation and thereby growth and employment, cf. the Lisbon Strategy. With the regulation it will, also on Danish request, be possible to give support for innovation to small and medium-sized enterprises and in some cases also to large enterprises' participation in innovation projects.

The primary objective of the rural district programme is to create the best possible foundation for living conditions and development possibilities in the rural districts with special focus on outer regions. The overall areas of concern are development and vocationally oriented schemes, environmental and nature oriented schemes and schemes targeted at rural development in general. The government has laid down the terms of the Danish rural district programme for 2006 and will in the autumn of 2005 look at the terms for the period 2007-2013, see Annex 7.

Furthermore, the government intends to amend the Act on support for innovation, research and development in the food, agriculture and fishery sector with the purpose of strengthening the market based innovation and bringing the research results faster forward to commercial exploitation. With this amendment the government makes the innovation act even better in encouraging the incentive to innovate in the food sector.

### A coherent plan for public-private interaction

In 2003 the government implemented an action plan comprising more than 20 initiatives aimed at increasing the interaction between public research institutions and pri-

vate companies. Based on the lessons learned a number of new initiatives have been launched including:

- *High-technology networks*

In 2004 the government carried into effect a new initiative to promote partnerships between private enterprises and knowledge institutions. The networks are to provide better opportunities for enterprises and institutions to develop and disseminate research-based knowledge for use in development of high-technology solutions.

- *Regionalisation*

The action plan “Knowledge relocates – the path to high-tech regions” was launched September 2004. Apart from underpinning a number of existing regional initiatives, the action plan also introduces two new initiatives:

- “Regional technology centres” are to strengthen regional competences that are important to the region’s industry, and
- “Regional knowledge pilots” are to further the employment of university graduates in small and medium-sized enterprises

- *Technology transfer from public research institutions*

In 1999 Danish legislation was changed so that, today, it is the research institutions who own the property rights to inventions made by their staff. International comparisons show, however, that Denmark still commercialises public research to a lesser extent than countries that have more experience in doing so.

In 2004, the Parliament passed a bill allowing public research institutions to establish and invest in commercial enterprises that are charged with commercialising public research with a view to increasing technology transfer. Funds have been allocated on the Appropriation Acts 2004-2008 to strengthen technology transfer efforts at public research institutions.

## **Tax incentives**

### **150 per cent tax deduction scheme**

Since 2002 companies have been allowed to deduct 150 per cent of their expenditure to support research and research schools at universities and government research institutions. In 2004, the scheme was extended so that small and medium-sized enterprises could obtain a 150 per cent deduction for their own research and development expenditure when cooperating with public research institutions.

### **Tax liability of visiting researchers**

In order to recruit highly qualified key employees to Danish companies and research institutions it is possible for foreign experts to benefit from reduced tax rates.

### **Immediate deductions**

Immediate deduction of research expenditures. This initiative entails a tax benefit compared to capitalising and writing off the expenditure over a number of years (equivalent to an investment).

## Annex 2.2 Information and communications technologies (ICT)

### National ICT policy initiatives

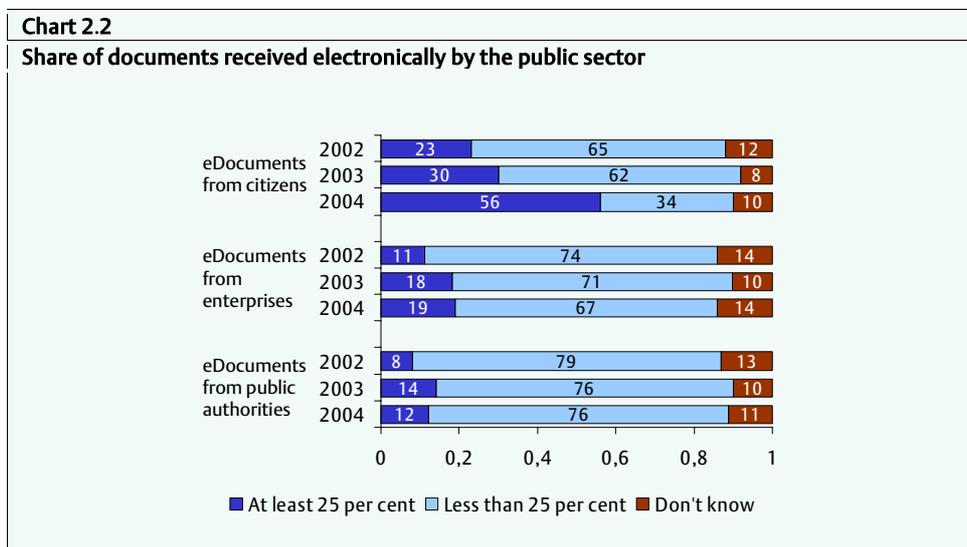
#### e-government, standardization, e-Days and digital signatures

The Danish government has developed guidelines for standardization in the public sector to ensure that investments in ICT will be targeted and based on common principles. As a major purchaser of ICT products, the public sector is using its purchasing power to promote the use of open standards. Standardisation is an ongoing process, which so far has led to common decisions on applying a large number of standards concerning the public sector's working procedures and interaction with citizens and businesses. As specific examples of public initiatives to promote the use of ICT, the following may be mentioned:

- *A new strategy for e-government.* On 17 February 2004, the Danish government and the municipal authorities published a new e-government Strategy. The Strategy and the underlying Action Plan constitute the guidelines for the process of digitisation until 2006. In this Strategy, the government and the municipal authorities present a vision of the role of digitisation in creating an efficient and coherent public sector with a high level of service, and with the citizens and the companies in the centre.
- *e-Days: 2003 and 2005.* The first e-Day was launched to ensure that digital communication is the rule rather than the exception when public authorities communicate with each other. E-Day2 is a further development of the first e-Day and ensures that citizens, businesses and public authorities will be able to communicate with each other in a secure manner (using secure e-mails), thus making it possible for documents containing confidential information to be exchanged digitally through the open Internet.
- *A common public portal for citizens.* The different actors in the Danish public sector are currently assessing the possibilities for creating a common public portal for citizens, which can function as the citizens' main entrance to the public sector, and where a whole range of public services are made available for the citizens over the Internet.
- *Use of digital signatures.* Since February 2003, all citizens have been able to get a free electronic signature for use on the Internet. Digital signatures pave the way for easier and more secure communication with public authorities using digital e-government. Digital signatures thus link together public self-service solutions and put citizens and businesses first. The vision is that "one code is enough", when citizens and businesses wish to get in contact with the public sector. In addition, the solution adopted by Denmark is an "open" solution, which will also enable private enterprises to employ the infrastructure when they need secure communication.
- *e-Invoice.* Since 1 February 2005, all public authorities must be able to receive and send invoices electronically. All companies that do business with the public sector

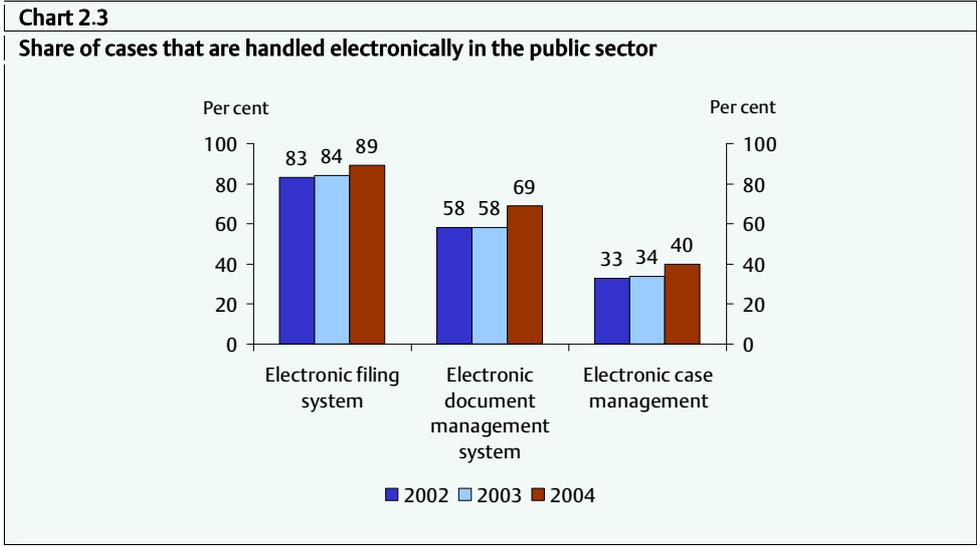
are to send their invoices electronically. The invoices are based on a common public standard and can therefore be read by the public sector financial management system. Currently there are also ongoing work concerning standardisation and guidelines for e-Commerce to support public procurement via the Internet.

- A large-scale *e-government campaign* (autumn 2005). Nine public authorities have joined forces to market digital self-service solutions in a campaign where more than 70 other authorities also participate. It is quite unique that so many authorities cooperate in making more and more Danes aware of the many possibilities of using the Internet for communicating with the public sector. The campaign features TV commercials, Internet banners, radio spots, newspaper advertisements, and a number of local campaign initiatives.
- *Strategies within specific sectors*. The central government, regions and municipalities have joined forces to make common strategies for the development of e-government within a number of sectors. The strategies focus on the cooperation between the different public authorities and are in several cases combined with standardisation projects and the establishment of a sector portal, e.g. within the areas of roads, environment, health and welfare. The portals apply to citizens, companies and public authorities. In the coming years more sectors are expected to develop common strategies and projects for digitisation.



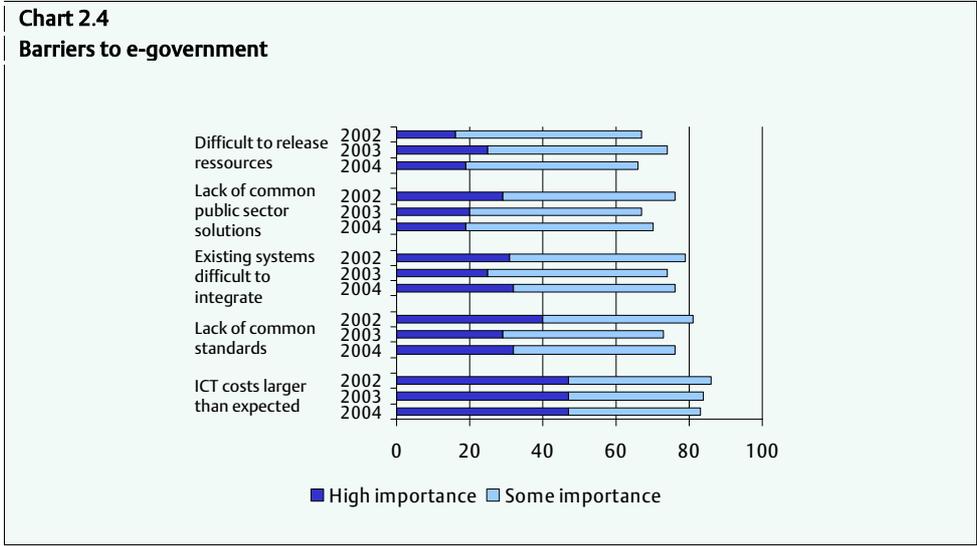
Note: "Documents" do not include informal e-mails (such as brief messages, replies, etc.).

Source: Statistics Denmark, ICT use by the public sector.



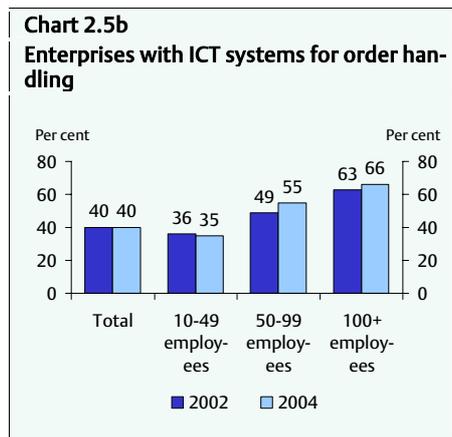
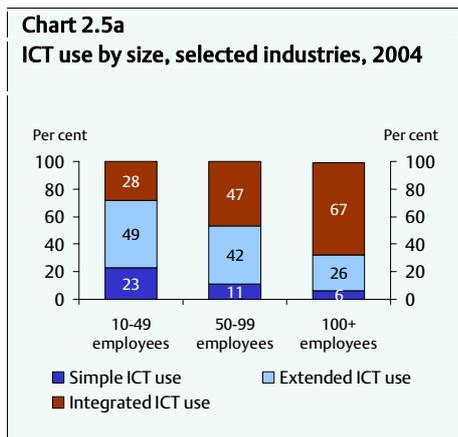
Note: Electronic case processing means a system that supports the administration of the case by different case officers.

Source: Statistics Denmark, ICT use by the public sector.



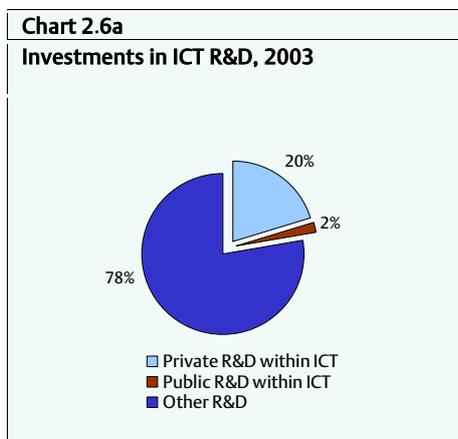
Note: The Charts show the five most significant barriers to e-government.

Source: Statistics Denmark, ICT use by the public sector.

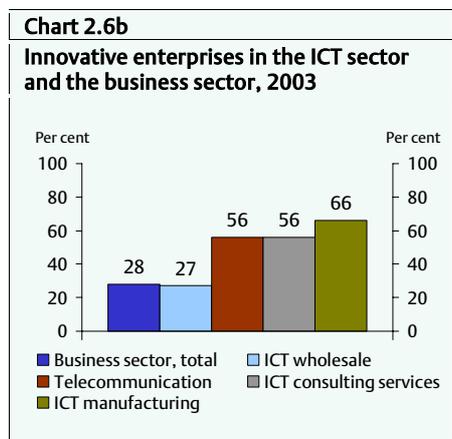


Note: The numbers have been calculated on the basis of random sampling based on enterprises with 10+ employees.

Source: Statistics Denmark, ICT use by Danish enterprises 2004, special extract.



Source: Danish Centre for Studies in Research and Research Policy, 2005.



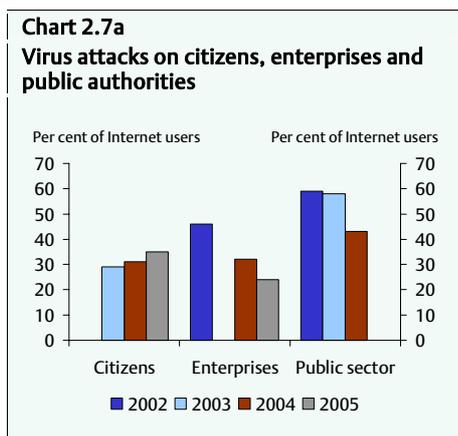
Source: Danish Centre for Studies in Research and Research Policy, Innovation statistics 2003, special extract.

