

Denmark's National Reform Programme

First Progress Report

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

The Danish Government
October 2006

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Herstedvang 4,
2620 Albertslund
Denmark
Telephone +45 43 63 23 00
Fax: +45 43 63 19 69
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Enquiries regarding the publication can, furthermore, be addressed to:

Ministry of Finance
7th Division
Christiansborg Slotsplads 1
1218 København K
Denmark
Telephone +45 33 92 33 33

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Introduction: The Danish Reform Strategy

This progress report is a follow-up on the National Reform Programme presented in the fall of 2005. Progress reports must be prepared in the intervening years within the defined three-year cycle for the Reform Programmes. This report describes the initiatives taken since the preparation of the Reform Programme in 2005, with the inclusion of the Commission's assessment of the Reform Programme and the European Council's conclusions from the March 2006 spring summit. In order to ensure a cohesive and independent progress report a general presentation of reforms that have already been implemented or planned is given in line with the 2005 Reform Programme, while focusing mainly on changes and initiatives undertaken in the last 12 months¹.

The Danish Reform Strategy builds on two decades of comprehensive structural reforms, particularly of the monetary policy, the fiscal policy and the labour market. Those reforms have ensured a robust financial balance in the public and private sectors after major imbalances in the previous decades. The unemployment rate has been brought down to a structurally low level and the overall employment rate is high compared to other countries. At the same time low income dispersion has been maintained. The Danish "flexicurity model" for the labour market is characterised by flexible rules for hiring and dismissal, a relatively high level of unemployment benefits and social security and a comprehensive active labour market policy.

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

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

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

by institutional incentives, fast utilisation of new technology, free choice and competition exposure.

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

The Danish Government is satisfied to note that the Commission in its assessment of the Danish Reform Programme of 2005 shares the analysis of the primary challenges and underlying prioritised areas. The Commission emphasises in particular the need for more concrete measures to increase work supply in continuation of the Danish Welfare Commission's work, as well as more detailed measures to strengthen competition. The reforms and initiatives presented in the present progress report comply with the requests of the Commission.

Since the preparation of the Danish National Reform Programme in 2005, a political agreement on comprehensive reforms has been reached. In April 2006, the Government presented its proposal for reform of the Danish welfare system. The proposal was based on three elements 1) the Danish Welfare Commission's work, 2) the Globalisation Strategy entitled "Progress, renewal and safety" (*Globalisation Strategy*), which contained a total of 350 concrete initiatives, and 3) a report from the Tripartite Committee for lifelong learning and education for everyone on the labour market. On that basis a comprehensive political agreement was reached in June 2006: "Agreement on wealth and welfare and investments in the future" (*Welfare Agreement*).²

The Welfare Agreement is a very broad political agreement focusing on public pensions, early retirement, the labour market and a globalisation fund, which is to be used to strengthen investments in research, education, innovation and entrepreneurship. The fund will be phased in gradually from DKK 2 billion in 2007 to DKK 10 billion in 2012. The main part of this year's progress report is consequently an account of the adopted and planned concrete initiatives in the Welfare Agreement and the proposals in the Government's Globalisation Strategy.

The general purpose of the reforms is to ensure the long-term fiscal sustainability. Up to the adoption of the Welfare Agreement, the preparation for the ageing of the

² The entire Welfare Agreement can be found in Danish at www.fm.dk. The basis for the Welfare Agreement's reforms was comprehensive analysis in three different fora, cf. The Danish National Reform Programme of 2005: 1) The independent experts of the *Welfare Commission*, who presented their final report in the beginning of 2006 regarding the development and the potential financing of future welfare payments as seen in light of the changes in the composition of the Danish population, cf. www.velfaerd.dk, 2) the *Globalisation Council*, who finalised its counselling work in the spring of 2006 regarding how Denmark in 2015 can become a society focusing on growth, knowledge and entrepreneurship, cf. www.globalisering.dk, 3) the *Tripartite Committee for lifelong qualification and education*, which was composed of the social partners and the Government, presented its report in February 2006, cf. www.fm.dk. As a contribution to the exchange of experiences, the processes surrounding the three completed works of analysis are further described in the Annex.

population had been focused on maintaining a significant annual surplus in the public finances with a view to decreasing public debt and interest expenses. Public surpluses continue to be necessary, but the Welfare Agreement resolves a significant part of the financing issues by ensuring long-term coherence in the pension system.

The pension and early retirement reforms imply a considerable long-term strengthening of public finances and aim at creating a balance in relation to the consequences of growing number of senior citizens and increasing expenditures for health and care. Moreover, the financing capability for welfare expenditures is made more robust to the consequences of rising life expectancy, the extent of which cannot be predicted beforehand.

The education, labour market and immigrant integration reforms strengthen the public finances with a medium-term time frame, which are earmarked for the globalisation fund focusing on the further development of research, education, innovation and entrepreneurship. In order to ensure the greatest possible impact of this development in the form of new knowledge, quality of education and productivity, a series of management and organisation reforms will simultaneously be implemented in the public institutions in question.

The main elements in the Welfare Agreement and the Globalisation Strategy are:

- The age thresholds for the voluntary early retirement scheme and pensions are gradually increased with two years in the period 2019-2022 and 2024-2027, respectively. Afterwards, the age thresholds in the retirement system are to be indexed to the life expectancy of 60-year-olds, so that the expected period of early retirement will be maintained around 19½ years. At the same time, the work environment, the senior policy in the public sector and the active labour market policy for persons above 55 years of age are strengthened.
- In continuation of the labour market reforms in previous decades, there has been a further increase in activation, systematic availability assessments and a new model for the regular employment service. In order to improve the integration of immigrants and descendants on the labour market, targeted wage subsidies, agreements with social partners and partnerships with enterprises regarding training, traineeships and subsidised jobs are to be implemented. Moreover, the educational institutions and young people's incentives to earlier study completion are strengthened.
- From the globalisation fund the necessary means is allocated to ensure that a) at least 85 per cent of young people are able to complete a secondary education by 2010 and 95 per cent by 2015, and b) at least 50 per cent of all young people complete a tertiary education by 2015. Comprehensive reforms of the educational institutions are, and will be, implemented as regards strengthened management, an assembling of institutions in order to achieve a higher level of synergy, improved quality assurance and increased competition.

- In addition, the necessary financing is allocated from the globalisation fund to ensure an increase in public research grants, so that they will constitute 1 per cent of GDP by 2010. The quality of research must be supported by securing competition for the funds, improved interaction between private enterprises and a strengthened internationalisation.

Besides the Welfare Agreement, a number of other agreements, initiatives and measures have been adopted, which will be presented in this progress report. A central issue is also the continued implementation of the March 2005 structural reform of the municipal structures and the distribution of tasks between the various administrative levels in Denmark, which will take effect as of 1 January 2007.

In line with the recommendations of the European Council meeting in the spring of 2006, the Welfare Agreement creates a basis for the full exploitation of enterprises' potential and helps increase the employment rate.

After having concluded the Welfare Agreement, the Danish Government plans to focus especially on the quality of the public sector's service in the years to come. The experienced public service does not only depend on the economic framework and the number of employees. Consequently, the Government has launched a large analytical exercise in line with the work of the Globalisation Council with a view to establish a common foundation for continued improvements of the public service, in the first place especially concerning senior citizens, children and health. A Government committee led by the Danish Prime Minister will oversee this work, which will result in a quality reform proposal in the middle of 2007.

For more information regarding results and indicators for the Danish structural policy, please consult the Danish Government's annual Report on Competitiveness.³

³ The Report on Competitiveness for 2006 can be found at www.oem.dk.

1. The economic framework

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

A key challenge ahead is to maintain sustainable public finances in light of the demographic development, among other things. On the basis of this, the Government concluded the Welfare Agreement in June 2006, which also aims at lifting the level of education significantly so that the opportunities and challenges of globalisation can be used in the best possible way.

The principal elements of the Welfare Agreement are: later retirement from the labour market, strengthened efforts to increase employment and reduce unemployment, higher employment among immigrants and descendants, earlier study completion, youth education for all, more people with tertiary education, strengthened adult vocational training, more research resources and reinforced innovation and entrepreneurship.

1.1 Economic outlook

The Danish economy is experiencing a strong upturn with high production growth, decreasing unemployment and surpluses both in the public finances and the balance of payments.

In the period 2004-2007, it is estimated that the economic growth will constitute approximately 2½ per cent in average after a relatively low growth rate of barely ¾ per cent annually in the period 2001-2003¹. In the beginning, the progress was primarily prompted by strong growth in private consumption. The basis of the upturn then became gradually wider. Private consumption, investments and exports all contribute significantly to the high economic growth. Among other things, the low rate of interest, the 2004 income tax reduction, high foreign growth and highly rising prices of owner-occupied dwellings have contributed to strengthening the demand.

Unemployment has decreased by 63,500 people since the end of 2003, and a further decrease of unemployment is expected in the near future. Unemployment is expected to drop from 6.1 per cent of the workforce in 2004 (5.5 per cent according to the EU definition) to 4.1 per cent in 2007 (3.7 per cent according to the EU definition). At the same time, employment is expected to rise by 70,000 persons (approximately 2½ per cent) from 2004 to 2007.

¹ Source: Economic Survey – August 2006, Ministry of Finance.

The low unemployment rate has increased the pressure on the labour market and led to a lack of labour in certain sectors. There are signs of wage increases, particularly in the construction sector. It is important to avoid wage increases at a rate, which could weaken competitiveness and thereby employment, causing declining surpluses on the balance of payments on a longer-term basis.

In light of the currently high level of economic activity and the risk of further pressure on the wages and prices, it is important to emphasise restraint in the fiscal policy for 2007. Together with future gradual interest rate increases, this may contribute to a soft landing for the Danish economy and an increase in work supply. Continued high oil prices may pull the economy in the same direction.

On the basis of the agreements concerning the economy of the municipalities and regions (concluded in June 2006) and the draft budget for 2007 (presented in August 2006), the fiscal policy is estimated to have a fairly neutral effect on economic activity in 2007.

Within two years, the public balance has been turned from a small deficit in 2003 to a record high surplus in 2005. This illustrates that the public finances in Denmark can fluctuate quite a lot within a rather short time frame.

The public balance surplus in 2005 has provisionally been calculated to DKK 61.2 billion, which corresponds to 3.9 per cent of GDP. In 2006 and 2007, the public balance surplus is estimated at DKK 50 billion (3.1 per cent of GDP) and DKK 47¾ billion (2.8 per cent of GDP).

The extraordinarily high surpluses in the period of 2005-2007 reflect a temporary reinforcement of the public finances. The cyclical conditions – with high employment, low unemployment and high private consumption – all contribute to the large public surpluses in 2005-2007. Large incomes from the oil and gas activities in the North Sea derived from the oil price development are pulling in the same direction. In addition, the revenues from the tax on pension returns was extraordinarily large in 2005. The yield from the tax on pension returns is expected to be significantly lower in 2006 and 2007 due to the increasing interest rate level and thereby significant losses due to depreciation on the pension enterprises' bond reserves.

Considering the cyclical situation and the long-term fiscal policy challenges, it is crucial that the current large public surpluses are used to lower the public debt.

When taking into account the cyclical situation and a number of other temporary conditions' impact on the public finances, there are structural budget surpluses, even though these are smaller than the actual surpluses. In the period of 2004-2007, the calculated structural surpluses constitute an average of 1.2 per cent of GDP, while the actual surpluses are expected to constitute 2.9 per cent of GDP on average annually, *cf. table 1.1.*

Table 1.1
Public finances, 2004-2007

Per cent of GDP	2004	2005	2006	2007
Actual budget balance (EDP-basis)	2.7	4.9	4.1	3.8
Actual balance (national accounts basis)	1.7	3.9	3.1	2.8
Structural budget balance	0.4	1.3	1.4	1.5

Note: The structural balance is corrected for the suspension of contributions to the Special Pension Scheme (SP) in the period 2004-2007. The SP is a non-redistributing pension scheme.

Source: Statistics Denmark and own calculations.

The structural surplus is thereby within the previously defined target interval, which aims at an average surplus of $\frac{1}{2}$ - $1\frac{1}{2}$ per cent of GDP up until 2010, cf. below.

The large surpluses on the public balances contribute to the reduction of both the public gross debt (EMU debt) and the central and local government net debt. The EMU debt is expected to be reduced to $24\frac{1}{2}$ per cent of GDP by the end of 2007. The buoyant cyclical situation, among other things, enables the EMU debt reduction to be ahead of the objectives of the so-called 2010 Plan, cf. *A sustainable future – Denmark 2010, January 2001*. The net debt is estimated to be reduced to $2\frac{1}{4}$ per cent of GDP by the end of 2007.

In 2005, Denmark also fulfilled the convergence criteria of stable exchange rates, inflation, interest rates, public balance and debt, cf. table 1.2.

Table 1.2
Convergence criteria in 2005

	Consumer price inflation (HICP)¹⁾	Long-term yield (10-year Gov't)	Public balance (EDP-definition)	Public gross debt (EU-definition)
	Per cent	Per cent	-----Per cent of GDP-----	
Denmark	1.7 ¹⁾	3.4 ²⁾	4.9	35.9
EU25	2.2 ¹⁾	3.8 ²⁾	-2.3	63.4
Eurozone	2.2 ¹⁾	3.4 ²⁾	-2.4	70.8
Converg. criteria	2.5 ¹⁾	5.4 ¹⁾	-3.0	60.0

1) Calculated for December 2005.

2) Annual average for 2005.

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

In table 1.2, the public surplus of 4.9 per cent of GDP in 2005 is calculated in accordance with the EU Excessive Deficit procedure (EDP). Among other things, this includes the surplus in the ATP Fund.²

² The public surplus is larger on an EDP-basis than on the national accounts basis. The public surplus amounted to 3.9 per cent of GDP in 2005 based on the national accounts against 4.9 per cent of GDP on the EDP-basis. The principal cause for the difference of 1.0 per cent of GDP is that the ATP Fund's surplus of approximately 1.0 per cent of GDP is included in the budget balance on the EDP-basis, while the ATP is included in the private sector in

1.2 Medium-term strategy and objectives

Economic policy generally aims at ensuring high and stable employment rates, a sustainable fiscal policy and good framework conditions for growth, cf. the future update of Denmark's convergence programme. The central objectives for the individual policy areas are the following:

- *Monetary and exchange rate policy*: Continued stable exchange rate and inflation development by virtue of the fixed Danish Kroner exchange rate vis-à-vis the Euro,
- *Fiscal policy*: Ensuring a sustainable development in the public finances,
- *Public expenditure policy*: Restrained growth in the total public expenditures,
- *Tax policy*: Tax freeze and lower income taxes, provided that the economic scope is present.

The monetary policy is determined with a view to keeping a stable Danish Kroner exchange rate vis-à-vis the Euro. It is thereby ensured that the inflation follows the medium-term development in the Eurozone. The framework of the exchange rate policy is the ERMII agreement, which entails a narrow band for the Danish Kroner exchange rate of $\pm 2\frac{1}{4}$ per cent around the central exchange rate vis-à-vis the Euro. The Danish Kroner exchange rate has been close to the central exchange rate for a number of years. Since the introduction of the Euro on 1 January 1999, the Danish Kroner exchange rate's average (numerical) deviation amounted to approximately $\frac{1}{4}$ per cent.

A pivotal point of the Danish *fiscal policy* is a sustainable development in the public finances. Since the beginning of 2001, the fiscal policy has been based on the fiscal policy objectives and conditions in the earlier mentioned 2010 Plan and later updates, including the annual convergence programmes for Denmark. A sustainable fiscal policy requires a significant reduction of the public debt (measured in per cent-age of GDP) in the years to come.

A sustainable fiscal policy also constitutes the principal cornerstone in the Welfare Agreement. The Welfare Agreement ensures a higher degree of certainty that major financing problems do not occur over the long-term as life expectancy increases and the number of elderly citizens increase. The agreed indexation of the age limits for retirement from the labour market as of 2025 in line with the mean life expectancy

the national accounts. The treatment of swap interest rates, etc., also is pulling in the direction of higher surpluses on the EDP-basis corresponding to approximately 0.2 per cent of GDP, while the treatment of capital expenditures for certain public enterprises is pulling in the opposite direction, also corresponding to approximately 0.2 per cent of GDP. The EMU debt is calculated with deductions for the ATP's reserve of Government stock. This deduction constitutes 0.3 per cent of GDP in 2005, which is quite lower than in previous years.

of 60-year-olds contributes significantly in this regard. Denmark is thereby prepared for the demographic challenge ahead.

The Welfare Agreement also ensures the financing of a significant reinforcement of education and research, which strengthens the growth potential on a long-term basis and should enable all groups in the Danish society to take part in the progress caused by globalisation, cf. box 1.1 as well as a more detailed description in Chapters 2, 3 and 5.

Box 1.1

Brief overview of the Welfare Agreement and the Agreement on Future Immigration

On 20 June 2006, The Danish Government concluded the *Welfare Agreement* with the Danish Social Democrats, the Danish People's Party and the Radical Left Party. 158 of the Danish Parliament's 179 mandates are therefore backing this agreement. At the same time, the Government concluded the *Agreement on Future Immigration* with the Danish People's Party. The agreements include especially:

- *Later retirement from the labour market.* The eligible age for the voluntary early retirement scheme is to be increased in 2019-2022 from 60 to 62 years, and the eligible age for pensions is to be increased in 2024-2027 from 65 to 67. Starting from 2025, the age limits in the pension system will be indexed to the mean life expectancy of 60-year-olds, so that the combined period with early retirement and public pensions will be maintained around 19½ years. If the mean life expectancy changes, the eligible age for early retirement and public pensions will continue to be 62 and 67 years, respectively. The voluntary early retirement scheme is made more flexible and the early retirement contribution will now have to be paid for 30 years as against the current 25 years of payment. Initiatives aimed at reinforcing employment for senior citizens and preventing the wearing down of employees will be implemented.
- *Strengthened efforts to reduce unemployment.* The employment policy will be strengthened, for example by stepping up activation after 9 months of unemployment and introducing intensive activation efforts after 2½ years. The employment service will be strengthened and systematic availability assessments will be introduced.
- *Higher employment among immigrants and descendants.* A targeted subsidised job scheme and more special job consultants will be introduced, among other things, and the employment opportunities will be supported by a renewed four-party agreement regarding reinforced integration, partnerships with individual enterprises, etc.
- *Earlier study completion.* The admission system will benefit young people who start on a tertiary education programme no later than two years after their qualifying exam, and the university programmes will be prepared and financed in a way that supports earlier study completion to a greater extent.
- *Youth education for all.* Among the initiatives, a strengthened effort will be implemented aiming at enabling young people between the ages of 25 and 29 to gain access to the labour market or obtain an education, gain improved guidance and follow-up, gain access to additional traineeships, etc.
- *Strengthened adult vocational training.* The boosting of reading, writing and arithmetic courses for adults, as well as additional adult apprentices, etc. will be implemented. A fund amounting to DKK 1 billion will be set aside for vocationally-oriented adult education and training, which will depend among others on the social partners' increased financing contribution in order to achieve a strengthened adult vocational training effort.
- *Investments in the future.* Additional funds will be allocated for investments in the future, including in research and development, adult education and training, youth education, tertiary education, innovation and entrepreneurship. The amount will grow gradually to approximately DKK 10 billion in 2012.
- A so-called Green Card scheme will be introduced, giving access to especially well-qualified foreigners to seek employment opportunities in Denmark.

Box 1.1 (continued)**Brief overview of the Welfare Agreement and the Agreement on Future Immigration**

The reforms are generally deemed to strengthen employment, as illustrated in *table 1.3*.

Table 1.3**Employment increase, 2010-2040, 1000 persons**

	2010	2015	2025	2040
- Labour market and integration	13	13	14	13
- Education etc.	-2	-3	10	16
- Later retirement etc.	2	4	86	96
In total	13	14	110	126

Notes: Due to the rounding off of the figures, the total may differ from the sum of the individual figures.
Source: Danish Ministry of Finances.

Those parts of the agreement, which concern the labour market, education and improved integration of immigrants, etc. are estimated to strengthen the fiscal policy scope with up to ½ per cent of GDP. This scope is allocated for globalisation initiatives concerning investments in the future. The increased investments in the future constitute a permanent boost, which, when seen in isolation, increase the public expenditures for research and education, in particular, by approximately ½ per cent of GDP up until 2012. The budget allocation is to be gradually phased in with approximately DKK 2 billion (2007-prices) annually up to 2010, and with DKK 1 billion in the following years.

On a long-term basis, later retirement provides the largest contribution to higher employment, cf. table 1.2. These initiatives will counter the major part of the labour force reduction otherwise expected in this period as a result of demographic shifts. The agreed reform of the retirement system is generally deemed to strengthen the sustainability of the public finances with approximately 1½ per cent of GDP. The reforms will be able to secure the balance in the public economy for many decades to come, while, simultaneously, the increasing numbers of senior citizens will prompt additional expenditures for the care of the elderly and health services.

The Welfare Agreement is generally estimated to increase employment by approximately 13,000 persons up to 2010, rising to about 125,000 persons in 2040. On a medium-term basis, the employment effect is lower than required in the 2010 Plan targeting a durable employment increase of 50,000 persons by 2010, cf. Denmark's National Reform Programme 2005. However, this is more than off-set by the fact that the Welfare Agreement will raise employment significantly more subsequently.

The Welfare Agreement thereby contributes to a major improvement of the public finances on a long-term basis, which gives greater economic policy scope in the shorter term. All in all, the Welfare Agreement entails a fiscal scope of 2 per cent of GDP. From this, approximately 1½ per cent of GDP is reserved for securing sustainable public finances on a long-term basis, while the remaining ½ per cent of GDP is primarily used to strengthen education and research (globalisation initiatives).

The greater room for manoeuvre in the short run is reflected in the fact that the real growth in the public expenditures for services, etc. is increased from ½ per cent an-

nually to approximately 1 per cent up to 2010³. An annual growth rate of about 1 per cent is somewhat lower than actual growth in the period of 2002-2005, and at the same time significantly less than in the 1990's, where the growth in public expenditures was approximately 2 per cent annually on average.

In the 2010 Plan, an operational target interval was defined for the public finances, which aims at structural public surpluses of 1/2-1 1/2 per cent of GDP on average up to 2010 with a view to securing sustainable public finances.

Seen in isolation, the welfare reforms entail lower required surpluses up until 2010, as the public finances, as mentioned, are markedly improved on a longer-term basis due to the substantial positive impact on employment. All else equal, the Welfare Agreement thereby pulls in the direction of lowering the required target interval.

In 2007, the Government will present a new multiannual economic plan, which will cover the period at least up until 2015, and which contains the effects of the Welfare Agreement and other new information. In connection with the future multiannual plan, the target interval for the public finances, among other things, will be reviewed.

The cornerstone of *tax policies* is the tax freeze in effect since 2002, which entails that a tax or duty may not increase, regardless of whether it is determined in per cent or a nominal Danish Kroner amount, cf. elaborations in the Danish National Reform Programme 2005.

The following chapters focus on structural policies, which should be seen in connection with and in support of the general economic policy.

³ In the 2010 Plan, a real growth in public consumption of 1/2 per cent in the period of 2007-2010 is required. In addition, the public consumption impact of the Welfare Agreement – including the so-called globalisation funds – is also estimated to correspond to a real growth of 1/2 per cent. The globalisation funds have not yet been allocated, therefore the precise distribution on public consumption, investments, etc., is not known at this time. The allocation concerning 2007 will take place in the autumn of 2006 in connection with the 2007 budget negotiations.

2. Research, education and innovation policy

For many years, Denmark has experienced a growth in research and development investments. In addition, the Welfare Agreement set aside a globalisation fund for increased investments in education, research, innovation, entrepreneurship and adult vocational training. The fund will gradually increase to DKK 10 billion in 2012. The Globalisation Strategy contains a number of proposals for initiatives, out of which the expenditure-based proposals are suggested financed by the globalisation fund. The implementation of the other initiatives will be worked on regularly.

The main effort areas in the following years are:

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

2.1 The Globalisation Strategy

Many of the Globalisation Strategy's 350 concrete initiatives concern research, education, innovation and entrepreneurship. This is a continuation to the recent years' measures and reforms to strengthen research, development and innovation, cf. the Danish National Reform Programme 2005.

The Welfare Agreement marks out the economic framework in the form of a globalisation fund, cf. table 2.1.

Scope of the globalisation fund						
	2007	2008	2009	2010	2011	2012
DKK billion						
Fund	2.0	4.0	6.0	8.0	9.0	10.0

Source: Danish Welfare Agreement.

For many years, Denmark has experienced a growth in research and development investments. The recent figures for 2004 from Eurostat show that overall Danish re-

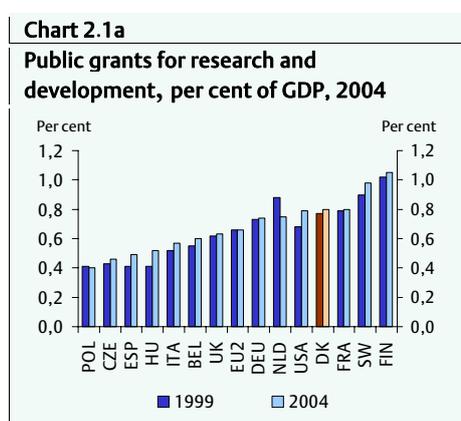
search amounts to 2.58 per cent of GDP, of which the public research grants constituted 0.8 per cent of GDP¹. The Danish investments in research and development are above EU and OECD average.

In 2006, further steps have been taken to ensure that Denmark reaches its objective to invest 3 per cent of GDP in research and development by 2010. The Welfare Agreement aims at letting public investments in research and development reach 1 per cent of GDP in 2010. The globalisation fund will be set up after agreement with the partners during the fall. Those initiatives in the Globalisation Strategy that have consequences for the expenditure will be included in the negotiations regarding the setting up of the globalisation fund. The other initiatives in the Globalisation Strategy that focus on getting the money's worth in quality, will regularly seek implementation.

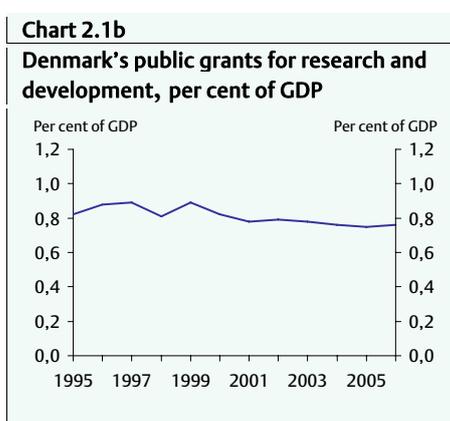
2.2 Public research – focus on quality and quantity

Public research is of great importance to society's wealth and development. Public research is decisive for the development of fundamental new knowledge and new ideas in areas, where a lack of direct use causes private enterprises not to invest.

The public grants for research and development are shown in *chart 2.1*.



Source: Eurostat.



Notes: Changes in the calculation method make comparisons between and after 1999 difficult. The calculation includes grants included in the national budget (including funds from the Danish National Advanced Technology Foundation), revenue losses due to the 150 per cent deduction scheme, funds from the Danish National Research Foundation, funds from counties and municipalities as well as EU and Nordic Council and funds.

Source: Danish Ministry of Finance.

¹ In OECD calculations, which this report refers to quite often, the used calculation methods are not entirely the same. OECD figures for the overall Danish research amount to 2.48 per cent of GDP for 2004.

The Globalisation Strategy lists a number of initiative proposals as regards public research and the universities. The setting up will take place through a dialogue with the partners of the Welfare Agreement. The most important initiatives are shown in *box 2.1*.

Box 2.1

Chief initiatives in the Globalisation Strategy as regards publicly financed research

- Additional funds for public research, so that the public investments in research and development attain 1 per cent of GDP in 2010.
- The share of public research grants awarded through competition must constitute 50 per cent of the total research grants in 2010 at the latest. A large part of these grants must be awarded to strategic research.
- Grant procedure changes to increase the share of large and long-term research grants.
- Preparation of a long-term strategy for investments and prioritisation of larger research infrastructures with a special fund for its financing.
- Systematic measurement and assessment of the Danish research quality to ensure that funds are awarded on the basis of quality.
- Implementation of a reinforced initiative to promote Danish participation in EU framework programmes and other international research activities.
- Sectoral research must be integrated into the universities to ensure that also this art of research is supported by the educational programmes.
- The number of Ph.D. grants and business Ph.D.s must be doubled.
- The universities are to establish elite educational programmes with particularly high educational standards and high admission requirements for very qualified bachelors.
- The universities' basic funding must be distributed according to quality and all university educational programmes must be evaluated according to international standards.
- Concrete objectives for the utilisation of research results must be determined by the universities. Results must influence the amount of grants awarded to the individual universities.

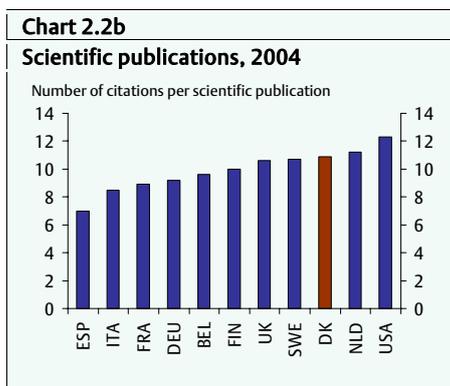
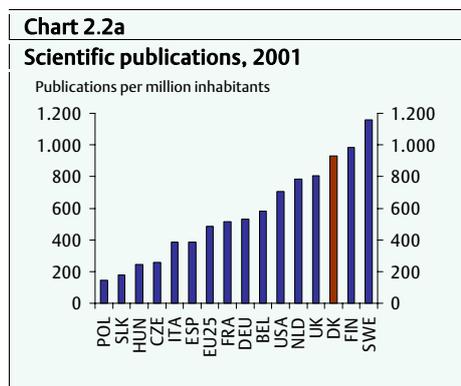
For more details, see also Annex 2.

In Denmark, the majority of public research and development is conducted by universities and sectoral research institutions. In addition, the Authorised Technical Services Institutes² as well as hospitals conduct publicly financed research and development.

