



The National Reform Programme

Denmark
2014

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1. Introduction

The Danish economy is recovering, with growth in large parts of the business sector and increasing employment. Economic policy has supported the economy, but the improvement should also largely be viewed in light of the strengthening global economy, and especially the recovery in the euro area. Competitiveness is being strengthened, the economic position of businesses and households has become more robust, and the financial sector looks more solid today than it has in a long while. Meanwhile, the fiscal framework has been strengthened, and public finances are healthier. This has created the basis for a healthy recovery, and reforms that prepare the Danish economy for renewed recovery have been implemented on an ongoing basis.

While improving, the Danish economy is still facing a number of challenges. The government will continue to work to make the economy more robust and with an improved growth capacity. There is a need to strengthen productivity growth and competition, elevate the level of education – both quantitatively and qualitatively – and to ensure a strong and well-functioning labour market. A continuation of the efforts to modernise the public sector is also needed.

Hence, the government has set an ambitious reform and modernisation agenda. In the past year, a number of reforms have been passed, while ensuring that public finances are sustainable and within the framework of the Budget Law.

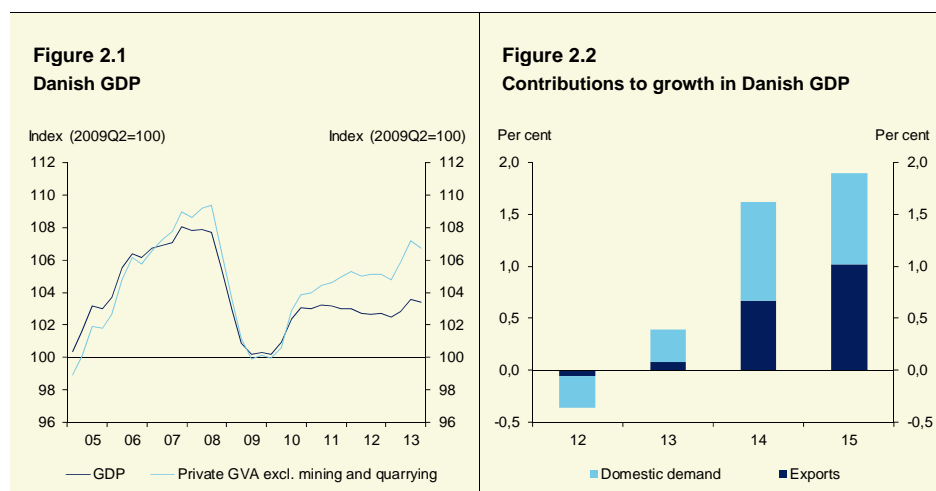
Every spring, in the context of the European Semester, the individual EU Member States forward their annual National Reform Programs, which account for the countries' structural reforms and plans for further initiatives. Likewise, annual national stability and convergence programs are forwarded, which account for fiscal policy. The Danish National Reform Program accounts for the measures that Denmark has taken and will take in order to comply with the country-specific recommendations in response to the National Reform Program and Convergence Program of 2013. It also describes the Danish implementation of the EU's growth strategy (Europe 2020). Furthermore, the overall economic framework for the Danish economy is presented, which is based on the Convergence Program for 2014.

The structure of the National Reform Program for Denmark 2014 is as follows:

- Chapter 2 describes the overall economic framework for Denmark.
- Chapter 3 accounts for the initiatives that Denmark has undertaken and will undertake, in order to comply with the country-specific recommendations for Denmark from 2013
- Chapter 4 regards the initiatives that Denmark has undertaken and will undertake to contribute to the fulfilment of the five main goals of the Europe 2020 strategy.
- Chapter 5 accounts for the Danish strategy for modernising the public sector, which is one of the main priorities in the Commissions Annual Growth Survey.
- Chapter 6 describes the involvement of parliament and non-governmental organisations.

2. The Economic Framework

The Danish economy seems to be on the right track, after several years of low growth. Over the course of 2013, business and consumer sentiment improved, and employment and production in large parts of the private sector increased. In addition, activity in the employment-intensive part of the private sector has been stronger than indicated by headline GDP. This is especially due to the fact that the fall in North-sea production is pulling total production in the economy down. Growth in the private sector excluding extraction of raw materials has been 1.2 per cent in 2013, which is higher than growth for the economy as a whole which was 0.4 per cent, *cf. figure 2.1*. The improving private sector activity has been sufficiently strong to drive growth in private employment, which rose by 18.000 persons in 2013.



Note: In figure 2.1 a two quarter moving average is shown. In figure 2.2 a correction for the import content of exports and domestic demand has been made.

Source: Statistics Denmark and own calculations.

The conditions for an increase in growth in the coming years are in place. GDP is expected to grow by 1½ per cent this year and around 2 per cent next year, in view of accelerating growth in the global economy, and the continued improvement in the euro area in particular. Therefore, significant growth contributions from exports are expected in the coming years, *cf. figure 2.2*.