### ICT trust and security

The government has formulated the following goals in the National ICT Security

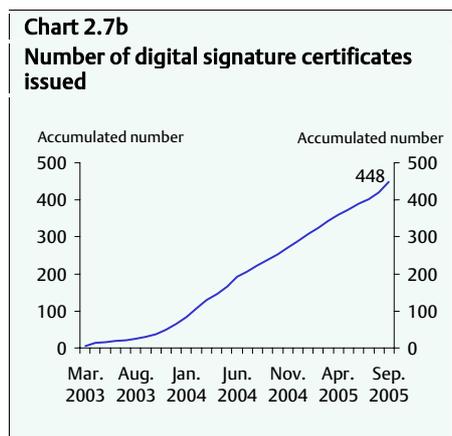
Strategy:

- Developing a Danish culture for ICT security.
- Ensuring a robust infrastructure for ICT.
- Minimizing consequences of ICT security incidents.
- Limiting present and future ICT security risks.



Note: The numbers relate to virus attacks causing loss of data or working hours within the last 12 months. For enterprises and public authorities, virus attacks are characterised by being "disruptive" or "severe".

Source: Statistics Denmark, Internet use by the population, ICT use by Danish enterprises, ICT use by the public sector.



Note: Estimates based on weekly figures. A certificate for digital signature is a program to be installed on the computers of enterprises or private individuals. Digital signatures allow secure communication, i.e. with electronic identification, signature and encryption. Examples of applications of digital signatures are tax returns, access control on web sites, etc.

Source: TDC, 2005.

## Infrastructure – broadband

Framework conditions that promote competition in the market and do not involve public financing are regarded the most efficient way of ensuring that all users get access to a wide range of broadband services at a low price. A main challenge is broadband prices, which continue to be relatively high in comparison with the rest of the EU.

Action plans are in preparation in the following areas:

- National Broadband Strategy: a revised Broadband Strategy is expected in 2005.
- Transition from analogue to digital broadcasting in 2009.

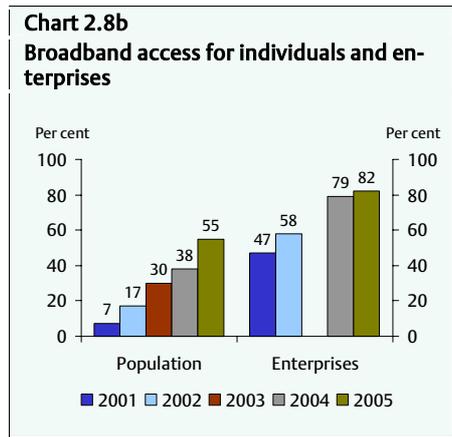
Investigations and analyses are in preparation in the following areas:

- Identification of barriers in the ICT infrastructure market, for the establishment of a multiplatform infrastructure, and for the diffusion of new technologies.
- Development in the telecommunications sector and the convergence with other sectors.



Note: Prices including VAT. The survey only includes the incumbent company in each country. The survey does not take into account any differences in upstream speed or differences in the purchasing power of the individual countries. In Austria and the UK (512 kbit/s) a variable traffic charge is payable if the subscriber exceeds a specified monthly volume of traffic. In Belgium, the speed is reduced to 64 kbit/s for the rest of the month if the subscriber exceeds a fixed volume of traffic of 400 MB (512 kbit/s) and 15 GB (3.3 Mbit/s), respectively.

Source: Broadband Markets, Western European Tarifwatch, June 2004, and [www.telenor.no](http://www.telenor.no) and [www.tdc.dk](http://www.tdc.dk).

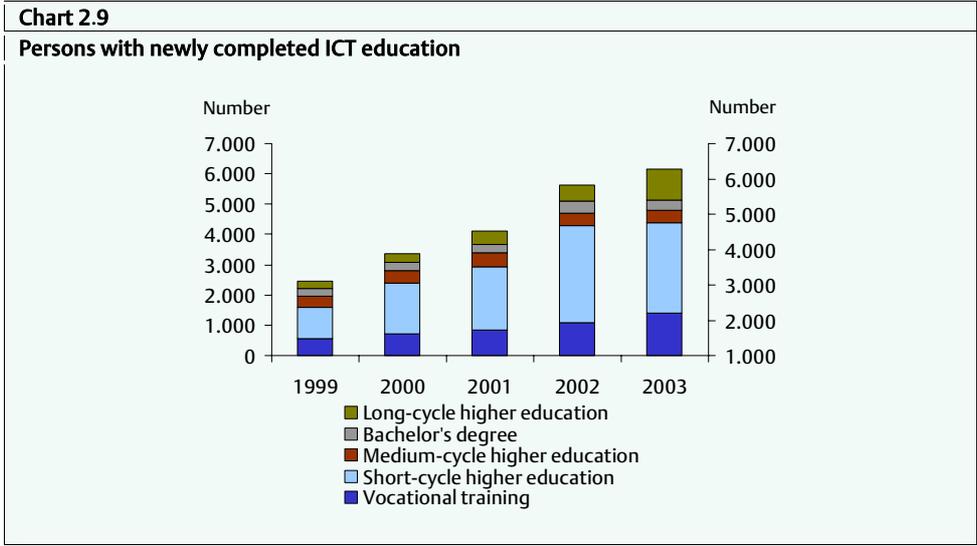


Note: For the population, broadband means ADSL and other fixed-line connections (e.g. cable modems). For enterprises, broadband means ADSL and similar equipment or other cable-based Internet connections.

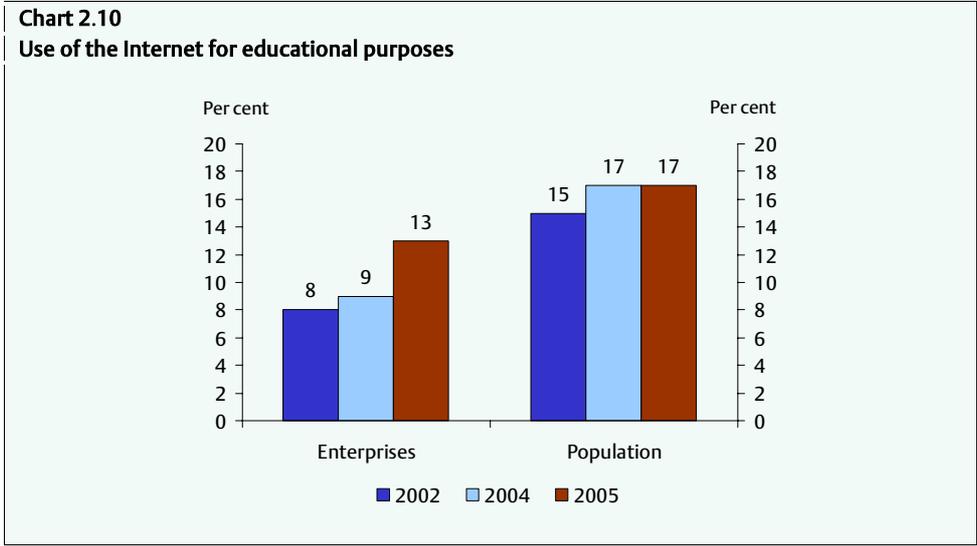
Source: Statistics Denmark, Internet use by the population and ICT use by enterprises.

### ICT skills and e-learning

The high-tech society makes demands on competences. It is the government's goal that ICT competences should be strengthened in order to support the use of ICT. This applies to competences for advanced ICT functions as well as overall ICT competences among the population. Therefore, an important focus area is the development of skills in, and by means of, ICT.



Note: The statistics are based on persons who completed an ICT education in the period from October to October during the year (cross-section year).  
Source: Statistics Denmark, Integrated student register (INTE).



Note: Enterprises were asked whether they used the Internet for training of staff. Individuals were asked whether they had used the Internet for education and training within the last month.  
Source: Statistics Denmark, ICT use by Danish enterprises and Internet use by the population.

## Annex 2.3 Entrepreneurship

The key entrepreneurial initiatives launched in recent years have centred on the areas of finance, advice and entrepreneurial culture.

### New initiatives launched

#### Get Started loans

In December 2004, the government launched a new loan guarantee scheme targeting entrepreneurs, known as "Get Started loans". Under this scheme, entrepreneurs are eligible to borrow up to DKK 500,000 from selected banks against a government guarantee. In addition, entrepreneurs are offered advice. The scheme is a pilot project, designed to serve as a supplement to the existing loan guarantee scheme, *Vækstkaution*.

#### The Entrepreneurship Fund

In partnership with private and financial investors, the government has set up a venture fund to invest in new enterprises in their earliest stages of development. The capital base of the fund is DKK 0,5 billion, more than DKK 300 million of which is earmarked for new investments. Between them, the government and *Vækstfonden* (a government backed investment company) have injected DKK 150 million into the venture fund.

#### Venture capital action plan

In January 2005, the government presented a venture capital action plan. The action plan aims to ensure that private equity investments are increased by DKK 30 billion by 2010. The action plan includes the following initiatives: 1) A new opportunity for establishing alternative marketplaces; and 2) Simplification of rules for business development organisations.

#### Advice and entrepreneurial culture

Growth houses (greenhouses for new ideas). In 2004 and 2005, three greenhouses have been established under the auspices of universities or institutions of continued and higher education. The greenhouses enable students to develop and test product or business ideas and spar with experienced business people.

#### IT Growth House

In early 2005, the government joined forces with the Greater Copenhagen Authority (HUR) to establish an IT Growth House in Ørestad. The Growth House brings together students, new enterprises and development projects of existing enterprises.

#### Business sparring partners

The government subsidises the establishment of 30 - 40 locally anchored entrepreneurship clubs, providing a venue for experienced business people and successful

entrepreneurs to offer their services as mentors to new entrepreneurs free of charge. So far, six clubs have been established, boasting a membership of 250.

### **Planned initiatives**

#### **Tax relief for growth entrepreneurs**

The government plans to table a bill granting three years of tax relief to innovative growth entrepreneurs from the time their enterprise starts generating a profit and they become tax liable. The aim is to provide an incentive for further growth and investments. The appropriation of the scheme will be DKK 200 million a year.

#### **Programme to make it easier to start up and run a new enterprise**

The government plans to launch a debureaucratisation programme designed to minimise the administrative burdens related to business start-up and operation.

## Annex 2.4 Education and training

### Planned initiatives for upper secondary education

#### A stronger focus on vocational education and training

The following five central challenges have been identified:

- All young people should complete an upper secondary education.
- There shall be sufficient apprentice places.
- Vocational education and training shall be orientated so that it is attractive and of high quality in relation to both able and not-so-able young people.
- The right balance should be achieved between consideration for the labour market of today and that of tomorrow in vocational education and training courses.
- Vocational education and training courses shall follow trends in the labour market, so that new sectors and job areas are covered by education and training.

The government will set up two committees, which will submit proposals on how to meet these challenges.

- One committee will submit a proposal for an action plan to achieve the target of at least 85 per cent and at least 95 per cent of a secondary school year completing an upper secondary education in 2010 and 2015 respectively.
- The other committee will prepare a proposal to future-proof the content, structure and control of vocational education and training courses.

#### Reintroduction of the apprenticeship

The government will reintroduce the apprenticeship as a supplement to the existing opportunities for providing vocational education and training. This initiative will help to ensure that 3,000 additional apprenticeships are made available by the end of 2006 and that at least 95 per cent of a secondary school year completes an upper secondary education in 2015.

This scheme is expected to be introduced on 1 July 2006 and will enable a pupil to enter into an education and training agreement with an enterprise and undergo practical training at the enterprise during the first part of the course programme. This will entirely or partially replace the basic programme.

The scope of any school-based teaching as a supplement to practical training will be agreed for each individual pupil between the company, pupil and school. With some courses and enterprises, there will be little or no need for supplementary school-based teaching, whilst with other courses and enterprises there will be a need for certain essential elements of school-based teaching. The skills of the pupil before commencing the training will also play a part in determining the need for any school-based teaching.

### **Basic social and health courses**

From 1 January 2007, an apprentice access route into social and health courses and basic educational courses will be introduced alongside the school route as a parallel route to the apprentice route into vocational education and training courses. This scheme is based on pupils being admitted to courses on the basis of an employment agreement with a relevant employment authority or a private supplier to a public sector authority of personal and practical support.

Currently pupils can only be admitted by a school, which then places the pupil with the employers who make apprenticeships available. As a general rule, the employment authorities cannot choose which pupils they employ. In future, schools will be obliged to accept pupils who have signed an agreement on employment with an apprenticeship provider.

To further improve the education and training opportunities for practically oriented young people, the government bill includes provision for the two courses to begin from 1 July 2006 with either an apprentice period or a school-based period as chosen jointly by the pupil and the apprentice provider regardless of whether the pupil has been admitted via the apprentice or school access route.

### **A new upper secondary class**

Through earlier and better guidance, it will become the general rule for young people to start upper secondary education after the 9<sup>th</sup> class. The small group of young people who are not ready for this as a result of inadequate decision-making skills or inadequate knowledge or skills and those young people who drop out of an upper secondary education will be offered teaching in a secondary school class.

In the future teaching in the secondary school class will be targeted at the group of young people who need a special education and preparatory programme in order to choose, begin and complete an upper secondary education. The aim is to improve the qualifications of young people to enable them to meet the requirements of upper secondary courses and to make them secure in their choice of education. Pupils will be admitted to the secondary school class after receiving comprehensive guidance from the secondary education institution whose advance approval is not a requirement.

### **Implemented higher education initiatives**

#### **Development contracts**

The University Act gives universities more freedom. The universities have become independent institutions with boards with an external majority, an external board chairman and employee managers. The central governing tool is the development contract, which will describe the university's strategic objectives, means and initiative areas and will be centred on the university's core areas. These development contracts will include quantitative and measurable indicators. The development contracts for

the period 2006 – 2009 will be negotiated at the start of next year. One of the government's aims is to improve the coherence between courses and to reinforce customer needs in the development contracts.

### **Specific access requirements and a new admission system**

Admission to a university course requires certain secondary school qualifications. For most courses, applicants must also fulfil certain specific access requirements, e.g. a grade 'B' at secondary level in English, in order to be able to study English at university or a grade 'A' in mathematics at secondary level in order to study engineering. From the 2008 intake, the specific access requirements will be simplified and tightened in order to create more coherence between the output level of secondary level courses and the input level of universities. This simplification will be reflected in the fact that the same course at different universities will have the same specific access requirements. In addition, tightening of the requirements will mean that an 'A' grade at secondary level will be required in the chosen language in order to study it at university.

### **Free places and scholarship scheme**

In an amendment to the University Act from May 2005, a free place and scholarship scheme has been set up for the best foreign students at the universities in order to attract more highly qualified students from abroad to relevant courses. Through the scheme, university boards will be able to prioritise the subject areas in which they want to attract the best students from outside the EU/EEA. The scheme will be introduced from 2006.

### **More and better engineers**

In May 2005, the government presented "More and better engineers", which describes a number of specific ways in which recruitment to engineering courses can be improved and how engineering courses can be improved. In concrete terms, an image campaign will be carried out during the spring of 2006 to attract applicants right from the summer 2006 intake. An international panel of foreign experts will also be set up to give advice and provide inspiration for Danish engineering courses, which can reinforce the overall education effort.

### **Strengthen the development of the higher education sector outside the universities**

The government has already strengthened the development of the higher education sector outside the universities, partly by improving the vocational colleges and establishing strong, broadly orientated centres for medium-cycle higher education courses. An emphasis is also placed on a close and dynamic interaction between theory and practice in attractive, forward-looking short and medium-cycle higher education courses.

In 2004, the Danish Parliament decided that centres for higher education could use the term 'University College', provided that they meet the conditions to increase

their capacity. The use of this term has clarified the requirements and basis for the knowledge management of the institutions.