In order to increase the efficiency of research and promote the universities as attractive workplaces, the focus in the years to come will be on the size and quality of university environments. It is the Government's ambition to generally reduce the number of universities and to strengthen the remaining universities, which entails mergers between universities and the integration of sectoral research. There are currently 12 universities and 15 sectoral research institutions. The mergers are to be finally decided in the fall of 2006 and are widely expected to enter into force on 1 January 2007. The role of the universities in the European cooperation must be reinforced.

² The Authorised Technological Service Institutes offer consultancy, research and development of new technology services to Danish enterprises.

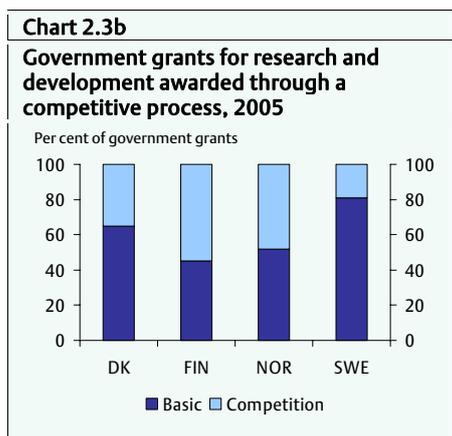
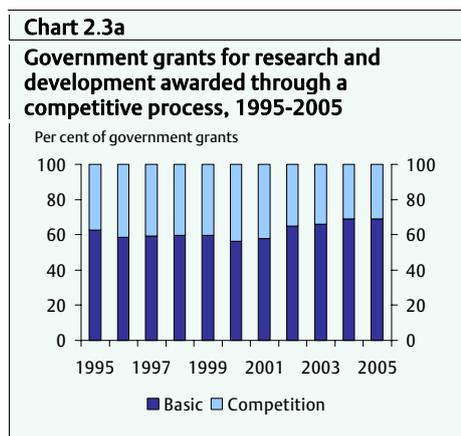
The present indicators point to the fact that the Danish research and development initiative is of a generally high quality. Denmark is thereby among those countries in the world, where most scientific publications per inhabitants are produced. Danish researchers are also relatively frequently cited by other researchers, *cf. chart 2.2*.



Source: OECD and ISI Essential Science Indicators, 2004.

In addition, the Danish universities seem to have become better at utilising research results. The number of patents and licences sold has tripled since 2000. Also, more enterprises based on public research have been created in the last five years. However, the level of Denmark is still relatively low as seen in an international context.

In order to focus more on quality, a series of quality criteria must be used to a greater extent as a basis for the awarding of grants to universities, *cf. box 2.1*. The number of research grants awarded through a competitive process is lower in Denmark than in other Nordic countries, *cf. chart 2.3*. The initiative must be seen in continuation of the management reform of the universities, which has been implemented in recent years through the introduction of governing bodies with an external majority, among other things, *cf. the Danish National Reform Programme 2005*.



Source: Danish Ministry of Finance, public research budget 2005 and Nordic Council, public research and development grants in the Nordic countries, 2005.

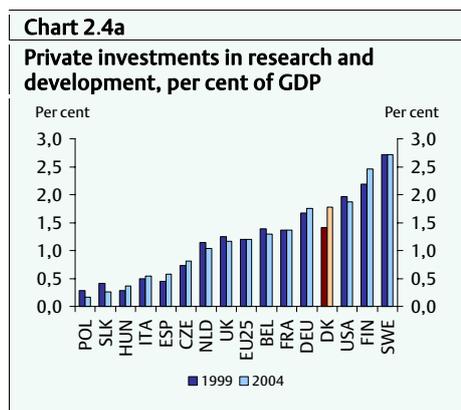
In 2003, approximately 1200 Ph.D. students were admitted. It is the objective of the Government to *double Ph.D. admissions* up to 2010. The Ph.D. student increase must take place especially within the areas of natural sciences, technological sciences, IT and health sciences, where there is a major social demand. In a newly published report, an international panel concluded that the quality of the Danish Ph.D. is of a generally very high standard, and that there is potential and capacity for a major increase in Ph.D. admissions.

2.3 Reinforced research, innovation and knowledge dissemination in the private sector

The typically used indicators for enterprise innovation show that Danish enterprises are quite innovative, though without being the world's most innovative enterprises³. Denmark is above the EU15 average when measured in patenting and trade marks per million inhabitants. Compared with the EU15 countries, Denmark occupies a high position as regards new products' share of overall trade, but a lower position as regards new services' share of overall trade.

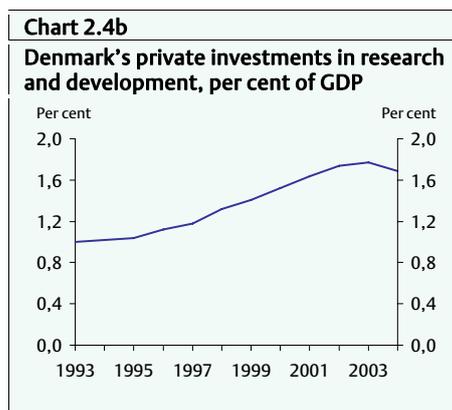
The research and development effort of private enterprises is an important prerequisite for innovation. Denmark is among the EU countries, where the level of investment is at its highest. In 2004, the private sector spent an amount corresponding to 1.78 per cent of the gross domestic product on research and development, *cf. chart 2.4a*.

³ Cf. the Report on Competitiveness, 2006, see www.oem.dk.



Note: For the UK, the most recent figures from 2003 are used.

Source: Eurostat.



Source: OECD, Main Science and Technology Indicators and the Danish Centre for Studies in Research and Research Policy.

Knowledge dissemination from research and education institutions to the business sector is crucial in ensuring knowledge utilisation. In this regard, the Danish knowledge dissemination infrastructure – the Authorised technological Service Institutes – plays a special role in connection to knowledge transferral, especially for small and medium-sized enterprises. Highly qualified employees are an important prerequisite for the ability of enterprises to utilise research results and knowledge for innovation. The number of employees in the private sector with a tertiary education has been rising in recent years. The net immigration of highly educated people into Denmark is below the OECD average as well as that of the other Nordic countries.

The interaction between enterprises and external partners such as customers, suppliers, advisors, and research and education institutions are also an important source of knowledge dissemination and innovation. Danish enterprises give more weight to interactions with customers than most of the other EU15 countries. The Danish enterprises' assessment of the importance of the interaction between enterprises and universities corresponds to the EU15 average⁴.

On the basis of this, a number of initiatives aiming at reinforcing knowledge dissemination and the interaction between knowledge institutions and enterprises are to be launched. Moreover, the framework conditions for the innovation of enterprises and public institutions should be strengthened, including user-driven innovation. The chief initiatives, most of which are readily implementable, are shown in *box 2.2*. The implementation will take place through a dialogue with the partners who concluded the Welfare Agreement and the Agreement on Future Immigration.

⁴ Cf. the Report on Competitiveness, 2006, see www.oem.dk.

Box 2.2**Chief initiatives in the Globalisation Strategy as regards innovation and knowledge dissemination**

- Grants for innovation cooperations between enterprises and research institutions are assembled in one fund, and there will be given better opportunities to support a wider range of projects and networks. The opportunities for SMEs to participate in project cooperations will be improved, including through a “voucher scheme”.
- Funds for the Authorised Technological Services Institutes are to be distributed in open competition, so that additional agents have the opportunity to carry out technological service. An innovation centre for e-business will be established within the framework of technological service, among other things.
- On the basis of advice from the innovation environments among others, the research institutions must be able to finance the testing and documentation of the commercial potential of an invention (“proof of concept”).
- The participation of private enterprises in publicly financed research must be made easier.
- A programme for user-friendly innovation must be established in order to give new knowledge regarding customers and markets.
- A new internet-based market place for the purchase and sale of patents, trademarks and other rights is to be established.
- A strategy must be drawn up for Danish participation in large, strategic technology initiatives, which the EU is preparing as a part of the 7th Framework Programme for Research.
- In connection with selected Embassies and trade offices abroad, pier head functions are to be established for the furthering of contacts to leading research, innovation and business environments in the countries in question.
- A Green Card scheme is to be introduced, enabling Denmark to get more qualified foreigners into the country.

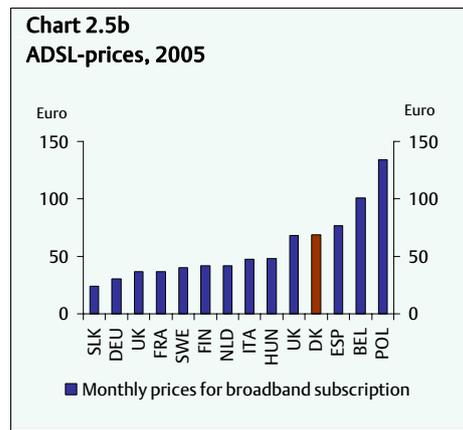
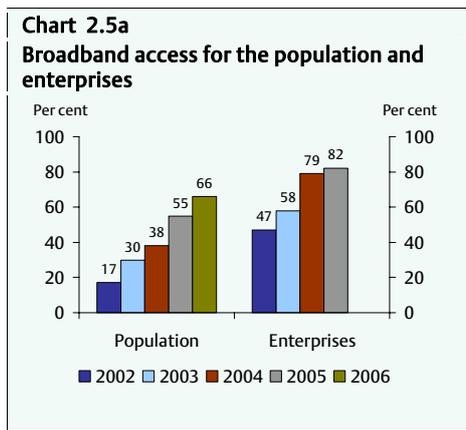
For more details, see also Annex 2.

2.4 Extended use of the information and communications technology (ICT)

The total investments in research and development in ICT in Denmark correspond to DKK 1500 per inhabitant (2003). This is above the EU15 average, which is of DKK 600 per inhabitant, and approximately half the level in the US and Japan. In recent years, a major part of the labour productivity increase in Denmark is ascribed to investments in ICT⁵.

78 per cent of the Danish families have access to the internet at home, while 97 per cent of all enterprises in Denmark had access to the internet in 2005. Denmark has 1.3 million broadband connections, which corresponds to 66 per cent of the population. This places Denmark at the top internationally, *cf. chart 2.5a*. More than 98 per cent of the population has access to broadband installation. However, the broadband market is still not sufficiently open to competition, *cf. chart 2.5b*. In the fall of 2005, the regulation was therefore changed in the form of some general improved conditions for competition and a reduction of the prices for interconnected traffic.

⁵ According to Statistics Denmark’s decomposition of labour productivity growth, up to 30 per cent of the increase in recent years can be attributed to ICT investments.



Source: Statistics Denmark.

The benefits of enterprises' use of ICT depend to a high extent on, whether the system can be integrated. The standardisation work and promotion of the use of open standards is crucial. 57 per cent of the Danish enterprises have integrated their systems for purchases and sales with payment and invoice systems.

Active efforts are being undertaken in order to promote the digitalisation of the public sector. 41 per cent of citizens who communicated with the public sector in 2005 did so using the internet, while 87 per cent of enterprises had a digital contact to the public authorities. As of 1 September 2006, a total of 715,000 digital signatures were issued. The signatures are legally binding. 97 per cent of the public authorities could receive digital signatures.

The Danish Government's policy is that ICT development must be market-driven, and that the public sector must support this development through good framework conditions and by taking the lead of the development and generating market demand. This general policy for 2006 has been concretised in four themes, cf. box 2.3. Most of the initiatives have been launched or are about to be launched.

Box 2.3**Government initiatives to promote ICT**

Cohesive ICT systems:

- International standardisation and common public solutions.
- Standardisation in individual sectors and in connection with the municipal reform.
- Cohesive digital infrastructure for enterprises: it must be as easy to send an electronic invoice as it is to send an email.

Efficient ICT markets:

- Strategic overhaul of the telecommunications regulation to ensure innovation and investments.
- Improved regulations for the allocation of frequencies, ensuring dynamic markets.
- New national software knowledge centre to support competition
- Good framework conditions for digital TV and digital content.

Innovation with ICT:

- Easier access to expert knowledge regarding e-business for Danish enterprises.
- Increased cooperation between enterprises and knowledge institutions through the Danish Regional ICT Initiative.
- Increased efforts in the area of research, including ICT.

ICT access for all:

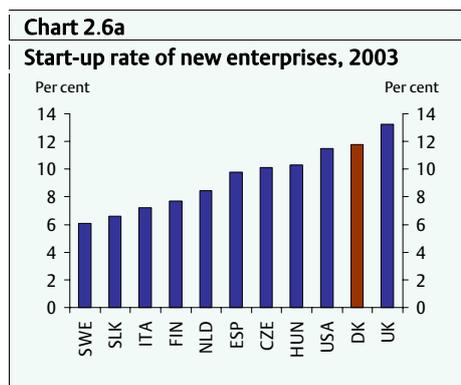
- Easier access to public digital services
- Development of a barometer to measure the population's ICT skills.
- A national strategy for e-learning.
- Confident and safe use of ICT, including through campaigns such as "net safe now!" and research into citizens' ICT security.

For more details, see also Annex 2.

Moreover, in 2006 it has been decided that a number of measures are to be introduced to ensure ICT use by public authorities, including software, on the basis of open standards to as great an extent as possible. Finally, the possibilities to increase broadband coverage are to be examined further.

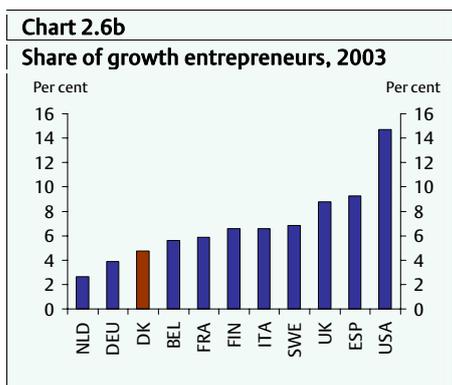
2.5 Entrepreneurship

Denmark is still highly placed as compared to other European countries when it comes to starting up new enterprises. New enterprises established within the last year make up over 10 per cent of the total amount of enterprises in Denmark, *cf. chart 2.6a*.



Note: Share of new enterprises established within the last year. The figures for Denmark and the US are based on own calculations based on national statistics. The calculations are not fully comparable. For example, enterprises can be opened in some US states without report. The US start-up rate is thereby underestimated.

Source: Eurostat, Statistics Denmark and www.census.gov.



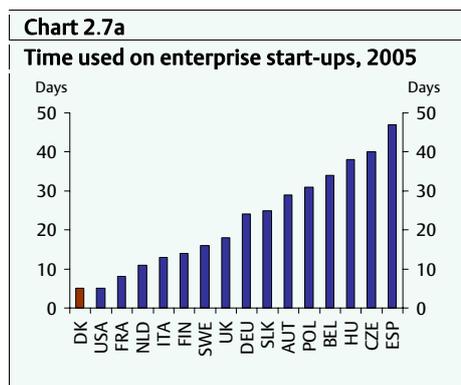
Note: Growth entrepreneurs as compared with the total number of entrepreneurs. Growth entrepreneurs are defined as enterprises, which experience at least an average growth in employment and/or turnover of 60 per cent. The data must be interpreted with care as the information was not gathered from national statistics offices.

Source: Bureau van Dijk og Entrepreneur Index 2005, National Agency for Enterprise and Construction.

Entrepreneurs have a great importance for the Danish economy through an efficient use of capital and labour force. Denmark has a lower share of entrepreneurs than in many other countries. Less than 5 per cent of all entrepreneurs in 2003 had a growth of over 60 per cent since 2001 in Denmark, *cf. chart 2.6b*.

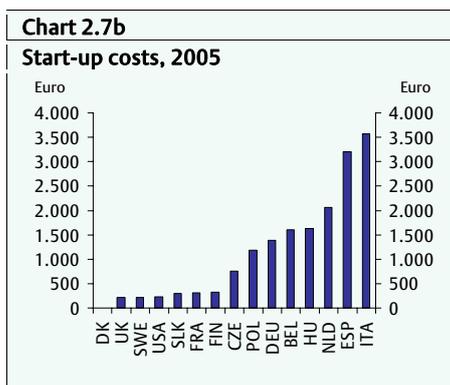
Denmark has the best framework conditions for entrepreneurs in a number of areas as compared to the EU generally. For example, it is cheapest and fastest to start an enterprise in Denmark, *cf. chart 2.7*. Venture capital supply in the start-up phase also reaches a high level as compared with other EU countries. In other areas, Denmark is not doing as well, for example in the area of entrepreneurship courses in tertiary education institutions, and venture capital in the expansion phase of enterprises⁶.

⁶ Cf. the Report on Competitiveness, 2006, see www.oem.dk.



Notes: Number of days spent to register an enterprise.

Source: World Bank, Doing business in 2005



Notes: Registration fees and other charges involved in enterprise start-ups.

Source: World Bank, Doing business in 2005.

31 new initiatives have been launched in order to improve the framework for entrepreneurs. The chief initiatives and status of main implemented initiatives are shown in *box 2.4*.

Box 2.4
Implemented and planned chief initiatives

Implemented initiatives:

- The legal basis for the setting up of a new, financially strong venture fund was passed in 2006.
- The relief of administrative burdens, including the reduction of the audit obligation for SMEs was adopted in 2006.
- The alternative marketplace "First North" was established at the Copenhagen Stock Exchange in 2005 for enterprises that did not have the opportunity to live up to the Stock Exchange's normal requirements to quoted enterprises.
- The possibilities for investments of rate and capital pension funds in unlisted shares have been improved. The bill concerning this was passed in 2005.
- The establishment of 3 growth houses in tertiary education institutions, where students can have the opportunity to test and develop their business or product idea and be coached by experienced business people.

Important initiative proposals in the Globalisation Strategy:

- Reinforcement of the Independence Fund, which aims to promote cooperation between the business sector and schools regarding entrepreneurship in the system of education.
- Entrepreneurship subject offers for all students in the system of education.
- New entrepreneurship houses with readily accessible and qualified counselling by entrepreneurs.
- Tax relief for entrepreneurs of DKK 100,000 annually the first 3 years.
- New forms of financing for entrepreneurs are to improve the financing of idea development, market tests as well as counselling by experienced business people.
- Improved prioritisation of the grants for the innovation environments to ensure that the competencies are assembled in stronger environments.
- Fewer burdens for enterprises through digital case handling.
- A faster handling of insolvent estates to secure better conditions to bankrupt entrepreneurs who are starting with a new enterprise.

For more details regarding the new initiatives, see also Annex 2.

In future, the Danish Government will follow the development in the area of entrepreneurship annually through the Report of Competitiveness and the Entrepreneur Index.

2.6 Education

Denmark spends considerably more financially means on education as compared to the EU average, *cf. table 2.2*. At the same time, international comparisons show that Danish basic school results do not match the economic investment. Moreover, Danish students complete their studies relatively late.

Table 2.2				
Total expenditures for education in per centage of GDP, 2000-2003				
	2000	2001	2002	2003
Denmark	8.3	8.4	8.4	8.3
EU15	4.7	5.0	5.1	5.2

Notes: In this table, expenditures for education include basic schools, youth education and tertiary education (including educational aid from public funds).
Source: Eurostat.

The Welfare Agreement includes the following main objectives regarding education:

- The share of young people who complete a youth education must be increased from 80 per cent in 2003 to 85 per cent in 2010 and 95 per cent in 2015. The share of young people who complete a tertiary educational programme must be increased from 44½ per cent in 2003 to 50 per cent in 2015.
- Young people completing a tertiary educational programme must complete their education at an earlier stage than today and within the prescribed number of years.

The completion of a youth education by 95 per cent of young people also necessitates a concentration on primary school conditions, *cf. box 2.5*.

Box 2.5**The Lisbon Strategy and Danish primary schools**

The development of Danish primary schools does not constitute a direct part of the Lisbon Strategy. However, the development of Danish primary schools is a key prerequisite for the fulfilment of the objective of more young people completing youth educational programmes and an earlier study completion for young people. International surveys have shown that Danish primary school pupils are lagging behind in a number of subject areas. The Government has implemented a series of measures in order to reinforce the professional level of Danish primary schools, including:

- Obligatory IT-based tests in reading, arithmetic, English, physics/chemistry, biology and geography in 2007 and 2008. These tests are to give teachers, parents and students the necessary tools and insight into the development of the school levels and an understanding of what needs to be done in order to provide adequate stimulation for all children.
- Teachers' basic education has been strengthened with the passing of the new Danish Teacher Education Act, which will enter into force in August 2007. The Act entails a higher degree of teacher specialisation in fewer and larger subjects and an age specialisation in Danish and arithmetic. The continued training of teachers will also be improved.
- The Danish transitional 10th grade must focus on students, who require further qualifications and educational clarification in order to be able to complete a youth education. At the same time, the 10th grade must be able to pick up those students who have dropped out from a youth education.
- In the period of 2006-2009, a total of DKK 105 million have been set aside for a national action plan focusing on reading skills. Out of this amount, a total of DKK 55 million will be invested in the strengthening of teachers' competences. DKK 14 million will be invested in the strengthening of the effort in the preschool area.

The high percentage of completion of youth educational programmes must first and foremost be achieved through a reinforcement of the business educational programmes, *cf. also section 5.5*. As regards young people with special needs who are not immediately able to start a qualifying youth education, the production schools are of key importance. The activity of production schools must be focused on providing more qualifying education. In the fall of 2006, a survey of the conditions of production school students will be conducted, as well as factors determining whether young people start an education at production schools.

For young people who do not have the capacity to start a business educational programme, the initial vocational education and training programmes ("egu") constitute a relevant offer. There are relatively positive experiences connected to these programmes, as compared to the young people's prerequisites. While "egu" used to be offered by municipalities on a voluntary basis, municipalities will now be obligated to offer "egu" to relevant target groups. A modernisation of "egu" will also be conducted with a view to creating flexible and modern educational offers.

In August 2005, a Danish high school reform was also implemented. Assessments of various high school educational elements have been carried out and in 2006 changes were adopted, giving schools greater freedom in deciding how high school programmes are to be carried out.

Denmark is among those countries where students are the oldest upon completing *tertiary educational programmes*, as compared to other EU countries. Young people who

have completed an education are on average approximately 4 years older than if they had followed a straight educational path. The Welfare Agreement launches a series of initiatives to prompt young people to *start their education and graduate faster*, so that they can have an earlier start on the labour market, cf. box 2.6.

Box 2.6

Initiatives for an earlier study completion of tertiary education

- The admission system must benefit young people who have an early start at tertiary educational programmes. A so-called quotient model will be introduced, enabling young people who start 2 years at the latest, after the qualifying degree, to upgrade their average grade with a quotient of 1.08.
- University programmes must be set up in a way that supports earlier study completion:
 - A clearer semester structure must be set up,
 - A closer connection between exams and courses must be created with better opportunities to re-sit exams as fast as possible,
 - Thesis writing must be delimited in time.
- Earlier study completion must also be supported by:
 - Strengthening student counselling services,
 - Changing the universities' "taximeter grants" (Government funding) in order to create a better coherence between course contents and student prerequisites and commitment, so that the actual time of study approaches the prescribed time of study,
 - Introducing Government grants for early completion of Master programmes, which will be allocated to the universities upon students' study completion.

It is important that Danish education becomes internationally attractive. A series of measures are being considered in this view. Concrete measures in the sector of tertiary education include the new designation of *University College* adopted for eight institutions of education. The designation is acquired after a process of accreditation, during which institutions document that a number of pre-determined quality requirements have been fulfilled. The designation is internationally recognised and thereby facilitates foreign recognition and comparability for institutions and students alike.

3. Efficient competition and the internal market

Competition has improved in the Danish economy in recent years. The number of sectors facing competition problems has decreased since last year's Reform Programme, and since 2001 it has decreased by 21 per cent. Competition-limiting regulation of the Danish product markets is also relatively low. However, especially the price level of a number of services continues to be too high as compared to other EU countries. A number of concrete proposals have been presented through the Globalisation Strategy, which are meant to contribute to further improvements of the competition. Undertakings to improve efficiency and market testing of the public sector also continue.

The main challenges in the years to come are to:

- *Implement the series of initiatives for the reinforcement of competition, so that the number of sectors facing competition problems continues to decrease and the Danish net retail prices are brought more in line with the rest of Europe.*
- *Implement the objective of lowering enterprises' administrative burdens year by year, effectively reducing these burdens by up to 25 per cent in 2010 as compared to 2001.*
- *Continue to ensure that internal market directives are transposed into Danish legislation.*
- *Improve the Danish infrastructure, including the railway system.*

3.1 Enhanced competition

Competition plays a decisive role for the growth of wealth. Sharp competition generally benefits the Danish enterprises as they are thereby pressured to think in new ways and invest resources as best as possible. This ensures the increase of efficiency and innovation. An efficient competition Act combined with efficient enforcement are among the decisive factors that can pull competition in the right direction.

Enhancing competition is not a task that can be handled in a short amount of time. The main objective is that competition as of 2010 in Denmark should be on the same level as that of the best OECD countries.

Since 2005, competition has been further enhanced in several areas. While the competition has been enhanced in Denmark, the competition has also been enhanced in the other OECD countries. This is to advantage of the Danish economy as the improved competition situation leads to growth for our trading partners so that more Danish goods can be sold. But it also causes the Danish competition progress to appear less visible. Denmark has achieved some progress in competition intensity as compared to the other OECD countries. However, there is still room for improvements of the competition intensity – both in absolute and relative terms as compared to the other OECD countries.

The Danish Government focuses especially on this area and has launched a series of new initiatives as part of the Globalisation Strategy. Among other things, this applies

to the reinforcement of the handling of competition cases by the courts of justice, the removal of trade barriers in Danish legislation and increased competition for public projects, cf. the summary of initiatives below.

Three intermediate targets have been determined, cf. the Danish National Reform Programme 2005:

- *The number of sectors facing competition problems must be lowered.* The number of sectors facing competition problems should be halved by 2010. This means in practice that the number should be reduced to 32 by 2010. In 2006, the number of sectors facing problems was estimated at 48, cf. table 3.1. In order to carry out a further reduction of the number of sectors facing competition problems, the Danish Competition Authority prepared action plans for several of the branches. The action plans can be found on the homepage of the Authority, www.ks.dk.

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

Notes: The Danish Competition Authority identifies sectors facing competition problems based on a set of competition indicators in conjunction with the Authority's subjective assessment of competition in the sector in question. A triviality limit applies.

Source: Report on Competitiveness, 2006.

- *The price level must be kept down.* The objective is to ensure that Danish consumers – other things being equal – do not have to pay more for the same goods than consumers in other comparable European countries. The latest annual report from the Danish Competition Authority shows that the Danish consumer prices in 2005 were 6 per cent higher than the EU9 average corresponding to the previous year¹. The price difference as compared to the EU9 has thereby not decreased in that both Denmark, and the countries that Denmark has been compared to, have improved competition. The *prices of goods* in Denmark are approximately 1 per cent higher than in the other EU countries, when taking goods on sale into account, etc., cf. Annex 3.1. As regards *services*, where there normally should be foreign competition, for example in the area of financial services and building services, the prices are approximately 8 per cent higher than in the EU9, cf. table 3.2. As regards these selected services²,

¹ The EU9 includes Denmark, Sweden, England, Germany, Holland, Finland, Belgium, Italy and France. Consumer prices exclude taxes, rates and dues. The basis for calculating the net retail price index is Eurostat prices from the so-called PPP cooperation, which has lasted for 30 years and includes many countries. The price information is subject to a degree of uncertainty and is influenced by the inclusion of countries without a fixed rate of exchange.

² For other services, only few opportunities exist to enhance price competition, for example through increased efficiency and innovation or foreign competition. This applies to many personal services such as education and health services. Here it is primarily the higher wages in Denmark that reflect the price differences, i.e. structural conditions which will not change on a short-term basis.

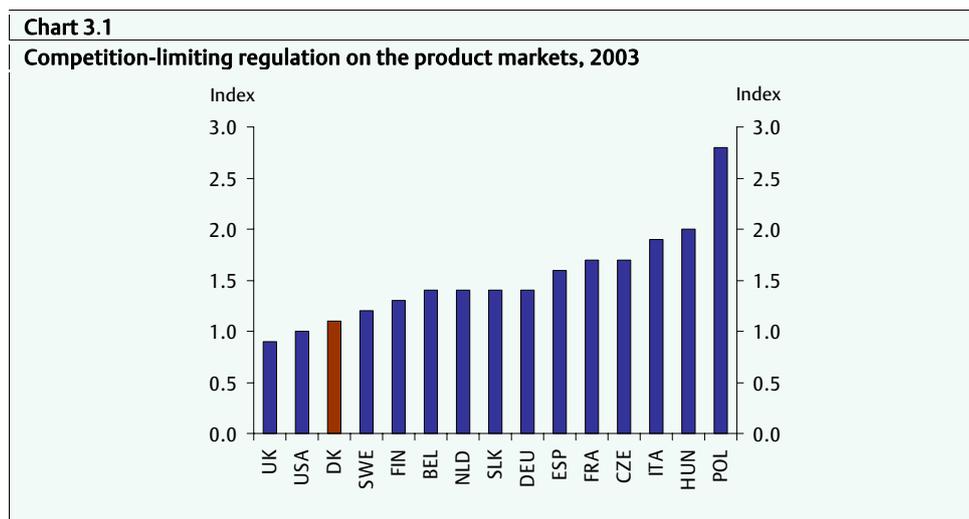
the fulfilment of the Government's objective will not only depend on Danish initiatives, but also to a great extent on EU initiatives, which can secure a more well-functioning internal market for services.

	Price index EU9 = 100	Consumption DKK billion	Consumption Per cent of GDP
Supplies, etc.	95	69	4.8
Financial services	119	32	2.7
Building services	117	22	1.5
Auto repairs	126	19	1.3
Transport	104	15	1.0
Selected services, in total	108	164	11.4

Note: Supplies include phone, mail services, water, heating, electricity, petrol, diesel, heating oil, etc. Transport includes taxi, bus and railway traffic, air travel and pack trips. Building services include that part of private consumption, which can be attributed to maintenance and repair of private housing estates. The indexes indicate the average for the years 2003-2004.

Source: Eurostat, OECD as well as the Danish Ministry of Finances' own calculations.