In addition, the growth contribution from domestic demand will increase over the coming years. Business investment is expected to increase, which should also be seen in light of the

currently low level of the investment rate and the high savings surplus in the corporate sector. Furthermore, in view of developments since 2007, household consumption has become more aligned with income. This provides a basis for growth in household consumption to grow in line with household income.

Despite the large downturn, unemployment and long-term unemployment is lower than during previous recessions, and structural unemployment has not gone up during the crisis, *cf. Finansredegørelse 2014*. In addition, the rate of growth in labour compensation has decreased, which supports the adjustment in external competitiveness, and the level of job turnover has remained high. This suggests that the labour market is structurally sound, which should also be seen in view of the recent labour market reforms.

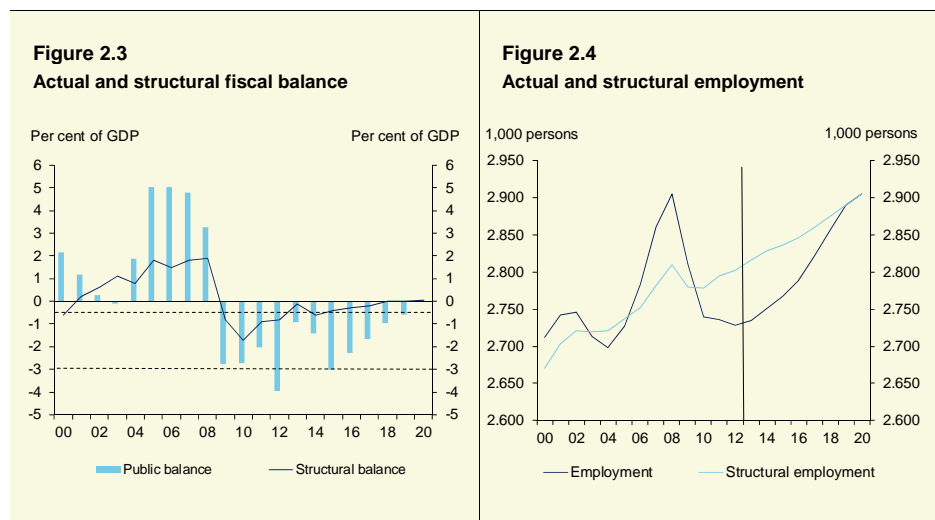
The expectation of a period of renewed growth is supported by economic policy. Fiscal policy is implemented with the aim of securing sound public finances while at the same time supporting growth and employment to the greatest extent possible within the fiscal framework. Moreover, monetary policy remains very supportive of growth.

The overall fiscal framework in Denmark consists of the Budget Law and the 2020-plan. In general, the framework implies that planned fiscal policy should be in line with the following:

- Fiscal policy should be sustainable.
- In 2020, the structural government budget balance should be balanced or in surplus.
- The annual structural government deficit should not exceed ½ of a per cent of GDP in line with the medium term objective for public finances set out by the Stability and Growth pact.
- The agreed-upon expenditure ceilings for the central government, regions and municipalities should be respected.

Denmarks EU-recommendation has in recent years been a key concern in the fiscal framework. The actual government deficit has been brought below 3 per cent of GDP in 2013 and is not expected to exceed 3 per cent of GDP in 2014 and 2015. Based on the development of the actual deficit, Denmark is expected to adhere to the key requirement in the recommendation of bringing the actual deficit sustainably below 3 per cent of GDP by 2013. The actual government deficit is expected to decrease towards 2020 as the business cycle is gradually normalised, *cf. figure 2.3*.

The structural government budget balance has improved by around 1½ per cent of GDP from 2010 to 2013, which is in line with the demands of the EU-recommendation to Denmark. Based on the planned fiscal policy the developments in the structural government budget balance are expected to be in line with Denmark's medium term objective (MTO) for the structural balance of -0.5 per cent of GDP towards 2020. In line with the 2020-plan there is at least balance between public revenues and expenditures in 2020.



Note: The horizontal dotted lines in figure 2.3 show the ceiling for the structural government deficit of $\frac{1}{2}$ per cent of GDP in view of the budget law and the deficit threshold of 3 per cent of GDP according to the stability and growth pact. The structural employment level shown in figure 2.4 is the level of employment computed in line with normal business cycle conditions.

Source: Convergence Programme Denmark 2014.

In recent years a number of reforms have been implemented in order to ensure sustainable public finances and thus credible financing of future expenditures. The reforms contribute to increasing the structural level of employment and the overall growth potential.

However, the low level of productivity growth is a challenge to the growth potential of the Danish economy. In the period since 1995 productivity growth in Denmark has been significantly lower than historical levels and lower than the level of productivity growth seen in comparable countries during the same period. Productivity growth has especially been low in the domestically-oriented sectors which are not subject to international competition. The government has taken a number of steps with a view to increasing productivity as part of *Growth Plan DK*, and the Productivity Commission has issued a number of recommendations which may form the basis for further initiatives.