## **Planned higher education initiatives**

### **Evaluation of Ph.D. education**

The government plans to increase Ph.D. admissions by 50 per cent. The Government Platform states that recruitment must be doubled annually from the current 1,200 Ph.D. students. Danish researcher education was last evaluated in 1999 and a new evaluation has just been started with the aim of assessing the organisation, structure and quality of Ph.D. education. The results of this evaluation will be available in February 2006.

### **Entertainment economy**

A working group under the Danish Ministry of Science, Technology and Development on "Courses for the entertainment economy" describes the current education and training picture within the entertainment economy as flickering and characterised by patchy coverage and insufficient collaboration and co-ordination. The working group points to the need for a marked lift of competences in the entertainment sector through the professionalisation of managements and organisations and more systematic educational co-ordination of commercial, humanistic and creative courses. As a follow-up to the working group's clarification of the need for new courses within the entertainment economy, the Ministry is planning to send out calls for tenders for new master's degree courses relating to the entertainment economy in the autumn of 2005, with the aim of bringing about a series of master's degree courses that are targeted at the competence needs of the entertainment economy.

### **Targeted education research**

It has been decided to establish a national forum for research into education. A conference on this topic will be held in the autumn of 2005. One of the aims of this conference is to discuss the establishment of a professional knowledge centre for education research, that can bring together the most important trends within Danish and international research within the field and ensure the effective dissemination of knowledge. Such a knowledge centre, also known as a clearing house, will among other things collate, assess and disseminate important results of Danish and foreign research.



### 3. Efficient competition and the internal market

#### Annex 3.1 Sectors showing signs of competition problems

##### Identification of sectors facing competition problems

The Danish Competition Authority identifies sectors with competition problems based on a triviality limit, a set of competition indicators and the Competition Authority's assessment of competition in the sector in question.

The triviality limit is two-pronged. One prong relates to the sector's overall turnover. The other relates to the number of employees in the sector. The minimum requirement for the sector's overall turnover is DKK 500 million a year. The overall number of employees must be at least 600.

Initially, the identification of sectors facing competition problems is quantitative. It is based on a number of competition indicators, *cf. table 3.1*.

<b>Table 3.1</b>			
<b>Competition indicators for identifying sectors facing competition problems</b>			
	<b>Criterion for markings in Table 3.2</b>	<b>Abbreviations in Table 3.2</b>	<b>Number of points in identification</b>
Public regulation	Competition restricted by public regulation, YES=1, NO=0.	PR	3
Concentration	Proportion of turnover by four largest enterprises (CR4)>80 per cent	C	2
Import-adjusted concentration	Import-adjusted CR4>50 per cent	IC	1
Entry rate	Annual entry rate lower than 3 per cent in manufacturing and 8 per cent in other sectors	ER	2
Market share mobility	Mobility lower than 10 per cent a year	M	2
Diversification of productivity	Diversification of productivity 25 per cent above the average of Danish sectors	DP	2
Wage premium	Wage premium 15 per cent higher than the wage premium in the Danish furniture industry	WP	1
Return on assets	Return on assets 50 per cent above the average of Danish sectors	R	2
Price level	Price index 3 percentage points higher than the EU9 average	PL	3
Assessment by the Competition Authority	Specific assessment	A	–

The competition indicators have been adjusted only marginally compared with last year. The indicator for return on assets in Denmark as per cent of the EU9 average has been eliminated, the reason being lack of data.

Moreover, Danish import quotas have not been updated. This implies that the import-adjustment of concentration is made using the import quotas applying to the various sectors for 2000, as Statistics Denmark has not calculated sector-allocated import quotas in recent years.

The individual quantitative competition indicators often – but not always – indicate the state of competition in the sector. When all indicators are assessed as a whole, they usually provide a good basis for assessing competition in a particular sector.

For example, high concentration is not always an indication of weak competition. High concentration is natural in sectors with large economies of scale. However, if

the sector also has low mobility, high earnings, a low entry rate and a high wage premium, competition is likely to be weak.

The competition indicators are part of a points system in which sectors are assigned markings if a given competition indicator exceeds a certain limit. Each marking gives one, two or three points. The sum of the points awarded represents the overall competitiveness of the sector in question. A higher total score is an indication of greater competition problems (weaker competition).

A sector is quantitatively identified if it achieves a total competition score of at least 60 per cent of the maximum number of points.

Finally, an assessment is part of the identification which, in some cases, is decisive for the sector's position. The assessment is based mainly on whether competition cases have been instituted against the sector in question by the Danish Competition Authority, the Competition Council or the EU Commission.

### **Number of sectors facing competition problems**

The number of sectors showing signs of competition problems has declined to 53 this year. The sectors identified as showing signs of having competition problems and the reasons why they have been identified are set out in *table 3.2*. The Competition Authority's website lists sectors that have been eliminated and new sectors that have been included compared with last year's identification of sectors.

	PR	C	IC	ER	M	DP	WP	R	PL	A
<b>Table 3.2</b>										
<b>Sectors showing signs of having competition problems, 2005</b>										
<b>Raw material extraction</b>										
Extraction of crude oil and natural gas	X	X	X	X	X		X			
<b>Food, beverages and tobacco</b>										
Pig and cattle slaughterhouses				X	X				X	X
Poultry slaughterhouses		X	X	X	X				X	
Processing and preservation of potatoes		X		X	X				X	
Sugar factories and refineries	X	X	X	X	X				X	
Breweries	X	X	X						X	
Mineral water factories, etc.	X	X	X	X					X	
Dairies		X	X	X	X				X	X
Tobacco factories	X	X	X	X	X				X	
<b>Paper and graphics businesses</b>										
Publishing of books, brochures, etc.	X				X	X	X		X	X
Publishing of newspapers	X						X		X	
<b>Chemical industry</b>										
Manufacturing of refined mineral oil products		X	X	X	X		X			
Manufacturing of industrial gases		X	X	X	X		X			
<b>Building materials and clay refractories</b>										
Manufacturing of sheets, plates, pipes and tubes, as well as profiles of plastic				X						X
Manufacturing of cement		X	X	X	X					X
Asphalt, roofing felt and rock-wool factories, etc.		X	X	X	X					X
Manufacturing of lock and metal fittings				X	X				X	X
Switches, relays and fuses	X			X	X			X		
<b>Retailing</b>										
Pharmacies	X			X	X				X	
<b>Utilities</b>										
Electricity supply	X				X	X			X	
Gas supply	X	X	X				X		X	
Heating supply	X				X	X			X	
Water supply	X				X				X	
<b>Transport</b>										
Railways	X								X	
Taxi driving	X								X	
Scheduled flights	X						X		X	
Charter flights, taxi flights, etc.		X	X	X	X		X		X	
Other auxiliary services related to shipping (ports)	X			X		X				
Airports, etc.	X	X	X	X	X					
Sea and coastal transport				X		X			X	X

	PR	C	IC	AR	M	DP	PP	R	PL	A
<b>Table 3.2</b>										
<b>Sectors showing signs of having competition problems, 2005</b>										
<b>Financial services institutions</b>										
Banks, savings banks and co-operative banks	X						X		X	
Finance leasing	X					X	X		X	
Other types of credit provision	X					X	X		X	
Financial institutions	X					X	X		X	
Life insurance	X						X		X	
Pension insurance	X					X	X		X	
Other insurance business	X					X	X		X	
Other services related to banks and financial institutions	X						X		X	
Services related to insurance	X					X	X		X	
<b>The professions</b>										
Legal practice	X			X			X			
General practitioners	X							X	X	
Dentists in general practice and clinical dental technicians	X							X	X	
Other health services	X									
<b>Other service industries</b>										
Wholesale trade in pharmaceuticals and nursing articles, as well as medical and hospital articles				X	X	X	X		X	X
Postal services	X			X					X	
Real estate development		X	X	X	X		X			
Procurement and rental of real estate	X			X		X	X			X
Lottery and other gaming activities	X							X		
Repair and maintenance of cars				X					X	
Waste dumps and incineration plants	X			X	X				X	
Technical testing and analysis	X		X			X	X			
Video and film distribution			X	X		X			X	X
Radio and television business	X	X	X		X	X			X	
<p>Note: If a sector has been identified by an indicator, using the criteria in Table 3.1., it is marked by X. PR denotes public regulation, C denotes concentration, IC denotes import-adjusted concentration, ER denotes entry rate, M denotes mobility, DP denotes diversification of productivity, WP denotes wage premiums, R denotes return on assets, PL denotes price level and A denotes the Competition Authority's assessment. See also Table 3.1.</p>										

## Annex 3.2 Danish net retail prices

As stated in section 3 of the National Reform Programme, the Danish net price level is 6 per cent higher than the EU9 average.<sup>1</sup> *Table 3.3* below gives an indication of goods exerting an upward respectively a downward pressure on prices.

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<sup>1</sup>The nine countries are Denmark, Sweden, the UK, Germany, the Netherlands, Finland, Belgium, Italy and France. The calculation of the net price indices is based on Eurostat prices from the so-called PPP programme, which was launched more than 30 years ago and comprises a large number of countries.

<b>Table 3.3</b>	
<b>Danish net retail prices, index EU9=100</b>	
<b>Danish prices above the EU9 average</b>	<b>2001-2003</b>
Child care centres, etc. (1)	130
Hotels, etc.	127
Personal care, etc. (1)	127
Soft drinks	123
Auto spare parts	123
Books, magazines and newspapers	121
Financial services, including insurance	120
Public transport	119
Travels	118
Alcoholic beverages	117
Rice and pasta	112
Vegetables	112
Jewellery, etc.	112
Sporting and leisure equipment	112
Bread and cereal products	111
Medicine and health (1)	111
Restaurants	109
Radio and television equipment	109
Mailing of letters (2)	109
Leisure and culture	107
Milk, butter and yoghurt (3)	106
Housing costs	106
Domestic appliances and electrical products	106
Sugar products, chocolate and ice cream	105
Petrol (4)	105
Fruit	104
Meat	104
Clothing	103
Fish	101
Oil and lard	101
<b>Danish prices below the EU9 average</b>	
Beer	97
Auto diesel (4)	95
Fuel oil (4)	94
Furniture, flooring	91
Coffee, tea, cocoa	91
Communication	88
Electricity (5)	88
Means of transport (6)	85
Plants and flowers	77

1) Prices are not fully comparable as some countries in EU9 make more use of user charges than others.  
2) Prices are for 2002-2004.  
3) Denmark compared with Sweden, Germany, the Netherlands and the UK.  
4) Prices are the average of 2003 and 2004, including temporary offers.  
5) Denmark compared with the EU, excluding Sweden.  
6) Denmark compared with EU15 for 2001-2002 and 2002-2003, respectively

Source: Eurostat, OECD and calculations by the Danish Ministry of Finance.

## Annex 3.3 Elaboration on the government's competition policy initiatives

### New initiatives launched

#### Amendment of competition restricting rules

In summer 2004, an inter-ministerial task force submitted a report, recommending changes of a number of *competition-impeding* rules in various areas. In several of these areas, the work to change the rules has already been initiated. A number of new initiatives will follow in the coming years.

#### Amendment of the Public Tender Act

The amendment is designed to increase competition, while at the same time reducing administrative burdens. Moreover, the Shop Closing Act has been further liberalised.

#### Increased liberalisation of infrastructures

The liberalisation includes targets for liberalisation and efficiency enhancement of the waste sector and proposals for modernising regulation and organisation of the water sector. Moreover, the Post Office's exclusive right to deliver letters has been reduced to letters weighing less than 50 grammes.

In addition, initiatives have been presented to render the *public sector's market conduct more competitive*, along with initiatives designed to promote *economic openness towards other countries*.

#### Planned initiatives

It is being considered to strengthen the investigative instruments under the Competition Act with a view to extending the possibilities of *combating* cartels.

The pros and cons of allowing the competition authorities to carry out control inspections of private homes belonging to employees of enterprises are also discussed. This would bring Danish competition legislation in line with EU rules on control inspections.

Denmark will also look into the need for establishing a leniency programme to provide an incentive for voluntary disclosure of cartel conduct to the competition authorities by offering enterprises immunity from fines or reductions of fines. Practically all EU Member States, as well as the Commission, already have leniency programmes.

Denmark was the first EU Member State to transpose the new public procurement directives into national law, thus benefiting from the more flexible and clearer rules on EU procurement.

For building and construction contracts of less than the EU threshold value, the act on inviting tenders in the building and construction sectors has recently been revised

(L338/2005). The key objective of the revision was to save resources – for the tenderers (through enhanced transparency and increased legal certainty) and for the contracting authorities (by introducing more flexible procedures for invitations to tender and simplification of rules).



## 5. The Danish Employment Policy

### Annex 5.1 Remarks regarding the Council's recommendations (2004) for Denmark

Several reforms are being prepared, but the following can be emphasised:

#### **The adaptability of employees and companies must be improved**

The government has followed the recommendation for further reduction of the general burden of taxation on earned income, while maintaining the consolidation of the budget by advancing the planned tax reductions in the spring of 2004, partially by introducing an earned income tax credit, which raises incentives to take a job, and partially by raising the income-threshold for paying the middle-bracket tax, which prompts people to work more.

#### **More people should get into the labour market and work should be a realistic choice for everyone**

The recommendation on continuing a coherent strategy for active ageing, including the removal of incentives for early retirement from the labour market, has been followed, as the government has set aside DKK 7 million for an attitude campaign, which is to contribute to a later and more gradual retirement. As of 2004, rules have also been introduced regarding postponed pension, which means that older employees who have reached the retirement age can choose to postpone the state pension and participate actively on the labour market in return for a higher state pension later. Furthermore, there are indications that the effects of the reform of the voluntary early retirement pay scheme introduced in 1998 are starting to show. The already relatively high employment rate among elderly employees (55 to 64 years) has risen further (from 55.5 per cent in 1999 to 60.2 per cent in 2003) within recent years, and the present retirement age is still very high compared to the Charts for the EU. Retirement schemes and financial incentives to stay on the labour market are expected to be part of the political debate after the report from the Welfare Commission.

As regards the recommendation regarding revision of the tax system and public income support schemes in order to lower the marginal taxes and improve the incentives to work for those with low wages, the government has, as mentioned, for instance, advanced the planned tax reductions in the spring of 2004. This also includes an income tax deduction with a view to increasing the incentives to work for the low income groups.

- Furthermore, the government has continued its work on increasing the incentives to work compared to receiving social assistance. For married couples where both parties receive social assistance, it has been decided that if one spouse has not had an ordinary job for 300 hours within a period of two years, this spouse

will be considered to be working at home – and thus not available to the labour market – which implies that the social assistance will be discontinued for that person. In 2005, the government will start an overhaul of the employment policy, that focus on flexibility-impeding regulations in the unemployment system, tightening of the rules on availability and a more effective public employment service.

The government has also taken initiatives with regard to the recommendation to monitor the consequences of the latest reforms on integration of immigrants in the labour market, especially with regard to the effort to provide the necessary basic education, which is a prerequisite for meeting the demands for getting a job. In the summer of 2005, the government made a political agreement on the integration package "A new chance for everyone", which includes a number of initiatives that are expected to increase the employment rate of immigrants and descendants of immigrants. At the same time, the government has initiated various impact measurement systems, including the establishment of a monitoring system, which are to contribute to an analysis of the results and consequences of the Danish integration effort. The integration package "A new chance for everyone" involves several proposals to ensure improved integration of immigrants into the labour market. For instance, it is part of the package that all young people between the ages of 18 and 25 should have an education, and that foreigners covered by the Danish integration law are now to enter into an integration contract until the individual foreigner achieves a permanent residence permit. Among other things, the contract implies that the individual is under an obligation to learn Danish and make an effort to get a job.