- *Finally, competition-limiting regulation must be prevented.* Denmark has a number of rules, which unnecessarily damages competition. Among other things, this concerns rules that cause limitations in the number of suppliers, authorisation requirements, sectoral membership requirements, price regulation and limitations in enterprises' production or marketing, ownership and right of establishment. These rules often address a series of social interests, but can in some cases cause inappropriate and unintended competition-damaging effects. The reduction of these damaging effects is being worked on. However, when measured on the general product market regulation, Denmark is doing relatively well, *cf. chart 3.1.*



Notes: As an indicator of the extent of competition-limiting regulation, the so-called regulation measurement tool of the OECD is used (in the spring of 2005, the new index of 2003 arrived). It is an index with a value from 0 to 6, where a higher value indicates a higher degree of regulation. The index is calculated by the OECD by weighing the three sub indexes jointly to yield a common index.

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

A number of new initiatives have been planned for the fulfilment of the objectives. One of the focus areas in the Globalisation Strategy is that "stronger competition and greater openness must strengthen innovation". On this basis, a series of new proposals have been presented to improve competition, extending and concretising those initiatives that were mentioned in last year's report, including:

The enforcement of the Danish competition legislation must be reinforced, so that opportunities to deal with cartel cases are improved. Persons and enterprises that cooperate with the competition authorities in cartel cases must be able to get a discount on the fine, which otherwise would have been imposed on them. A committee is currently examining how the programme can be set up in the best possible way, and how the cooperation framework between the Danish Competition Authority and the prosecution is to be determined. The committee is also examining whether the Danish Competition Council should have the ability to impose administrative fines, and whether the ruling competency of the Danish Competition Council in individual cases should be changed. Finally, the committee will prepare proposals that are able to lead to a reinforced solving of cartel cases and enforcement of the competition legislation in general. The committee's proposals will create the basis for a strengthening of the competition legislation in the fall of 2006.

The handling of competition cases by the courts of justice must be strengthened. Civil competition cases from all over Denmark, which used to be handled by the civil justice system through the local city courts, must in future be handled at the Danish Maritime and

Commercial Court, which have expert members with special knowledge of maritime and commercial cases. The legal, economic and commercial expertise needed to handle the relatively few but complicated cases is thereby ensured.

Class actions are to be introduced. The Danish Administration of Justice Act must be changed to allow class actions to be conducted, i.e. a group of interested parties jointly filing a case. This will give access to enterprises and consumers who have suffered a loss – for example as a consequence of competition legislation infringements – to improved compensation opportunities.

New competition-limiting rules are to be screened. All ministries are obligated to assess whether new legislative proposals and executive orders in their own field are likely to cause negative consequences to competition. If this is the case, it must be clearly stated in the legislative proposal's explanatory memorandum, and a decision must be inserted stating that the consequences of the legislative proposal will be assessed after 3-5 years with a view to including potential adjustments. In this case, it is recommended that legislative proposals be presented to the Danish Competition Authority before submitting them to a hearing.

Trade barriers in Danish legislation must be removed. Existing Danish legislation, authorisation schemes and standards are being reviewed with a view to assessing whether they live up to the principles for the internal market, and trade barriers must be removed.

More competition is to ensure better infrastructures. An efficient infrastructure is of significant importance to an efficient use of resources in Denmark and for enterprises' strength of competition. A new and more efficient regulation of the water and district heating sector must therefore be introduced. The waste sector must be made more efficient. The market orientation of the railway sector must be increased. The liberalisation of the Danish mail services continues.

The competition for public projects must be further increased. Denmark is working on the introduction of national rules for the conclusion of public contracts concerning goods and services below the threshold value for EU invitations to tender. The purpose of such rules is first and foremost to enhance competition for public projects and prevent that contracts of a certain size are awarded directly to a supplier without enabling other enterprises to be considered. Moreover, the intention is to introduce a set of simple and flexible regulations concerning public purchases above DKK 500,000, cf. section 3.5.

Annex 3.2 provides a brief overview of already implemented key initiatives as well as smaller initiatives for the improvement of competition.

3.2 The internal market

The latest internal market scoreboard from July 2006 shows that the average transposition deficit among the EU's 25 member States is 1.9 per cent. Denmark takes first position with a transposition deficit of 0.5 per cent. It is an improvement of 0.3

per centage points in comparison to 2005. In order to strengthen the Danish effort, the scoreboard has since 2005 been discussed regularly at meetings in the inter-ministerial committee, which prepares the Danish Government's handling of EU cases.

In addition, *an internal market task force (TIM) has been established* with a view to removing Danish special rules and administrative procedures, which may be seen as barriers in relation to the creation of a well-functioning internal market. Within the framework of TIM, legislative and administrative barriers in the service sector have been reviewed, including authorisation schemes, the implementation of the method directives and mutual recognition in the area of goods. The survey was completed in the end of March 2006 with proposals for regulation and procedural changes. As a follow-up on the Globalisation Council's work, TIM is meant to continue its efforts to remove trade barriers in Danish rules, legislation and procedures in the period of 2007-2010. It is expected that a cross-sector internal market will be examined each year from 2007-2010. As regards 2007, the plan so far is to examine the Danish market control in the area of goods.

The *promotion of harmonised standards* is a key tool in removing trade barriers and improving enterprises' competitiveness in the internal market. For this reason, Denmark launched in January 2006 a general national standardisation strategy. The purpose of the strategy's 10 initiatives is to ensure a better prioritisation of the standardisation effort, increased visibility as regards the standards' importance for growth and higher efficiency in the development of international standards.

An initiative has been taken to set up a *one-stop shop for foreign enterprises* with a view to reducing the administrative barriers to foreign enterprises' access to the Danish market. The one-stop shop is to function as a general access point, so that enterprises from other EU countries only need to communicate with a single authority in connection with the sale of services, both as permanent and temporary suppliers. Efforts are being made to ensure that the one-stop shop can start its work already by 2007, which is approximately 3 years earlier than the deadline stated in the EU Service Directive.

3.3 Better regulation

Business regulation must ensure good competition as well as protection for consumers and the environment. However, it is important that the regulation does not entail unnecessary costs for the business sector. Enterprises should spend their time on production and innovation – not on unnecessary administration.

One of the factors that directly influence the Danish business climate is the extent of administrative burdens for enterprises. In Denmark, the burdens have been estimated at approximately EUR 4.1 billion annually, or approximately 2.2 per cent of the GDP, which is the lowest among the EU countries that have measured the extent of the burdens.

The objective is to reduce the burdens by up to 25 per cent in 2010 as compared to the level in 2001. Up until July 2005, the burdens have been reduced by approximately 5.1 per cent. A major part of these burden reductions have been achieved in 2005.

In order to fulfil the objective, a strategy has been formulated, based on five general areas of effort:

1. *Systematic measurement and simplification of existing rules* based on the Standard Cost Model (SCM). In 2006, the seven ministries with the most extensive and relevant legislation will all prepare action plans for the simplification of their 10 most burdening pieces of legislation and executive orders. All new business regulation will be measured on an annual basis to follow the development and make proposals for simplification and digitalisation, *cf. also box 3.1*.
2. *Regular monitoring of the quality of new regulation*, including a compulsory assessment of economic, social and environmental consequences of all legislative proposals, also ensuring that new legislation does not burden the business sector unnecessarily. All legislation that burdens businesses with more than 10,000 hours annually must be individually presented to the Government's Economic Committee. Moreover, new guidelines for the handling of EU cases will ensure that EU proposals' administrative consequences are assessed as early as possible.
3. *Establishment of additional and improved digital solutions for the business sector*. In connection with the Globalisation Strategy in 2006, it has been decided that the 25 public services that are most frequently employed must use digital case handling by 2012 so that relevant data can be re-used across authorities.
4. *Better public communication and service*. In 2006, an internet-based communication guide was prepared containing guidelines for enabling necessary information to reach the enterprises in question.
5. *Better EU regulation*. According to Danish measurements, approximately 40 per cent of the administrative burdens on businesses originate partially or completely from EU regulation. Denmark actively contributes to the European Commission's simplification initiatives, including the pilot measurements with the common EU method (EU SCM) in especially burdensome policy areas at EU level.

Box 3.1
Digital administration

According to a Danish survey, approximately 20 per cent of all new legislation contains barriers to digital administration. The typical barriers are requirements for signatures, personal meetings, etc. There is a great savings potential in administrating the rules digitally – both for the public sector and enterprises. Denmark has therefore developed an electronic tool, which can be used to screen new and current legislation for potential barriers to digital administration.

The *citizen regulation and decentralised authorities* also constitute key factors to the Danish society's overall productivity. Since 2001, a series of initiatives have been launched to simplify regulation for citizens and authorities. The effort's pivotal point has been the annual action plans that were published in 2002-2004.

Inspired by the SCM, which has been used to measure the burdens of enterprises, a method was prepared in 2006 for the calculation of burdens that are imposed on municipal authorities (VAKKS). The method was developed in cooperation between the municipal and state authorities. To begin with, the method will be tested on selected legislative proposals, after which time a final decision will be taken as regards to the manner in which the method will be used.

Concerning the area of citizens, the Danish Government has approved in 2006 the establishment of a common public citizens' portal in cooperation with the regional and municipal partners. The citizens' portal will enable the fulfilment of the objective to allow all communication with the public sector to become digital by 2012 at the latest. The citizens' portal is to constitute both one common guide to information regarding the public sector and a common access for citizens to digital self-service solutions and access to own data across authority structures and levels. As of 2008, a first version is expected to be launched.

3.4 Infrastructure

A well-functioning infrastructure is an important prerequisite in the creation of a good framework for future welfare and growth in society.

A considerable investment backlog as regards the Danish railway system has been built up over many years. The traffic agreements of 2003 and 2005 provide an additional DKK 9½ billion to the railway system until 2014. Moreover, a decision has been made concerning road investments of approximately DKK 6 billion in the same period.

In addition to the increased amounts that have already been awarded to the railway system, proposals of further investments in the railway area are to be discussed in the fall 2006. The purpose is first and foremost to secure a better regularity in railway transport and to renovate and maintain the railway system. It will be a long, hard

road ahead before the necessary repairs and renovations of the railway tracks and signals are completed.

In order to ensure a punctual management of future transport needs and the long-term transport challenge up to 2020/2030, an Infrastructure Commission is to be set up. The Commission will call on the knowledge of independent experts and is expected to complete its task in August 2007.

In the context of the EU, the establishment of a fixed link across the Femern Belt is greatly prioritised and is included in the list of prioritised EU infrastructure projects, cf. box 3.2.

Boks 3.2

A fixed link across the Femern Belt

The establishment of a fixed link across the Femern Belt is a high priority for the Danish Government. Analyses have shown that the link would be profitable to Europe. It will strengthen the transport corridor between Scandinavia and the European continent and thereby further connect Scandinavia to the continent. Analyses of the environmental consequences of the link show that it will give rise to a number of benefits, including reductions of the CO₂ and NO emissions. Moreover, the fixed link will cause few but manageable impacts to the environment.

The Danish and German ministers of transport have agreed to formally decide on the establishment of the Femern Belt link before the end of 2006. Analyses of financing models for the link will be undertaken up to the final decision.

3.5 Competition and efficiency in the public sector

The Globalisation Strategy contains a series of initiatives aiming at increased competition exposure in the public sector, which is of central importance in light of the relatively large public sector in Denmark. The key initiatives are:

- *Stronger competition for public projects.* The public sector must continually improve in using the market to supply the best and cheapest service. The municipalities must, with adequate intervals, invite tenders for a number of assignments, which are assessed as fit for tender calls. An interpublic working group is to define which municipal assignments are directly and principally fit for tender calls.
- *More assignments must be openly advertised.* Requirements must be made as regards open advertisements for purchases and contracts concluded with private suppliers amounting to more than DKK 500,000 but below the EU threshold value.
- *Municipalities and regions must assess how building projects are best organised.* Requirements must be made as regards systematic assessments by municipalities, regions and to the widest possible extent the public sector, to determine how large building, landscaping and supplying projects can be best organised. For example, this can take place as a public-private partnership, a general call for tender or through other forms of cooperation with the private sector.

As a follow-up, the Danish Government and the municipalities have agreed that the extent of municipal tasks exposed to competition must be increased from approximately 20 per cent in 2005 to 25 per cent in 2010. The initiatives from the Globalisation Strategy are to help fulfil the objective. The Government and the municipalities will regularly assess whether the development is satisfactory in relation to the determined objective.

In addition, there is the free choice programme, which was launched in the spring of 2002. Among other things, this programme entails that citizens are given the opportunity to choose between private and public suppliers of the same service in a number of areas, cf. the Danish National Reform Programme 2005. Since the free choice initiatives entered into force, citizens have increasingly chosen to use private suppliers:

- In 2005, 21 per cent of home help recipients received part or all of the home help through a private supplier, while the figure was 17 per cent in 2004.
- Since the extended free choice of hospital was introduced in 2002 and up to the end of 2004, a total of 47,000 patients employed the free choice of hospital.

For this reason, more private suppliers have appeared:

- In September 2005, a total of 407 endorsements of suppliers of practical help in the area of senior care were issued, as compared to 276 suppliers in January 2004.
- The number of agreements with private and foreign hospitals and health clinics has increased from 93 in the beginning of 2003 to 157 in the beginning of 2005.

The Government platform presents a number of initiatives in the area of free choice, including free choice of unemployment fund, extended free choice of hospital after one month on a waiting list and free choice of rest homes. In addition, an inter-municipal free choice form for municipal approval of suppliers has been introduced to simplify the access of suppliers to more municipal markets. These initiatives are being implemented and the Danish Parliament will receive legislative proposals for several of those areas in the coming Parliamentary session.

A central prerequisite to make a free choice between public suppliers is the access to relevant information. For this reason, the Government has committed itself to make comparable user information (SBI) accessible nationwide for the major municipal service areas. In this connection, the Danish Parliament has passed a law that will enter into force in the beginning of 2007 and will obligate municipalities to compile comparable user information regarding all services within the area of day-care centres, schools and the elderly.

Efficiency in the public sector is also a matter of ensuring a reasonable organisation. A new structural reform entered into force on 1 January 2007, which will reduce the number of municipalities from 271 to 98, while the current 13 counties are to be closed down, cf. the Danish National Reform Programme 2005. 5 regions are to be established, which will primarily manage tasks in the health sector. In time, it is expected that the reform can contribute to moving labour from the administration to citizen-oriented service tasks. It is too early to say anything concrete regarding its extent. The structural reform also changes the organisation of the assignments in a long range of areas, cf. also section 3.6 and Chapter 5.

Moreover, through the future quality reform aiming to ensure improved public service, the focus will be on wage systems that promote commitment, efficiency and new thinking, among other things. More concretely, an increased use of result-oriented wages can become one of several areas of effort that will help motivate employees and leaders to supply efficient solutions and service improvements.

3.6 Regional growth policy

As of 2007, the structural reform entails a reinforcement of the cooperation between the EU financed, national, regional and local business policy effort both in terms of contents, geography and administration. In each of Denmark's new regions as well as in Bornholm, a regional growth forum has been established. The regional growth fora are composed of regional politicians and representatives from enterprises, knowledge and educational institutions, management and labour.

The tasks of the regional growth fora include:

- Preparing a strategy for the region's trade and industry development based on the area's strengths and weaknesses in the business structure and the central growth conditions,
- Monitoring the regional and local growth conditions,
- Developing and submitting recommendations for the co-financing of regional business development activities.

In order to finance this effort, the regional growth fora can submit recommendations to the state regarding the use of the EU's social and regional funds for the period of 2007-2013, as well as to the region regarding the use of regional development funds for business purposes. It is estimated that the growth fora will overall be able to recommend projects for approximately DKK 1 billion annually.

The objective is to enable the effort in various levels to pull in the same direction and support those areas that contribute to an improved regional competitiveness and employment. *Annex 6* provides an in-depth description of the use of structural funds in Denmark.

The effort focuses on Denmark as a knowledge society and the improvement of framework conditions for Danish enterprises within the headlines: 1. Innovation, 2. Establishment and development of new enterprises, 3. Use of new technology and 4. Development of human resources. Moreover, the effort is to address a number of cross-cutting themes, namely the environment, gender equality, employment and particular themes concerning cities and areas facing structural difficulties. These framework conditions are also given great importance in the Government's Globalisation Strategy.

A joint business development effort in the framework of the growth fora provides a clearer strategic focus and is expected to enlarge the projects.

On a national level, Denmark's Growth Council is to be established as a link between the national growth policy, the EU financed effort and the regional business development effort. Among other things, it will advise the Danish Minister of Economic and Business Affairs regarding the preparation of the structural funds initiative and the national growth policy. The cooperation in the area of growth policy will also be formalised through partnership agreements between the Government and the regional growth fora regarding the regional business development.

4. Sustainability, the environment and energy

In key areas, the trend of rising environmental impacts linked to economic growth has been broken. A key factor in the continued effort to secure a sustainable development is the promotion of environmentally effective technology. Another factor is the implementation of the EU CO₂ quota directive.

In the Danish National Reform Programme, the following main challenges were identified for the years to come:

- *Ensure that the continued economic growth takes place simultaneously with the securing of a high environmental protection level.*
- *Further promote efficient solutions to environmental problems, especially in the areas of climate, air pollution, chemicals, protection of water resources and strengthened nature protection.*
- *Secure the reduction of CO₂ emissions by 21 per cent, as compared to 1990, before 2012, cf. the EU burden sharing agreement for the fulfilment of the Kyoto Protocol objectives.*

4.1 Promoting environmentally efficient technology

In June 2006, the Government presented a *review regarding the promotion of environmentally efficient technology*, which is to be concretised in an *action plan*. The effort is based on key environmental challenges and technological knowledge of the business sector. An accelerated development and use of new technology is to be promoted in the climate, water, agricultural and health sectors to begin with.

A provisional survey of the areas with special technological knowledge in the Danish business sector in relation to environmentally efficient technology was conducted as a preliminary work to the review. This survey pointed especially to the following areas: water, industrial biotechnology, wind energy, technology for the production of biofuels, as well as hydrogen/fuel cells.

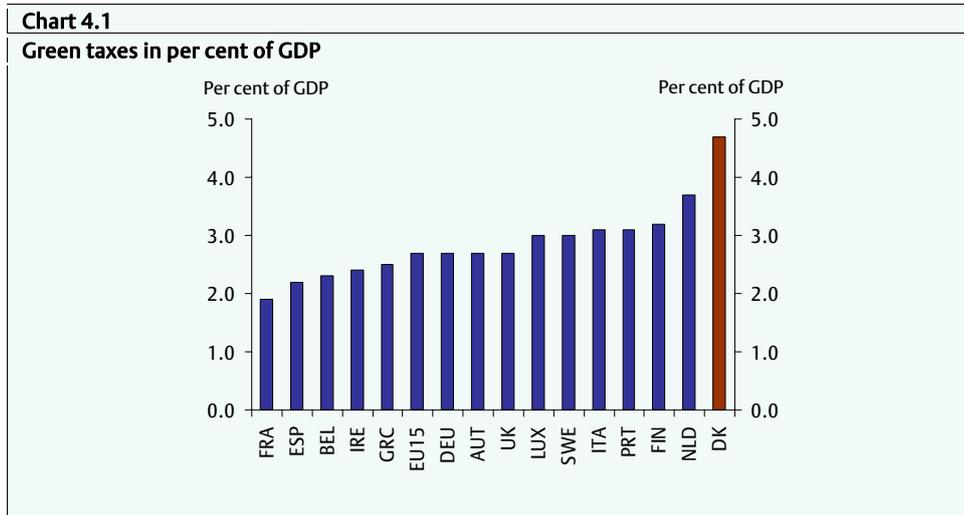
The review suggests that nine concrete initiatives be taken to promote development and the use of environmentally efficient technologies in cooperation with enterprises. This includes inviting the industry to participate in partnerships for innovation between enterprises, knowledge institutions and the state, supporting Danish enterprises that export environmental and energy technology, advising Danish environmental enterprises, focusing on research that supports environmental technology innovation, and increasing financial support for tests and demonstrations of new promising environmental and energy technologies. In addition, the Government will promote the development of second generation technology for the promotion of biofuels, *cf. section 4.5*. This also constitutes the Danish contribution for the implementation of the EU's environmental technology action plan ETAP.

Two important transversal elements are: 1) The use of environmental and resource efficient technologies in sectoral policies with significant environmental conse-

quences. The energy sector is a good example for this, cf. *section 4.5. 2)* The key role of enterprises in promoting more cost effective solutions nationally and in providing solutions to global environmental problems through increased export of environmentally efficient technology.

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

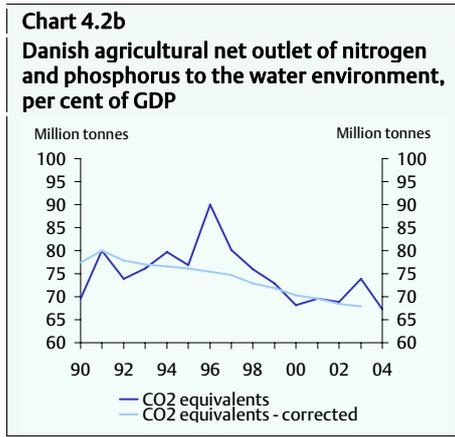
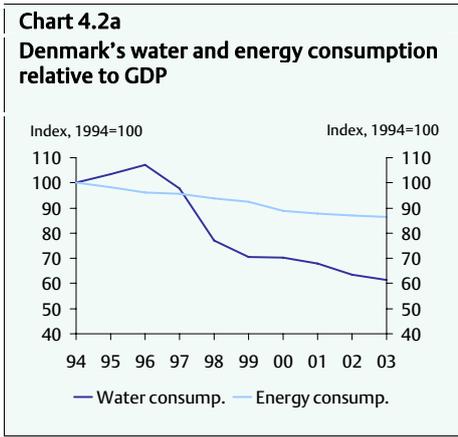
Denmark seeks to *internalise the environmental costs* in the prices of goods and services. This is reflected, for instance, in the high level of environmental taxes in Denmark relative to GDP, as compared to other EU countries, cf. *chart 4.1*.



Note: In Eurostat's calculations, transport taxes are included, i.e. primarily registration and vehicle excise.

Source: Eurostat.

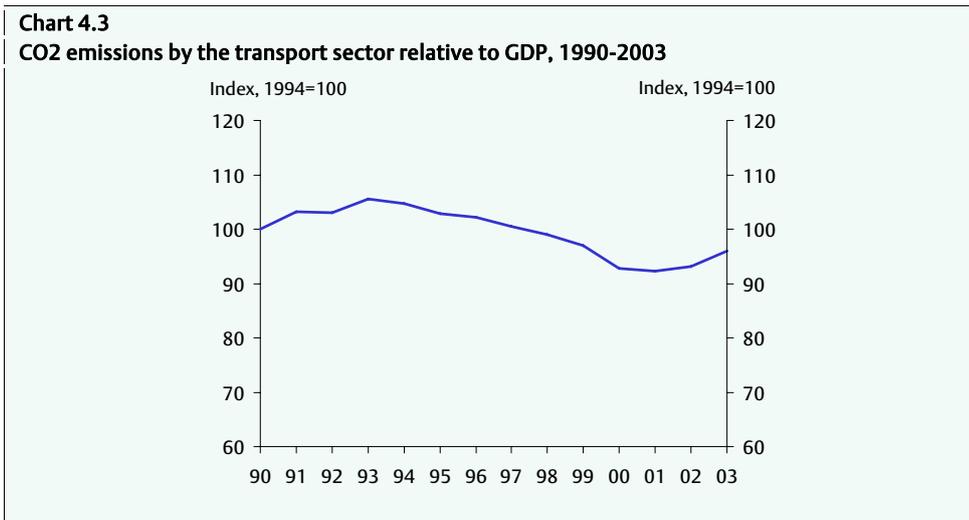
The effort to promote the detachment between economic growth and environmental burdens continues and progress has been achieved in a number of areas: water consumption and gross energy consumption are clearly decreasing as a share of GDP, cf. *chart 4.2a*. Also agricultural consumption of fertilisers and pesticides is decreasing, as well as nutrient leaching and ammonia air pollution, cf. examples in *chart 4.2b*. Emissions of nitrogen oxides and sulphur from energy production and traffic have also decreased.



Notes: Final energy consumption is defined as energy supplied to the end user, i.e. private and public businesses and households, cf. Energy Statistics 2004 from the Danish Energy Authority.

Source: Statistics Denmark, National Environmental Research Institute of Denmark and Danish Institute of Agricultural Sciences.

One of the main challenges as regards the detachment of environmental burdens from economic growth is traffic emissions of CO₂, which closely follows the GDP development, cf. chart 4.3. An inter-ministerial committee will be set up to examine the opportunities to change taxes on cars in a more environmentally friendly way. It is the hope that the effort concerning biofuels and hydrogen/fuel cells will contribute on a long-term basis to the detachment of the transport sector's CO₂ emissions from economic growth.



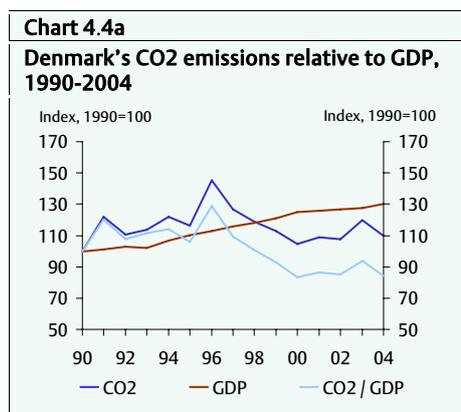
Source: Statistics Denmark.

4.3 Efforts against climate changes

Since 1990, Denmark has implemented a wide range of national measures that have affected greenhouse gas emissions. Some measures have been implemented with CO₂ reductions as a primary purpose, while other measures have been motivated by other objectives.

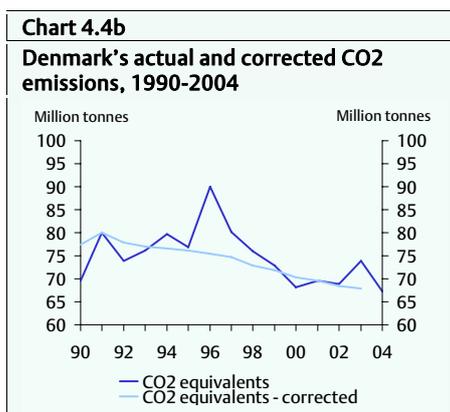
In 2005, an analysis was completed concerning the most important environmental and energy policy measures with impacts on greenhouse gas emissions, which Denmark has implemented in the period of 1990-2001. The impact was assessed in relation to the actual emissions in 2001 and in relation to the expected average annual emissions in 2008-2012, cf. the basic presentation from the Danish climate strategy from 2003. The analysis showed that, without the measures in 1990-2001, CO₂ emissions would have increased from approximately 70 million tons in 1990 to approximately 95 million tons of CO₂ in 2008-2012, which is about 40 million tons above Denmark's commitment, cf. the EU's burden sharing agreement under the Kyoto Protocol. The impact of the implemented foreign measures in the period 1990-2001 is estimated to have reduced the expected emissions in 2008-2012 by approximately 20 million tons of CO₂, which to a certain extent is assumed to correspond to an increased export of electricity, corresponding to further emissions of approximately 5 million tons of CO₂.

Since 2001, more measures have been decided upon, including through the adoption of the energy agreement of 2004, which also entails a further extension with 200 MW wind energy and the action plan for a renewed energy saving effort, cf. section 4.5. These measures will further contribute to the reduction of Danish CO₂ emissions, cf. also the development in chart 4.4.



Notes: National emissions without corrections for temperature fluctuations and electricity exchanges with neighbouring countries.

Source: Statistics Denmark.



Notes: The corrected graph is corrected for temperature fluctuations and electricity exchanges with neighbouring countries.

Source: Miljøministeriet.

The most important instrument in the fulfilment of Denmark's reduction commitments is still the quota regulation under the *EU's CO₂ quota directive*, which alone through the price impact on electricity will have a significant effect on greenhouse gas emissions in the future. The first phase of the quota scheme entered into force in 2005, and through the second phase that covers the period of 2008-2012, Denmark's international commitments under the Kyoto Protocol must be fulfilled. New measures in the reduction of greenhouse gas emissions outside the sectors covered by the quota are considered to be cost efficient if the economic consequences of implementing them are lower than the quota price. The use of JI- and CDM-credits¹ from projects in Eastern Europe and developing countries are also a part of the Danish climate plan.

4.4 Stopping the decrease in biodiversity

The Government's action plan for biological diversity and nature protection in Denmark 2004-2009, aims at stopping the decrease in Denmark's biodiversity by 2010 at the latest. One of the most important elements is that the consideration for biological diversity is integrated in the relevant sectors' policies and activities. The effort against decreases in biodiversity is especially aimed at nature protection, forestry, agriculture and fisheries, but also water, energy, transport and tourism are important to the securing of biodiversity.

In 2006, the prioritisations that Denmark will employ for the EU's *Land district Programme* for the coming period of 2007-2013 will be determined. These priorities will be central to the development within both the sector of agriculture and forestry, including for the protection of the Natura 2000 areas and for reforestation and securing of nature in general.

In 2006, seven pilot projects were completed concerning the establishment of *national parks*, which will create the basis for a political discussion at the end of the year. The rub-off effect of national parks on the local economy and tourism has constituted an important subject of discussion in all pilot areas.

The effort to protect *genetic resources* has increased. As a contribution to a joint Danish gene resource strategy, a number of sub strategies have been prepared for the following larger groups of organism: old Danish domestic animals, indigenous trees and shrubbery, and as of 2006 also for cultivated plants.

For the period of 2002-2009, the Danish Government wishes to earmark approximately DKK 700 million as increased funding for nature restoration, the securing of habitats, cleaner water as well as increased reforestation. The focus must be on the

¹ Clean Development Mechanism (CDM) and Joint Implementation (JI) are some of the Kyoto Protocol's so-called flexible mechanisms and consist in the ability of industrialised countries to fulfil their CO₂ reduction commitment by supervising projects in developing countries and other industrialised countries, respectively, that entail CO₂ reductions. The reduction is converted to CO₂ credits, which can be deducted in the investor countries' national "climate account".

implementation of Natura 2000 and the EU Water Frame Directive. In 2006, funds have been provided for the first pilot projects. Before the end of 2006, the Government will present proposals for the coming years' nature policy.