### **Investments in human resources and life-long learning must be increased and be made more effective**

With regard to the recommendation to monitor the development within vocational education and continued training in the light of the latest increases in user charges, the Prime Minister has, in September 2004, established a tripartite committee with the social partners with the purpose of analysing the present system and preparing recommendations for future changes of the general adult education and adult vocational training system. It has been under discussion that the participation in primarily publicly financed adult vocational training has declined, possibly as a result of the introduction of payment for the programmes. One of the purposes of this payment has been to qualify the demand and improve the quality of the programmes. The statistics show that Denmark is among the countries with the highest expenses for adult vocational training per employee (twice the EU average).

## Annex 5.2 Selected community indicators

The indicators have been laid down by the Council (Ministers for Employment) for use in the supervision of Member States' fulfilment of the guidelines.

<b>Table 5.3</b>						
<b>Community indicators</b>						
<b>Indicator</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>EU15 (2003)</b>	<b>EU25 (2003)</b>
<b>Guideline 17</b>						
<i>Employment rate, 15 to 64-year-olds (1)</i>	76.3	76.2	75.9	75.1	64.4	63.0
Employment rate, 15 to 64-year-olds, men	80.8	80.2	80.0	79.6	72.6	70.8
Employment rate, 15 to 64-year-olds, women	71.6	72.0	71.7	70.5	56.0	55.1
<i>Employment rate, 55 to 64-year-olds</i>	55.7	58.0	57.9	60.2	41.7	40.2
Employment rate, 55 to 64-year-olds, men	64.1	65.5	64.5	67.3	51.6	50.3
Employment rate, 55 to 64-year-olds, women	46.6	49.7	50.4	52.9	32.2	30.8
<i>Unemployment, total (2)</i>	4.4	4.3	4.6	5.6	8.1	9.1
Unemployment, men	4.1	3.9	4.4	5.3	7.4	8.3
Unemployment, women	4.8	4.9	4.7	5.9	9.0	10.0
<b>Guideline 18</b>						
<i>Youth unemployment, 15 to 24-year-old, total (3)</i>	5.0	5.7	5.3	6.8	7.3	8.1
Youth unemployment, 15 to 24-year-olds, men	4.9	5.6	6.4	7.5	7.7	8.6
Youth unemployment, 15 to 24-year-olds, women	5.0	5.9	4.1	6.1	6.9	7.7
<i>Gender differences, unemployment rate (women-men) (4)</i>	0.7	1.0	0.3	0.6	1.6	1.7
<i>Gender differences, employment rate (men-women) (5)</i>	9.2	8.2	8.3	9.1	16.6	15.7
<i>Change in labour supply, total (6)</i>	-0.6	-0.1	-0.3	-0.1	0.3	0.3
Change in labour supply, men	-0.7	-0.4	-0.2	0.2	0.1	0.1
Change in labour supply, women	-0.5	0.3	-0.4	-0.4	0.6	0.5
<i>Average retirement age, total (7)</i>	-	61.6	60.9	62.1e	61.4t	61.0t
Average retirement age, men	-	62.1	61.9	62.3	-	61.5t
Average retirement age, women	-	61.0	59.8	62.0	-	60.5t
<b>Guideline 19</b>						
Difference in unemployment rate between EU citizens and non-EU citizens (8)	9.2	7.3	8.9	13.4	9.6	-
The unemployment trap (9)	-	93.7	93.1	92.7	78.7	78.3
<i>Long-term unemployed, total (10)</i>	1.0	0.8	0.9	1.1	3.3	4.0
Long-term unemployed, men	0.9	0.7	0.8	1.3	2.9	3.6
Long-term unemployed, women	1.1	1.0	1.0	1.0	3.7	4.5
<b>Guideline 22</b>						
Taxation of low incomes (11)	41.2	40.6	39.9	39.9	37.2	37.4
Gender differences, wage (12)	15.0	15.0	-	-	-	16.0

<b>Table 5.3</b>						
<b>Community indicators</b>						
<b>Indicator</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>EU-15 (2003)</b>	<b>EU-25 (2003)</b>
<b>Guideline 23</b>						
<i>Share of 18 to 24-year-olds who have only attended lower secondary school, total (13)</i>	11.6	8.8	8.4	10.0c	18.1c	15.9c
Share of 18 to 24-year-olds who have only attended lower secondary school, men	13.4	9.5	10.3	10.3c	20.2c	17.9c
Share of 18 to 24-year-olds who have only attended lower secondary school, women	9.9	8.2	6.6	9.6c	15.9c	14.0c
<i>Educational level for 22-year-olds, total (14)</i>						
Educational level for 22-year-olds, men	69.8	78.5	79.6	74.4c	73.8	76.7
Educational level for 22-year-olds, men	64.5	76.2	76.8	72.6c	71.2	74.2
Educational level for 22-year-olds, women	74.8	80.8	82.3	76.2c	76.5	79.2
<i>Supplementary training, 25 to 64-year-olds, total (15)</i>						
Supplementary training, 25 to 64-year-olds, men	20.8	17.8	18.4	25.7c	9.7c	9.3c
Supplementary training, 25 to 64-year-olds, men	17.9	16.4	16.2	23.3c	8.9c	8.6c
Supplementary training, 25 to 64-year-olds, women	23.8	19.1	20.7	28.1c	10.5c	10.0c
<i>Supplementary training, 25 to 34-year-olds, total</i>						
Supplementary training, 25 to 34-year-olds, men	30.0	26.9	29.4	31.5	16.1	15.3
Supplementary training, 25 to 34-year-olds, men	27.2	26.9	27.2	27.9	15.7	14.8
Supplementary training, 25 to 34-year-olds, women	32.6	26.9	31.5	35.2	16.5	15.8
<i>Supplementary training, 55 to 64-year-olds, total</i>						
Supplementary training, 55 to 64-year-olds, men	11.0	8.4	9.3	9.5	4.1	3.6
Supplementary training, 55 to 64-year-olds, men	8.9	6.4	7.9	7.9	3.5	3.2
Supplementary training, 55 to 64-year-olds, women	13.4	10.4	10.9	11.3	4.6	4.1
<b>Guideline 24</b>						
Expenses for education as a share of GDP (16)	8.4	8.5	-	-	5.1e	5.1e

**Table 5.3**  
**Community indicators**

- 1) The share of the population between 15 and 64 years that is employed.
- 2) The share of the labour force that is not employed.
- 3) The share of the population between 15 and 24 that is not employed.
- 4) Difference in unemployment rate between women and men in percentage points. Calculated as women-men.
- 5) Difference in employment rate between men and women in percentage points. Calculated as men-women.
- 6) Yearly change in the labour supply, including unemployed and employed people between 15 and 64 years.
- 7) Average age at retirement from the labour market. Based on a probability model that takes into account the relative change in activity level from one year to another at a certain age.
- 8) Difference in unemployment rate between EU citizens and non-EU citizen, in percentage points.
- 9) The marginal effective tax on earned income when the combined effect of increased tax on work and removal of social benefits when taking a job is taken into account. Calculated as the proportion between change in personal net income divided by change in gross income for a person that goes from unemployment to a job with a wage of 67 per cent of the average.
- 10) The share of the labour force that is long-term unemployed (12 months or more).
- 11) The proportion between income tax plus social benefits divided by wage costs for an employee that earns 67 per cent of the average wage.
- 12) The difference between men and women's average gross hourly wage as a share of men's average gross hourly wage.
- 13) The share of the 18 to 24-year-olds that have only attended lower secondary school and not participated in any other education.
- 14) The share of 22-year-olds that have completed a youth education as a minimum. The age group 20 to 24 is used as proxy.
- 15) The share of the population between 25 and 64 years that participates in supplementary education and training.
- 16) Total expenses for education as share of the GDP. The numbers for EU15 and EU25 are estimates for 2001.

Notes: c= changed calculation method, e= estimate, t= temporary.

Source: Indicators for monitoring the Employment Guidelines / 2004-2005 compendium.

### Annex 5.3 National indicators, see the Employment Committee's (EMCO's) decision

<b>Table 5.4</b>				
<b>Young people must be offered an action plan within 6 months of unemployment – input and output indicators</b>				
	<b>Year</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>
<b>(A) Number of young people recently unemployed (1)</b>				
	2002	27,458	15,974	11,484
	2003	38,229	21,121	17,108
	2004	46,232	24,420	21,812
<b>(B) Number of recently unemployed people (A) who were still unemployed after 6 months</b>				
	2002	2,084	1,237	847
	2003	3,208	1,818	1,390
	2004	4,360	2,326	2,034
<b>Share (B)/(A) output indicator</b>				
	2002	0.08	0.08	0.07
	2003	0.08	0.09	0.08
	2004	0.09	0.10	0.09
<b>(C) Number of recently unemployed people (A) who have been offered an action plan within 6 months (2)</b>				
	2002	1,126	638	488
	2003	1,813	989	824
	2004	3,675	1,939	1,736
<b>Share (C)/(A)</b>				
	2002	0.04	0.04	0.04
	2003	0.05	0.05	0.05
	2004	0.08	0.08	0.08
<b>(D) Number of recently unemployed people who were still unemployed after 6 months (B) and who have not been offered an action plan (2)</b>				
	2002	958	599	359
	2003	1,395	829	566
	2004	685	387	298
<b>Share (D)/(B)</b>				
	2002	0.46	0.48	0.42
	2003	0.43	0.46	0.41
	2004	0.16	0.17	0.15

**Table 5.4****Young people must be offered an action plan within 6 months of unemployment – input and output indicators**

Remarks for the calculations:

*Regarding the calculation period:* In the former calculations (NAP 2004), the calculation period applied from the time when the unemployment spell began. The calculations have now been changed, which means that the calculation period starts when the unemployed person receives a job plan, contact conversations and activation offers. For instance, this means that if the calculation period is the year 2004, the number of recently unemployed people under 30 years will include unemployed with first day of unemployment 6 months before the chosen calculation period, that is in the second half of 2002 and the first half of 2003.

*Regarding calculation A: Recently unemployed people.* The basis of the calculation has been changed compared to NAP 2004, which means that the number of recently unemployed people is based on the unemployment funds' report of the unemployed person's first day of unemployment. In earlier calculations (NAP 2004), the basis of the calculation of recently unemployed people was – for want of something better – the first time the person was unemployed and had not received unemployment benefits for the previous 52 months.

*Regarding calculation B:* The number of young unemployed with 26 weeks of constant unemployment/activation. The calculation includes the number of recently unemployed people who are registered with constant full-time unemployment/activation for 26 weeks from the time of the first day of unemployment.

*Regarding distribution on young and older:* As of the first of July 2003, the youth group was extended to include people up to the age of 29, who are then entitled to a job plan within 6 months of unemployment. The transitional arrangement was that 25 to 29-year-olds with their first day of unemployment during the first half of 2003 were entitled to a job plan within 12 months of unemployment, but before the 31 December 2003.

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

- 1) The calculation period is based on the time of the unemployed person's first reception of a job plan, contact conversations and activation offers. For instance, this means that if the calculation period is the year 2004, the number of newly unemployed under 30 years will include unemployed people with their first day of unemployment 6 months before the chosen calculation period, that is the second half of 2002 and the first half of 2003.
- 2) As of 2003, this category includes cases where a job plan or an offer has been started or a contact conversation has been carried out 26 weeks after the recent unemployment. Earlier the category only included an individual action plan or an offer.

Source: AMS (AMANDA).

**Table 5.5**  
**Young people are to be offered an action plan within 6 months of unemployment – data for calculation of the extent of the effort**

	Year	Total	Men	Women
<b>Number of young recently unemployed people</b>				
	2002	27,458	15,974	11,484
	2003	38,229	21,121	17,108
	2004	46,232	24,420	21,812
<b>Qualification</b>				
	2002	231	136	95
	2003	371	200	171
	2004	757	378	379
<b>Public subsidised jobs</b>				
	2002	29	8	21
	2003	37	7	30
	2004	59	16	43
<b>Private subsidised jobs</b>				
	2002	14	5	9
	2003	25	18	7
	2004	107	70	37
<b>Other</b>				
	2002	5	5	0
	2003	30	11	19
	2004	90	41	49

Note: The distribution between activity types is based on the first stated activity in the job plan or the offer that the person has participated in. Thus, the distribution shows the distribution between activity types for young unemployed person who within 6 months of unemployment either have a job plan or have participated in an offer. With the labour market reform in 2003, the former guidance and education was correspondingly replaced with the tool "Qualification", and Job training was replaced with "Subsidised jobs". The activity names in the tables have been changed.

Source: Statistics Denmark, AMANDA and DREAM.

<b>Table 5.6</b>				
<b>Adults must be offered an action plan within 12 months of unemployment – input and output indicators</b>				
	<b>Year</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>
<b>(A) Number of adult recently unemployed persons</b>				
	2002	126,358	61,010	65,348
	2003	141,113	70,129	70,984
	2004	115,269	58,515	56,754
<b>(B) Number of recently unemployed persons (A) who were still unemployed after 12 months</b>				
	2002	3,036	1,237	1,799
	2003	5,289	2,848	2,441
	2004	3,219	1,682	1,537
<b>Share (B)/(A) output indicator</b>				
	2002	0.02	0.02	0.03
	2003	0.04	0.04	0.03
	2004	0.03	0.03	0.03
<b>(C) Number of recently unemployed persons (A) who have been offered an action plan within 12 months (2)</b>				
	2002	2,453	909	1,544
	2003	4,462	2,387	2,075
	2004	3,056	1,594	1,462
<b>Share (C)/(A)</b>				
	2002	0.02	0.01	0.02
	2003	0.03	0.03	0.03
	2004	0.03	0.03	0.03
<b>(D) The number of recently unemployed persons who were still unemployed after 12 months (B) and who have not been offered an action plan (2)</b>				
	2002	583	328	255
	2003	827	461	366
	2004	163	88	75
<b>Share (D)/(B)</b>				
	2002	0.19	0.27	0.14
	2003	0.16	0.16	0.15
	2004	0.05	0.05	0.05

**Table 5.6**  
**Adults must be offered an action plan within 12 months of unemployment – input and output indicators**

Remarks for the calculations:

*Regarding the calculation period:* In the former calculations (NAP 2004), the calculation period applied from the time when the unemployment spell began. The calculations have now been changed, which means that the calculation period starts when the unemployed person receives a job plan, contact conversations and activation offers. For instance, this means that if the calculation period is the year 2004, the number of newly unemployed under 30 years will include unemployed persons with first day of unemployment 6 months before the chosen calculation period, that is in the second half of 2002 and the first half of 2003.

*Regarding calculation A:* Recently unemployed. The basis of the calculation has been changed compared to NAP 2004, which means that the number of newly unemployed is based on the unemployment funds' report of the unemployed person's first day of unemployment. In earlier calculations (NAP 2004), the basis of the counting of recently unemployed persons was – for want of something better – the first time the person was unemployed and had not received unemployment benefits for the previous 52 months.

*Regarding calculation B:* The number of young unemployed persons with 26 weeks of constant unemployment/activation. The calculation includes the number of recently unemployed persons who are registered with constant full-time unemployment/activation for 26 weeks from the time of the first day of unemployment. Regarding distribution on young and older: As of the 1 July 2003, the youth group was extended to include people up to the age of 29, who are then entitled to a job plan within 6 months of unemployment. The transitional arrangement was that 25 to 29-year-olds with their first day of unemployment during the first half of 2003 were entitled to a job plan within 12 months of unemployment, but before the 31 December 2003. Regarding individual action plans (IHP) and job plans: With the labour market reform in 2003, job plans were introduced instead of individual action plans (IHP) as per 1 July 2003. In 2003 and 2004, calculations C and D include job plans instead of IHP.

- 1) The calculation period is based on the time of the unemployed person's reception of a job plan, contact conversations and activation offers. For instance, this means that if the calculation period is the year 2004, the number of recently unemployed over 29 years will include unemployed with their 1st day of unemployment 12 months before the chosen calculation period, meaning 2003.
- 2) As of 2003, this category also includes cases where a job plan or an offer has been started or a contact conversation has been carried out 52 weeks after recent unemployment. Earlier, the category only included individual action plans or offers.

Source: AMS (AMANDA).

<b>Table 5.7</b>				
<b>Adults must be offered an action plan within 12 months of unemployment – data for calculation of the extent of the effort</b>				
	<b>Year</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>
Number of adult recently unemployed persons	2002	126,358	61,010	65,348
	2003	141,113	70,129	70,984
	2004	115,269	58,515	56,754
Qualification	2002	998	439	559
	2003	1,081	548	533
	2004	808	382	426
Public subsidised jobs	2002	89	30	59
	2003	115	31	84
	2004	76	34	42
Private subsidised jobs	2002	34	21	13
	2003	47	30	17
	2004	67	42	25
Other	2002	27	13	14
	2003	33	16	17
	2004	93	45	48

Note: The distribution between activity types is based on the first stated activity in the job plan or the offer that the person has participated in. Thus, the distribution shows the distribution between activity types for young unemployed persons who within 6 months of unemployment either have a job plan or have participated in an offer. With the labour market reform in 2003, the former guidance and education was correspondingly replaced with the tool "Qualification", and Job training was replaced with "Subsidised jobs". The activity names in the tables have changed.

Source: Statistics Denmark, AMANDA and DREAM.

<b>Table 5.8</b>				
<b>Average number of participants in activation, 2001–2003 (2004) – At least 25 per cent of the long-term unemployed are to participate in activation in 2010 at the latest</b>				
	<b>Year</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>
<b>(F) Average number of insured unemployed persons</b>				
	2001	123,809	55,297	68,511
	2002	123,251	57,188	66,062
	2003	146,331	70,158	76,173
	2004	149,252	70,367	78,885
<b>Average number of participants in activation arrangements (E) who started from unemployment. Activation type</b>				
<i>Employment with wage subsidy (1)</i>				
	2001	14,670	5,626	9,044
	2002	14,171	5,807	8,365
	2003	13,031	5,616	7,415
	2004	16,720	7,391	9,329
<i>Guidance and qualification (2)</i>				
	2001	26,297	8,584	17,712
	2002	24,609	8,300	16,309
	2003	21,025	7,243	13,782
	2004	18,319	6,517	11,802
<b>(E) Total</b>				
	2001	40,967	14,210	26,756
	2002	38,780	14,107	24,674
	2003	34,056	12,859	21,197
	2004	35,039	13,908	21,131
<b>The share (E)/(E+F) – input indicator (3)</b>				
	2001	0.25	0.20	0.28
	2002	0.24	0.20	0.27
	2003	0.19	0.15	0.22
	2004	0.09	0.07	0.10
<b>The share (E)/(E+F) – input indicator (4)</b>				
	2001	0.33	0.26	0.39
	2002	0.31	0.25	0.37
	2003	0.23	0.18	0.28
	2004	0.23	0.20	0.27
<b>(G) Number of completed activation programmes</b>				
	2001	160,696	65,440	95,256
	2002	168,147	72,951	95,196
	2003	150,420	66,741	83,679
<b>(H) Number of completed activation programmes where the persons are still unemployed 3 and 6 months respectively after the completion of the activation programme</b>				
<i>After 3 months</i>				
	2001	47,378	20,639	26,739
	2002	56,276	25,634	30,642
	2003	68,096	31,001	37,095
<i>After 6 months</i>				
	2001	42,698	18,408	24,290
	2002	54,585	24,964	29,621
	2003	59,051	26,894	32,157

<b>Table 5.8</b>				
<b>Average number of participants in activation, 2001–2003 (2004) – At least 25% of the long-term unemployed are to participate in activation in 2010 at the latest</b>				
	<b>Year</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>
<b>Share (H)/(G) – output indicator</b>				
<b>After 3 months</b>				
	2001	0.29	0.32	0.28
	2002	0.33	0.35	0.32
	2003	0.45	0.46	0.44
<b>After 6 months</b>				
	2001	0.27	0.28	0.25
	2002	0.32	0.34	0.31
	2003	0.39	0.40	0.38
<p>Note: Statistics Denmark has been used as the source for (F), whereas AMANDA has been used for (E), which deviates from NAP 2002. E and F only include data for insured unemployed. One of the reasons for this is to ensure that the same sources are used to show developments for the same throughout the entire NAP 2003. Another reason is that AMS has not previously delivered data for this table. In the attempt to recreate the table from last year, AMS has used the AMFORA statistic on the website of Statistics Denmark. This exercise led to the conclusion that recipients of social assistance have been spoken to during education and job training (E)(the numerator), while only insured unemployed persons were included (F) (the denominator). Technically, this does not make any sense. It should be noted that job training includes individual job training. Therefore, the data for education and job training is lower than in NAP 2002. Therefore, (E)/(E+F) and (E)/(F) are lower than previous years.</p> <p><i>Remarks for completed activation programmes:</i></p> <p>With regard to completed activation programmes, it should be noted that the number of activation programmes deviated from earlier runs. However, the difference is not immediately explainable, as AMS is not in possession of the programmes run earlier for precisely this annex table. As the numbers are not identical for NAP 2002 and NAP 2003, (H)/(G) is different. Note that (H)/(G) after 3 months is higher than NAP 2002. Also note that H/G after 6 months is lower than H/G after 3 months, which corresponds to the general view. Thus, H/G deviates from the pattern in NAP 2002.</p> <p>Notes:</p> <ol style="list-style-type: none"> <li>1): The category "Job training" was changed to "Employment with wage subsidy" in 2003.</li> <li>2): The category "Education" was changed to "Guidance and qualification" in 2003.</li> <li>3): New definition of the degree of activation.</li> <li>4): Former definition of the degree of activation.</li> </ol> <p>Source: Statistics Denmark, AMANDA and DREAM.</p>				

<b>Table 5.9</b>		
<b>The share of the population over 75 years in specialised institutions and the share of home care recipients over 80 years in the population, 2001-2004</b>		
	<b>Year</b>	<b>Total</b>
<b>People aged 75+</b>		
<i><b>Specialised institutions</b></i>		
	2001	25,690
	2002	24,322
	2003	22,446
	2004	19,776
<i>The population</i>	2001	378,783
	2002	379,333
	2003	378,452
	2004	379,443
<i><b>Percentage living in specialised institutions</b></i>		
	2001	6.78
	2002	6.41
	2003	5.93
	2004	5.21
<b>People aged 80+</b>		
<i><b>Home care</b></i>		
	2001	106,609
	2002	108,770
	2003	107,691
	2004	106,609
<i>The population</i>	2001	213,567
	2002	216,582
	2003	216,989
	2004	220,871
<i><b>Percentage receiving home care</b></i>		
	2001	49.92
	2002	50.22
	2003	49.63
	2004	48.27
Source: Statistics Denmark.		

<b>Table 5.10</b>				
<b>Employment and unemployment rates for persons of Danish origin, descendants and immigrants from Western countries and immigrants from non-Western countries, divided into low, medium and high qualification levels, age group 16 to 66 years, 2001-2004</b>				
	<b>Year</b>	<b>Total</b>	<b>Men</b>	<b>Women</b>
Low qualification level – employment rate				
Persons of Danish origin, descendants and immigrants from Western countries				
	2001	61.8	68.5	55.6
	2002	61.7	68.1	55.8
	2003	60.6	66.5	55.0
	2004	58.6	64.2	53.3
Immigrants from non-Western countries				
	2001	44.1	51.9	36.5
	2002	43.4	51.0	36.2
	2003	44.0	51.6	37.5
	2004	42.5	49.4	35.9
Low qualification level – unemployment rate				
People of Danish origin, descendants and immigrants from Western countries				
	2001	5.8	4.9	6.8
	2002	5.5	4.8	6.2
	2003	5.7	5.1	6.4
	2004	7.0	6.3	7.8
Immigrants from non-Western countries				
	2001	15.7	14.4	17.4
	2002	12.7	11.6	14.0
	2003	13.1	12.0	14.4
	2004	17.1	15.5	19.3
Medium qualification level – employment rate				
People of Danish origin, descendants and immigrants from Western countries				
	2001	81.8	84.0	79.3
	2002	81.9	84.0	79.5
	2003	81.3	83.2	79.1
	2004	79.8	82.0	77.3
Immigrants from non-Western countries				
	2001	52.3	57.8	46.0
	2002	51.5	56.9	45.5
	2003	53.4	58.2	48.1
	2004	52.1	56.5	47.3
Medium qualification level – unemployment rate				
People of Danish origin, descendants and immigrants from Western countries				
	2001	3.5	3.1	4.0
	2002	3.3	3.7	3.0
	2003	3.6	3.5	3.8
	2004	4.6	4.3	4.9
Immigrants from non-Western countries				
	2001	13.6	13.7	13.5
	2002	11.2	10.8	11.5
	2003	11.6	11.9	11.2
	2004	14.6	14.7	14.4

**Table 5.10**

**Employment and unemployment rates for persons of Danish origin, descendants and immigrants from Western countries and immigrants from non-Western countries, divided into low, medium and high qualification levels. Age group 16 to 66 years. The years 2001-2004**

Year	Total	Men	Women
<b>High qualification level – employment rate</b>			
<b>People of Danish origin, descendants and immigrants from Western countries</b>			
2001	88.5	89.7	87.4
2002	88.4	89.6	87.4
2003	87.5	88.4	86.7
2004	86.1	87.2	85.1
<b>Immigrants from non-Western countries</b>			
2001	56.5	59.3	52.2
2002	55.2	57.6	51.8
2003	56.2	57.9	53.8
2004	55.3	56.8	53.3
<b>High qualification level – unemployment rate</b>			
<b>People of Danish origin, descendants and immigrants from Western countries</b>			
2001	2.4	2.3	2.5
2002	2.3	2.2	2.4
2003	2.8	2.9	2.7
2004	3.6	3.7	3.5
<b>Immigrants from non-Western countries</b>			
2001	11.8	12.2	11.3
2002	9.5	8.4	10.2
2003	10.7	11.5	9.5
2004	14.0	14.7	12.9

Source: Statistics Denmark.

**Table 5.11**

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

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

<b>Table 5.12</b>				
<b>People with a disability or long-term illness, November 2001</b>				
	<b>Have a self-evaluated reduced working capacity</b>	<b>Do NOT have a self-assessed reduced working capacity</b>	<b>The entire group of persons with a disability or long-term illness</b>	<b>Do not have a disability or long-term illness</b>
Primary employment status, per cent, all 16 and 64year-olds				
Employed	47	81	58	85
Unemployed	7	3	5	4
Outside the labour force	44	12	34	6
In education	2	3	3	5
Total	100	99	100	100
Primary employment status, revaluated figures, all 16 to 64year-olds				
Employed	214,325	181,049	395,374	2,367,116
Unemployed	29,819	6,588	36,407	100,500
Outside the labour force	202,060	26,458	228,518	169,546
In education	10,497	7,319	17,815	25,359
Total	456,701	221,414	678,114	2,662,521
Primary employment status, per cent, all 16 to 64year-old women				
Employed	43	77	53	81
Unemployed	6	3	5	4
Outside the labour force	48	14	38	8
In education	3	5	3	5
Total	100	99	99	98
Primary employment status, revaluated figures, all 16 to 64year-old women				
Employed	112,593	77,301	189,894	1,107,003
Unemployed	15,591	3,358	18,949	58,986
Outside the labour force	123,398	14,073	137,470	101,137
In education	7,099	4,795	11,894	70,145
Total	258,681	99,528	358,208	1,337,271
Primary employment status, per cent, all 16 to 64year-old men				
Employed	51	85	64	88
Unemployed	7	3	5	3
Outside the labour force	40	10	28	5
In education	2	2	2	4
Total	100	100	99	100
Primary employment status, revaluated figures, all 16 to 64year-old men				
Employed	101,732	103,748	205,480	1,260,114
Unemployed	14,228	3,229	17,458	41,513
Outside the labour force	78,662	12,385	91,048	68,409
In education	3,398	2,524	5,922	57,551
Total	198,020	121,887	319,907	1,427,588
1):	The figures for people with disabilities or long-term illnesses have not been updated since NAP 2004. The figures are from a so-called ad hoc model that the EU countries had in connection to their LFS (Labour Force Survey) in 2002. Since then, this ad hoc model has not been repeated.			
2):	People on leave from employment or unemployment are included as employed and unemployed respectively.			
Source: Statistics Denmark and SFI (calculations on the basis of register data and LFS).				



## 6. Continuous improvements of the public sector

### Annex 6.1 Further initiatives for developing the public sector

#### **Citizen-oriented service**

Efforts to make it easier for citizens to contact public authorities should continue. Therefore digital solutions involving self-service should be developed for all citizen-oriented services. The basic idea is that citizens – as far as possible – should be able to address a single public authority and get the required service and help there, no matter what authority holds the formal responsibility for the service in question.

This implies amongst other things that registration of property should be digitalised in order to enable citizens and enterprises to digitally notify authorities of changes in property-rights. Moreover, car-registration is to be simplified so that citizens will have to address authorities only once when getting a MOT-test or buying or selling a vehicle. At the same time digital registration will ensure a cheaper, safer and more efficient coordination of the registration-process.

Finally, the Government will ensure that comparable user-information in the most important areas of municipal service is implemented nationwide.

#### **Restructuring the public sector**

The public sector should continuously strive for the highest level of efficiency in its service-provision and organisation. For this purpose, a number of common administrative services have been established in the last couple of years accumulating professional expertise, for instance in the fields of accountancy and financial management, hereby achieving better quality and possibly a reduction in costs.

There have also been a number of mergers of public institutions, which will provide better service for citizens, enterprises and politicians through the realisation of a range of synergies.

An example of this is the current reform of police districts and jurisdictions in Denmark. The reform of the police districts aims at creating an efficient and modern police-force possessing the necessary capacity and specialisation. This presupposes large and effective police units with less administration thereby freeing up policemen from administrative work for the benefit of citizens.

Reforming the jurisdictions also aims at a faster and more efficient hearing of cases while safeguarding the rule of law. The reforms of police districts and jurisdictions are expected to be implemented in 2007.

Finally, in order to encourage new kinds of organisation and cooperation between the private and the public sector, all relevant public building, construction, and supply projects should be examined with regards to the possibility of carrying out all or part of the projects in a Public-Private-Partnership (PPP).

### **Accrual budgeting and accounting**

The transition from cash principle to accrual budgeting and accounting is the largest reform of the budgeting system since the 1980s. Its main purpose is to ensure transparency as to how resources are spent, improve internal financial management, including better managerial foundation for performance management, and also to ensure a more efficient service provision.