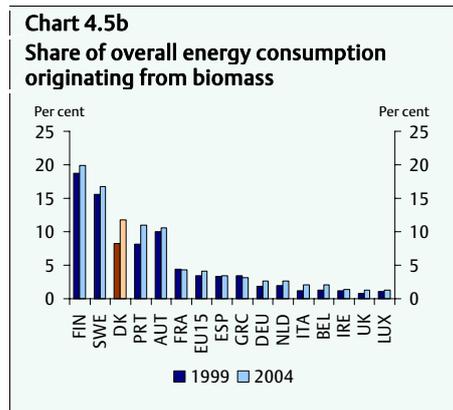
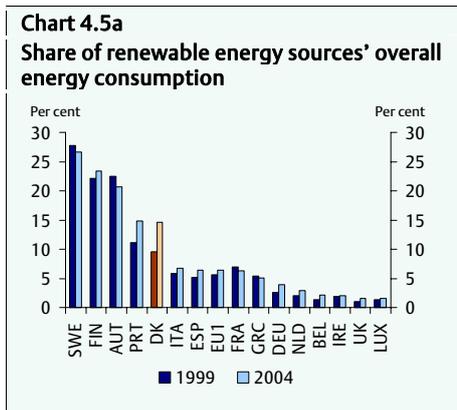
4.5 Energy policy

In March 2006, the European Commission presented a Green Paper concerning secure, competitive and sustainable energy to Europe. The Green Paper and conclusions from the spring summit in March 2006 are a good basis for creating a cohesive and coordinated European energy policy.

Denmark wishes to actively contribute to the EU's prioritised action plan, which is expected to be adopted in March 2007 and has in this connection presented proposals for a number of EU initiatives. Based on a market and competition-based approach, a reinforcement of the internal market for electricity and gas should take place. There should also be an extension of the energy network across borders, and requirements regarding energy savings and increased use of sustainable energy, including examining the possibilities to promote market-based instruments in this regard. In addition, research and development should be concentrated upon, as well as overall energy action plans for each EU Member States and introduce a consequence assessment mechanism in the energy policy for regular assessments of objectives as well as a reinforcement of the EU's external policy in energy sector. At the same time, the individual Member States should continue to be able to freely choose between various approaches and compositions of the energy supply to fulfil the general objectives.

The Danish energy policy is based on market-oriented and competitiveness-based approaches.

Denmark has also achieved good results in the sector of sustainable energy, energy savings and energy technology development, which gives a good basis for future energy political challenges as regards increasing global demand, insecurity about the future energy supply and climate changes. Denmark is now above EU average in the development and use of alternative energy sources, including the use of biomass, cf. *chart 4.5*.



Notes: Biomass includes waste.
Source: Eurostat.

In the last 25 years, major energy savings and greater efficiency have been achieved. This is one of the main causes to the present-day unchanged energy consumption as compared to 1980. However, there remains a significant potential for cost effective energy savings.

On this basis, the Government together with a large majority of the Danish Parliament concluded an ambitious agreement in June 2005 regarding the future energy saving effort. The agreement determines that new energy savings corresponding to 1.15 per cent of the general consumption or 1.7 per cent excluding transport must be achieved annually until 2013. A significant part of the new energy savings must be supplied by the net and distribution enterprises in the electricity, natural gas, district heating and oil sectors. This will take place as a market-oriented effort with a goal-oriented approach and a high degree of free choice of method. At the same time, the agreement focuses greatly on energy savings in both new and existing buildings. In this connection, Denmark has gone beyond EU requirements in a number of areas as regards the EU directive on buildings' energetic efficiency. The political agreement also contains decisions entailing that the public sector must buy energy efficient products and carry out the profitable savings that are in the certification (energy marking) of the buildings.

The Government attaches great importance to continued improvements in the energy sector. This applies both to the supply safety, sustainability and better competition, including further liberalisations. The long-term vision is that the Danish and European economy continue to decrease the dependence on fossil fuels. Common solutions on EU level must play a major part in the energy sector. In this connection, the Danish Government attaches great importance to the implementation in all countries of already approved directives concerning a liberalised internal market for electricity and gas, and that the free and equal access to the electricity and natural gas networks, as well as international trade are reinforced through further regulation.

It is expected that the coming national measures will contain, for instance, an increased prioritisation of energy technology innovation. The Government proposes to establish a new energy technology development and demonstration programme for new, more efficient energy technologies, including as regards sustainable energy, where the testing of new technologies can be resource demanding. The programme should be seen as an extension of the Government's Energy Strategy 2025 as of June 2005, cf. the Danish National Reform Programme 2005. The development of alternative energy sources is thereby supported. Programme funding is expected to be awarded to public/private syndicates through tender calls.

The Government is also expected to present proposals for a multiannual development programme for second generation technology for ethanol production. The programme will seek to test second generation technology in larger scales and will receive participation by private enterprises. A total of DKK 200 million are to be earmarked for the programme for a four-year-period.

In addition, the opportunities to use market-based instruments for the promotion of energy savings and sustainable energy are being examined. These instruments will supplement the current CO₂ quota system aiming to reduce the use of fossil fuels. It is being considered whether the framework conditions for wind energy can be improved, including through the securing of mounting areas for windmills and test and demonstration windmills.

5. Danish employment policy

Denmark has implemented a series of measures over the years that aim at increasing labour supply and reducing structural unemployment. The employment frequency rate lies above the joint EU objectives and structural unemployment is relatively low. This should be seen in light of the Danish flexicurity model with flexible rules on hiring and dismissal, a well-developed unemployment benefit system and an active labour market policy – based on the principle that unemployed individuals should remain available to the labour market, to training opportunities, etc. The Government's objective remains to improve labour market structures and increase employment, and in this context to guard the flexicurity model and ensure a proper balance. The Welfare Agreement of June 2006 introduces a series of new initiatives. Among other things, the Welfare Agreement will contribute to:

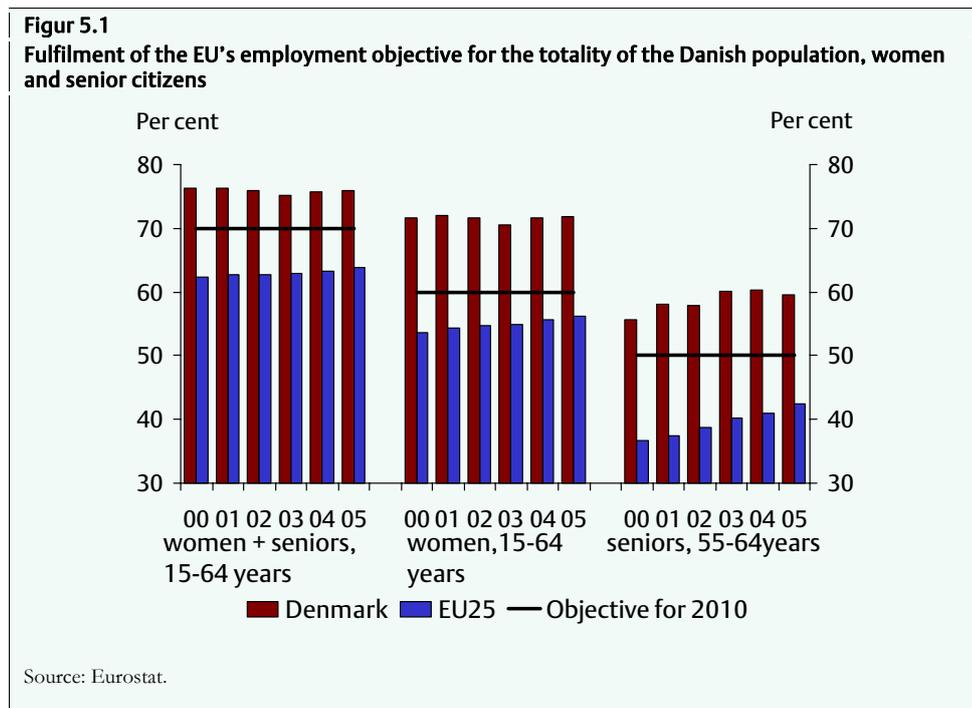
- *The short, medium and long-term increase of structural employment through*
 - *Later retirement from the labour market,*
 - *More immigrants and descendants into employment,*
 - *The further reduction of unemployment.*
- *The improved adaptability of employees and enterprises, including a reinforced effort within the adult education and training sector in order to benefit from and meet the challenges of globalisation and the current technological development.*

5.1 Employment objectives

In accordance with the European employment strategy, the Danish Government is implementing reforms, which will contribute to fulfil the objectives as regards increased employment, work quality and a strengthening of the social cohesion¹. The initiatives are financed first and foremost through national funds, while the EU Social and Regional Funds are also contributing to some extent, *cf. Annex 5.4 and Annex 6.*

Denmark fulfils the three EU employment objectives, *cf. chart 5.1*. The normal weekly working hours for an employee are 37 hours, which is relatively low for the EU.

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



Significant steps have been taken through the Welfare Agreement in the area of employment policy with the prompting of later retirement and an increase of immigrants' and descendants' employment. Initiatives have also been taken in the area of labour market and education policy. These initiatives are estimated to increase employment by 126,000 persons as of 2040, *cf. table 5.1 and elaborations below* (see also Chapter 1).

Table 5.1
Increased employment through the Welfare Agreement, 2010-2040, 1,000 persons

	2010	2015	2025	2040
Labour market and integration	13	13	14	13
Education etc.	-2	-3	10	16
Later retirement etc.	2	4	86	96
In total	13	14	110	126

The Government platform entitled "New Objectives". February 2005, focuses on key areas of the employment policy, which are to contribute to the increase in labour supply, *cf. Denmark's National Reform Programme 2005*. The Welfare Agreement entails in the medium term an impact on employment, which is lower than the objective in the 2010 Plan concerning a durable employment increase of 50,000 persons as of 2010. However, this is countered by a significantly larger increase in employment

in the years to come. In 2007, the Government will prepare a multiannual plan for the Danish economy, including potential new employment objectives.

5.2 Labour supply, etc.

One of the leading principles of the Government's employment effort is that work and extra efforts must pay. The implemented reduction of the tax on earned income in 2004 by DKK 10 billion, corresponding to 0.7 per cent of GDP, should be seen in this light. As specified in the National Reform Programme of 2005, this tax reduction is estimated to increase the effective labour supply by approximately 10,000 full-time persons. Provided that the fiscal policy scope has been made available, the Government will further reduce the tax on earned income.

Continuous efforts are being made to improve labour market structures. The importance of this is amplified by the decreasing unemployment rate and emerging bottleneck tendencies. As a response, the Government and the political parties to the agreements have:

- Approved the reform package "*A new chance for all*" at the Parliament in the spring of 2006, cf. the Danish National Reform Programme 2005.
- Approved a *revision of the transitional scheme (the East Agreement)*, which means that enterprises covered by collective agreements will be able to be pre-approved to employ persons from the new EU countries.
- Introduced a *Green Card scheme* to ensure the injection of highly qualified labour in subject areas, where there is a lack of labour.
- Concluded the *Agreement on future immigration*.
- Concluded a *Welfare Agreement*, which aims to improve the active labour market policy and increase the future labour supply.

The reform package "*A new chance for all*" contains initiatives, which will contribute to the employment of more immigrants and descendants, cf. the National Reform Programme 2005. The agreement also entails that municipalities, as of 1 July 2006 and two years in the future, must supply active offers to all unemployed recipients of social assistance who have received passive maintenance for longer periods of time, in order to ensure that they are either referred to jobs or received active offers that can bring them closer to the labour market. In this connection, it is possible to ascertain that, while there has been an economic boom, a total of 35-40,000 persons have year after year been absent from the labour market – without activation – for at least a year. Approximately DKK 500 million have been set aside for this initiative, including for consideration, result-oriented wages and campaign initiatives. The combined initiatives in the reform package "*A new chance for all*" are generally expected to increase the number of full-time persons employed or undertaking an education by up to 10,000 persons before 2010.

The *East Agreement II* (adjustment of the transitional scheme as of 1 May 2006) shall secure a simpler and faster procedure for the engagement of persons from the new

EU countries. In future, enterprises covered by collective agreements will be able to be pre-approved to employ citizens from the new EU countries. Up to 80 per cent of the private labour market and all of the public labour market is covered by collective agreements. For pre-approved enterprises, the work may begin as soon as the appointment has been reported to the authorities. The partners to the agreement have agreed on a regular assessment of the opportunities to gradually phase out the transitional scheme as of 1 May 2009. The assessment will be carried out in cooperation with the social partners.

In addition, a number of measures will be implemented in order to improve the opportunities to a) recruit foreign labour, b) prevent illegal work and c) handle the challenges to the Danish labour market as regards the free movement of employees and services. On the private labour market, the Confederation of Danish Employers (DA) and the Danish Confederation of Trade Unions (LO) have started cooperating on the establishment of contacts with foreign cooperation partners with a view to creating a basis for an easier access of foreign employees to employment in Denmark, cf. contributions from the social partners and interested parties in *Annex 7*.

In order to ensure the injection of highly qualified labour in subject areas where there is a lack of labour, a *Job Card scheme* has been introduced as a special fast track procedure, where there are no hearings of the regional employment councils. The scheme currently includes doctors, engineers, knowledge workers within the areas of natural sciences and technology, nurses and IT specialists. The scheme has been extended so that students from third world countries, who have completed an education in Denmark that is included in the Job Card scheme, may be granted residence permits for three months to be able to seek employment within these subject areas. In the period of 2003-2005, a total of 399, 447 and 609 residence permits were issued in accordance with the Job Card scheme.

An agreement on *future immigration* has been concluded. Among other things, this entails that more job types are added to the list that gives access to residence permits. The agreement also extends the scheme in such a way that residence permits are issued to all foreigners who can document a concrete job offer with an annual salary of more than DKK 450,000 and the usual wage and employment conditions. Moreover, the agreement entails that a *Green Card scheme* is to be introduced, enabling especially qualified foreigners and students who have completed a tertiary educational programme in Denmark to have the opportunity to obtain a visa to seek employment in Denmark for up to six months. The concrete realisation of the agreement on future immigration is up for discussion between the partners to the agreement in the fall of 2006. The Danish Government has recently launched 13 new initiatives, which are to contribute to securing labour supply for enterprises. Among other things, the initiatives include an information campaign aiming to render Denmark noticeable abroad, and an enterprise hotline, which will offer emergency aid for enterprises that wish to recruit foreign labour.

The *Welfare Agreement* focuses further on efforts to secure the necessary qualified labour to enterprises and decreasing the pressure on the labour market. The planned effort is based on the last decade's adjustments of the labour market policy, including active job search, reinforced availability, effective placement activities, increased active participation and activation, harmonisation and rule simplification. The initiatives are adjusting the economically comprehensive Danish labour market policy, cf. table 5.2 and elaborations in Annex 5.4, and are in continuation of The European Council's call for the reinforcement of Member States' active labour market policy.

Table 5.2
Expenditures for the active labour market policy in Denmark and in the EU15 respectively, per cent of GDP

	2000	2001	2002	2003	2004
Denmark, active	1.7	1.7	1.7	1.5	1.5
EU15, active		0.7	0.7	0.7	

Notes: Active labour market policy covers a series of active measures for the promotion of employment, including job training, job rotation, start-up and employment initiatives. Since the comparison of the countries' passive employment policies is difficult due to delimitation problems especially as regards the social political measures, they have been left out. The Danish passive labour market policy includes especially unemployment benefits and social assistance for persons who are available to the labour market.

Source: Eurostat.

The following examples of new political decisions regarding the further development of the flexicurity model can be mentioned:

- A *new model for regular placement activity* is to be introduced, in which unemployed individuals, who are referred to a job without obtaining it, are to be included in a subsequent systematic placement programme. If the individuals do not have a job after three months, a number of activation offers must be presented in order to help the unemployed to gain access to the labour market.
- Enterprises with available jobs listed on jobnet.dk² are to be contacted with offers of further recruitment services.
- A requirement that unemployed individuals log on to Jobnet.dk at least once a week to confirm that they are still seeking employment is to be introduced.
- The *activation effort will be moved forward* so that the deadline for the first activation offer for unemployed individuals over 30 years of age will be advanced to after 9 months of unemployment. In addition, all insured unemployed persons must be included in an intensive activation effort after 2½ years with unemployment benefits.

² Jobnet is the Public Employment Service's online offer for all jobseekers and employers throughout the country. Jobnet is developed by the National Labour Market Authority and the Employment Services. Jobnet provides information as regards job search, education and enterprises can seek new employees. It is also possible to upload CVs on Jobnet.

- The *role of Unemployment Insurance Funds is to be reinforced* so that the funds' resources are better utilised. Among other things, the Unemployment Insurance Funds are to take over the so-called CV interviews for Curriculum Vitae clarifications for all insured unemployed individuals at the time of the notification of unemployment. The Unemployment Insurance Funds must also systematically refer unemployed members to jobs received by the Employment Service.
- *Systematic availability assessments* of unemployed persons every three months are to be introduced, and new sanction rules are to be introduced with gradually toughened sanctions upon repeated failure to appear for interviews.
- *Minimum requirements as to the duration of active offers* are to be introduced.
- Finally, the Government reimbursement of municipalities' activation expenditures is to be determined so that it creates an increased economic incentive to deliver an active effort.

In March 2006, the European Council urged the Member States to make a special effort to increase employment for senior citizens, immigrants, young people and women. Moreover, the EU Pact for Gender Equality was adopted. Denmark has focused on these areas by adopting the Welfare Agreement and other measures.

More elderly people on the labour market constitute a high priority. The employment rate for 55 to 64-year-olds is above the EU average and fulfils the EU's overall 50 per cent objective, *cf. box 5.1*. According to 2004 figures from Eurostat, the average retirement age in Denmark is 62.1 years. Denmark is thereby among the EU countries that have the highest retirement age. Still, the employment rate for elderly people is somewhat lower than for people of working age generally, and at the same time there is a very large difference in the participation rate for 55-59-year-olds and 60-64-year-olds as a consequence of the opportunity to enter the voluntary early retirement pay scheme at the age of 60, *cf. table 5.3*.

Table 5.3
Development of employment rates for elderly employees, 1996-2005

	1996	1998	2000	2001	2002	2003	2004	2005
55-64 years	48.4	49.8	53.0	54.6	56.7	57.8	57.8	58.0
55-59 years	63.8	66.0	70.4	71.4	73.2	73.7	74.0	74.6
60-64 years	30.3	30.3	30.6	32.2	33.9	35.9	36.4	37.7

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

The Welfare Agreement entails a gradual *adjustment of the voluntary early retirement pay scheme and an increase of the age of retirement*, *cf. box 5.1*. The rules regarding retirement are thereby adjusted to future conditions, *cf. also Chapter 1*.

Box 5.1**Life expectancy indexation of age limits in the pension system from 2025**

The Welfare Agreement introduces a mechanism that aims to ensure that a prolonged life expectancy and better health also entail more active years on the labour market.

The Welfare Agreement entails that the eligible age for the voluntary early retirement pay scheme is gradually increased from 60 to 62 years of age in the period of 2019-2022. The eligible age for the state pension scheme is gradually increased from 65 to 67 years of age in the period of 2024-2027

If the life expectancy does not increase any further as compared to current levels, the new age limits are to be maintained. If the life expectancy increases, the eligible age for the voluntary early retirement pay scheme is to be increased from 2025 in line with the increased mean life expectancy for 60-year-olds. The rectification is decided upon 10 years beforehand, there is therefore ample time to adjust. Rectifications will thereby be introduced for the first time in 2015 and thereafter every 5 years.

The regulation principle entails that the overall period with the voluntary early retirement pay scheme and state pension scheme – understood as the mean life expectancy for 60-year-olds deducted with the eligible age for the voluntary early retirement pay scheme – is to be maintained at approximately 19½ years on a long-term basis. It is the same as in 1995. As of the introduction of the voluntary early retirement pay scheme in 1979 to 1995, the average remaining life expectancy for 60-year-olds was relatively stable with approximately 19½ years. The eligible age for the state pension scheme is regulated in line with the eligible age for the voluntary early retirement pay scheme, but with an impact 5 years later, i.e. the first time in 2030.

When the age limits for the voluntary early retirement pay scheme and state pension scheme are increased with a prolonged life expectancy, the balance between the years spent on the labour market and those spent on the voluntary early retirement pay scheme and pension scheme, etc. is maintained. Later retirement increases the labour force, reduces the number of benefit recipients and thereby supports a sustainable development on the public finances. With the agreed life expectancy indexation, the public finances are also made more robust in relation to the speed by which life expectancy increases.

On a long-term basis, later retirement will constitute the most important contribution to the increase in employment, *cf. table 5.1*. The greater part of the labour decrease which the changes of population composition would have effected will thereby be countered.

The voluntary early retirement pay scheme will also continue to ensure good retirement opportunities for worn-out workers. The scheme will be made even more flexible, including through a regret scheme for persons who first rejected membership to the voluntary early retirement pay scheme.

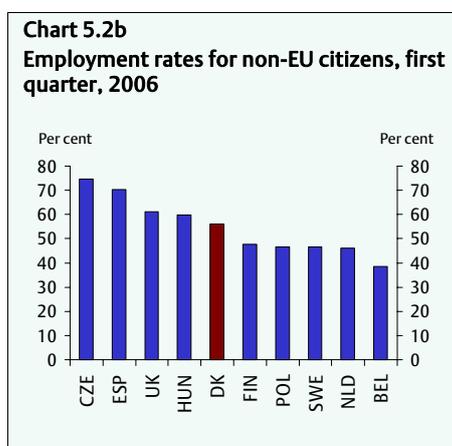
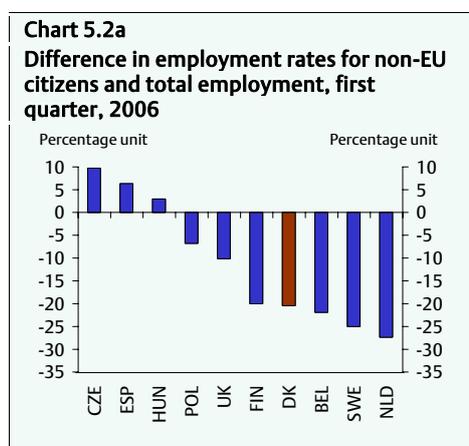
The employment opportunities of elderly people are to be reinforced through the introduction of a temporary subsidised job scheme through employment in private enterprises for persons above 55 years of age, and who have been unemployed for 12 consecutive months. At the same time, a number of rules in the labour market policy that have contributed to create additional unemployment for older employees are revoked. The unemployment benefit period is harmonised at 4 years for all age groups, and individuals aged 58-59 accede to the same rights and duties as regards activation as other people.

Moreover, prevention and *working environments must be strengthened* through the setting up of a prevention fund (DKK 3 billion with a yearly expense of approximately DKK 350 million), which is to provide reinforced support to the retraining of sick and disabled individuals and strengthen working environment initiatives.

The Government will invite the social partners to discuss policy initiatives concerning elderly people. A series of earlier initiatives can be mentioned, cf. the Danish National Reform Programme 2005:

- In 2005, the Government launched the campaign “A few extra years make a difference”.
- As expected, the reform concerning *postponed pension and the reform of the anticipatory social pension scheme* has made it more attractive to employ persons with a lasting reduced working ability through so-called flexi-jobs, which are an alternative to the anticipatory social pension scheme. Approximately 38,000 people have flexible jobs and approximately 14,000 are waiting for a flexible job. An adjustment of the scheme as of 1 July 2006 will ensure that the referral to flexible jobs will improve and that unemployment for flexible jobs will be reduced.
- As regards the state sector, a special effort to maintain experienced employees on the labour market has been agreed upon at the agreement and collective bargaining negotiations in 2005, among other things, cf. Annex 7.

A special effort aimed at increasing the employment rate among immigrants is necessary. Immigrants from non-EU countries have a significantly lower employment rate, cf. chart 5.2a. Denmark is not doing very well as compared to other EU countries, which is caused among other things by the fact that the basis for comparison, i.e. the employment rate for the rest of the population, is higher in Denmark, cf. chart 5.2b, and that the composition of immigration is different between countries.



Source: Eurostat.

From 2000 to 2005, the employment frequency for 16 to 66-year-old immigrants and descendants from non-Western countries has increased from 44 to 47 per cent. In order to further increase employment among immigrants and descendants, the Danish Government has introduced “*A new chance for all*” through the reform package of 2005, which has entailed, among other things, that foreigners covered by the Danish Integration Act must be included in an integration contract during the first 7 years following the arrival to Denmark, or until the individual foreigner obtains an indeterminate residence permit. The contract entails a commitment to learn Danish and make an effort to gain employment.

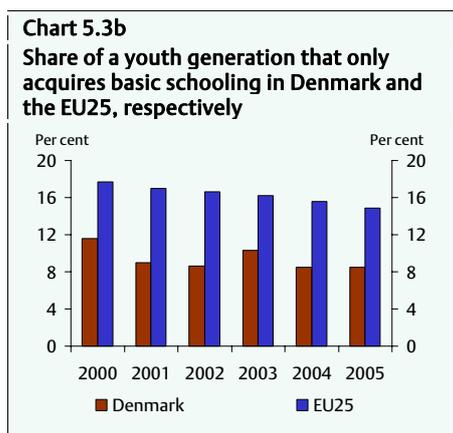
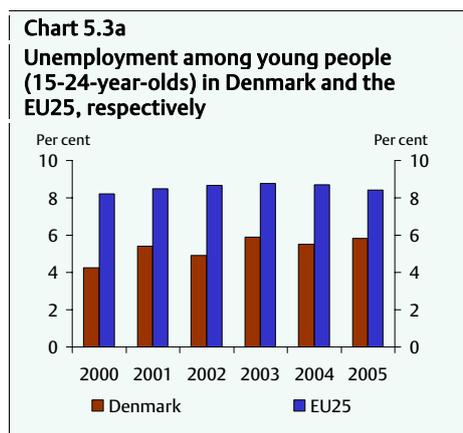
The Welfare Agreement will launch a series of new measures to enable more immigrants and descendants to gain employment, *cf. also Annex 5.1*:

- A new special *targeted wage subsidy* in private enterprises will be introduced for persons who have been unemployed for at least 90 per cent of the time during the last 3 years. The enterprise will be given a higher wage subsidy than for other regular subsidised jobs. A new survey from the Danish Technological Institute shows that every third immigrant will be employed on a permanent basis after having been employed in a subsidised job.
- *Partnership agreements* between enterprises and municipalities/the state will be concluded regarding the recruitment of especially immigrants and descendants. Partnership agreements will determine the recruitment framework. The subsidised job scheme will include an enterprise traineeship, supplemented by education and the association of a mentor as required. If the enterprise finds the subsidised employment satisfactory, the unemployed individual will be employed on a permanent basis under regular wage and recruitment conditions.
- More *enterprise consultants* will be employed in those 10 to 15 municipalities with the greatest share of immigrants and descendants receiving start help, social assistance and introduction benefits. The enterprise consultants must follow the unemployed immigrants very closely. For example, they must help create and maintain a contact to the labour market, find a mentor and follow up intensively.

Unemployment among young people (16-24-year-olds) is among the lowest in the EU and lower than the average unemployment in Denmark, *cf. chart 5.3a*. In May 2006, unemployment among young people amounted to 2.9 per cent of the labour force, which is a decrease of 1 per centage point as compared to the same month in 2005.

The share of young people who only acquire basic schooling is below the EU average, but there are still too many young people who do not complete a youth education, *cf. chart 5.3b*. Those young people run a higher risk of unemployment. The share of young people with an immigrant background who drop out, particularly as concerns the business educational programmes, is especially high. The aim is to enable at least 95 per cent of all young people to complete a youth education by 2015. Cur-

rently only 80 per cent of a youth generation completes such an education, *cf. section 2*.



Notes: Eurostat defines unemployment in chart 5.3a as the number of unemployed individuals in the age group 15-24-year-olds in relation to the overall population in the same age group.

Source: Eurostat.

The Welfare Agreement entails that a special effort is being made to ensure that the last 1/5 of young people also complete a youth education. The Welfare Agreement reinforces the effort to enable unemployed persons between the ages of 25 and 30, who receive unemployment benefits, social assistance or start help, to gain employment. The municipalities are to be given a series of tools to support the endeavour of ensuring that young people complete a youth education, including through an earlier effort in primary school and mentor schemes, *cf. section 5.4*.

In addition to the above-mentioned initiatives as regards special groups, the Government's strategy aiming at promoting the labour supply also includes a *modernisation of social protection, including concerning sick leave, the prevention of industrial injury and disabled persons*:

- As of 1 January 2006, a series of tools and information will be made available for enterprises through the internet portal "Virk.dk" in their endeavour to decrease the number of people on sick leave. Sick leave must be included in the enterprises' APV-work (Workplace Assessment) at their next revision of the APV. The enterprises must examine whether, according to the enterprises' knowledge, sick leave is linked to the working environment. If that is the case, then they must solve and prevent the causes for working environment problems.
- In 2005, the Government set up a committee whose task was to consider how the industrial injury insurance can help create incentives to maintain the industrially injured on the labour market in continuation of the industrial injury insurance reform of 2003.

- An *active social policy* must be utilised in order to handle the social problems that lie beyond unemployment. This has been especially set out in the action plan for social protection and social inclusion (NAP) which has just been sent to the Commission. Such problems are often the cause of long-term unemployment problems. An example of how to handle such problems is the cancellation of personal *debt*, as debt often constitutes a barrier to moving forward in life. In June 2006, the Danish Parliament passed an Act regarding the debt cancellation trial for socially exposed groups based on a “tit for tat” principle, as the debt cancellation is followed by employment, flexi-jobs, education or rehabilitation and avoiding new arrears.
- In March 2006, the Government presented the employment strategy “New ways to work”, which aims to help *mentally ill individuals and other socially exposed groups* receiving social assistance to come closer to the labour market. A total of DKK 30 million has been set aside for this purpose over a five-year period.
- There are no official estimations of the number of disabled people, however up to 20 per cent believe to have a disability or long-term health problems³. The multiannual action plan for disabled persons entitled “Disability and jobs” aims to make it easier to combine disability and jobs, cf. the Danish National Reform Programme 2005. The interest in launching initiatives far exceeded earlier experiences made by the Ministry of Employment in the area of disability. In order to launch several of the many good proposals, the disability fund has been extended in January 2006, cf. also Annex 7.