The reform consists of two parts: one part introduces accrual accounting in the central government in 2005, and the other part introduces accrual budgeting in the central governments budget in 2007. Several test runs in a range of institutions have been carried out with regard to both accruals accounting and budgeting. Based on these experiences the transition to accrual budgeting will begin in 2005 and be fully implemented in 2007.

A similar accounting-reform has been introduced at the municipal level, but it has not yet been decided whether and when accrual budgeting will be introduced.

### **Attractive jobs and good management**

As part of the work on modernisation, a joint policy on employment and management in the central government was prepared in 2003. The policy on employment and management consists of four areas of attention: increased focus on the task in question; a highly qualified staff; diversity and flexibility; and also professional management.

Good public executive management and leadership is a precondition for meeting the challenges facing the public sector today and in the future. In 2003 the top-executives in the central, regional and local governments agreed on a common target: to develop a codex for good public governance anchored across the entire Danish public sector. The codex was presented in May 2005, and it contains nine recommendations, which make up the core of the codex. In continuation of this, a separate policy on management and leadership will be developed in 2006, specifying the conditions and demands regarding management and leadership in central government.

### **More openness and transparency**

The government wants as much openness and transparency as possible with regard to the activities of public authorities. Therefore the government has set up a committee on transparency whose main task is to formulate recommendations for new regulation on transparency in the public administration.

To ensure openness when ministers are appointed to councils, boards, committees etc., guidelines will be worked out concerning the information to be published on the websites of the relevant ministries.

**New Modernisation Programme**

The government will present a new and updated programme of modernisation in 2006, containing clear goals for a simple, efficient and service-oriented public sector.



## Annex 7. Use of EU structural funds

In 2000-2006, EU structural funds will contribute to the realisation of three high-priority objectives: to promote the development and structural adjustment of regions whose development is lagging behind (Objective 1); to support the economic and social restructuring of areas facing structural problems (Objective 2); and to support the adaptation and modernisation of education, training and employment policies and systems (Objective 3).

The Danish activities comprise an Objective 2 Programme (the Regional Fund and the Social Fund) and an Objective 3 Programme (the Social Fund), as well as the Community initiatives Interreg III (the Regional Fund), Urban (the Regional Fund) and Equal (the Social Fund).

### The Regional Fund

The Regional Fund appropriation of the Objective 2 programme (approximately DKK 1,055 billion) is provided to selected peripheral areas in the regional municipality of Bornholm and in the counties of Funen, North Jutland, Ringkjøbing, Storstrøm, South Jutland, Viborg and Århus. The Programme is co-funded by the Government and regional authorities.

The Regional Fund appropriation of the Objective 2 Programme has two priority areas – one targeting framework conditions (development of the region in question) and one targeting business development.

- Grants for projects to improve framework conditions are provided to public sector projects with a positive impact on the general development conditions of the area, for instance by improving the area's attractiveness as an industrial location, a place to live (settlement area) or a tourist destination. Initiatives may be directed at the infrastructure, cultural projects in the area or the urban environment. Grants are provided also for advice and development projects, e.g. in the form of feasibility studies and enhanced access to business service. The beneficiaries are local authorities, public institutions, semi-public organisations or others involved in semi-public projects.
- As far as business funding is concerned, funding is provided to development of existing enterprises and establishment of new ones. One example could be investment funding, e.g. grants for capital expenditure related to business start-ups or start of new production initiatives.

Product development, advice, feasibility studies, environmental management and market surveys are other examples of initiatives designed to strengthen knowledge and development in SMEs. The beneficiaries are private manufacturing and service enterprises, primarily SMEs.

The Community Initiative *Urban* (approximately DKK 40 million) targets the urban area of Gellerup-Hasle-Herredsvang in western Århus (Jutland). The aim is to create a lasting, sustainable, well-functioning urban area by strengthening – through local partnerships – the social, cultural and employment relationships between citizens and businesses in the area. Grants are provided under the focus areas ‘competencies and jobs’, ‘mobilisation of social and organisational resources’ and ‘integration through culture and leisure’. The beneficiaries are public authorities, semi-public institutions and other organisations. The programme is co-funded by local authorities.

The Community Initiative *Interreg III* (approximately DKK 250 million) is designed to stimulate cooperation across the internal and external borders. The initiative supports 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 SME development, education, environmental protection and infrastructure are typically carried out by public authorities, semi-public authorities or socio-economic players. While private enterprises may participate in Interreg projects, they are not eligible for subsidies to cover their costs.

The initiative is divided into three groups:

- Interreg IIIA provides funding for cross-border cooperation between neighbouring regions. In 2000-2006, 53 projects receive funding, including three Danish-German programmes and the Øresund programme between Sweden and Denmark.
- Interreg IIIB provides funding for transnational cooperation between national, regional and local authorities with a view to promoting a higher degree of physical integration in Europe. The initiative comprises a total of 13 programmes and Denmark participates in those centred on the North Sea and the Baltic Sea.
- Interreg IIIC provides funding for transregional cooperation with a view to enhancing the efficiency of regional development policies and instruments. The initiative supports establishment of networks and exchange of experience at a pan-European level.

The programme is co-funded by regional funds.

## The Social Fund

The 2000-2006 Structural Fund period has placed the Social Fund at the centre of the European Employment Strategy and made it the very basis of financial support for the employment strategy.

Under the Social Fund Regulation, the Fund primarily contributes to actions carried out pursuant to the European Employment Strategy and the guidelines for employment.

The Objective 3 Programme covers the entire country and is the largest Social Fund programme in Denmark (approximately DKK 2.9 billion), *cf. table 7.1*. The Programme provides grants for projects to reduce unemployment; enhance integration of disadvantaged groups in the labour market; train and develop the skills and competencies of the working population; and for projects to uncover future needs in terms of labour market skills and qualifications.

The Objective 3 Programme is divided into four broad priority areas, opening up the possibility of strengthening and further developing the Danish business and employment policies at all levels. These areas are:

- Strengthening of the active labour market policy. An initiative designed to help prevent long-term unemployment and improve Danish labour market structures. The focus is on two areas:
  - a) Development and testing of new programmes and offers to people who have been unemployed for less than 6 months (targeting those under 25 years of age) or less than 12 months (targeting those over 25 years of age), and for people in employment who have been given notice of dismissal.
  - b) Development activities in the labour market system, including training and education, competency development, networking activities and method development – all designed to enhance the quality of the active labour market policy.
- Promotion of equal opportunities of access to the labour market. This initiative targets people who have been unemployed for more than 6 months, respectively more than 12 months. High-priority groups are first and second-generation immigrants, people with disabilities and groups with reduced capacity to work, as well as the elderly. The Social Fund also provides funding for development and testing of new programmes for the unemployed and development activities in the labour market system. The Social Fund also calls for experiments with new types of labour market inclusion, as well as activities to stimulate and implement the social commitment of Danish enterprises.

Finally, funds have been allocated for untraditional local (grass roots) activities, targeting groups at risk of being marginalised.

- Competency development. This initiative is designed to help boost labour market competencies, while at the same time contributing to evening out differences internally in the labour force by raising the level of skills of the poorly educated. Objective 3 focuses on three areas:
  - a) Funding for labour market analysis and monitoring to uncover the future skills and competency requirements and to target the employment policy initiatives.
  - b) Funding for systematised education, competency development and introduction of new types of organisation and planning of work activities to enhance employee skills and flexibility.
  - c) Promotion of targeted development and strengthening of vocational training courses with a view to enhancing flexibility and inclusiveness, thus contributing to a policy of life-long learning.
  
- Development of an entrepreneurship and innovation culture. The initiative is designed to help create jobs, while at the same time modernising the Danish business and enterprise structure. There are three focus areas:
  - d) Funding for training and education initiatives to develop the entrepreneurial and innovation competencies of the labour force.
  - e) Funding for the establishment of new and extended entrepreneurial networks and support structures.
  - f) Funding for programmes and activities designed to help create a culture conducive to entrepreneurship in the education system, giving students experience with innovative work and company/project management.

<b>Table 7.1</b>				
<b>Overview of funds allocated through the Social Fund's Objectives 3 and 2</b>				
<i>(DKK million, 1999 prices)</i>	<b>Available 2000-2006</b>	<b>Available 2004</b>	<b>Consumption 2004 (2004 prices)</b>	<b>Available 2005</b>
<b>Objective 3 – 2000 – 2006</b>				
<b>Active labour-market policy</b>	722.5	99.7	72.1	101.7
<b>Labour-market access</b>	816.7	120.1	135.2	122.5
- <i>New longer programmes, inclusion</i>	761.9	112.6	135.2	114.8
- <i>Special integration initiatives</i>	54.8	7.5	0	7.7
<b>Competency development</b>	1,048.2	153.3	155.8	156.4
- <i>Prevention, policy and effect</i>	104.8	15.3	5.8	15.6
- <i>Skills and flexibility</i>	733.7	107.3	136.4	109.5
- <i>Improved education and advice</i>	209.7	30.7	13.6	31.3
<b>Entrepreneurship and innovation culture</b>	261.6	43	31.8	43.8
<b>Total</b>	2,848.9	416.1	394.9	424.4
<b>Objective 2 – 2000 – 2006</b>				
<b>Competency development</b>	401.4	56.6	46.3	60
<b>Total</b>	401.4	56.6	46.3	60

The Objective 2 Programme (approximately DKK 420 million) covers specific regions of Denmark. The programme aims to strengthen the conditions for development and conversion to promote prosperity, employment and equal opportunities, as well as a sustainable environment in Danish regions that are at a disadvantage in terms of jobs, employment, business environment and transport.

The Objective 2 initiative makes it possible to make a broad-based effort. The Social Fund initiative can provide people who live and work in Objective 2 regions with new development and competencies, while the Regional Fund can support development of enterprises, roads, systems, organisation and production methods. Projects with a Social Fund element as well as a Regional Fund element are eligible for funding.

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

- *Competency development.* Competency development in enterprises, development in connection with business start-ups and development of the framework for thematic networking.

The primary target groups of this initiative are private and public enterprises whose employees and executives are facing a requirement to change. Entrepreneurs and new enterprises are also eligible for funding.

- *Development of strategic infrastructures.* Development of strategic infrastructures, i.e. education systems, teachers and instructors, as well as strengthening of labour market and business service and the framework for thematic networking.

This initiative aims to develop organisations and institutions related to the labour market, e.g. educational and vocational training institutions, the Public Employment Service, local authorities and the social partners. The initiative will also contribute to research and technology development at educational institutions through development of methods, tools, traineeships and, in general, through development of educational environments at educational institutions at all levels.

- *Quality optimisation.* Through systematic use of methods and tools and specifically formulated success criteria in the form of quantitative and qualitative benchmarking, promising ideas and project development may be developed in one or more Objective 2 areas.

The Community Initiative *Equal* (approximately DKK 225 million) is a transnational programme project designed to find new approaches when it comes to combating discrimination and inequalities of all kinds in the labour market. The Equal programme may provide funding for projects related both to job seekers and to people in employment.

The programme has four themes:

- Improvement of the integration and labour market opportunities of immigrants, descendants of immigrants and refugees. The main target groups are employed and unemployed immigrants, descendants of immigrants and refugees of working age from countries outside the Nordic countries, the EU and North America.
- Disintegration of the gender-segregated labour market. The primary target groups are men and women of working age, who are either job seekers, in employment or education seekers and who are part of a sub-labour market with a strong gender segregation of labour. A strong gender segregation of labour means a sub-labour market in which the proportion of one gender exceeds 60 per cent.
- Improvement of the integration and labour market opportunities of socially marginalised groups, including people with disabilities. The main target groups are employed or unemployed people with disabilities and the most disadvantaged members of society of working age who – as a result of a low level of competencies or for physical, mental or social reasons – find it difficult to complete a training or education programme or to find and retain a job.
- Improvement of the integration and labour market opportunities of asylum seekers. While the primary focus of the activities is on employment in the Danish labour market, the focus may occasionally be shifted to employment in the asylum seeker's country of origin. The lion's share of the activities are expected to relate

to an improvement of (quality) and an increase in (quantity) adult vocational training courses offered to asylum seekers in or outside asylum centres. In addition, more broad-based activities may be launched to enhance the labour market opportunities of asylum seekers in Denmark or in their country of origin.

The primary target group is asylum seekers of working age from all countries. Other high-priority groups are young people between 17 and 25 and women.

### **The 2007-2013 Structural Fund period**

The future EU cohesion policy is divided into three objectives:

- Support for the poorest regions (Objective 1), not including Denmark.
- Competitiveness and employment – comprises funding from the Regional Fund as well as the Social Fund (Objective 2).
- Cross-border cooperation in which Denmark is expected to be included: Denmark-Sweden, Denmark-Germany, the Baltic cooperation and the North Sea cooperation (Objective 3, the current Interreg).

As a result of the challenges posed by globalisation and the need to strengthen overall competitiveness and employment in the EU, Denmark wants to focus its Structural Fund initiatives on the overall areas ‘Innovation and knowledge’ and ‘More and better jobs’. In a preliminary draft for a strategic document for the Structural Fund initiatives within regional competitiveness and employment during the 2007–2013 Structural Fund period, Danish initiatives are based on the growth drivers ‘quality of human resources’, ‘innovation’ (development and dissemination of knowledge), ‘use of information and communication technology’ and ‘entrepreneurial activities’. This will strengthen the Structural Funds as tools for the updated Lisbon agenda.

Territorial cooperation, which has so far been in the form of a Community Initiative (Interreg), will be upgraded to a separate Objective 3 Programme. Moreover, the Commission has tabled a draft regulation to enable establishment of legal entities to perform regulatory functions related to cross-border cooperation.

A number of regional growth forums will be established in Denmark as a result of the local authority reform. In partnerships between regional and local authorities, institutions of knowledge and education and the social partners, these growth forums will serve as pivotal points for Danish regional business development. The regional growth forums will be commissioned, among other tasks, to recommend projects for funding by Structural Funds. The aim is to ensure cohesion between regional initiatives, the Government’s growth policy and EU Structural Fund initiatives – thus promoting regional growth and employment.



## Annex 8. Contributions from the social partners and interested parties

### Annex 8.1 Contributions from the social partners in the state sector

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

In connection with the renewal of the collective agreements and contracts in 2005 (OK05), the social partners in the state sector – the Danish Ministry of Finance and the Central Organisations' Joint Committee – have agreed upon better conditions for families with children. This means:

- That the number of childcare days is increased, implying that each employee is entitled to 16 paid childcare days per child.
- That the pension coverage during the unpaid part of maternity/paternity leave and adoption leave is extended, implying that employees usually accrue pension rights during the total leave period.
- That adopters who receive an adopted child abroad are entitled to up to 8 weeks absence with pay before the reception of the child. Adopters who receive a child that resides in Denmark are entitled to absence with pay up to 2 weeks before the reception.
- That parents in total are entitled to absence with pay for up to 5 days within a period of 12 months, if they are admitted to a hospital with a child below the age of 14.
- That parents' right to full or partial leave of absence with pay in connection with taking care of seriously ill children is improved.