Box 5.2**The Danish social policy and the Lisbon Strategy**

The Danish social policy is obviously far more inclusive than the above mentioned effort areas. The present National Reform Programme only includes those aspects that are relevant to the Lisbon Strategy, i.e. primarily employment-related parts of the social policy. The present Programme refers to the action plan for social protection and social inclusion (NAP) as well as the work undertaken by the Social Policy Committee (SPC).

The 2005 approval of the *municipal reform* created a new framework for a more efficient and transparent labour market. Its implementation is progressing according to plan. On 1 January 2007, the Employment Service and municipalities will join together in new joint job centres and enter into a binding cooperation focusing on the employment effort. The local job centres constitute one common access for all unemployed individuals and enterprises and will be the central pivotal point in the employment effort. Their core assignments will be to manage the direct employment effort as regards citizens and enterprises. Four state employment regions will manage and supervise the job centres to ensure that there is cohesion between the national

³ In 2004, the Danish National Institute of Social Research estimated that almost 700,000 persons had disabilities or long-term health problems among the 16-64-year-olds in Denmark, out of which approximately 400,000 were on the labour market. The figure of approximately 700,000 persons was based on 20 per cent of positive answers by 16-64-year-olds to the question of whether they had a disability or long-term health problem.

employment policy and the local effort. In the new employment system, there will be an increased focus on effects and results of the efforts in the individual job centres.

Two new management tools are to be introduced: the employment plan and the revision of results. Together with the new portal “jobindsats.dk”⁴, these tools will play a major role in the management of the new employment system. The employment plan is the job centre’s plan for the employment effort in the year to come. The revision of results is a new management tool, which gives the state and the municipalities an overview of the results and effects of the employment effort in the job centres with measurements within eight selected areas.

5.3 Gender equality and female employment

The female rate of employment is high in Denmark, cf. *chart 5.1*. Denmark attaches great importance to the implementation of goals and initiatives stated in the EU Pact for Gender Equality, which Denmark proposed together with other EU countries and which was adopted by the European Council in March 2006.

A number of initiatives can be mentioned:

- The Government has highlighted the necessity to break down the gender divided labour market – not least because it constitutes one of the most important reasons for wage differences between women and men, cf. the contributions from the social partners in *Annex 7*. The Danish Parliament has passed an Act stating that large enterprises⁵ on the private labour market must prepare gender specific pay statistics which are to be followed up by guidance to enterprises. Guidelines concerning the promotion of equal pay on the labour market are also being prepared.
- All children in Denmark have a right to receive an offer of child care irrespective of the parents’ labour market attachment. As of 1 July 2006, all municipalities shall offer a *child care guarantee* when the child is 6 months old. Approximately 66 per cent of all children aged 1-2 years and approximately 95 per cent of all children aged 3-6 years are currently benefiting from the offer of child care. During the next three years, the Government will reduce the maximum parent contribution for child care from 33 per cent to 25 per cent of expenditures and raise the family allowance for children below three years of age.
- As mentioned in the Danish National Reform Programme 2005, initiatives have been taken to ensure that all people who are not covered by a fund for parental leave equalisation through a collective agreement will be included in a compulsory arrangement as of 2006. The Danish Parliament has with a wide

⁴ “Jobindsats.dk” is a system of measurement to measure the employment effort in the Employment Services and the municipalities. This tool is meant to easily provide an overlook of the employment effort in Denmark and thereby show what is efficient and what is not. The results are to be made public and be transparent to all.

⁵ The statistics shall include enterprises with at least 35 employees and fulfil other criteria.

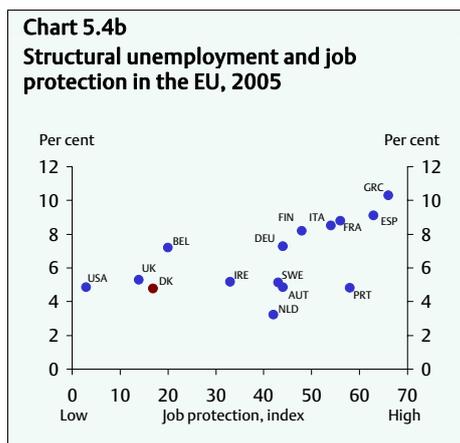
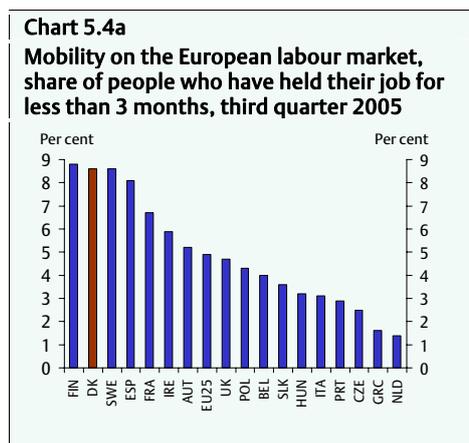
majority passed an Act concerning parental leave equalisation on the private labour market, which ensures that all employees are covered by a parental fund, which equalises employers' expenses in connection with parental leave. The scheme has been established in agreement with the social partners. In future, it will be of less consequence to an employer to engage an employee who is or becomes pregnant.

- In the fall of 2005, a *Family and Working Life Commission* was set up. Its task is to survey and analyse the requirements of a modern family as regards both the way the labour market, the public and private service are organised as well as regards a more flexible society. The Commission is to complete its work by the end of 2006 and make concrete recommendations as to how the Danish society can become more flexible so that individual families are able to create a good balance between the working life and the family life.
- Women and leadership are especially focused upon. In order to secure the future Welfare State, it is important that enterprises recruit the best talents among men and women. The share of *women in top and intermediate leadership positions* in the private sector is not satisfactory. A survey of women and leadership has been conducted, showing that women in top leadership positions secure better results on the bottom line. On this basis, a cooperation agreement between the social partners has been initiated in order to get more women into top management.
- In March 2006, a review of women and men's education and jobs was conducted. The labour market is less flexible when some subject areas are regarded only as women's or men's subjects. The review contains a long series of proposals for measures, which are meant to relax the *gender divided labour market*, especially as concerns young people's choice of education and professions.

5.4 Adaptability

The *adaptability* of Danish employees and enterprises is extensive. Currently, a total of approximately 800,000 Danish employees change jobs each year. This corresponds to approximately 30 per cent of the labour force changing jobs annually. This is significantly above the general EU level, *cf. chart 5.4a*.

The Danish labour market is characterised by flexible rules on hiring and dismissal, a well-developed unemployment benefit system and an active labour market policy – the so-called “*flexicurity model*” – which contributes to keeping structural unemployment in Denmark at a low level, *cf. chart 5.4b*. The elements and the relationship between them are continuously being monitored and discussed. The Government is very attentive to the need to protect the model and to regularly ensure a proper balance, *cf. section 5.2* on the Government's most recent measures. Denmark actively supports the work done at EU level, including the development of joint guidelines for flexicurity.



Note: As an indicator of mobility on the labour market, chart 5.4a shows the share of employees who have held their current jobs for less than 3 months, i.e. persons that may be coming from another job or who have been recently unemployed. The job protection index in chart 5.4b has been created by the World Bank and has a scale of 0-100. The higher the figures, the higher the degree of job protection in the national legislation. Spain is different from other countries in that it has a high degree of labour market mobility and job protection, which is due to the fact that it has developed a particular use of temporary appointment contracts.

Source: Eurostat, OECD, World Bank and the Danish Ministry of Finance's own calculations.

The adaptability of employees and enterprises should be further improved in close cooperation with the social partners who contribute to flexible rules of hiring and dismissal through collective agreements, cf. also *section 5.4* on cooperation in the sector of adult education and retraining.

The National Reform Programme 2005 has also focused on the *decentralised Danish wage negotiation model* and refers to the municipal partners' implemented so-called reversed model of OK05. The municipal partners have also contributed to the present report as regards the promotion of labour market flexibility, including the simplification of the collective agreement structure, the handling of restructuring as a consequence of the municipal reform, etc., cf. *Annex 7*.

The effort to counter undeclared work continues, cf. the National Reform Programme 2005. As a novelty, unemployment benefit and social assistance recipients can now be put through activation if a control visit gives rise to doubts whether the individuals actually are available to the labour market.

5.5 Investment in human resources

Denmark is well ahead compared to other EU and OECD countries when it comes to total investments in education, cf. *section 2, table 2.2*.

Ahead of the Welfare Agreement of June 2006 and based on the Government Platform 2005, a number of committee works had been undertaken in the education and training sector, as mentioned in the Danish National Reform Programme 2005. The

objective to enable *more young people to complete a youth education* must first and foremost be fulfilled through a reinforcement of the business-related youth educational programmes – i.e. vocational training and education, agricultural education, social and health education and initial vocational education and training programmes. In order to ensure the required width in these educational programmes, it is necessary to renew the structure, organisation and pedagogical methods used. The committee on the future of vocational training and education, which was set up in connection with the Globalisation Council's work, will propose concrete initiatives before the end of 2006, in order to ensure the necessary inclusiveness of education programmes. It has been agreed in the Welfare Agreement to organise the vocational education and training programmes in levels and that individual students will have better opportunities to select various subject levels. This was done to ensure clear educational offers for students with both strong and weak prerequisites to undertake an education, and to secure a clearer access to tertiary education. Each level must reflect a job profile on the labour market.

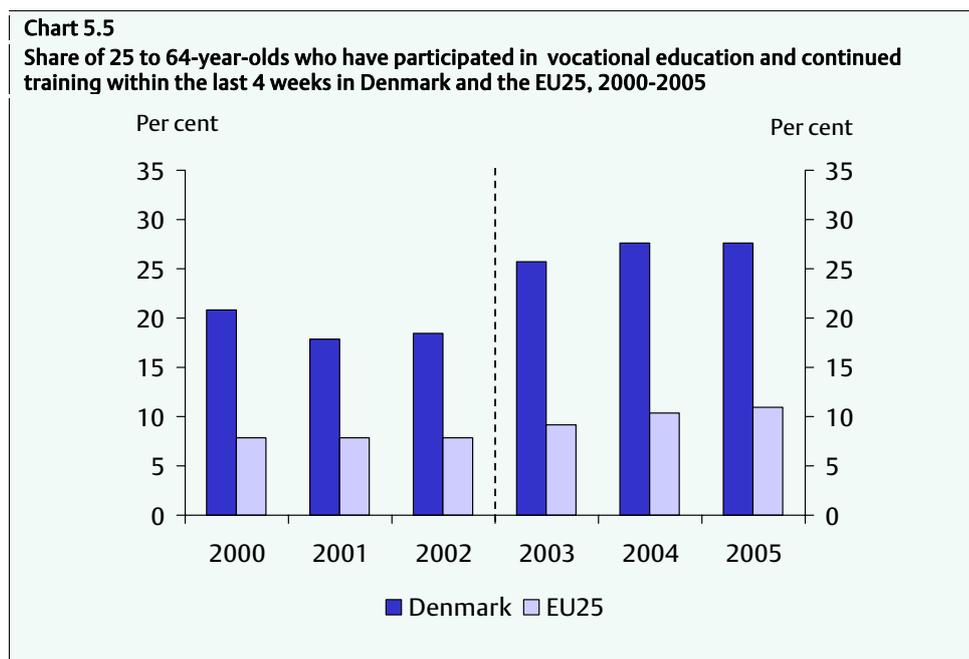
More practical training placements must also be created. A national campaign in cooperation with the business sector and the social partner organisations is to be launched to increase the number of traineeships. The opportunity for schools offering vocational education and training to offer new flexible and individual vocational education must be improved, so that more employment areas can be covered. A survey will be conducted to assess whether the Employers' Reimbursement Scheme (AER) requires any changes. The number of public training placements must be increased by at least 25 per cent before the end of 2007. See also *Annex 7*.

In February 2006 ahead of the Welfare Agreement, a new Act on apprenticeship was passed. This contributes to the objective of enabling all young people to have a youth education by giving young people the opportunity to acquire a practical training in an enterprise, which partially or wholly replaces the basic training in vocational education. In this connection, the Act on practical access and cohesive education in the initial social and health educational programmes was passed in February 2006. Among other things, this enables students as of 2007 to gain admission to the educational programmes through a training agreement in an enterprise instead of the usual admission through schools.

Within the framework of the globalisation fund, it is proposed to set aside DKK 150 million in 2007 and DKK 300 million annually as of 2008 and onwards to secure a *rise in the quality of vocational education*, including continued training.

Life-long *adult education and training* contributes to improved individual adaptation to labour market changes and supports later retirement. Each year, a major part of the labour force participates in public, private or enterprise-specific adult education and

vocational training, cf. chart 5.5⁶. However, many adults continue to have serious problems as regards their reading, writing or arithmetic skills.



Notes: As of 2003, education activities include activities outside the regular educational system. For this reason, it is not immediately possible to compare the period of 2000-2002 with the period of 2003-2005, which is pointed out in the chart with the dotted line.

Source: Eurostat.

Through the Welfare Agreement, it has been agreed that the adult education and training effort must be reinforced and that everyone – individual persons, enterprises and the social partners – is responsible for fulfilling the objective. A strengthened adult education and training effort must especially be aimed at low skilled and other disadvantaged groups on the labour market. On the basis of this, the effort will include:

- A significant increase of 40,000 students per year attending reading, writing and arithmetic classes for adults.
- The setting up of a fund of DKK 1 billion focusing on more vocational oriented adult education and training, which will beneficiate individuals with a short-term education, among others. Payment will depend on whether the social partners increase the financing contribution for a strengthened adult education and training effort in a forward-looking manner. The concrete implementation will further be specified at a further stage.

⁶ Updated figures specifically for job retraining programmes and vocational training, cf. the Danish National Reform Programme 2005, have been included in *Annex 5.4*.

- A total of 2,000 additional adult apprentices and an improvement of the scheme, so that the annual amount reaches approximately 9,000. Through this scheme, additional individuals with low skills will become skilled workers.
- A simplified and permanent job rotation scheme aiming at the continued education and training of employees and further qualification of unemployed individuals on the labour market.

Moreover, a series of additional new initiatives are expected to be implemented as part of the Welfare Reform, which are also to contribute to the promotion of disadvantaged groups' participation and integration in the labour market. Among other things, these include better opportunities for the recognition of prior learning acquired through formal, non-formal and informal learning, better educational offers for immigrants (bilinguals) and better guidance and counselling for employees and enterprises.

At the Tripartite meeting in March 2006, the Danish Government and the Social Partners agreed upon their joint responsibility to strengthen the adult education and training effort. In August 2006, the Government and the social partners completed a joint task focusing on the measurement of the adult education and training effort. It has been agreed to hold a meeting in the fall of 2006 and another meeting in the spring of 2007 to discuss developments and potential new initiatives.

With a total grant of DKK 80 million, including DKK 36 million from the European Social Fund, the development programme entitled *Regional competence centres in learning regions* will be implemented in 2006 and 2007. The target group of the programme is especially small and medium-sized enterprises, as well as low skilled employees. The purpose of the programme is to strengthen the adult education and training effort and qualify schools offering adult education and training in order to fulfil the need for competency development in SMEs as well as for low skilled employees, and simultaneously provide the necessary competences and qualifications to ensure the adaptability of enterprises and employers.

Annex to the introduction

The Danish Welfare Commission, the Globalisation Council and Tripartite Committee for lifelong learning – examples to follow?

As a contribution to the exchange of experiences, the following section describes the thorough preparatory process that preceded the Government's comprehensive Globalisation Strategy and broad political compromise; the Welfare Agreement, which will ensure a sustainable Danish welfare system for many decades to come.

The prospect of major challenges to the Danish welfare society as a consequence of the demographic development, among other things, led the Government to set up a Welfare Commission in September 2003 as a temporary and independent advisory commission. The aim was to create a basis for a broad public debate, as well as to carry out a thorough analysis of extent of this task and to present potential reform proposals as a preparation to the decisions needed.

The concrete tasks of the Welfare Commission were:

- To analyse the expected development in welfare payments until 2020¹ and the possibilities for financing these within the framework of the tax freeze,
- To analyse the social balance and financing of welfare payments.
- To describe and analyse different options to finance the welfare payments,
- To analyse and produce potential reform proposals focusing on increasing the supply of labour and employment.
- To present proposals for reforms of the welfare system which will ensure a socially balanced and targeted effort in assisting those groups that are in the greatest need of help.

The Welfare Commission was also requested to examine how other countries are handling such problems. The Commission's proposals were to respect the Government's objective not to allow today's generations to leave an unfinanced bill to future generations.

The Commission was composed of a chairman and eight expert members, primarily from the academic world and the business sector and had an independent secretariat of 15 to 20 persons. Apart from the preparation of a final report, the Commission was requested to involve the organisations on a current basis in connection with the submission of interim reports, the organisation of conferences, etc.

¹ However, the analyses of the Welfare Commission went far beyond 2020.

The work spanned well over two years and attracted a lot of public attention, creating debates in connection with the presentation of the three interim reports. Conclusions, proposals and the assumptions on which the calculations were based were all thoroughly discussed in the media.

The Welfare Commission's final report was presented in January 2006; it describes the future challenges for the Danish welfare state, especially in the light of the demographic development and the expected increasing life expectancies. The Welfare Commission also presented detailed proposals to meet these challenges.

On this basis, the Government presented in April 2006 its initiative to reform the Danish welfare system, which formed the basis of the broad political agreement that was concluded in June.

Undoubtedly, Welfare Commission's work has generated an understanding in the Danish population for the need for adjustments. The Welfare Commission has thereby created a basis for the historical and broad political compromise focusing on increasing the future supply of labour.

The importance of this thorough preparatory process shall be seen in the light of the reactions to earlier proposals to adjust the Danish voluntary early retirement pay scheme, which has a central position in the welfare agreement. In 1998, comparatively modest changes to the voluntary early retirement pay scheme gave rise to significant criticism of the Government then in office. A number of opinion polls show that the new agreement focusing on Denmark's future prosperity and welfare has been positively received by a clear majority of Danish citizens.

Approximately one fourth of the public finance relief resulting from the welfare reforms will be used to finance investments focusing on meeting the challenges of globalisation. In preparation for this, a Globalisation Council was set up in April 2005 in order to advise the Government with a view to preparing a joint strategy to "develop Denmark into a leading growth, knowledge and entrepreneurial society". The Council was composed of a wide variety of leading representatives from trade unions, organisations of the business sector and persons from the academic and research world. The Danish Prime Minister was chairman of the Council, and the Minister of Economic and Business Affairs was vice-chairman. The Secretariat was composed of civil servants from five central ministries.

The Globalisation Council held approximately 25 full-day meetings, which were all prepared with the Government's presentations for debate and invitation of a large number of external speakers.

The work of the Globalisation Council formed the basis for the Government's Globalisation Strategy from 2006 with 350 initiatives focusing on research, education and innovation. The principal objectives and financing are contained in the Welfare Agreement and will be implemented by the parties to the agreement in connection with the adoption of the annual budgets.

The field of adult and continued training also forms part of the Welfare Agreement in the form of objectives and new measures. This should be seen in light of the discussions between the Government and a broad representation of the social partners in the *Tripartite Committee for lifelong learning and education*².

This work was initiated in October 2004 and resulted in a joint report presented in February 2006. The Committee held 22 meetings. The secretariat functions have been assumed by the Danish Ministry of Finance in cooperation with a number of other ministries. The preparations for the meetings have taken place in cooperation with the social partners. Moreover, external analyses of the adult and continued training have been undertaken.

The analyses of the report constitute the basis for the further work to achieve these objectives in a close cooperation between the public sector, employers and employees.

² The report can be found in Danish on the homepage of the Danish Ministry of Finance www.fm.dk/1024/visNyhed.asp?artikelID=8110.

Annex 2. Research, education and innovation policies

A more detailed description is given below of the Government initiatives planned as specified in Chapter 2.

2.1 Initiatives within the public research and university sectors

More funds for public research activities

By year 2010, state financed expenditure on research and development activities should constitute one per cent of the GDP. This increase should be gradually phased in.

Half of the research funds should be allocated on the basis of public tenders

The share of public research funds allocated on the basis of public tenders should constitute 50 per cent of the total research funds by 2010, at the latest.

More funds for strategic research

A greater share of the public research funds, allocated on the basis of public tenders, should be targeted on strategic research in that may act as a driving force for the further development in prosperity or the solution of significant social problems. The future allocation of funds for strategic research must to a greater extent include requirements of private co-financing.

A new model for competition between universities

Today, nearly all research funds allocated on the basis of public tenders are given to individual researchers or research groups. In this way, the research runs the risk of becoming unfocused and incoherent with the universities' research strategy.

For this reason, a share of the research funds should, in the future, be allocated in competition between the universities. The managements of the individual universities should each year submit proposals for large and long-term research projects in competition among them. The proposals should be evaluated on the basis of their quality and relevance.

Increasingly larger and long-term research allocations

The allocation procedure for the Danish Council for Strategic Research and The Danish Council for Independent Research should be changed in order to increase the share of large and long-term research grants.

Funds for research infrastructure

A long-term Danish strategy for investments and for prioritising major research infrastructures should be laid down. Special funds will be earmarked in the Budget for the financing of investments in major interdisciplinary research infrastructures

which, due to their size, cannot be undertaken by the individual university or institution.

Better basis for prioritisation

The basis for the political prioritisation of strategic research should be strengthened. For this reason, extensive analyses will be carried out on a current basis to map out research needs created by social and business developments, including the Danish research institutions' capability for satisfying these needs. Every fourth year, a catalogue listing themes related to strategic research will be drawn up.

Quality barometer and evaluation of major programmes

The quality of Danish research must be measured and evaluated systematically. A "quality barometer" will be introduced in order to give a general picture of the development in the quality of Danish research. A more systematic evaluation of the research programmes will take place in order to ensure that funds are awarded on the basis of quality.

Co-financing of Danish participation in international research cooperation

Right now, the European Union is significantly widening the strategic cooperation in the field of research at this time. However, Danish participation in EU framework programmes is decreasing. The rules should be changed so that the research councils can give financial support to international cooperation. And the research councils should be given the opportunity to use funds for national co-financing to promote Danish participation in EU framework programmes and other international research activities.

The universities' basic funds should be allocated on the basis of quality standards

The allocation of basic funds to universities should take place on the basis of an overall assessment of actual results and targets as regards the quality of research, education and knowledge dissemination. The universities that obtain the best assessment results will receive more basic funds in proportion to their size.

Sector research should be integrated into the universities

At present, education of bachelors and graduates does not place in the framework of sector research. In a matter of a few years, sector research must be integrated into the universities, so that this part of the research underpins education programmes. Public assignments and the cooperation with the business sector will continue to have a high priority. The ministry responsible will conclude a contract with the relevant universities concerning the performance of public assignments.

All university education programmes must live up to international standards

All university education programmes – both existing and new programmes– will be assessed by an external accreditation body. The accreditation body must live up to approved international standards and involve foreign experts in the assessment of

the educational programmes. The criteria for accreditation must ensure that the educational programmes live up to high international standards. Only accredited educational programmes may receive public funding.

Bachelor degrees should open up for better job opportunities

Bachelor degrees should be full-fledged education programmes that are also on jobs. The universities should, at the same time, develop new Master programmes so that persons holding a Bachelor degree may choose among several Master programmes targeted on different sectors on the labour market.

Systematic dialogue with employers of university candidates

The universities must set up university special panels of employers of university candidates in order to ensure a systematic dialogue with them regarding the quality of the education programmes and their relevance for society with a view to developing new and existing education programmes and new forms of education.

The number of Ph.D.'s and Business Ph.D.'s should be doubled

The number of Ph.D.'s and Business Ph.D.'s should be doubled. The increase should especially take place in the areas of natural science, technical science, IT and medical science.

Elite education programmes must challenge the brightest students

The universities must establish elite Master's programmes, i.e. two-year programmes of a very high educational standard and higher admission requirements in order to ensure that the brightest students may acquire a level comparable to the best students abroad. The universities should also establish business-oriented elite programmes.

Focusing on high-level

High-level teaching is of crucial importance for the professional standard, motivation and retention of students. Ph.D. students must undertake a course and pass an exam in pedagogy and teaching techniques. The further pedagogical qualification of lecturers should be strengthened. All lecturers and professors should have a teaching duty, and good should be rewarded on an equal footing with good research results.

The universities should attract a bigger number of highly qualified foreign teachers and students

More scholarships should be awarded to bright foreign students. At the same time, more Danish students should have the opportunity to participate in education programmes abroad. A new scholarship scheme should be developed to ensure financial support to Danish students to follow a full educational programme at a foreign university.

The universities must be given greater freedom to attract competent researchers

The universities must be given the opportunity to attract particularly competent researchers through a flexible wage system. And they should be able to employ super-professors with independent management responsibilities.

Faster through the educational system

Danish students start their studies in a higher age than foreign student and they take longer to complete their education.. They are approximately 4 years older at the time of their university graduation than they would be if they had they followed the straight path through the educational process. For this reason, a series of initiatives have been initiated in order to encourage students and universities to lower the average age of students at graduation. The universities will be prompted to lower the average age of graduates through a redistribution of the basic appropriations. At the same time, the university admission requirements will be adjusted in order to prompt young people to start their studies at an earlier age.

The universities' knowledge should be exploited in the society

The universities must formulate concrete targets for the full exploitation of research results and for cooperation with the business community. The results will have an impact on how much funding the individual universities will receive. Researchers must be enabled to test and document whether an invention has a commercial potential.

2.2 Initiatives within the areas of innovation and knowledge dissemination

Funds for cooperation are gathered in a single fund

In order to strengthen the research and innovation cooperation between enterprises and the world of research and education, the funds for existing cooperation schemes will be gathered in a single fund. The fund will include the so-called "open" funds, which will be awarded to projects that do not fall under the category of already known forms of cooperation.. Within the framework of the fund's "targeted" funds for cooperation, three new initiatives are established: a rebate scheme for small and medium-sized enterprises, a doubling of smaller enterprises' contributions to co-financed research projects, and matchmakers are to strengthen the cooperation between enterprises and research institutions.

Funds for Approved Technological Services (ATS) must be distributed in open competition

The Approved Technological Services provide counselling, research and development in the area of new technology for Danish enterprises. In order to boost the dynamism in the ATS system, a bigger number of players should be invited to submit tenders for the provision of technological services. The technological services should be made more flexible, so that they may be adapted to the market's needs for new, updated knowledge and technology. An innovation centre for e-business within the

framework of the ATS system should also be established. The results of the institutions should be the subject on an international evaluation.

Research institutions should finance testis concerning the profitability of patenting of inventions – Proof of Concept

A share of the funds earmarked for the commercialisation of research results should be used to test the commercial potential of an idea. The awarding of funds to research institutions should take place on the basis of public tender. Importance will be attached to cooperation with innovation environments and the inclusion of external competencies in the project evaluation.

Private enterprises' participation in state financed research should be facilitated

Danish enterprises relying heavily on research results should, to a higher extent, participate in the competition for research appropriations on the same conditions as the public research institutions. Notices and information concerning allocation of research funds should be organised in a way that will promote the participation of enterprises.

Programme for user-driven innovation

A programme for user-driven innovation is initiated in order to strengthen the framework conditions for the work of enterprises and public institutions with user-driven innovation. A joint research environment within the area of user-driven innovation must be established. The research environment must be interdisciplinary.. Business Ph.D. programmes should be introduced in connection with the research environment. At the same time, concrete pilot projects with user-driven innovation in enterprises and public institutions should be initiated. In addition, a framework should be established in order to enable the setting up of networks, for example between enterprises and knowledge institutions, the development of offers of continued training, etc.

Marketplace for trade in knowledge

A new internet-based marketplace for trade in rights will contribute to a transparent and well-functioning market focusing on the buying and selling of patents, trademarks and other rights.

Strategy for Danish participation in EU technology initiatives

A new strategy should be prepared for Danish participation in important, strategic technology initiatives, which the EU is planning as part of the 7th Framework Programme for research.

Co-financing of Danish participation in international research and development programmes

The Danish Agency for Science, Technology and Innovation should be able to co-finance international programmes and projects, which will promote innovation in Danish enterprises.

Furthering contacts to international research, innovation and business environments

In connection with selected Embassies and trade offices abroad, user-financed contact points are to be established for the furthering of contacts to leading research, innovation and business environments in the countries in question.

Green cards will attract more qualified foreigners to Denmark

A Green Card scheme will be introduced, enabling very highly qualified foreigners without specific job offers, but with good employment potentials, to obtain a residence permit for up to six months with a view to seeking employment in Denmark. Foreign students who complete a university education in Denmark will, in continuation of their studies, be given the opportunity to seek employment for a six-month period.

2.3 Initiatives within the area of Information and Communications Technology (ICT)

Connected ICT systems

Citizens' portal

A single entry to public citizens' portal (<http://www.borger.dk/>) will be launched on 1 January 2007. In 2008, this portal will be extended with the inclusion of "personal pages" where citizens will be able to obtain an overview of all their contacts with the public sector, as well as direct access to all digital self-service solutions.

ICT governance

A model has been developed for the authorities' ICT competence management, which has been subsequently followed up by a maturity model for the authorities' management of ICT. A maturity model the management and implementation of IT projects by the state's ICT suppliers has also been developed and a certification scheme for suppliers is being developed. Moreover, a model for assessment of the effects of implemented IT projects will be developed.

Common public electronic case and document handling (FESD)

Greater coherence must be ensured in the public sector as well as the opportunity to cooperate across organisations. For this reason, standards for data exchange and interfaces are developed.

Interactive consumer guide in the telecommunications area

The state's web-based consumer guides should be gathered in a single interactive consumer guide.

Common public catalogue for IT standards

A major barrier for the interoperability of IT solutions must be solved by defining, developing and using open standards. A catalogue listing IT standards for processes, data/information and technique with recommendations for use in the public sector has therefore been drawn up. The use of open standards will contribute to increased transparency, greater innovation and competition on the IT market.

Local government reform and digital management in the area of environment

The initiated sector standardisation in the area of environment will be continued. This implies, among other things, the completion and further development of a regional environmental portal, the merging of regional area information systems and common development standards for environmental cases.

ICT challenges in connection with the local government reform

ICT systems will be merged and transferred in connection with the local government reform. A guide focusing on the transfer of ICT systems in connection with the local government reform has been prepared, and 20 central ICT standards have been selected, which the public authorities should ensure that their ICT systems can comply with.

Updating and Quality Management System

Case handling and digital management will be supported through the development of an ICT-based Updating and Quality Management System (miniMAKS).

E-invoices and business documents

The digitalisation of working procedures in the public sector will be continued. All enterprises must send electronic invoices in the OIOXML format when conducting business with the public sector. Also, an official Danish version of the international cataloguing standard UNSPSC has been established. An OIOXML standard will be made public for all documents in a basic purchasing process based on the national standard UBL 2.0.

Innovation with ICT

Innovation initiatives are described in Annex 2.1 (research) and 2.2 (innovation).

Efficient ICT markets**Strategic overhaul of the telecommunications regulation to ensure innovation and investments**

The Government's globalisation strategy from April 2006 clearly states that stronger competition will ensure a better infrastructure. One of the initiatives will be an analysis carried out by the Ministry of Science, Technology and Innovation to examine

whether the general framework conditions in the telecommunications area can be improved in order to strengthen innovation and investments. The survey will be based on 18 market surveys of the competition on the telecommunications market and the upcoming revision of the European regulations concerning electronic communication (the telecommunications package).

Modernisation of rules for the allocation of frequencies

The consequences of introducing a more market driven frequency administration should be assessed. The liberalisation of the frequency use and expansion of the possibility for trading frequencies should form part of the assessment. The aim is to ensure a more efficient use of frequencies as well as a strengthening innovation and competition.

Digital television

The analogue earth-based broadcasting network will be closed at the end of October 2009. The broadcasting of public service programmes through an earth-based digital broadcasting network has started.

ICT for the benefit of all

E-learning

The use of e-Learning should be promoted. In 2006, DKK 10 million have been set aside for demonstration of possibilities and reduction of barriers to the use of e-Learning. In 2006, special focus will be on mobile portals for e-Learning, on e-Learning to support research based further for highly educated individuals, as well as e-Learning for the education and training of employees in the central administration.

Self-service solutions for the registration of births, paternity and naming

Citizens must be able to register births, paternity, names and name changes by themselves through the internet, using digital signatures.

2.4 Initiatives within the area of entrepreneurship

Strengthening of the Entrepreneurship Fund

The Government will endeavour to significantly strengthen the private sector's involvement in the Entrepreneurship Fund. The Fund should to a greater extent facilitate cooperation between schools and the business sector, and develop teaching material, competitions and entrepreneurship games for young people.

Offering entrepreneurship subjects for all youths

All students enrolled in vocational educational programmes and all students enrolled in higher education programmes should be offered entrepreneurship lessons or courses.

New entrepreneurship houses

The Government will establish regional entrepreneurship houses in cooperation with municipalities and regional growth fora. The aim is to compile a qualified counselling offer, where potential entrepreneurs and smaller enterprises with growth ambitions can gain access to all types of relevant counselling and help at a single place, for example regarding the setting up of an enterprise and the financing.

Better prioritisation of financial support for innovation environments

Innovation environments contribute with venture capital for high technological and knowledge based entrepreneurs. A gradual reform of the model financial support for innovation environments, a new invitation to tender in 2008 and the development of new cooperation models between innovation environments, universities and the business sector should contribute to ensuring that competencies are built up in stronger environments than today.

New financially strong venture fund

New legislation was passed in May 2006 regarding the establishment of a new financially strong venture fund through a partial privatisation of the *Vækstfonden* (Growth Fund – a Government backed investment company). The capital basis of DKK 3-4 billion is brought about through investments from the Growth Fund, pension companies and other private investors. It is expected that the fund be established at the beginning of 2007.

New forms of financing for entrepreneurs

The Growth Fund's financing of development of new ideas, market tests and counselling from experienced business executives (proof of business) must be improved. A so-called Matching Fund will encourage "business angels" to invest in new enterprises.

Fewer burdens for enterprises through digital case handling

Digital case handling will be introduced for the 25 public services, which are used by most small enterprises – including all registrations, building cases, etc. The solutions will reuse relevant data across the different authorities, so that the enterprises will have to report to only one place and only one time.

Quicker procedures in connection with administration of insolvent estates

Quicker administration of insolvent estates will give better conditions to bankrupt entrepreneurs who are starting with a new enterprise, for example by adjusting the deadlines for the administration of insolvent estates. At the same time, a pilot scheme with an "Early Warning System" will be initiated. This system is set up to help otherwise profitable enterprises facing the risk insolvency due to temporary problems.

Annex 3. Efficient competition and the Internal Market

3.1 Net retail prices compared with selected countries

The level of net retail prices is six per cent higher than the EU9 average. Table 3.1 gives an indication of which goods are exerting respectively an upward and downward pressure on the price level.

Table 3.1	
Net retail prices (average prices in 2003-2004)	
	EU9 = 100
Danish prices higher than EU9	
Soft drinks	128
Books, periodicals and newspapers	126
Automobile spare parts	120
Medicine and health	115
Bread and cereals	112
Sports and leisure equipment	109
Music, film and games	108
Radio and television equipment	108
Milk, butter and yoghurt ¹	106
Fruits and vegetables	105
White goods and electrical appliances	104
Meat	104
Sugar products, chocolate and ice cream	102
Clothing	101
Danish prices lower than EU9	
Oil and fat	100
Beer	99
Fish	96
Means of transport	92
Coffee, tea and cocoa	91
Furniture, flooring etc.	89
Plants and flowers	76
Total index for goods	101

1) Denmark compared to Sweden, Germany, the Netherlands and the UK.

Source: Eurostat, OECD and the calculations of the Danish Competition Authority.

3.2 Status of a number of initiatives for amendments in competition limiting rules

Subject	Initiative	Status
Building	Building materials concerning water supply and drains for other use than drinking water are exempted from requirements of special approval by the authorities. Water and drain approval has been simplified for products, which continue to require a Danish approval. Craftsmen will be allowed to carry out the same electricity, plumbing and heating tasks as those conducted by private individuals today.	The initiatives concerning electricity, plumbing and heating tasks have been implemented in 2004. The approval scheme has been changed in 2005.
Soil and feeding stuff analyses	The authorisation scheme is terminated for laboratories that analyse soil samples.	Implemented in 2005.
Theatre Act	The working group has examined the administration of a number of support schemes.	Amended in 2005.
Food, Restaurant and Hotel Act	Amendments to the hotel and restaurant Act are being proposed to ensure that restaurants will be able to sell retail goods "to go" in addition to selling cooked food. Correspondingly, shops will also be able to service their customers (fusion).	Implemented in 2005.
Estate agents	In January 2005, the Government presented 12 proposals to make it better and cheaper to buy, sell and own individual homes.	The competition promoting elements of this agreement have been implemented in 2005.
Shops Act	Extension in the number of days that shops are allowed to stay open.	Implemented in 2005.
Legal advising	The Danish prohibition against advertising for legal counselling by others than lawyers has been repealed. Rules of conduct regarding legal counselling will be laid down. The consumer ombudsman will supervise legal Counselling. A committee has been set up under the Danish Ministry of Justice concerning lawyers' exclusive right to conduct civil cases and the regulation concerning the ownership of law firms.	Amendments to the Act concerning lawyers' exclusive right to plead at the courts in civil cases have been proposed to the Danish Parliament in 2005. The Danish Lawyer Council is expected to report in the middle of 2006.
Land registration and registered surveyors	Private registered surveyors are given to perform land registration activities in Copenhagen and Frederiksberg. Other persons than registered surveyors may in the future own up to 49 per cent of these companies.	The rules on ownership were amended in 2005. Land registration is expected to become subject to public tender in 2006.
Dentists	An agreement with a higher degree of price transparency. The next agreement will further increase price transparency. Moreover, current fixed prices will be replaced by maximum prices.	A new agreement will be concluded in 2006.
Plugs	Open competition for the same type of plugs used in most EU countries.	Expected to be implemented in 2006.
Sand suction pumps	In June 2005, the Danish Competition Council recommended the introduction of rules to increase competition in the market for sand suction pumps.	The exclusive rights for sand suction pumps will phase out at the 2006/07 session of the Danish Parliament.
Nautical pilots	Pilotage activities will to be liberalised as of 1 January 2007.	The bill will be tabled during the first half of year 2006.

Table 3.2 (continued)		
Status of a number of initiatives for alterations in competition limiting rules		
Subject	Initiative	Status
Port of Copenhagen	In June 2005, the Danish Competition Council recommended the introduction of rules to increase competition concerning the Free Port of Copenhagen.	Expected to be amended at the same time as the upcoming amendment of the Act concerning the Free Port of Copenhagen.
The National Working Environment Authority	The control of lifts, boilers and similar equipment will become subject to competition to a much greater extent.	The initiatives concerning pressure equipment and lifts will be implemented by 2007 and 2009, respectively.

3.3 Centrally implemented political initiatives in the area of competition

In order to fulfil the Danish Government's aims, a number of competition policy initiatives have been submitted with a view to making the Danish economy more competitive.

Box 3.1

The Danish Government's competition policy initiatives

- Amendment to the Danish Competition Act as of 1 February 2005. This was the fourth amendment since 1998. Among other things, the amendment has resulted in the ability for the Danish Competition Council to make commitments binding. When an enterprise commits itself, it is obligated to conduct itself in way that promotes competition. This implies a higher rate of settlements in cases where an enterprise is under suspicion for violating the Act. Changes also make it possible for the Competition Council to order a dominating enterprise to prepare and submit e business terms in writing to the Danish Competition Authority.
- In the summer of 2006, an inter-ministerial working group presented a report, which recommended amendment to a number of rules in restraint of competition limiting rules in different areas. The current status of the recommendations is listed in the table in Annex 3.2.
- Denmark was the first EU Member State to implement the new tender directives and to thereby benefit from the more flexible and clearer rules for EU tendering. As far as public service contracts below the EU threshold value are concerned, Denmark has also revised the Danish Public Tender Act (L338/2005). The new Public Tender Act has prompted increased competition and reduced administrative burdens.
- The complaint system in connection with public tendering has been reinforced by a new executive order entailing that public operators should inform both losing tenderers and the winning tenderers of the accepted bid at the same time. Also, a standstill period has been introduced. This means that operators must observe an obligatory time interval between the acceptance of the bid and the conclusion of the contract.
- Increased liberalisation of infrastructures, including objectives for the liberalisation and efficiency of the waste sector and proposals for the modernisation of the regulation and organisation of the water sector. In addition, the postal delivery monopoly has been curtailed to only include letters weighing less than 50 grams. There has been a liberalisation increase in the area of vessel piloting. Regional vessel piloting – i.e. piloting to and from Danish harbours – is to be subjected to competition as of 1 January 2007.
- In addition, initiatives focusing on increasing competition in public market behaviour have been proposed, as well as initiatives aiming to promote economic openness in relation to foreign countries.

Annex 5. The Danish Employment Policy

5.1 Additional initiatives to improve integration of refugees and immigrants beyond the Danish Welfare Agreement

The Government is inviting social partners (the Confederation of Danish Employers, the Danish Confederation of Trade Unions and Local Government Denmark) to four-partite discussions regarding the strengthening of the efforts to ensure a better integration of refugees and immigrants. This invitation should be seen as follow-up to the four-partite agreement in May 2002, which dealt with the labour market integration of refugees and immigrants. This agreement underlines the common responsibility of ensuring that newly arrived foreigners get an active start and enter the labour market as quickly as possible – primarily through a combination of Danish language lessons and attachment to a workplace. It will be discussed how the individual initiatives in relation to unemployed persons of the job centres be organised, for example through so-called labour market integration packages. The *labour market integration packages* should an appropriate mix of the instruments available in relation to the particular challenges as regards employment measures in relation to immigrants, by composing a basic model for such measures.

The Government has – an element of the structural reform in the field of employment – taken the initiative to set up a *special unit for employment measures for immigrants* from 1 January 2007. This unit will support and advise all Denmark job centres in connection with employment efforts for immigrants. Immigration consultants will still be employed at job centres biggest concentration of unemployed immigrants and consequently a big need for special expertise in handling cases concerning unemployed immigrant. The Integration Service set up by the Ministry for Immigration, Refugee and Integration Affairs is responsible for assisting and advising local authorities in their efforts to provide the best possible education and employment offers for refugees, immigrants and their descendants.

The social partners in the private sector have presented the results of a *three-year project entitled "Enterprise-oriented integration"*. At the start of the project the participants selected for participation had were very distant from the labour market. The project has used the so-called stepladder model where the different employment policy tools are introduced gradually in line with the development in the competencies of the individual unemployed person. This brings the unemployed persons closer to the labour market. An evaluation of the project thus shows that 50 per cent of the participants are now in ordinary employment or education. It also shows that this success has been made possible by means of long-term and individualised measures comprising individual enterprise-oriented integration efforts with the support of job consultants and mentor schemes, cf. *Annex 7*.

In the spring of 2006, the social partners in the state and local government sectors have followed up on the agreement between the Government and the social partners concerning integration initiatives with a proper agreement on integration and training jobs. Unlike jobs with a wage subsidy that are primarily targeted on the ordinary labour market, *the integration and training jobs* are primarily intended as an offer of upgrading of the skills and qualifications of the unemployed persons targeted on an ordinary unsubsidised at a workplace, *cf. Annex 7*.

5.2 Selected Community indicators in the employment field

The indicators have been laid down by the Social Council (Ministers for Employment) as an instrument for monitoring the Member States' compliance with the guidelines.

Table 5.3						
Key figures of Community indicators in the area of employment						
	DK 2000	DK 2003	DK 2004	DK 2005	EU-15 (2005)	EU-25 (2005)
Guideline 17						
Indicator						
Employment rate, 15 to 64-year-olds (1)	76.3	75.1	75.7	75.9	65.1	63.8
Employment rate, 15 to 64-year-olds, men	80.8	78.6	79.7	79.8	72.9	71.3
Employment rate, 15 to 64-year-olds, women	71.6	70.5	71.6	71.9	57.4	56.3
Employment rate, 55 to 64-year-olds	55.7	60.2	60.3	59.5	44.1	42.5
Employment rate, 55 to 64-year-olds, men	64.1	67.3	67.3	65.6	53.2	51.8
Employment rate, 55 to 64-year-olds, women	46.6	52.9	53.3	53.5	35.4	33.7
Unemployment rate, total (2)	4.3	5.4	5.5	4.8	7.9	8.7
Unemployment rate, men	3.9	4.8	5.1	4.4	7.0	7.9
Unemployment rate, women	4.8	6.1	6.0	5.3	8.9	9.8
Guideline 18						
Youth unemployment, 15 to 24-year-olds, total (3)	4.8	6.0	5.6	-	7.6*	8.3*
Youth unemployment, 15 to 24-year-olds, men	5.0	6.2	6.2	-	8.0*	8.8*
Youth unemployment, 15 to 24-year-olds, women	4.5	5.9	4.9	-	7.3*	7.8*
Gender differences, unemployment rate (women-men) (4)	0.9	1.3	0.9	0.9	1.9	1.9
Gender differences, employment rate (women-men) (5)	9.2	8.1	8.1	7.9	15.5	15.0
Change in labour supply, total (6)	-0.6	-0.1	0.6	-0.3	0.4	0.5
Change in labour supply, men	-0.7	0.2	0.2	-0.4	0.3	0.3
Change in labour supply, women	-0.5	-0.4	1.1	-0.3	0.6	0.5
Average retirement age, total (7)	-	62.2	62.1	-	61.0*	60.7*
Average retirement age, men	-	62.3	62.6	-	61.0*	60.9*
Average retirement age, women	-	62.0	61.6	-	61.0*	60.4*
Guideline 19						
Difference in unemployment rate between EU citizens and non-EU citizens (8)	9.2	13.4	13.8	8.1	9.4	-
The unemployment trap (9)	-	91.0	89.0	-	78.3*	77.7*
Long-term unemployed, total (10)	0.9	1.1	1.2	1.1	3.3	3.9
Long-term unemployed, men	0.8	1.2	1.1	1.1	2.9	3.6
Long-term unemployed, women	1.1	1.0	1.3	1.2	3.7	4.5
Guideline 22						
Taxation of low incomes (11)	41.2	39.9	39.4	-	36.3*	36.4*
Gender differences, wages (12)	15.0	18.0	17.0	-	-	15.0e

Table 5.3 (continued)**Danish key figures for Community indicators in the employment field**

Indicator	DK 2000	DK 2003	DK 2004	DK 2005	EU-15 (2005)	EU-25 (2005)
Guideline 23						
Share of 18 to 24-year-olds who have only attended lower sec. school, in total (13)	11.6	10.3	8.5	8.5	16.9	14.9
Share of 18 to 24-year-olds who have only attended lower secondary school, men	13.4	10.3	10.4	9.4	19.4	17.1
Share of 18 to 24-year-olds who have only attended lower secondary school, women	9.9	10.2	6.7	7.5	14.5	12.7
Educ. level for 22-year-olds, in total (14)	69.8	73.0	74.8	76.0	74.5	77.3
Educational level for 22-year-olds, men	64.5	71.8	73.2	74.5	71.6	74.6
Educational level for 22-year-olds, women	74.8	74.2	76.3	77.5	77.5	80.0
Cont. training, 25 to 64-year-olds, total (15)	20.8	25.7	27.6	27.6	11.9	10.8
Cont. training, 25 to 64-year-olds, men	17.9	23.3	23.4	24.2	11.0	10.0
Cont. training, 25 to 64-year-olds, women	23.8	28.1	31.9	31.0	12.8	11.7
Cont. training, 25 to 34-year-olds, in total	30.0	35.8	37.9	38.8	18.6	17.3
Cont. training, 25 to 34-year-olds, men	27.2	34.6	35.2	38.3	18.0	16.6
Cont. training, 25 to 34-year-olds, women	32.6	37.0	40.7	39.4	19.2	18.0
Cont. training, 55 to 64-year-olds, in total	11.0	17.1	18.7	19.7	5.9	5.1
Cont. training, 55 to 64-year-olds, men	8.9	13.6	13.2	16.4	5.2	4.6
Cont. training, 55 to 64-year-olds, women	13.4	20.6	24.2	23.0	6.5	5.6
Guideline 24						
Exp. on education as a share of GDP (16)	8.3	8.3	-	-	5.2**	5.2**

*) The most recently updated figures are from 2004.

**) The most recently updated figures are from 2003.

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

Notes: a= changed calculation method, e= estimate, f= preliminary figures.

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

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

Table 5.4				
Young people must be offered an action plan within 12 months of unemployment – input and output indicators				
	Year	In total	Men	Women
(A) Number of newly unemployed young persons (1)				
	2003	30,229	21,121	17,108
	2004	46,232	24,420	21,812
	2005	39,022	19,021	20,001
(B) Number of newly unemployed person (A) who were still unemployed after six months				
	2003	1,299	747	552
	2004	3,036	1,424	1,612
	2005	2,411	1,215	1,196
Share (B)/(A) output indicator				
	2003	0.03	0.04	0.03
	2004	0.07	0.06	0.07
	2005	0.06	0.06	0.06
(C) Number of newly unemployed persons (A) who have been offered an action plan within six months (2)				
	2003	466	244	222
	2004	1,629	872	757
	2005	891	460	431
Share (C)/(A)				
	2003	0.01	0.01	0.01
	2004	0.04	0.04	0.03
	2005	0.02	0.02	0.02
D) Number of newly unemployed persons who were still unemployed after six months (B) and who have not been offered an action plan (2)				
	2003	587	352	235
	2004	443	248	195
	2005	213	128	85
Share (D)/(B)				
	2003	0.45	0.47	0.43
	2004	0.15	0.17	0.12
	2005	0.09	0.11	0.07

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

Remarks regarding the calculations:

Regarding the calculation period: The calculation period starts when the unemployed person receives a job plan, contact interviews or activation offers. For instance, this means that if the calculation period is year 2005, the number of newly unemployed persons under the age of 30 will include unemployed people who had their first day of unemployment six months earlier, i.e. during the second half of 2004 and the first half of 2005.

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

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

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

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

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

Table 5.5
Young people must be offered an action plan within six months of unemployment – data for the purpose of measuring the extent of the effort

	Year	Total	Men	Women
Number of newly unemployed young persons				
	2003	38,229	21,121	17,108
	2004	46,232	24,420	21,812
	2005	39,022	19,021	20,001
Up-grading of skills and qualifications				
	2003	371	200	171
	2004	757	378	379
	2005	725	340	385
Jobs with a wage subsidy in the public sector				
	2003	37	7	30
	2004	59	16	43
	2005	66	19	47
Jobs with a wage subsidy in the private sector				
	2003	25	18	7
	2004	107	70	37
	2005	106	57	49
Other				
	2003	30	11	19
	2004	90	41	49
	2005	69	33	36

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

Source: Statistics Denmark, AMANDA and DREAM.

	Year	In total	Men	Women
(A) Number of newly unemployed adults				
	2002	141,113	70,129	70,984
	2003	115,269	58,515	56,754
	2004	106,533	52,464	54,069
(B) Number of newly unemployed persons (A) who were still unemployed after 12 months				
	2003	4,473	2,520	1,953
	2004	2,996	1,653	1,343
	2005	2,470	1,328	1,142
Share (B)/(A) output indicator				
	2003	0,03	0,04	0,03
	2004	0,03	0,03	0,02
	2005	0,02	0,03	0,02
(C) Number of newly unemployed persons (A) who have been offered an action plan within 12 months (2)				
	2003	2,208	1,277	931
	2004	1,540	889	651
	2005	874	502	372
Share (C)/(A)				
	2003	0.02	0.02	0.01
	2004	0.01	0.01	0.01
	2005	0.01	0.01	0.01
(D) Number of newly unemployed persons who were still unemployed after 12 months (B) and who have not been offered an action plan (2)				
	2003	791	489	302
	2004	176	105	71
	2005	134	90	44
Share (D)/(B)				
	2003	0.18	0.19	0.15
	2004	0.06	0.06	0.05
	2005	0.05	0.07	0.04

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

Remarks regarding the calculations:

Regarding the calculation period: In the former calculations (NAP 2004), the calculation period from the first day of unemployment spell. The calculation methods have now been changed; this means that the calculation period starts when the unemployed person is offered a job plan, contact interviews and activation measures. For instance, this means that if the calculation period is year 2004, the number of newly unemployed persons under the age of 30 will include unemployed people with their first day of unemployment 12 months before the chosen calculation period, i.e. in year 2003.

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

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

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

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 date upon which the unemployed person is first offered job plan, contact interviews and activation measures. For instance, this means that if the calculation period is year 2004, the number of newly unemployed under 30 years of age will include unemployed people with their first day of unemployment 12 months before the chosen calculation period, i.e. in year 2003.
- 2) From 2003, this category includes cases where a job plan has been drawn up, an activation offer has been given or a contact interview has been carried out within 52 weeks after the start unemployment. Earlier the category only included an individual action plan or an activation offer.

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

Table 5.7
Adults must be offered an action plan within 12 months of unemployment - data for measuring the extent of the effort

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

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

Source: Statistics Denmark, AMANDA and DREAM.

Table 5.8
Average number of participants in activation programmes, 2002-2005; the share of long-term unemployed persons participating in activation measures should be at least 25 per cent by year 2010, at the latest

	Year	Total	Men	Women
(F) Average number of insured unemployed persons				
	2002	123,251	57,188	66,063
	2003	146,331	70,158	76,173
	2004	149,252	70,367	78,885
	2005	132,849	60,256	72,593
Average number of participants in activation programmes (E) who started from unemployment. Activation type				
<i>Employment with a wage subsidy (1)</i>				
	2002	14,472	5,807	8,365
	2003	12,950	5,572	7,379
	2004	16,717	7,390	9,328
	2005	14,431	6,675	7,756
<i>Vocational guidance and up-grading of skills and qualifications (2)</i>				
	2002	26,477	9,060	17,417
	2003	21,046	7,248	13,798
	2004	18,320	6,520	11,800
	2005	17,073	5,912	11,161
(E) Total				
	2002	40,949	14,867	25,782
	2003	33,996	12,820	21,177
	2004	35,037	13,910	21,128
	2005	31,504	12,587	18,917
Share (E)/(E+F) – input indicator (3)				
	2002	0.58	0.21	0.28
	2003	0.19	0.15	0.22
	2004	0.19	0.17	0.21
	2005	0.19	0.17	0.21
(G) Number of completed activation programmes				
	2003	168,147	72,951	95,196
	2004	150,420	66,741	83,679
	2005	177,474	80,242	97,232
(H) Number of completed activation programmes where the persons are still unemployed three and six months, respectively, after completing the activation programme				
<i>After 3 months</i>				
	2002	56,276	25,634	30,642
	2003	68,096	31,001	37,095
	2004	76,284	35,321	40,963
<i>After 6 months</i>				
	2002	54,585	24,964	29,621
	2003	59,051	26,894	32,157
	2004	61,284	28,628	32,656
Share (H)/(G) – output indicator				
<i>After three months</i>				
	2002	0.33	0.35	0.32
	2003	0.45	0.46	0.44
	2004	0.43	0.44	0.42

Table 5.8 (continued)*After six months*

	2002	0.32	0.34	0.31
	2003	0.39	0.40	0.38
	2004	0.35	0.36	0.34

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

Remarks concerning completed activation programmes:

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

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

Source: Statistics Denmark, AMANDA and DREAM.

Table 5.9
Share of the population aged +75 years residing in specialised institutions and share of home help recipients in the population aged +80 years, 2001-2005

	Year	Total
Persons aged +75 years		
<i>Specialised institutions</i>		
	2001	25,690
	2002	24,322
	2003	22,446
	2004	19,776
	2005	17,102
<i>Population</i>		
	2001	378,783
	2002	379,333
	2003	378,452
	2004	379,443
	2005	380,663
<i>Percentage of persons residing in specialised institutions</i>		
	2001	6.78
	2002	6.41
	2003	5.93
	2004	5.21
	2005	4.49
Persons aged +80 years		
<i>Home help</i>		
	2001	106,609
	2002	108,770
	2003	107,691
	2004	106,609
	2005	109,454
<i>Population</i>		
	2001	213,567
	2002	216,582
	2003	216,989
	2004	220,871
	2005	222,829
<i>Percentage of persons receiving home help</i>		
	2001	49.92
	2002	50.22
	2003	49.63
	2004	48.27
	2005	49.12

Source: Statistics Denmark.

Table 5.10

Employment and unemployment rates for persons of Danish origin, descendants and immigrants from Western countries, and immigrants from non-Western countries low, medium and high qualification levels. Age group 16 to 66 years. Years: 2002-2005

	Year	Total	Men	Women
Low qualification level – employment rate				
Persons of Danish origin, descendants and immigrants from Western countries				
	2002	61.7	68.1	55.8
	2003	60.6	66.5	55.0
	2004	58.6	64.2	53.3
	2005	58.2	63.8	52.7
Immigrants from non-Western countries				
	2002	43.4	51.0	36.2
	2003	44.0	51.6	37.5
	2004	42.5	49.4	35.9
	2005	43.1	50.1	36.3
Low qualification level – unemployment rate				
Persons of Danish origin, descendants and immigrants from Western countries				
	2002	5.5	4.8	6.2
	2003	5.7	5.1	6.4
	2004	7.0	6.3	7.8
	2005	6.6	5.8	7.4
Immigrants from non-Western countries				
	2002	12.7	11.6	14.0
	2003	13.1	12.0	14.4
	2004	17.1	15.5	19.3
	2005	17.1	15.3	19.4
Medium qualification level – employment rate				
Persons of Danish origin, descendants and immigrants from Western countries				
	2002	81.9	84.0	79.5
	2003	81.3	83.2	79.1
	2004	79.8	82.0	77.3
	2005	79.8	82.2	77.2
Immigrants from non-Western countries				
	2002	51.5	56.9	45.5
	2003	53.4	58.2	48.1
	2004	52.1	56.5	47.3
	2005	53.4	57.8	48.8
Medium qualification level – unemployment rate				
Persons of Danish origin, descendants and immigrants from Western countries				
	2002	3.3	3.7	3.0
	2003	3.6	3.5	3.8
	2004	4.6	4.3	4.9
	2005	4.0	3.7	4.5
Immigrants from non-Western countries				
	2002	11.2	10.8	11.5
	2003	11.6	11.9	11.2
	2004	14.6	14.7	14.4
	2005	14.1	13.7	14.4

Table 5.10 (continued)				
Employment and unemployment rates for persons of Danish origin, descendants and immigrants from Western countries, and immigrants from non-Western countries low, medium and high qualification levels. Age group 16 to 66 years. Years: 2002-2005				
	Year	Total	Men	Women
High qualification level – employment rate				
Persons of Danish origin, descendants and immigrants from Western countries				
	2002	88.4	89.6	87.4
	2003	87.5	88.4	86.7
	2004	86.1	87.2	85.1
	2005	86.2	87.4	85.1
Immigrants from non-Western countries				
	2002	55.2	57.6	51.8
	2003	56.2	57.9	53.8
	2004	55.3	56.8	53.3
	2005	56.8	57.7	55.6
High qualification level – unemployment rate				
Persons of Danish origin, descendants and immigrants from Western countries				
	2002	2.3	2.2	2.4
	2003	2.8	2.9	2.7
	2004	3.6	3.7	3.5
	2005	3.2	3.2	3.2
Immigrants from non-Western countries				
	2002	9.5	8.4	10.2
	2003	10.7	11.5	9.5
	2004	14.0	14.7	12.9
	2005	13.8	14.6	12.8

Source: Statistics Denmark.