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

At the OK05, the social partners have agreed upon an improved effort for integration of people with another ethnical background than Danish in the state labour market. This means:

- That people with other ethnical background than Danish can be employed in special integration jobs – a one-year employment in a job position in the central government. The target group is ethnical minorities with lacking language skills and/or weak professional qualifications – a group that has difficulties in getting a foothold in the labour market, among other things because they lack workplace experience. The purpose of the employment is to ensure that the employee gets experience and qualification from a state workplace. The employees receive a starting wage in accordance with collective agreements for 80 per cent of the working hours. For the remaining 20 per cent of the working hours, there is an obligation for training and qualification. A plan has to be prepared for the training period. The Cooperation Committee discusses frames and principles of the

training periods, and concrete employments are agreed upon in cooperation with the local trade union representative.

- A 25 per cent increase in the number of apprentice positions in the state sector by 2007.

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

The social partners of the OK05 have agreed upon:

- A simplification of the collective agreement structure by merging a number of agreements and organisation agreements. Content and structure of the agreements will also be simplified. Furthermore, the social partners will also analyse and assess the agreement structure in the education area during the agreement period.
- A simplification of the working hour regulations. The new working hour agreement is in the nature a framework agreement. This means that the agreement no longer regulates detailed matters, but rather proposes that any supplementary regulations are established through local agreements;
- A modernisation of the cooperation agreement in order to make it correspond with the management and decision-making conditions that characterise the governmental workplaces today. The frames for the work of the cooperation committees have been defined, the difference between the negotiation and cooperation system has been clarified, and a link to the government's staff policy has been created. The EU directive on introduction of a general framework for information and hearing of the employees and the European agreement about work-related stress has been implemented in the new cooperation agreement.
- An increased effort for a better working environment. During the agreement period, the social partners are going to evaluate existing tools and develop new tools for use in the security and cooperation committees' work with securing a good working environment in the central government workplaces. There is particular focus on the cooperation committees' work on ensuring a good mental working environment, including prevention and handling of work-related stress and absence due to illness.
- A strengthened effort with regard to experienced employees of 55 years or more by introducing different initiatives, such as an experimental project with offers of career clarification periods.
- A softening of the agreements about lower obligatory retirement age for public servants. Public servants with a lower obligatory retirement age than 70 years can agree upon a higher obligatory retirement age with the employing authority.

### **Adaptation of education and training for the new competences needed (guideline 24)**

In the spring of 2004, the social partners carried out an evaluation of the "Competence package", which was agreed upon at OK02. The evaluation showed that more focus has been placed on competence development in general, and that there has

been a positive development of the effort for competence development during the agreement period. Furthermore, it was concluded that there is still reason for ensuring follow-up on the strategic and systematic competence development.

In connection with OK05, the social partners have agreed to continue the significant effort in the area of competence. Among other things, this means:

- That the agreement concerning competence development will be continued.
- That the Centre for Development of Human Resources and Quality Management will be continued.
- That funds will continue to be set aside for competence development in the Change and Development Fund and the Competence Fund.
- That particular focus will be put on ordinary qualification in general and on the competence development of people with short educations.

## **Annex 8.2 Contribution from the social partners in the county and municipal sector**

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

The social partners on the largest public labour market, the municipal and county-municipal sector (hereinafter referred to as the social partners) support the Lisbon Strategy's overall objectives regarding full employment, improvement of the productivity and quality of the work, and strengthening of the coherence of the social and geographical dimension.

Therefore, the social partners find that the Danish reform programme should be ambitious and include concrete objectives for the fulfilment of the individual guidelines. Thus, objectives for the employment level based on the already high employment participation in Denmark should be established.

Together with the other Member States' programmes, the Danish reform programme should support the confidence in the possibilities for growth in Europe. Increased national focus on the central priorities of the Lisbon Strategy, including research, supplementary training and education through life-long learning, and an active employment policy, is necessary to re-establish the individuals' confidence in the process and improve the possibilities of growth.

A well-functioning public sector is a crucial precondition for ensuring the European economies' competitiveness. Therefore, the social partners emphasise the need for sustainable financing of the public sector and warn against unfinanced tax cuts.

In the opinion of the social partners, the reform programme in the employment area should include coherent and sustainable strategies with regard to the structural challenges of the labour market. Particularly, the social partners emphasise the need for initiatives that can contribute to increasing the retirement age on the labour market. Especially in the public sector in areas with a need for qualified labour, large groups will reach the retirement age in the years to come. At the same time, many find it hard to maintain their attachment to the labour market. The social partners have taken a number of initiatives, but a joint and intensified national effort that can keep more people in employment and make working life more attractive for the individual is necessary.

The social partners play an important role in the employment policy. Thus, they participate through councils and committees in the prioritising and shaping of the educational and labour market policy on a central, local and regional level. Furthermore, the social partners of the labour market contribute to a well-functioning labour market through collective agreements and contracts. The agreements on competence development, senior policies, organisation of work, working environment etc., which are mentioned below in connection with the individual guidelines are important ele-

ments with regard to the Lisbon Strategy's objectives regarding quality and productivity.

Apart from the concrete content of the agreements, the negotiation structure is also continuously adapted to the needs of the labour market. At the negotiations on the collective agreement for the public sector in the spring of 2005, a negotiation process was carried out - the so-called reversed model - that unlike earlier processes meant that the individual member organisations started the negotiations with the respective employers on a wider selection of negotiating themes, before the negotiation association KTO started negotiating the fewer and more general demands.

The social partners recommend that the Danish reform programme, in accordance with the guidelines, reflects the central role that the social partners have for a well-functioning labour market.

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

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

At the collective agreement negotiations on the (county-)municipal labour market in 2005 (hereinafter referred to as OK05), the social partners agreed to make an effort to improve equal opportunity. This includes the introduction of a parental leave equalisation arrangement as well as an improvement of the existing agreement concerning absence for family-related reasons.

The agreement regarding equalisation of expenses for maternity/paternity and adoption leave now ensures a financial equalisation among all workplaces within the county/municipality sector, which means that expenses for employees during pregnancy, maternity/paternity and adoption leave is not only the responsibility of the individual workplace. In this way, the county and municipal sector support equal opportunities for men and women.

The agreement regarding absence for family reasons was improved in a number of areas. Including:

- Payment of contributions to a pension fund/accrual of retirement age during the unpaid part of the maternity/paternity leave and during childcare leave.
- The right to absence with pay during hospitalisation of underage children.
- Improvement of adoption searchers right to absence with pay.

#### **A better balance between working life and family life as well as childcare**

The agreement regarding absence for family reasons which was renewed and improved at the OK05 includes elements that support a balance between working life and family life. Apart from the three areas mentioned above, the following can be mentioned:

- Change of age limit for caring for seriously ill children from 14 to 18 years.
- Improvement of the regulations for taking care of dying family members at home.

Furthermore, it should be mentioned that the municipalities are responsible for the different child care arrangements. In that connection, the social partners have calculated the number of people contributing to this municipal service to around 70,000 full-time employees. This is an increase compared to earlier.

### **Longer time on the labour market**

For many years, the social partners have had a framework agreement regarding senior policies. At the OK05, a number of changes were introduced, e.g. the framework regarding the senior retirement arrangement was improved in connection with the municipal reform. For example, 4 years of extraordinary retirement age can be added, as opposed to the previous 2 years.

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

At the OK05, the social partners agreed on a number of extensions of the county and municipal employees' pension schemes through:

- Improvements of the agreement regarding the pension scheme for certain employees in the municipalities and the counties (the gathering scheme). The scheme is a pension scheme for the county and municipal employees that were usually subject to the regular pension schemes' deference conditions. The scheme includes a pension scheme of 12.5 per cent of the wage.
- Increase of rates for supplementary pension. An amount has been set aside, which means that all rates for supplementary pension can be increased by the same amount as on the private labour market.
- Agreement regarding group life insurance. Agreement regarding employees without fully extended pension schemes. For the employees that stay in the scheme, the premium will be raised.
- Increase of the pension-giving wage. The basis of the individual salary grades is to become fully pension-giving.
- U65/67-allowance. Introduction of a special allowance for self-pensioners who have been dismissed because of unfitness for work for reasons of health. The allowance is given until the age of 67.
- Increase of the pension rate in the concrete collective agreements for the groups that prioritise this. This has taken place in most of the concrete collective agreements.

## The inclusive labour market (guideline 19)

### Preventative labour market initiative for weak groups on the labour market

At the OK05, the social partners agreed on a number of regulations for improvement and completion of the agreement on "the social chapter". In 2004, a revision of the agreement with a view to adapting it to the new act on an active employment effort was carried out.

Briefly, the new regulations of the OK05 can be described in the following way:

- The employees can demand that a discussion of the relationship between ordinary and extraordinary employees takes place in other organs that have a say than the top one.
- If an employee in flexible employment can perform a job function as well as a person working under normal employment conditions, it is required that this person is not still paid the basic salary of the collective agreement. Furthermore, it is required that this person takes part in the annual wage negotiations on equal terms with the employees hired on regular terms.
- According to the framework agreement on the social chapter, a local negotiation on wage and employment conditions has to take place first in case of flexible employment. If one of the local social partners does not wish to take part in a proper discussion, the new regulations allow a renewed negotiation where the social partners of the central collective agreement assist (i.e. the social partners that have signed the agreement). As basis for a new negotiation, it is a precondition that a disagreement report is available.

The social partners have carried out a project with the purpose of increasing the knowledge of the framework agreement on the social chapter. The project was evaluated in 2005.

The following can be concluded from the evaluation:

- Generally, there is good knowledge of the framework agreement, as practically all chairmen and deputy chairmen and staff managers/social services departments as well as most managers and trade union representatives are familiar with the agreement.
- The framework agreement prescribes that a discussion of the social chapter is to take place at least once every year. 60 per cent of the respondents have complied with this demand.
- Managers and trade union representatives in the workplaces generally do not consider the social chapter a tool to retain their own employees with reduced working capacity. On the contrary, it is the general perception that the social chapter is to help outside people get into the county and municipal labour market.
- Apparently, approximately half of the municipalities have not prepared guidelines for employment of people with reduced working capacity and unemployed.

- The satisfaction with working with the social chapter is highest in municipalities where specific guidelines have been prepared.

In connection with an effort to get more employees of another ethnical background than Danish employed in counties and municipalities, an agreement has been reached for the governmental areas concerning establishment of integration positions. A similar or corresponding agreement is expected to be reached for the county and municipal sector during 2005.

### **Improve the matching of the labour market needs (guideline 20)**

In earlier contributions to the national action plans for employment, the social partners have described how a course credit teacher education had been established to prevent the lack of educated teachers for primary and lower secondary school, and how a teacher education particularly directed at the education of adult unemployed had been established in several regions. It turns out that the specially organised teacher educations such as the credit course teacher education have good employment effects.

Thus, an independent evaluation carried out by the Danish Evaluation Institute shows that 87 per cent of the newly qualified teachers from the credit course teacher education have been employed as teachers. Corresponding effects have been achieved on the teams that have completed the specially organised teacher education.

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

#### **Agreements regarding working hours**

In 1999, the social partners reached an agreement regarding working hours that made it possible to enter into agreements locally on working hours adapted to the needs of the individual institutions and the wishes of the employees.

In 2004, negotiations were started, particularly in the health sector, in many institutions and hospitals about the organisation of the working hours.

An investigation has shown that in the places where local agreements regarding working hours have been entered into, it has resulted in better handling of tasks. However, the experience has also been that it has been an extensive and demanding task to establish local agreements regarding working hours.

The local agreements can for example include agreement on the organisation of the individual's working hours, the size of extra payments for inconvenience and extra payments for work planning, etc.

### **Positive handling of restructuring**

On the county and municipal labour market, extensive restructuring is going to take place because of the municipal reform. The municipal reform comes into force on the 1 January 2007, i.e. in the middle of the current collective agreement period. Therefore, the social partners included the handling of this extensive restructuring in their collective agreement settlement for the next 3 years.

It has been agreed that all employees included in the municipal reform maintain their net wage including agreed upon wage increases during the agreement period.

If a significant position change is carried out for an employee because of the municipal reform, any change of the wage can take place at the current notice, however, no earlier than from 1 April 2008 and in such a way that the wage can be decreased proportionally to the new level during 3 years from this date.

The social partners agreed to recommend that the municipalities and counties work on ensuring that the implementation of the reform takes place in a way that helps create confidence, while it is also recommended that the procedure takes place in an open and trustworthy way.

In this connection, the social partners are aware of the importance placed by the government on the job-security of the employees and on the fact that all employees follow their tasks into the new structure.

### **Improvement of the quality of work, including security and health**

OK05 includes implementation of the European stress agreement. Textually, the wording of the agreement is very close the European agreement. The agreement has been accommodated within the existing cooperation agreement system to add it to the existing initiatives within the health and safety work.

PUF – the social partners' education association – has published the handbook "Working environment in municipalities and counties". The book is directed toward the working environment effort at the county and municipal workplaces and contains the latest updates on the working environment reform and new information about absence due to illness.

The social partners have concluded a project about stress management in networks for municipal managers and have published the publication "Vitalisation of home networks". The publication is based on the results of the work achieved in a number of municipal manager networks, where different methods have been tested. It has turned out to be particularly useful for the personal leadership to work in "home networks", and the networks have been educational with regard to inspiration and learning when it comes to managing stress. As a concrete follow-up to the results of the project, "the greenhouse for management" has decided to carry out a project re-

garding “Development schemes for network consultants” with a view to anchoring the effort.

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

### **The right environment for wage negotiation**

At the OK05, the social partners agreed on the wage development for the next 3 years. The agreement implies a financial frame of around 6.7 per cent for the period. Subsequent the Minister of Finance agreed to a similar frame for government employees. The funds provided by the regulation scheme are added to the county and municipal wage development, in connection with the wage drift on the private labour market.

Within the agreed wage development, funds have been set aside for local wage setting. Thus, the local wage setting has at its disposal the funds set aside for local wage setting at earlier collective agreement negotiations and a further 1.25 to 2.5 wage increase set aside at the 2005 negotiations.

Furthermore, the local wage setting system was adapted and adjusted. Earlier there was one model for local wage setting, but now the local wage setting has been divided into 6 new systems, which are adapted to the needs of the dominant municipal sectors. The 6 sectors are 1) administration, etc., 2) social and health personnel, 3) the pedagogical sector, 4) the teaching area, 5) academics, and 6) the health area.

### **Equal pay**

The project on “Equal pay and job assessment” was finished during the summer of 2004 and resulted in a booklet about how job assessment can be used as a tool for promoting equal pay in the county and municipal sector. The new wage system and individualised negotiations about wage supplements can increase the difference in pay for men and women, since the genders negotiate in different ways. The booklet gives instructions on how to prevent this.

During the fall of 2004, the county and municipal social partners published the report “Statistical account of gender differences in wage in the private and the county and municipal sector”. There is still a difference in the average wage between men and women in the two sectors. However, when several factors, such as education and age, are included in the description, the average wage difference is reduced in the county and municipal sector.

## **Adaptation of education and training for the new competences needed (guideline 24)**

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

In many years, the social partners have had an agreement regarding competence development. At the OK05, the social partners agreed to extend this agreement, as they added a regulation in the agreement with the following content:

”Paid leave for up to 2 months/half pay for up to 4 months can be given for relevant supplementary training and education.”

Furthermore, particularly favourable supplementary training regulations have been agreed upon with individual supplementary training agreements for those staff groups that have agreed on a larger part of the wage development set aside for local wage negotiations.

At the OK02, the social partners agreed to carry out follow-up implementation and evaluation activities in the county and municipal area respectively in continuation of the agreement regarding competence development.

In the county area, the evaluation shows that the objective and success criteria for the activities of the project have been fulfilled. This can be seen in the fact that the prepared annual calendar and the regional inspiration meetings have helped increase the knowledge of the agreement on competence development. Furthermore, the annual calendar and the regional meetings contributed to the communication of ideas and the exchange of experiences across the counties.

It can be concluded from the evaluation of the effort in the municipalities that competence development has now been given significant priority in the municipal workplaces throughout the latest collective agreement period. To a large extent, managers and employees have a common perception of what competence development is about and there is a significant interest in discussing and a desire to work with competence development. 65 per cent of the interviewed managers and employees state that they are familiar with the agreement regarding competence development.

The cooperation of the social partners in the hospital area has been continued with OK05, where particular focus has been placed on initiatives regarding recruiting and maintenance. The social partners already participate in a number of initiatives that are to increase the awareness of the health services as an attractive workplace. The most recent initiative is the publication of a project paper about competence development, work organisation and task trading in the hospitals.

”The personnel political Forum” has been continued with OK05 and consists of representatives from the county and municipal social partners. The purpose of the Forum is to inspire the county and municipal workplaces through debate and dia-

logue to focus on the need for active and visible staff policy. Apart from repeating the success with a personnel political fair in 2006, it has also been agreed to carry out a special comprehensive effort with regard to work-related stress, and this will include the preparation of an idea and inspirational catalogue and conferences on the subject. Furthermore, a relay project based on "Personnel policy and the structural reform" will be carried out. Relay recipients with focus on work-related stress will be prioritised.

## **Annex 8.3 Contribution from the social partners in the private sector**

### **Employment policy engagement by the social partners in the private labour market – Denmark’s National Reform Programme 2005-2008**

#### **Introduction**

The social partners in the private labour market, The Danish Association of Managers and Executives (LH), The Danish Confederation of Employers’ Associations in Agriculture (SALA), The Danish Confederation of Trade Unions (LO) and The Confederation of Danish Employers (DA) find that the European employment strategy creates a good basis for focus on structural reforms on the European labour markets.

With the Mid-Term Review of the Lisbon Strategy in the spring of 2005, the European Employment Strategy has been given more political priority, which should now be reflected in the national governments setting clear national goals and policies that clearly reflect a desire to reach the common European goals that are the basis of the Lisbon Strategy.

#### **The involvement of the social partners**

In several different ways, the social partners in Denmark are involved in initiatives that promote the development of the employment policy in Denmark as well as in Europe.

In the LO/DA-area, decentralised agreements were entered into in March 2004 about renewal of the collective agreements for a 3-year period. As a consequence of no significant new initiatives that could contribute to reaching the goals of the employment strategy have been negotiated in 2005.

Reference is made to the social partners’ contribution from 2004 for a more detailed description of the social partners’ initiatives for promotion of a more effective organisation of the public employment effort, establishment of a fund for parental leave equalisation that can support a labour market with equal opportunities for women and men, and about the development of a more flexible organisation of working hours, cf. annex 1.

#### **Organisation of the employment policy**

In the new organisation of the employment effort from 2007, the social partners will continue to participate actively in the implementation of the employment effort, for example through representation in employment councils at national, regional and local level.

The social partners emphasise that the future employment system will be assessed as to whether it can ensure an effective match between people in search of work and

the companies' demands for labour. The overall task of the employment policy is to ensure a well-functioning labour market through prevention of imbalances on the labour market in the short or the long term.

### **Flexibility combined with employment security**

Together with the European Policy Centre (EPC), LO and DA held a conference in Brussels on 14 September 2005 with the title "Flexicurity: are the EU25 speaking the same language?"

The purpose of the conference was to discuss the different perceptions of flexicurity in the EU Member States and to get a presentation of how the different countries have arranged their labour markets.

By gathering a wide circle of employment-policy players from the European Parliament, the national Danish parliament, officials from the EU Commission, and the social partners in Europe, LO and DA hope to be able to contribute with inspiration for transformation processes on the European labour markets, making the EU as a whole more capable of transforming the global challenge into jobs and growth.

The purpose of the seminar was to give an introduction to how Denmark has organised its labour market and compare this to the German and British labour market models. There were presentations from university researchers of the three respective countries and a presentation from employment commissioner Vladimir Spidla. To conclude the event, representatives from the European social partners, the European Parliament and the EU Commission debated with the participants of the seminar.

### **Comprehensive working environment effort**

As of January 2005, a new working environment reform came into force. An important concept of the reform is that companies that can document proper working environment conditions will usually be exempt from control from the Danish Working Environment Authority, while the control effort will be directed at companies with bad working environments.

The social partners and the government have agreed that the working environment effort should be a joint effort where joint priorities are to work through the activities that the social partners and the authorities initiate. Furthermore, a knowledge centre has been established in the working environment area to handle communication tasks.

With the working environment reform, working environment management systems have been introduced in the shape of a certification scheme, the possibility of advance approval and better possibilities of social partner agreements replacing traditional authority regulation. This track should be expanded further in the years to come. With the more company-close and comprehensive approach, it is possible to

handle the working environment-related challenges caused by new working procedures, more independence in the job, freelance employments, etc.

The social partners have ensured and will continue to ensure, through representation in the National Institute of Occupational Health and the Working Environment Research Fund, an order of priority which entails that companies have the tools to counter any negative consequences of the new work procedures on a professional basis.

### **Development of competences**

The system of general adult education and adult vocational training has the important function of maintaining and developing the competences of the workforce in order to facilitate the exploitation of the possibilities of increased wealth generated by globalisation and the technological development.

In September 2004, the social partners participated in a discussion with the government on the need for strengthening general adult education and adult vocational training. In continuation of this, a tripartite committee has been established, where the social partners and the government's officials are establishing a basis for further discussions between the government and the social partners on the possibilities of promoting the objective of life-long learning.

The social partners' discussions with the government on general adult education and adult vocational training should be seen as a reaction to the recommendation in the Wim Kok report from November 2004 on creating a basis for life-long competence development, qualification and education for everyone in the labour market.

The committee is to analyse the total present general adult education and adult vocational training effort and compare it with general adult education and adult vocational training in other countries. The effects of the existing general adult education and adult vocational training effort for the individual, the companies and for society must be analysed. The regulations of the collective agreements that concern general adult education and adult vocational training as well as interaction with the public effort must be analysed.

The work of the committee of officials is expected to be finished at the turn of the year 2005/2006, which means that tripartite discussions between the government and the social partners can take place in the beginning of 2006.

### **Equal opportunity for genders on the labour market**

In 2005, the social partners at European level finished negotiating a voluntary framework agreement regarding equal treatment of men and women. With the agreement, the European social partners encourage the national social partners to focus on gender-specific roles, promoting women in management, supporting a

good balance between working and family life and reducing wage differences between women and men.

Today, every fifth manager in the private sector is a woman, and constituting tripling of the share of female managers within the latest 20 years. Still, there are few women in management positions. The Danish Association of Managers and Executives has put focus on the balance between family and working life for male and female managers in a report from December 2004 entitled "Family and work".

### **Reducing absence due to illness**

In continuation of the government's action plan regarding absence due to illness from December 2003, the social partners have worked with government officials on developing parts of the action plan. The questions that the social partners have engaged themselves in concern modernising the sickness benefit law, developing better medical certificates etc., as means to retaining people that are absent due to illness on the labour market, creating a new framework for local partnership agreements, developing a new model for the inspection of the municipalities and follow-up on sickness benefit cases and coordinating industrial injury benefit and sickness benefit cases.

The social partners have participated in the work on developing tools for the companies to retain employees absent due to illness. For example, this means that the present medical certificate for the company will be supplemented in future with information about the ill employee's working possibilities. In future, the certificate is to contain information about which functions the person absent due to illness cannot perform. With the new initiatives, importance is placed on reducing the absence due to illness and getting people absent due to illness back to work quicker and more gradually. The certificate is also to contain information about the possibilities of a gradual return to work.

It is the social partners' assessment that there is still potential for reducing the absence due to illness on the labour market, and to reduce the companies' administrative burdens in connection with absence due to illness, if the government is willing to carry out a modernisation of the sickness benefit act and digitalise the administrative management.

The outdated sickness benefit act contains the paradox that it in certain situations encourages the companies to get rid of ill employees instead of keeping them, while the companies in their personnel policies in the area of absence due to illness want ill employees to return to the workplace.

## Supervision/ indicators

<b>Table 8.1</b>			
<b>Varying weekly working hours in the DA/LO area</b>			
<b>Reference period for an average of 37 hours per week</b>	<b>Before OK 2000</b>	<b>After OK 2000</b>	<b>After OK 2004</b>
	Share of employees in per cent		
No access	7	5	2
3-4 weeks	6	2	0
2½-3½ months	18	16	3
4-6 months	9	10	18
10 months	4	0	0
12 months or more	56	67	77
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Note: Based on agreements for almost 90 per cent of the DA/LO area. The reference period is the period where the working hours are to be an average of 37 hours per week.  
Source: DA.

<b>Table 8.2</b>			
<b>Access to part-time in the DA/LO area</b>			
	<b>Before OK 2000</b>	<b>After OK 2000</b>	<b>After OK 2004</b>
	Share of employees in per cent		
Free access	30	34	51
Partial access	48	59	46
No access	22	7	3
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Note: Based on agreements for almost 90 percent of the DA/LO area. In the group "no access", there can be a possibility of part-time for specific types of companies. Partial access comprises areas with access to part-time within specific weekly hour limits and for new employees.  
Source: DA.

## Annex 8.4 Contribution from the Employment Council

It is the opinion of the Employment Council that it is important to start a dialogue about how Danish employment policy is to be developed to comply with the Lisbon objectives. It is the Council's assessment that such a dialogue should take place much earlier than in connection with the presentation of a finished draft for a national reform programme.

The Employment Council finds it valuable that contributions from the social partners are an integrated part of the reform programme and have been included in full as annexes. However, the Employment Council recommends that the Ministry of Employment in future discusses with the social partners how their contributions can be included in the best way, before the reform programme is presented to the Employment Council.

The Employment Council supports the overall objectives of the Lisbon Strategy in the employment area. Focus should be on creating more and better workplaces for everyone, which is an important element of improving production and thus competitiveness. The Danish employment policy should appear as a coherent policy that includes groups that need a special employment effort.

The Employment Council finds it positive that the Danish government is not content with Denmark already fulfilling the 2010 objectives for employment of the Lisbon Strategy, but has established its own objective for an increase in employment of 60,000 people before 2010. The Employment Council finds that a continuous follow-up on whether the goal is being reached should be carried out, and further initiatives in the area should be taken, if necessary.

An important part of the Lisbon Strategy is the effort for vulnerable groups. The Employment Council finds that the effort for people with reduced working capacity and other groups that need a special employment effort should be monitored with a view to assessing the possibility of taking special initiatives that can raise the employment rate.

In the area of employment policy, the Employment Council would like to encourage the government to continue working on getting more people into the labour market, and strengthening the incentives for keeping employees on the labour market. In the light of the ageing population, there is a need for everyone on the labour market. Barriers are to be broken down, effective job search is to be supported, and it should pay to work. These are all elements of the effort to increase the employment rate.

## Annex 8.5 Contribution from the Danish Council of Organisations of Disabled People

The contribution from The Danish Council of Organisations of Disabled People (DSI) has been summed up by the Ministry of Employment regarding the European Employment Strategy.

### General employment policy (guideline 17)

Denmark has a support and compensation legislation with very few deficiencies, but unfortunately people with disabilities have a very low attachment to the labour market. Therefore, there is a significant need for making a special effort for increasing the employment of people with disabilities compared to the entire labour market.

More jobs should be created that can be applied for by people with disabilities, the labour market should be given the right flexibility with regard to making room for people with disabilities, and the employment effort for people with disabilities should be strengthened. Prejudices and people's attitudes towards people with disabilities are still the biggest impediment for people with disabilities in the labour market. If this barrier is not broken down, success is rather unlikely.

People with disabilities' participation in the labour market are closely connected to, for example, good conditions for education, transport and accessibility. Only through a mainstream, sector-based and coherent effort can the employment gap for people with disabilities be reduced.

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

The basis of the DSI's work is the basic assumption of the Danish policy on disabilities that everyone should have equal opportunities for participating in society life. This also means that all types of direct or indirect differential treatment should be fought.

However, it is a fact that not all people with disabilities receive the compensation necessary for an independent life – at work, during education or in their spare-time. In that connection, it is a challenge that only few of the municipalities have agreed on objectives in the social area. Furthermore, people with disabilities at work do not have the same access as everyone else to all agreement-based benefits, such as health agreements, insurance schemes, etc.

### The inclusive labour market (guideline 19)

There is a need to strengthen the inclusion on the labour market of all people with disabilities, if no more are to end up being on permanent public support. Today, some disability groups are increasingly excluded from the Danish labour market. Because of people's attitudes, the mentally ill are rarely accepted as part of the workforce. This also applies to protected employment, which is still not considered part of the labour market. Development can only be ensured with a specific and very tar-

geted effort with regard to a concrete downgrading of functions. For instance, the DSI believes that there is a need to draw on and learn from the experiences of other countries.

The DSI would like more focus on people with disabilities who are already employed in some way. The purpose is to learn from their experiences, making them useful for future disabled job-seekers.

In December 2004, the DSI and the National Labour Market Authority launched a job and information portal; [www.ijobnu.dk](http://www.ijobnu.dk). The portal is for people with reduced working capacity and for people receiving anticipatory social pension. The purpose is for companies to advertise available flex-jobs and jobs with a wage subsidy, while people with reduced working capacity and people who receive anticipatory social pension can put in their cvs.

### **Improving the matching of the labour market's needs (guideline 20)**

The municipal reform's new employment system with one approach for everyone creates challenges for the efforts for people with disabilities. First of all, the employees at the placement centres should be given knowledge of the disability area and knowledge of how to act as backup players with particular knowledge of the employment effort for people with disabilities.

There is a need to create regional networks that can ensure exchange of experiences between the municipalities and create coherence between the employment effort for people with disabilities on different levels – locally, regionally and centrally.

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

It is a great challenge to make the Danish labour market as broad and flexible as possible. It is also about getting people with disabilities connected to the labour market in functions that are of quality to the individual and the company. People with disabilities are a resource for the Danish labour market.

DSI would like authorities and the social partners to use more resources on attitude-creating activities for, for example, unions and employers and take an active part in the necessary attitude change with regard to integrating people with disabilities on the labour market.

### **Securing employment-friendly wage development (guideline 22)**

The dialogue between the social partners, the government and the DSI is an important tool, and the DSI would like to ensure that the effort is as inclusive as possible. However, most coordination committees and regional labour market councils do not give the disability area particularly high priority. A focused integration with regard to people with disabilities should be supported by the work of the coordination com-

mittees, and therefore, these committees should work much more with projects that deal with such weak groups' integration into the labour market.

### **Improve the investment in human capital (guideline 23)**

People with disabilities should have the possibility of developing and educating themselves just like everyone else and thus ensure a career development that prevents exclusion from the labour market.

The effort for life-long learning with regard to people with reduced working capacity is an area that the DSI will continue to put on the political agenda. It is important to ensure full and immediate access to social education workers, aids and compensation on supplementary training and education.

### **Adaptation of education and training for the new competences needed (guideline 24)**

The lacking physical accessibility in many education institutions is a barrier for the possibility of selecting an education freely for many physically disabled and blind people. Furthermore, it is not possible for many people suffering from arrested development to get an education that qualifies them for the labour market. The grotesquely low share of deaf people in long-cycle educations is due to the lack of interpreting and quality interpreting.