Table 5.11	
The relative size of disadvantaged groups in the population, 2001	
	16 to 64-year-olds
Group of people with a disability or long-term illness	
(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

Table 5.12
People with a disability or long-term illness, second quarter 2002

	Have a self-evaluated reduced working capacity	Do NOT have a self-evaluated reduced working capacity	Entire group of persons with a disability or long-term illness	Do not have a disability or long-term illness
Principal employment status, per cent, all 16 to 64-year-olds				
Employed	47	81	58	85
Unemployed	7	3	5	4
Outside the labour force	44	12	34	6
In education/training	2	3	3	5
Total	100	99	100	100
Principal employment status, revaluated figures, all 16 to 64-year-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
Principal employment status, per cent, all 16 to 64-year-olds women				
Employed	43	77	53	81
Unemployed	6	3	5	4
Outside the labour force	48	14	38	8
In education/training	3	5	3	5
Total	100	99	99	98
Principal employment status, revaluated figures, all 16 to 64-year-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/training	7,099	4,795	11,894	70,145
Total	258,681	99,528	358,208	1,337,271
Principal employment status, per cent, all 16 to 64-year-old men				
Employed	51	85	64	88
Unemployed	7	3	5	3
Outside the labour force	40	10	28	5
In education/training	2	2	2	4
Total	100	100	99	100
Principal employment status, revaluated figures, all 16 to 64-year-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/training	3,398	2,524	5,922	57,551
Total	198,020	121,887	319,907	1,427,588

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

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

5.4. Active labour market policy– expenditure in the employment field

Table 5.13				
Expenditure in the employment field				
DKK million, current prices	2003 (account)	2004 (account)	2005 (account)	2006 (draft Budget)
Insured unemployed persons – financial support	27,472	28,239	25,273	25,130
- of which: activation allowances	3,061	2,708	2,815	3,418
- of which: wage subsidies to employers in the private sector	248	485	460	403
- of which: wage subsidies to employers in the public sector	1,827	2,153	1,487	1,977
- of which: subsidies to adult apprentices	110	99	106	132
- of which: unemployment benefits	22,225	22,793	20,405	19,200
Insured unemployed persons – operating costs in connection with activation measures	2,290	2,324	2,481	1,875
Social benefit recipients – support costs for persons in activation	13,321	13,868	13,683	13,478
Social benefit recipients – operating costs in connection with activation measures	1,660	1,816	1,825	1,795
Sickness benefits	10,765	11,117	11,241	11,161
Vocational rehabilitation, etc., financial support	4,156	3,891	3,528	3,545
Rehabilitation institutions, etc., operating costs	736	699	671	707
Flex jobs, wage subsidies	2,961	3,864	4,821	5,805
Jobs on special terms, wage subsidies	160	167	164	141
Unemployment allowances	752	1,260	1,655	2,153
Total	64,272	67,245	65,342	65,789
Notes: Expenditure on wage subsidies, transitional allowances payments, etc., maternity benefits and childcare leave are not included. The expenditure of the public employment service on staff and other operating costs amounted to DKK 906.3 million in 2005. It is not possible to make a separate estimate of the expenditure of local government authorities on staff and other operating costs in the employment field.. As regards operating costs for rehabilitation institutions, etc., the estimates for 2006 constitute these authorities budgeted costs for year 2006.				
Source: The Budgets for the financial years 2005 and 2006, the national accounts for 2003-2005, the accounts of the local government authorities for 2003-2005, the budgets of the local government authorities for 2006, estimates of local government requests for equalisation payments and own estimates (sickness benefit costs with zero per cent public reimbursement in 2006).				

Table 5.14
Adult vocational training, number of students each of the years, 2002-2006

	2002	2003	2004	2005	2006
Job training programmes with med participation fees	7,252	7,102	8,460	8,714	8,412
Education on a single-subject basis	3,925	2,087	814	593	769
Part-time educational programmes	610	399	460	712	440

Notes: Participation fees for a significant number of job retraining programmes (AMU) and vocational training, education on a single-subject basis (EUD) were introduced in 2002 in order to qualify the demand for education and led to an immediate fall in the number of students following courses of education on a single-subject basis (EUD). A number of groups and educations are exempted from participation fees.

Source: Danish Ministry of Education. For 2006, the figures are budgetary figures.

Miscellaneous Annexes

Annex 6. Use of the 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 where the 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 for the Objective 2 Programme (approximately DKK 1.055 billion) will be granted to selected peripheral regions - in the Bornholm region and in the counties of Funen, Northern Jutland, Ringkjøbing, Storstrøm, Southern 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 fields of action – the one targeting on framework conditions (development of the region in question) and the other targeting on the development of business and industry, *cf. table 6.1.*

- Financial support for *framework conditions* is given to public sector projects with a positive impact on the general development conditions in the region, for instance by improving the region's attractiveness as an industrial location, development of residential areas or as tourist and relaxation resorts. Initiatives may, for instance, take the form of development of infrastructures, cultural projects in the region or urban development projects. Financial support is also granted for counselling and development projects, e.g. in the form of feasibility studies and improved access to business services. The beneficiaries are local authorities, public institutions, semi-public organisations or others involved in semi-public projects.
- As far as *business funding* is concerned, financial support is to the development of existing enterprises and establishment of new ones. One example could be investment funding, e.g. subsidies for capital expenditure related to business start-ups or start of new production initiatives. Product development, counselling, 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.

In most regions, the Objective 2 Programme has achieved the objectives of the programme period as regards the promotion of employment, the number of participants in courses, the number of projects, etc. The analysis¹ of the Objective 2 Programme activities indicates that it has created or preserved approximately 5,000 jobs in the qualifying for financial support from the start of the Programme in 2000 to mid 2005. In addition, the activities that have already been implemented are expected to have further positive effects on employment rates in the years to come.

According to the project managers' own estimates a total of approximately 10,000 jobs are expected to be created as a result of the projects that have already been supported under this Programme. This figure is probably too optimistic; however, it is estimated that by the end of the programme period in 2006, total job creation effect of the Objective 2 Programme will have led to the creation or preservation of more than 5,000 jobs. The fact that it has not been possible to turn the development of Objective 2 Programme regions generally must be ascribed to the modest scope of the Programme in a major context.

The development in the transition regions, i.e. regions where the financial support from structural fund support is being phased out, is more positive than in the actual Objective 2 Programme regions. The population development in the transition regions is positive and the development in the number of employed persons residing in the individual regions is only slightly negative. These two observations indicate that the transition regions have become regions with a big number of commuters to regional economic centres, i.e. larger provincial towns.

Moreover, the general education levels of both the Objective 2 Programme regions and transition regions have experienced a positive development. The share of persons without any education has decreased by, respectively, just over 3.5 and nearly 4 percentage points from 1999 to 2005. Still, this development is not stronger than in the country as a whole, and even weaker than in several other regions.

The Community Initiative Urban (approximately DKK 40 million) is targeted on 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 – social, cultural and employment relationships between citizens and enterprises in this area.

¹ Update of the midway evaluation of the Objective 2 Programme, 2005. Danish Technological Institute.

Financial support is granted in the focus areas ‘competencies and jobs’, ‘mobilisation of social and organisational resources’ and ‘integration through cultural and leisure activities’. The beneficiaries are public authorities, semi-public institutions and other organisations. The programme is co-financed by local authorities.

Tabel 6.1				
Overview of funds allocated through the Regional Fund's Objective 2 Programme and Urban				
	Available 2000-2006	Available 2005	Consumption 2005 (2005 prices)	Available 2006
(DKK million, current prices)				
Objective 2 Programme, 2000-2006				
Development of the region	717.5	104.1	44.1	186.2
Enterprise development	294.8	42.4	39.5	44.7
In total	1,050.1	146.5	83.6	314.5
Urban. 2000-2006				
Competences and jobs	10.9	2	0.8	0.9
Improvement of social and organisational resources	7.2	0.8	1.9	0.1
Integration through culture and leisure	19.7	3.6	0.5	7
In total	37.8	6.4	3.2	8

Note: Excluding technical assistance.

The Community Initiative *Interreg III* (approximately DKK 250 million) is designed to stimulate cooperation across the internal and external borders of the European Union. This 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 development of SMEs, education/training, environmental protection and infrastructure are typically carried out by public authorities, semi-public authorities or socio-economic players. Private enterprises may participate in Interreg projects, but 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. This initiative comprises 13 programmes and Denmark participates in those centred on the North Sea and the Baltic Sea.

- Interreg III C provides funding for transregional cooperation with a view to enhancing the efficiency of regional development policies and instruments. This initiative supports the establishment of networks and exchange of experience at the European level.

The Social Fund

The European Social Fund has been set up for the purpose of reducing social differences in Europe. 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 of all social programmes in Denmark (approximately DKK 2.9 billion from 2000 to 2009). Support may be granted to projects focusing on bringing down unemployment, promoting the integration of exposed groups on the labour market, on further education and skill development of employees as well as projects uncovering future needs for qualifications and competences on the labour market, *cf. table 6.2*.

Approximately 80 per cent of all grants under Objective 3 are given to projects focusing on individuals; the remaining 20 per cent are given to projects focusing on measures for the development of systems and structures.

The overall evaluation of the measures focused on individuals, as compared to the objectives that were laid down at the start of the programme, is that this initiative fulfils the objective regarding innovation, i.e. contributes to the given policy area with something new. The projects are generally innovative and the results live up to the expectation or even better than expected. The general experience is also that their mainstreaming effect are working, i.e. that the project ideas and experiences are taken up by other people – especially by other practitioners. However, the results of the Objective 3 Programme are more obscure when looking more specifically at the impact of the Programme in the form of the impact on the surrounding community, for example as regards the focus on gender equality, social inclusion in relation to seniors and promotion of equal opportunities for women. As the Objective 3 Programme has an extremely limited financial weight in relation to the ordinary expenditure on employment and education activities, the general impact of the Programme is not measurable². Moreover, there is not so much focus on projects targeted on individuals.

² The annual budget of the Objective 3 Programme corresponds to approximately 1.3 per cent of the total annual active payments.

The impact generated by the projects focusing on individuals concerns first and foremost the competency development and further qualification of the project participants, thereby ensuring improved conditions for participants to gain access to employment or maintain a connection to the labour market. On the other hand, it is more difficult to ascertain a definite impact on employment. However, it should be noted that the presumably comparatively modest impacts on employment are connected to the fact that the Objective 3 projects are experimenting with new types of undertakings and developments.

Projects focusing on measures for the development of systems and structures also fulfil the objective concerning innovation, experimenting to a greater extent with the involvement of external partners and the internal roles of managers and employees; this illustrates the difference between measures focusing on individuals and measures focusing on systems. Mainstreaming initiatives are even more integrated in such measures; this is, of course, a precondition if the system-oriented projects are to have an impact on surrounding systems. The success of the mainstreaming initiatives is primarily horizontal in relation to practitioners and administrative managers and only to a limited extent vertical in relation to the political level. For this reason, a significant impact on the ordinary system by projects focusing on measures for the development of systems has not yet been established.

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

	Available in 2000-2006	Available in 2005	Consumption 2005 (2005 prices)	Available in 2006
(DKK million, 1999 prices)				
Objective 3, 2000-2006				
Active labour market policy	722.5	43.6	55.6	0.0
Labour-market integration	816.7	180.5	131.8	192.1
- <i>New longer programmes. inclusion</i>	761.9	172.8		184.2
- <i>Special integration initiatives</i>	54.8	7.7		7.9
Competency development	1,048.2	147.2	160.3	176.9
- <i>Prevention, policy and effect</i>	104.8	7.1		
- <i>Skills and flexibility</i>	733.7	122.9		
- <i>Improved education and vocational guidance</i>	209.7	17.1		
Entrepreneurship and innovation culture	261.6	532	36.6	63.9
In total	2,849.0	424.5	384.3	432.9
Objective 2, 2000-2006				
Competency development	401.4	59.3	49.5	59.3
Total	401.4	59.3	49.5	59.3

Notes: Excluding technical assistance.

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

The Objective 2 initiative makes it possible to take a broad range of initiatives. The Social Fund initiative can offer people who live and work in Objective 2 regions with new possibilities for development and competencies, while the Regional Fund can support development of enterprises, roads, plants, organisation and production methods. It is possible to apply for financial support for projects with a Social Fund element as well as a Regional Fund element.

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
- Development of strategic infrastructures
- Quality optimisation

Projects under Objective 2, which have focused on competency development, have involved comparatively large numbers of people: almost 11,000 people by mid-2005. This shows that the Programme has amply reached its objectives in this area. The Programme has also amply reached its objectives as regards the number of enterprises that have participated in competency development projects. In addition, it is estimated that the projects carried out under the Objective 2 Programme area have contributed to the creation of new educational offers in the regions as well as a reinforcement between educational institutions in the regions. 69 per cent of the competency development projects have involved method development and the development of new offers and forms of competency development.

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 to both job seekers and to people in employment.

The programme has four themes:

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

Structural Funds 2007-2013

The Structural Fund undertaking should in the future underpin the Lisbon objectives regarding growth and employment. The EU structural policy in the period 2007-2013 focuses on three objectives:

- The convergence objective (Objective 1), which includes financial support to the poorest regions in Denmark. Denmark will not receive funds under Objective 1.
- The objective regarding competitiveness and employment (Objective 2). The whole country is covered by this objective.
- Cross-border cooperation (Objective 3). Denmark is involved in several programmes, also in cooperation with Sweden, Germany, the countries in the North Sea and the Baltic Seas regions.

In the period of 2007-2013 of the Structural Funds, Denmark will have the opportunity to use DKK 511 million annually (2007-prices) for initiatives under the new Objective 2 “Regional competitiveness and employment”. In addition, Denmark will be allocated DKK 104 million annually for the new Objective 3 “Territorial cooperation”. Peripheral regions should have at least the same share of financial support from the Structural Funds as before. The general framework for the Structural Fund initiative in Denmark is determined in the Act regarding the promotion of trade and industry.

On the basis of the Lisbon Strategy, the national reform programme and the Globalisation Strategy of the Government it has been decided to focus initiatives under the Objective 2 regarding *regional competitiveness and employment* on two overall areas to obtain the greatest possible effects of the Structural Fund means allocated to Denmark under this Objective.

The Social Fund initiative is focused on generating “More and better jobs” with the aim of contributing to ensuring that Danish enterprises will have a sufficient and well-qualified supply of labour through the development of human resources. The Regional Fund initiative is focused on generating “Innovation and knowledge” in order to contribute to securing Danish enterprises good conditions for entrepreneurship, innovation and the use of new technology.

The coincidence of the Danish Reform Programme and the new Structural Fund period is creating a special opportunity to generate a higher degree of coherence between the EU financed, national, regional and local industrial policy initiatives, both as regards the content and also geographically/administratively.

The regional growth fora that have been set up in all regions except in Bornholm must thus prepare regional industrial development strategies, which will constitute the framework of the regional growth fora’s prioritisation of the Structural Funds. 90 per cent of the funds under Objective 2 are distributed indicatively to the regional growth fora.

Denmark's Growth Council should ensure the interaction between the industrial policy initiatives on various levels. As part of this, the regional growth fora should submit regional business development strategies to the Danish Growth Council with a view to obtaining their opinion. In addition, 10 per cent of the Structural Fund means under the objective of regional competitiveness and employment will be allocated for a number of themes selected each year by the Danish Growth Council.

Cross-border cooperation in the 2007-2013 period of the Structural Funds is further prioritised for an independent Objective 3. Cross-border cooperation is a central and integrated part of the areas’ strategy for growth and business development, especially for the Sound, the Femern Belt region and the Southern Jutland-Schleswig regions. Cross-border cooperation contributes, among other things, to the creation of a joint

regional labour market across borders for the benefit of the regions' enterprises and for the strengthening of cooperation in the areas of education, environment, culture and the business sector.

The number of cross-border cooperation is determined together with our neighbouring countries. The Government expects that Denmark will join a Danish-Swedish-Norwegian programme involving the Copenhagen region, the Zealand region, the central Jutland region, the Northern Jutland region and two Danish-German programmes that cover the Zealand region and the southern parts of Denmark as well as a South Baltic programme covering Bornholm. In addition, the Government expects Denmark to participate in two transnational programmes, one for countries surrounding the North Sea and another for the Baltic States. The funds are to be prioritised and administered by cross-national committees.

Annex 7. Contributions from the social partners and interested parties

7.1 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 have agreed upon better conditions for families with children in a number of areas. For a more detailed description of this agreement, reference is made to the 2005 version of the Danish National Reform Programme.

Common guide on rules on maternity leave

In the light of the OK05 agreements concerning improved conditions for families with children, the partners have published a common guide on the rules on maternity leave in March 2006. This guide has been prepared as a help concerning the use of the maternity leave schemes. The guide also deals with decisions regarding equal treatment, unemployment benefit rules and other relevant rules, for example the rules concerning holiday. The partners have with this guide wished to give an overview of the rules in force in this field as well as answers to the many different and detailed questions raised in connection with these rules with concrete examples, among other things.

The inclusive labour market (guideline 19)

In connection with the OK05 agreements, the social partners agreed to ensure an improved integration of persons with a non-Danish ethnical background in the state sector. For a more detailed description of the agreement reference is made to the 2005 version of the Danish National Reform Programme.

Special integration and training positions

On 1 February 2006, integration and training jobs in the state sector were introduced in cooperation between number of ministries with advertisements of more than 50 jobs with different job contents on the website www.job-i-staten.dk and a number of newspapers. In addition, the partners prepared guidelines, which were also introduced on 1 February. Since then, more than 60 different jobs have been advertised covering a broad range of functions, including services, academic and office sectors. Approximately 30 of these vacancies had been filled by the middle of May 2006.

25 per cent more trainee jobs

In connection with the OK05 agreements, the social partners agreed to work for the increase of the number of trainees in the state sector by 25 per cent by the end of 2007. This would contribute to the objective of enabling more young people to have

a youth education, and at the same time it would help to ensure the supply of qualified employees in the future.

The employment of more trainees in general is also expected to include more trainees with a non-Danish ethnical background. This will contribute positively to the integration and to the realisation of the objective concerning the hiring of more employees in the state with a non-Danish ethnic background. Traineeships thus constitute a good basis for the entry into the state sector for ethnic minorities. The share of trainees with a non-Danish ethnic background has risen from 9.2 per cent to 9.8 per cent of the total amount of trainees from the end of the first quarter of 2005 to the end of the first quarter of 2006.

The establishment of a quota system for determining how many trainees the individual ministries are bound to train has been considered. The social partners have set up a working group to plan follow-up initiatives in this area.

Promotion of flexibility combined with job security and combating the labour market segregation (guideline 21)

At the OK05 agreement, the social partners agreed, among other things, upon the simplification of the structure of the collective agreement system, a simplification of working time, modernisation of the cooperation agreement, increased efforts for a better work environment, a reinforced effort concerning experienced employees, as well as a more flexible rules concerning a lower retirement age for civil servants. For a more detailed description of the agreement, reference is made the 2005 version of the Danish National Reform Programme.

Simplification of the structure of the collective bargaining system

With a view to simplifying the collective bargaining structure, the parties have merged contracts and agreements in connection with the most recent bargaining rounds and have thus reduced the numbers of agreements. In addition, the social partners have changed and simplified the systematism of contracts and agreements one of the purposes has been to avoid reiteration of provisions already included in other agreements or Acts.

New working time agreement

On 25 March 2006, the social partners concluded a new working time agreement. The agreement covers civil servants as well as a number of other occupational sectors. The agreement is a framework agreement and opens up for the conclusion of local agreements on a much bigger scale. In addition, the agreement has been simplified in terms of terminology and the content of the individual provisions.

The working environment – joint efforts against work-related stress

In relation to the increased efforts to ensure a better work environment, the social partners have implemented the EU Agreement on work-related stress in the cooperation agreement. In continuation of this, the partners have held a number of in-

formation meetings for members of the cooperation committee regarding this new task.

Moreover, common guidelines have been prepared for the cooperation committees, describing how they can formulate guidelines for the workplaces' general initiatives to identify, prevent and handle work-related stress. The guidelines are expected to be published in the summer of 2006.

Schemes and agreements for senior and experienced employees in the state sector

It has already been possible for several years to agree on local schemes for senior employees working in the state sector – especially regarding working hours, retirement and pension. Schemes agreed upon in the state collective agreement in 2005 are described in the following.

Retirement schemes: Opportunities for retirement schemes aiming for financial compensation have been agreed upon. There will typically be a bonus in the form of additional pension years/additional pension fund contributions, severance pay or a combination of both.

Schemes to retain senior employees on the labour market: The schemes aim at postponing the retirement of senior employees from the labour market. It could be a matter of transferral to new work functions with less responsibility from the age 55 year, but with wage or pension compensation corresponding to the earlier wage level. It will also be possible to work part-time from the age of 60 years with up to a full pension scheme. Another possibility could be that employees over the age of 62 years may be given 12 additional holidays per year.

Development of coach competencies: Courses for experienced employees have been carried out for the development of their coaching competencies. The objective is to subsequently enable employees to support and function as sparring partners for colleagues. Courses have been carried out during the period 2005-2006.

Career clarification for experienced employees: The social partners have developed an offer of special career clarification courses for experienced employees over 50 years of age. The career clarification process may take the form of as a series of individual or a combination of individual and group-based counselling courses with an external adviser. The aim is partly to create better conditions for experienced employees to stay longer on the labour market, and partly to focus on competences and a developing working life. The courses may be held in a flexible manner taking into account the wishes and needs of the institutions and individual employees involved. Presently, career clarification is planned for approximately 170 employees. The scheme will be evaluated by the end of 2006.

A common feature for all above-mentioned projects is that they will be continued as permanent activities if the projects turn out to be successful.

Local government reform – job exchange bourse: In connection with the local government reform, a number of tasks and employees will be transferred between the various parts of the public sector in Denmark. In order to assist employees that are to be transferred to the state sector in the wake of the reform, the State Employer's Authority has set up a special internet-based job exchange bourse enabling employees to trade the jobs offered to them in the state sector, though only if the employers agree to it and only until 1 January 2007.

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

In connection with the OK05 agreements, the social partners agreed to continue the key initiative in the area of competency development, including and focusing especially on general qualifications and on education and competency development of people with low skill levels.

Special initiatives for people with low skill levels

The main initiatives include a project focusing on "Individual competency clarification and learning". This project aims at creating a motivated use of the educational system for people with low skill levels. This will take place through an offer of new entries to the education/training system and by facilitating binding cooperation agreements with schools that wish to work with state employees. Entry opportunities should be created through cooperation between schools and workplaces focusing on competency clarification and learning. Employees will attend a competency clarification course – consisting of an analysis and description of the qualifications of individual employees and their needs for further qualifications. A training course will subsequently be planned and carried out based on the needs of the individual employees. This will take place in cooperation with the workplaces. It will be possible to choose from many different types of training courses, aiming at the upgrading of professional, organisational and/or personal competences, or basic skills, such as reading, writing, languages and IT.

7.2 Contributions from municipal and regional social partners

General employment policy (guideline 17)

Since Denmark's National Reform Programme 2006 is to be presented as an update of the Reform Programme of 2005, the municipal and regional social partners have chosen to update their contribution of 2005. In order to be able to follow the development of the different points, the numbers of the guidelines have been maintained.

Since the social partners in the county and municipal sectors submitted their contribution to the Reform Programme of 2005 before the final draft of the Programme

was completed, it is necessary to include some remarks concerning the final version of the Danish National Reform Programme of 2005.

The partners believe it to be important for Denmark to be ambitious in the formulation of the National Reform Programme. It is therefore necessary to list concrete goals for the individual initiatives starting from the actual practical conditions on the labour market. This helps to sharpen the objectives as well as the possibilities of fulfilling the objectives and following up on them.

However, according to the social partners, the objectives of the Danish Reform Programme of 2005 are not related to the actual conditions on the labour market to a sufficient extent. The social partners find this regrettable as the Programme thereby loses its practical utility.

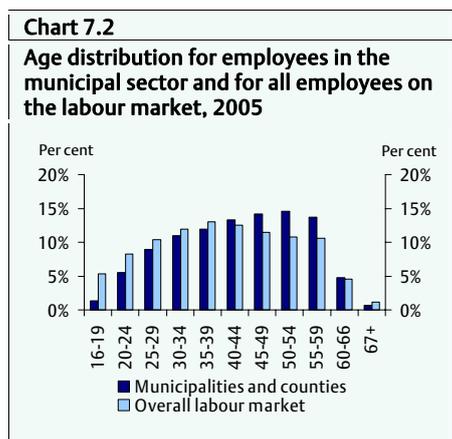
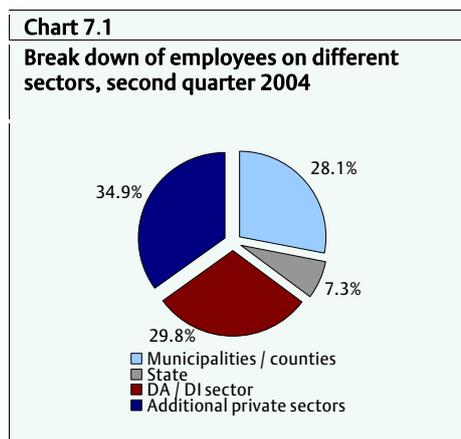
Still, as described below, the partners in the county and municipal sectors have concluded several agreements and undertaken a number of initiatives, which support the local efforts regarding the concrete challenges that confront the individual municipality and county/region.

Correspondingly, the collective bargaining rounds were completed in the spring of 2005 on the basis of a “reverse” negotiation process in comparison to earlier processes, which for example involved an increased consideration of concrete differences between various collective bargaining groups on the municipal and county labour market.

The social partners wish to point out the following as regards the reverse model:

- The relatively long process of preparing the reverse bargaining model helped create a broad basis for understanding and clarification of OK2005.
- The timetable agreed upon between the social partners helped to shape and clarify the reverse bargaining model.
- The bargaining process helped create a dynamic in both the negotiations regarding the general area and the in negotiations at the level of the individual organisations.
- The results achieved in connection with the OK2005 agreements reflect a constructive balance between the bargaining themes in connection with the general negotiations and the negotiations at the level of the individual organisations.

As illustrated by the following *chart 7.1*, the municipal and county labour market constitutes a significant share of the overall labour market in Denmark, and the partners are aware of their joint responsibility to ensure a well-functioning labour market.



Source: Statistics Denmark and the Ministry of Employment.

As an example of the different challenges in the various parts of the labour market, one could mention the differences in the age distribution. As will appear from *chart 7.2* above, the age distribution for municipal and county employees is characterised by the relatively bigger number of senior employees in this sector compared with the age distribution for the entire labour market in Denmark.

Below a number of the initiatives taken by the social partners to meet the concrete challenges on the municipal and county labour markets are described below.

In relation to equal opportunities for men and women a challenge is to increase the share of women and men in top executive positions. Approximately three out of four municipal and county employees are women, but as will appear from *table 7.1* below, the share of women in top executive positions is presently relatively low.

Table 7.1
Share of women and men in top executive positions

Group of employees	Percentage of women	Percentage of men	Percentage of women	Percentage of men
	year 2000	year 2000	year 2005	year 2005
Managers in the county administrations	18.4	81.6	27.9	72.1
Managers in the municipal administrations	20.0	80.0	27.3	72.7
Total distribution of employees in the sector	76.0	24.0	76.6	23.4

Source: The Joint Municipal Pay Data Department, special run.

As shown in the table, there has been an increase in the relative share of female top executives during the period of 2000–2005. There has thus been a positive development in equal opportunities for men and women. It is, however, still uncertain how the coming local government reform will affect gender equality among top executives in municipalities and future regions.

Longer time on the labour market

The average retirement age in Denmark in 2004 has been estimated to be 62.3 years, cf. the report of The Danish National Institute of Social Research entitled “A longer working life, Copenhagen 2005”. This means that Denmark has the second highest average retirement age in the European Union, only surpassed by Sweden. In municipalities and regions, senior agreements between employers and employees contribute to the top ranking of Denmark in an international context.

Modern social protection, for example labour market pension

Labour market pensions have existed for a number of years in the municipal and county sectors and have been developed on a current basis in connection with the renewal of collective agreements. *Table 7.2* below shows the average pension fund contributions compared with average wages (excluding overtime) for employees appointed on a group contract basis in total, for men and for women. As shown in the table, pension fund contributions have been increasing during the period 2000 to 2005 and now amount to 11 per cent of the total wages in 2005.

In connection with the OK2005 agreements, the social partners agreed to develop the mini pension fund scheme (that covers employees who do not fulfil the waiting period conditions in the ordinary pension fund scheme). The consequences of the agreement are that the pension percentage for the mini pension fund scheme is raised to the individual collective bargaining group’s fully developed pension percentage as per 1 April 2006. The pension contribution of approximately 21,400 full-time employees is thereby raised, corresponding to 4.5 per cent of all employees going from 7.69 per cent to at least 12.5 per cent (of the that part of the wage that gives right to pension entitlement). As shown in *table 7.2*, the average monthly pay for men is higher than for women, making pension fund contributions higher for men mainly due to differences between the wages of various collective bargaining groups. Besides the fact that the increase in the mini pension fund affects more women than men, the partners have agreed that pension fund contributions should be maintained during the unpaid part of the maternity leave period, with special consideration for gender equality in pension schemes.

Table 7.2
Total pay and pension fund contribution for employees appointed on a group contract basis, women and men

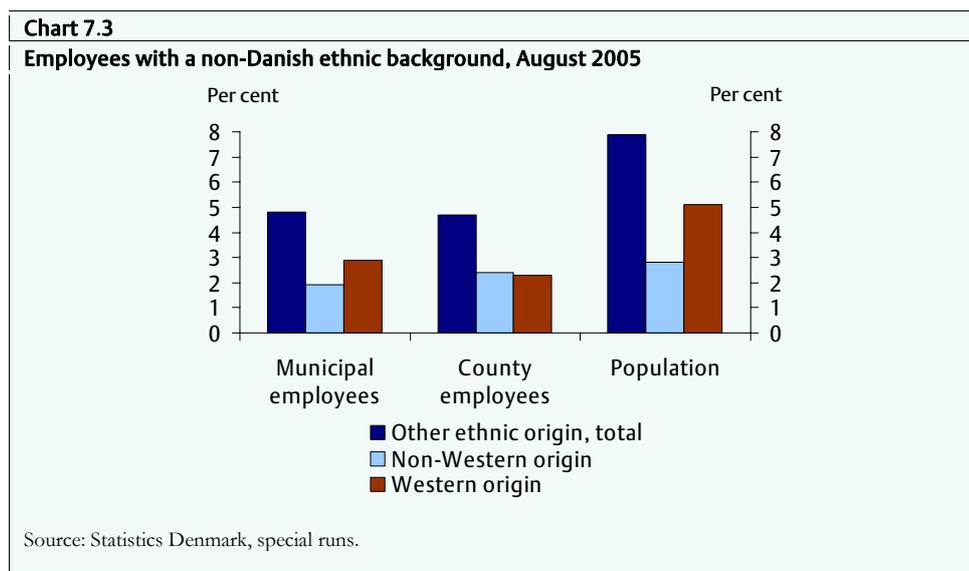
	February	Average pay	Average pension fund contribution	Pension in percentage of average pay
Monthly pay				
2005	All	26,500	3,000	11
	Women	25,800	2,900	11
	Men	29,200	3,300	11
2000	All	21,400	2,100	10
	Women	20,800	2,000	10
	Men	23,700	2,300	10

Source: The Joint Municipal Pay Data Department. LOPAKS.

The inclusive labour market (guideline 19)

On 10 February 2006, Local Government Denmark (LGDK)/Danish Regions and the Association of Local Government Employees' Organisations (KTO) concluded the negotiations regarding an agreement on integration and training jobs. This agreement follows up on the agreement regarding integration initiatives concluded between the social partners and the Government in 2002.

Chart 7.3 below shows the number of inhabitants and employees in municipalities and counties broken down on origin, August 2005.



The objective is that the share of citizens with a non-Danish ethnic background employed in municipalities reflects the composition of the population as a whole. As illustrated by the chart, this objective is still far from being reached.

The ambition of the social partners is to enable groups of people lacking language skills and/or professional competences to gain access to employment in individual workplaces. Contrary to employment with a wage subsidy, where the scheme primarily aims at giving individuals further qualifications for the labour market in general, the integration and training jobs are primarily aiming at offering unemployed individuals further qualifications in order for them to find a job on the ordinary labour market. An individual covered by the agreement will be employed in an ordinary job, where qualification and training courses will take place for up to a year. The individual in question will therefore not have the required qualifications to hold a position under regular conditions, but will be assumed to possess those qualifications after a period of one year of employment and training. On expiry of the training period, the employee will be employed on ordinary pay and working conditions.

The following elements of the agreement are stressed:

- The integration and training jobs should be seen as a supplement to the existing possibilities in the employment Act (employment with a wage subsidy, traineeships in enterprises, etc.).
- A person covered by this agreement may be employed in an ordinary job, i.e. there is no requirement of additional employment connected to the position.
- No wage subsidy will be paid for the training part in connection with the employment relationship.
- The top-level joint bodies for co-influence and co-determination discuss and lay down general guidelines, frameworks and principles for the training courses.
- An agreement concerning the establishment of integration and training jobs, including the specific employment relationship, will be concluded between the municipality/region and (local) representatives of the organisation entitled to negotiate.
- The working will be 37 hours per week. Part-time work may be offered with a minimum of 30 hours per week.
- Qualification and training courses must constitute a minimum of 20 per cent of the working hours on average. Part-time employment should include a minimum of 6 hours of training, out of the weekly working hours.
- A development plan describing the work functions, areas of work and assignments during the training courses must be in connection with the establishment of the employment relationship.
- The person employed will be paid a starting wage in accordance with collective agreements for 80 per cent of the agreed weekly working hours. The start-

ing wage will include any centrally agreed bonuses and wage supplements etc. in accordance with local agreements.

- The provisions laid down in the relevant collective agreement or sector agreement will apply for the employment period if it has not been agreed to deviate from these provisions.
- The agreement has come into force on 1 April 2006.

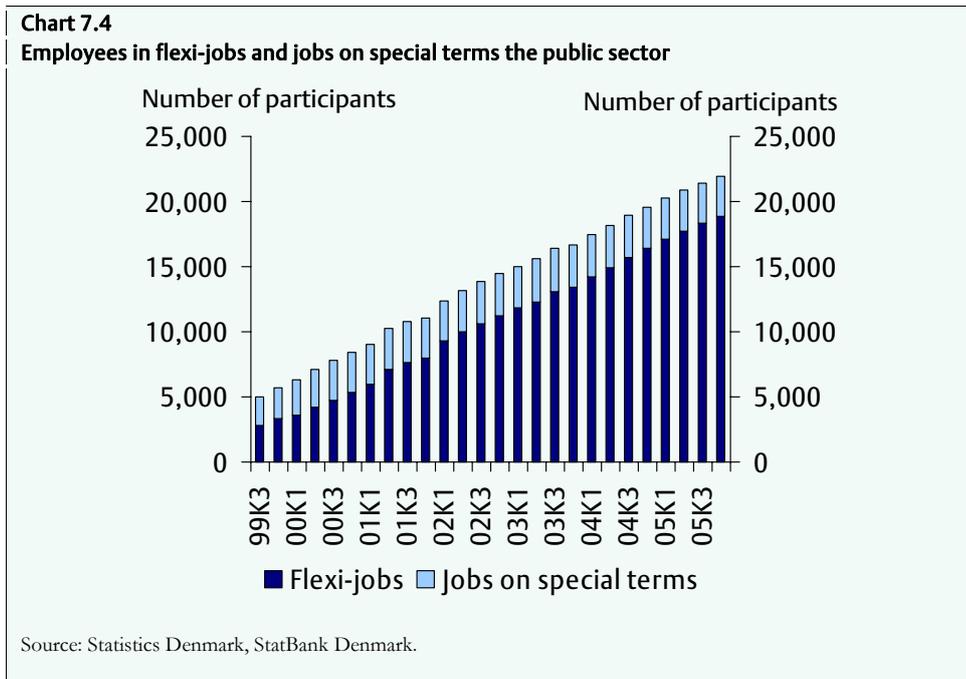
In connection with the agreement the social partners agreed upon two entries. According to the first entry, the partners will prepare a common guide to the agreement. The social partners will also initiate staff policy projects as agreed promote integration. The agreement will be evaluated after the three years.

A second entry introduces the possibility for individual organisations to request the municipality/county/region to participate in a discussion, in case an organisation finds that there is a disproportionate distribution of employees with and without wage subsidies, and trainees covered by Chapters 11 and 12 of the Act on active employment initiatives.

The partners estimate that the agreement concerning integration and training jobs has created an important operational instrument that may help to ensure a lasting labour market attachment for groups lacking language skills and/or professional competences that have experienced problems in gaining a foothold on the Danish labour market.

Preventive labour market measures for weak groups

Chart 7.4 below shows the development in the number of employees in flex jobs and jobs on special terms since 1999 in the public sector. As illustrated, there has been a comfortable increase in jobs with special consideration to the employees' particular needs.



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

Positive handling of restructuring

The implementation of the structural reform in the public sector will mean that many administrative tasks will be transferred from one administration level to another. The number of municipalities will be reduced from 271 to 98. The existing 14 counties will be replaced by five new regions. The reform will come into force on 1 January 2007 and many employees will change employers. In this connection, a number of agreements have been concluded between the public employers and the employee organisations.

The negotiations have been carried out in several stages. The following examples can be mentioned:

- Wage guarantee agreement and joint declaration on job security (concluded in connection with the renewal of the collective agreements on 1 April 2005).
- Agreement on pay and working conditions in connection with transfers of employees in the counties, the Greater Copenhagen Authority (HUR) and the Metropolitan Hospital Services (H:S) (concluded in May 2005). The agreement contains a number of principles for such transfers. For this reason there are ongoing negotiations regarding the conclusion of agreements with the organisations entitled to negotiate as concerns specific pay and working conditions,

for example educationists, teachers and health care personnel in county social institutions to be transferred to the municipalities.

- Agreement concerning cooperation and cooperation committees in the new joint jobcentres, with both state and municipal employees (draft agreement awaits approval procedure).
- On-going negotiations concerning transfer conditions for employees in the state transferred to jobs in municipalities in connection with the establishment of 14 pilot job centres in the employment field.
- Agreement on transfer conditions for staff employed by the merger committee and preparation committee (transfers before 1 January – concluded in March 2006).

Improvements in the quality of work, including security and health

In 2005, the social partners concluded an agreement concerning initiatives in relation to work-related stress. In continuation of this agreement, the social partners at the regional have taken a number of initiatives during the past year. In December 2005, the conference “Stress on the agenda in municipalities and counties” took place with the Forum on Personnel Policy as organiser. 1,000 representatives from counties and municipalities participated. The first in a series of five magazines focusing on the subject of stress was released just before the conference. The first five issues will provide an overall insight into what work-related stress is, how it can be prevented and what has already been accomplished in municipalities and counties in this regard. The last issue contains a summary of the tools and methods that are mentioned in the first five magazines. A “relay race” was also launched on the subject of stress and structural reform. This took place at the first conference in the beginning of February 2006. Six municipalities and two regions/counties had been chosen in advance to undertake a development and relay race initiative. Two sequences will run until November 2006, after which time four other “baton holders” will take over. Continued networking and experience exchanges will take place across the projects as well as between municipal and county employees in need of further inspiration to work with similar subjects.

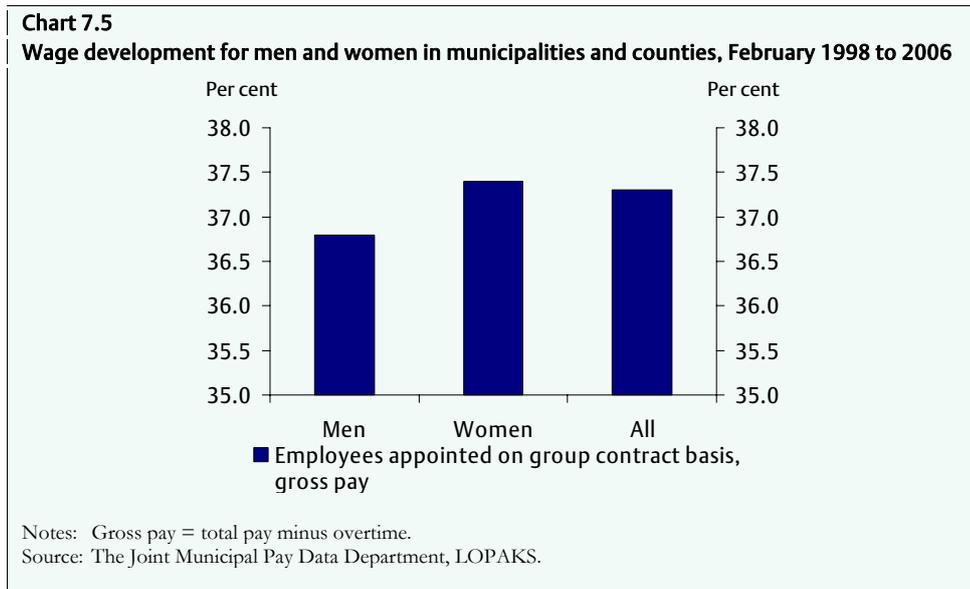
Ensuring an employment-friendly wage development (guideline 22)

Equal pay

In relation to equal pay between men and women, the partners have concluded an agreement concerning the statistical basis for local wage bargaining that will ensure that the local partners are aware of gender aspects in connection with the local determination of wages.

Chart 7.5 below shows the development in the wages of employees appointed on a group contract basis, as well as for men and women individually, from February 1998 to February 2006, which is the timeframe during which local determination of wages was introduced. As illustrated by the chart, there is a balance between the develop-

ment in the wages of men and women. The Joint Municipal Pay Data Department prepares annual detailed equal pay statistics for employees in municipalities and counties.



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

Flexible learning processes and access to education

The Forum on Personnel Policy held the Personnel Policy Fair on 31 August 2006 in Bella Center in Copenhagen. The title of the fair was “Towards the workplace of the future”. Approximately 5,000 people participated. The fair focused especially on how municipal and regional changes may be handled in the best possible way today and in the future. This took place through workshops, presentations of tools, lectures, debates and cultural activities. Five staff policy themes had been selected as headlines for the activities: new forms of organisation and work, the working environment, diversity, management and development of competences.

7.3 Contribution from the social partners in the private sector

At present, the social partners on the private labour market (the Organisation of Managerial and Executive Staff in Denmark (LH), the Danish Confederation of Employers' Associations in Agriculture (SALA), The Danish Confederation of Trade Unions (LO) and the Confederation of Danish Employers (DA)) have taken stock of the following initiatives started in the programme period and draw attention to the fact that the reform period started in the middle of a collective bargaining period in the sectors covered by agreements between DA/LO.

Organisation of the employment policy

The new organisation of the employment initiatives for 2007 is being established. Towards the end of June 2006, the social partners were asked to appoint local representatives for 80 of the total number of 91 new local employment councils. On the regional level, the regional employment councils have been appointed in the middle of June 2006. DA and LO have assumed the function of chairmen of the regional employment councils.

Flexibility combined with job security

It is with great enthusiasm that the Danish social partners have spent a lot of energy on receiving delegations and participating in conferences, etc, in order to describe how the Danish labour market is organised according to the so-called “flexicurity model”. Together with the positive results of the Danish economy, these activities have led to the inclusion in the EU agenda of deliberations concerning a possible reform based on a flexicurity model, also through the decision to let the Commission develop a set of common principles for the implementation of flexicurity, together with the EU Member States and social partners on the European level.

The DA member organisations and LO union have jointly taken the first steps towards the establishment of contacts with foreign cooperation partners with a view to laying the basis for making it easier for foreign workers to work in Denmark. For example, employment contracts have been drawn up in Polish, German and English, and initiatives have been carried out in order to determine whether there are aspects of the situations of foreign workers that are of importance for pay and working for foreign workers.

Integration of refugees and immigrants on the labour market

An evaluation of the 3-year project entitled “Integration Aimed at Enterprises” is now available. The project in question is a common project carried out between KL, DA, LO 13 municipalities and local enterprises. The project was implemented from 1 May 2003 to 10 May 2006. The unemployed foreigners who participated in the project all had a long distance from the labour market at the start of the project (match groups 3 or 4). The assessment is based on the course of integration of 320 unemployed foreigners. They have all been given offers according to the so-called step-ladder model, where the different tools of the employment measure are combined step by step qualify the unemployed persons in line with the individual’s competency development and better chances of entering the labour market. One of the advantages of the project was that both the municipality and individual enterprises acquired new knowledge. The final assessment shows that 50 per cent of the participants surveyed are now in regular employment or education. It is possible to draw the conclusion from this experience that this model is useful in enabling unemployed foreigners to gain access to employment. The main conclusion is that it is possible and very rewarding to establish cooperation regarding the integration initiative – both between the three partners, between municipalities and local enterprises, and among the municipalities themselves. Many of the unemployed foreigners still have a

long distance to the labour market, but it is possible to help them gain a foothold on the labour market through long-term and individualised measures.

The key to success consists of individual enterprise-targeted integration endeavours, coupled with close support and follow-up measures. Mentor schemes are a very good tool to support integration in enterprises. Job consultants in the project must actively seek opportunities in new enterprises, and especially be at the disposal of those citizens and enterprises that are involved in integration initiatives.

LO and DA have recommended the Government to implement some of the methods and tools developed in the project in the continued employment effort. For a more detailed description of the project, reference is made to the partners' contribution in NAP 2004.

A project focusing on the integration of refugees and immigrants in the SALA and LO area has been completed in October 2006. The results from the project entitled "Diversity at the workplace" are that a positive development has been started in relation to changing management and employee opinion regarding the integration of new Danes on the labour market. Personnel policies have been developed and implemented concerning recruitment and employment, values, workplace culture, work organisation and retention of employees.

Comprehensive working environment measures

The new national action plan for the overall work environment effort in Denmark until the end of 2010 prioritises four areas: industrial accidents, the psychological work environment, muscular and skeleton diseases and noise. The action plan includes sickness absence, loss of working abilities and withdrawal from the labour market. Concrete reduction targets have been fixed to be achieved by 2010 and will be regularly assessed – the first time probably in 2007.

Development of competences

An element in the tripartite discussions between the government and the social partners regarding the adult vocational training initiative that was completed in February 2006 was to determine the extent of employees' participation in adult vocational training. The result was that it can be established that more than 60 per cent of employees and unemployed persons in 2004 participated in an adult vocational training activity. Approximately 54,000 students participated in a public course, 43,600 participated in private courses, and approximately 31,400 to 41,300 participated in in-company courses. The total costs for the public sector is approximately DKK 5 billion, of which employers (public and private) contribute with approximately DKK 1 billion to finance compensation for loss of earnings and with DKK 0.7 billion, which are primarily contributed by employers as participation fees.

A questionnaire survey has uncovered an estimate in the order of DKK 10 billion, representing the total consumption of enterprises in the area of adult vocational

training. Among the workplaces that make use of adult vocational training courses, the average costs represent approximately 2 per cent of the wage bill.

Many managers are interested in attending adult vocational training courses. From 2004 to 2005, the number of persons attending the Basic Management Training Programme, the Management Graduate Programme and the Management Diploma Programme increased by between 50 and 100 per cent. These are educational programmes that have been developed in cooperation with the Danish Ministry of Education.

7.4 Contributions from the Danish National Employment Council

The Danish National Employment Council supports the overall objectives of the Lisbon Strategy in the area of employment. More and better workplaces must be generated for all through continued efforts to promote production and improve competitiveness in Denmark. For this reason, the Danish employment policy should focus on Denmark in general and include groups that are need of special efforts. The Employment Council therefore recommends that a decision is taken in relation to Chapter 5 of the Reform Programme in accordance with the mainstreaming principle as to how initiatives directed towards the ordinary labour market may also be targeted people with reduced working Capacity.

The Employment Council also wishes to stress that the Council finds it of great value to make it possible for contributions from the social partners to be integrated into the Reform Programme and that contributions are included in their entirety in the form of annexes.

The Employment Council notes that the Government approves the so-called “flexicurity model” on the Danish labour market, and that the Government will contribute to maintaining the balance in the model by clarifying in the progress report that the social partners contribute with collective agreements to flexible rules on hiring and firing.

Chapter 5 stresses that the Government platform focuses on special fields which may contribute to increasing the supply of labour and that the initiatives introduced by the Government in this regards have been prioritised. The Employment Council wishes to propose that a section be added in Chapter 5 concerning concrete initiatives introduced to strengthen employment measures and reduce emerging bottleneck problems on the labour market. Labour shortage is the main challenge. In this regard, the Employment Council finds it important to reinforce career clarification programs and focus on how disabled persons can gain access to and be stay on the labour market.

As early as in 2005, the Employment Council recommended that the initiative to cope with the bottleneck problem should be focused upon at the contract negotiations with the regions in 2006. In connection with the fixing of central objectives and

result requirements for 2006, one of the five result requirements focused directly on the bottleneck initiative.

The purpose of the result requirement was to increase the supply of labour in the individual employment service regions in sectors with bottlenecks, also in neighbouring regions.

Also the half-yearly follow-up on the result contracts for 2006 focused on the bottleneck initiative. In connection with the implementation of the new employment system, the Employment Council also debated several times whether the new organisation of initiatives to prevent bottleneck problems is sufficiently efficient and able to ensure that the job centres have incentives to cover all bottleneck areas.

In connection with the fixing of objectives for the employment initiatives in 2007, the servicing of the ordinary labour market and the combat ageing bottlenecks also have a high priority.

The Employment Council therefore finds that the Government should draw attention to the new system's ability to handle future bottleneck challenges on a tight Danish labour market in order to ensure that enterprises are able to attract the qualified labour required.

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

The Employment Council is worried about the modest role played by the placement activities of the public employment service on the labour market and the fact that enterprises apparently do not find that this service is not sufficiently attractive.

The digital self-service tools, such as jobnet.dk, where individual jobseekers and enterprises can get into contact, are fine as long as there is a balance between supply and demand.

In the present situation, where significant sectors of the market are not themselves able to do this matching, there may be a need for a stronger focus on the activities of the public employment service, so that needs for labour of enterprises can be met in a more direct manner.

7.5 Contributions from the Danish Council of Organisations of Disabled People

Disabled people are as diverse as other people and are affected by diverse problems in relation to the labour market. It is therefore important that the objectives and results focused upon in the action plan not only reflect disabled people in a single aspect in relation to the inclusive labour market. Disability must be mainstreamed in all

guidelines. The Danish Council of Organisations of Disabled People (DSI) has the following demands for an improved employment policy:

Lack of overview of education levels

In future, the DSI finds it important to make an effort to determine the education level of disabled people. Only three per cent of disabled people participate in education or training programmes¹. Disabled persons are over-represented in the group of people with a low education levels. The small share of disabled people who have completed an education or are participating in education or training activities helps explain why it is more difficult for disabled persons to gain access to the labour market and/or stay on the labour market. A good overview can create the basis for improved effort in this field; it is today difficult to target the measures specifically on this group.

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

People with reduced working capacity should have the same rights to participate in society and the world of work as other persons. For this reason, the employment area and sectors and structures of society must be coherent and inclusive, and discriminatory treatment should not take place. The DSI finds that a statutory prohibition against discrimination of disabled persons combined with requirements of sector-based action plans and an administrative appeal board would be the right supplementary measure for the implementation of the disability policy.

Special initiatives in relation to persons referred to flex jobs

The unemployment rate among persons referred to flex jobs comes to more than 20 per cent. Consequently, the DSI finds that there is a need for further special efforts to create more flex jobs. More quality should be added to the referral. The amendments of the Danish Parliament's new sanctions in connection with the availability rules are not sufficient.

Information for enterprises regarding support and compensation opportunities

There is a need for more knowledge and easily accessible counselling for enterprises concerning disabled people in employment, including especially concerning opportunities for support and compensation schemes. In addition, there is a need for better information concerning the new duties of enterprises in relation to equal treatment and reasonable adjustment.

Barriers to labour market attachment

Prejudices continue to be the main barrier to the disabled persons' chances of finding a job and maintaining their attachment to the labour market. Consequently, the DSI has launched a project entitled "From barrier to career", in which employed dis-

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

abled people try to enter into a dialogue with enterprises and thereby remove barriers surrounding employed disabled people.

The labour market participation of disabled people is closely connected with good conditions for education, transport and access, among other things. It is only through a mainstreamed, sector-based and coherent effort that the employment gap of disabled people can be reduced.

The DSI would appreciate it if authorities and labour market partners use more resources on attitude-influencing activities and make active efforts to enable more disabled people to be included on the labour market.

Government strategy “Disability and employment”

The DSI finds the Government’s multiannual employment strategy of 2004 for the disabled very relevant. In keeping with the Government’s policy, the objective of the DSI is to ensure that the employment potential among the many disabled persons, who are unfortunately outside of the labour market, contribute much more and in a better way than is the case today. The DSI anticipates the assessment results of the temporary initiative and expects a dialogue concerning the opportunities to prepare the effort for the years to come.

General employment policy (guideline 17)

Denmark has a support and compensation legislation with very few deficiencies; however the connection of disabled people to the labour market could be a lot better. There is therefore a great need to make a special effort in order to increase the employment rate of disabled persons in all sectors of Danish labour market. The labour market should have a sufficient degree of flexibility in order to include disabled people – in principle, in all jobs where the disabled persons hold competences required, and the efforts of the public employment service in relation to disabled persons should be reinforced.

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

The starting point of the DSI’s work is the Danish disability policy’s basic assumption stating that all persons should have an equal opportunity to participate in society. This also means that all forms of direct or indirect differential treatment must be countered. Far from all disabled persons receive the compensation that is necessary for them to lead an independent life – at work, in the course of education or in connection with leisure time activities. In addition, employed disabled persons do not enjoy do not benefit to the same extent as other employees of the advantages and benefits following from collective agreement advantages, for example health agreements, insurance schemes, etc.

For this reason, the DSI has started a new policy requiring rights to prevent differential treatment of disabled persons. The DSI thereby disputes “good-will” as the only

valid way to improvement. With the supplementary use of requirements, prohibitions and sanctions, it is not possible to create equal opportunities for all.

With the support of the Labour Market Agency, the DSI launched in 2006 an information campaign regarding Danish legislation on prohibition against differential treatment on the labour market. With this information campaign, the DSI focuses on increasing the knowledge on equal treatment of disabled persons in the workplace.

The inclusive labour market (guideline 19)

There is a need to promote labour market inclusion in relation to all disabled persons in order to prevent more disabled persons from having to rely permanently on public transfer payments. Increasing groups of disabled persons are unfortunately excluded from the Danish labour market.

With the support of the Labour Market Agency, the DSI launched in 2004 a job and information portal: www.ijobnu.dk. The job bank is for people with reduced working capacity and persons who have left the labour market prematurely due to their disability. The experience shows that there are many unemployed persons who have registered their CV online but enterprises are slow to advertise job vacancies. The DSI estimates that there will continue to be a big need for information in relation to the enterprises.

Disabled persons need the right initiatives to find a job. As an experiment, the DSI Youth launched a project in 2005 entitled "Prepare the way for your future job" that focused on coaching young disabled person who had completed an education so that they learn to focus on their competencies rather than their limitations. The experience shows that a focused effort can enable young people to gain access to practical trainee work so that they will obtain some labour market experience.

Government initiative "New paths to employment"

Persons with a mental disability have a very weak and unstable labour market attachment. In this connection, the DSI welcomes the Government's initiative "New paths to employment". For a number of years, the DSI has worked to make the pilot scheme "Mentors for disabled persons in employment" permanent. The integration and retention of persons on the labour market with reduced cognitive and/or psychological abilities by offering them assistance from a mentor at the workplace has been very successful. It is thus possible to eliminate this discrimination of persons with mental disorders.

Improved matching of labour market needs (guideline 20)

The new employment system introduced with the local government reform with only a single point of entry to the public sector for all users poses challenges in relation to the initiatives focused on disabled persons. The DSI is concerned as to whether the job centres have the right structure and sufficient knowledge in relation to placement activities and other offers targeted on disabled people. The DSI urgently requests

that this matter is closely followed in connection with the implementation of the reform.

Promotion of flexibility on the labour market (guideline 21)

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

The DSI is not interested in a segregates labour market where disabled persons are kept to the sideline, are employed in special jobs and are not considered to belong to the regular staff or are completely excluded from the labour market. Persons with reduced working capacity who are or wish to become self-employed should, of course, also have access to the necessary support and compensation opportunities.

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

Disabled persons should have the same opportunities participating in an education programme and access to continued training as other persons in order to ensure that they will have a career development that prevents their exclusion from the labour market. This will help creating equal opportunities for all on the labour market, for example as regards a satisfactory wage development without differential treatment. Too many disabled persons leave the educational system too early.

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

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

Many disabled persons do not have the opportunity to have an education that will actually qualify them for the labour market. For example, 53 per cent of deaf persons have only completed basic schooling as their highest educational achievement. There is still a big need to education and training possibilities in relation to persons with different types of disabilities. There is often a disparity between the educational qualifications of the disabled person and the qualifications in demand on the labour market.

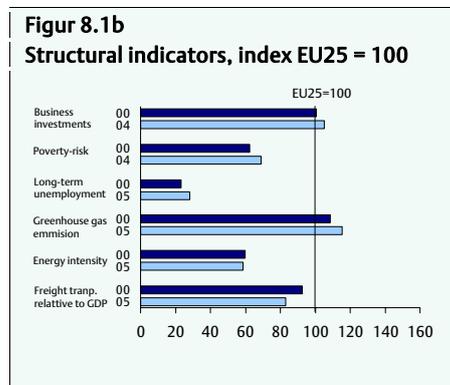
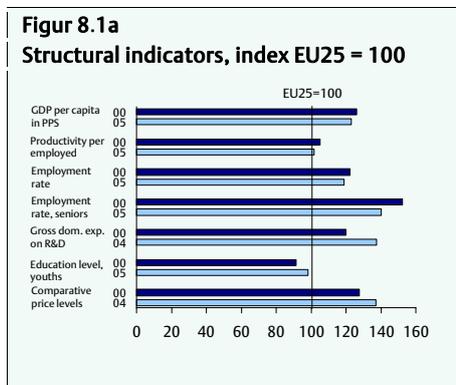
The lack of physical access to many educational institutions and lack of information and access to social-pedagogical support constitute barriers in relation to the free choice of education.

Annex 8. Structural indicators

Table 8.1
Overview of 14 approved main structural indicators

	Denmark					EU25				
	2001	2002	2003	2004	2005	2001	2002	2003	2004	2005
GDP per capita in PPS	124.9	121.4	120.9	121.6	123.1	100.0	100.0	100.0	100.0	100.0
Labour productivity	104.4	102.0	102.9	103.8	104.9	100.0	100.0	100.0	100.0	100.0
Employment rate, total	76.2	75.9	75.1	75.7	75.9	62.8	62.8	62.9	63.3	63.8
Employment rate, seniors	58.0	57.9	60.2	60.3	59.5	37.5	38.7	40.2	41.0	42.5
Gross expenditure on R&D	2.40	2.55	2.59	2.61	-	1.93	1.93	1.92	1.90	-
Youth education level	78.3	79.6	73.0	74.8	76.0	76.1	76.5	76.5	76.6	77.3
Comparative price levels	130.7	135.6	138.8	137.0	-	100.0	100.0	100.0	100.0	100.0
Business investments	17.9	17.8	17.8	18.0	-	17.8	17.2	16.9	17.1	-
Poverty risk	10.0	-	12.0	11.0	-	16.0	-	15.0	16.0	-
Regional variation in employment	-	-	-	-	-	13.5	13.3	12.9	12.2	-
Long-term unemployment	0.9	0.9	1.1	1.2	1.1	3.8	3.9	4.1	4.1	3.9
Greenhouse gas emission	100.2	99.1	106.3	-	-	91.4	90.7	92.0	-	-
Energy intensity	126.6	123.8	128.2	120.3	-	209.7	206.5	209.5	204.9	-
Freight transport /GDP	85.5	86.2	87.7	86.8	-	99.4	100.3	99.7	104.7	-

Notes: The table shows the 14 approved main structural indicators for compliance with the Lisbon Strategy.
Source: Eurostat.



Notes: The indicator "Regional employment variation" has not been included, as Denmark does not have data for it.

Source: Eurostat.