Growth Plan DK set out a number of new targets with an increased focus on productivity and private sector job-growth, cf. box 2.1. By themselves, the targets correspond to an increase in the level of potential annual growth of 0.3 percentage points in the period 2014-20, half of which has been achieved through reforms that have already been implemented.

Box 2.1**The Danish agenda for Growth**

Growth Plan DK sets out a number of new targets with an increased focus on productivity and private sector job creation, building upon the past reform policies. The central objective is to increase growth by DKK 40 bn. in the years to 2020. There are three main reform tracks:

- With *Reform Track 1* initiatives to improve the framework conditions for private enterprises are implemented, thereby strengthening competitiveness and increasing productivity. The aim is to contribute DKK 20 bn. to the total increase in GDP by 2020. At the current stage contributions totalling approximately DKK 6 bn. have been implemented.
- *Reform Track 2* consists of implementing initiatives in order to increase the level of education and increasing the structural level of employment. The goal is to obtain contributions to GDP of around DKK 20 bn. by 2020. At present, reforms contributing around 16½ bn. kr. have been implemented.
- Finally, *Reform Track 3* aims at ensuring continued sustainable public finances and to intensify the efforts to modernise the public sector. The objective is to free up DKK 12 bn. in the public sector towards new initiatives in the years leading up to 2020

In the years before 2020 growth is expected to increase to an annual average of approximately 2 per cent. This projection is based on the effects of the reforms that have been implemented in recent years and a continuation of the normalisation of the business cycle. Employment is expected to grow by 167,000 full-time jobs by 2020, of which 150,000 is expected to be created in the private sector, as a result of the normalisation of the business cycle, demographic trends and the effects from implemented reforms, *cf. figure 2.4*.

Denmark's announcements according to the Europlus Pact

Denmark is participating in the Europlus Pact alongside all of the euro area member countries and a number of other EU member states that have not adopted the euro. The medium term objectives of the economic policy are in tune with the overall goals of the Europlus Pact, which, in addition, also encompasses the efforts to strengthen financial stability, *cf. table 2.1*. During the past years, Denmark has during the past years implemented significant initiatives within the four areas under the pact. These initiatives are described in chapters 3 and 4.

Table 2.1
Denmark's announcements according to the Europlus Pact

Objective in the Europlus Pact	Danish initiatives with effect from 2014
To strengthen labour supply, employment and public finances	<ul style="list-style-type: none"> • Gradual phasing in of the tax reform. • Phasing in of the SU-reform begins in 2014. • Cash pay system reform enters into effect on January 1, 2014. • Agreement on the reform of the sickness benefit scheme was reached in December 2013.
To strengthen the management of government expenditures	<ul style="list-style-type: none"> • Budget law and determination of binding expenditure ceilings for 2014-17.
To strengthen competitiveness and productivity	<ul style="list-style-type: none"> • The largest parts of the initiatives in the competition policy plan <i>Strengthened competition to the benefit of Denmark</i> are expected to have been implemented by 2014. • Final recommendations from the Productivity Commission, March 2014. • <i>Agreement on a plan for growth</i>, including reducing the corporate income tax rate to 22 per cent.
To strengthen financial stability	<ul style="list-style-type: none"> • Measures with effect from 2014 regarding a well-functioning and robust mortgage credit system (reducing the refinancing risk). • Higher capital requirements for Danish financial institutions, including higher capital requirements for systemically important financial institutions.

3. The Country-specific Recommendations

On July 9, 2013 Denmark received the Council opinion on the economic policy in Denmark as part of the European Semester. The opinion was formed on the basis of the National Reform Programme and Convergence Programme for 2013. Denmark received three recommendations, *cf. box 3.1*.

Box 3.1

The country-specific recommendations for Denmark

The Council recommends that Denmark should take action within the period 2013-2014 to:

1. Implement the budgetary strategy in 2013 as envisaged, so as to ensure the correction of the excessive deficit by 2013. Furthermore, implement the budgetary strategy for 2014 and beyond to ensure an adequate fiscal effort to remain at the medium-term objective.
2. Take further steps to improve the employability of people at the margins of the labour market, including people with a migrant background, the long-term unemployed and low-skilled workers. Improve the quality of vocational training to reduce drop-out rates and increase the number of apprenticeships. Implement the reform of primary and lower secondary education in order to raise attainment levels and improve the cost-effectiveness of the education system.
3. Continue efforts to remove obstacles to competition in the services sector including in the retail and construction sectors and enhance effectiveness in the provision of public services.

The recommendations largely reflect the policy objectives of the Danish government. Denmark has already initiated several measures, and further measures will be implemented, within the scope of the recommendations.

The responsible and balanced fiscal policy implies that growth is supported while adhering to the requirements of the EU-recommendation and the Budget Law. At the same time, reforms have been implemented with a view to strengthen public schools and vocational training, and ensure that as many as possible have the skills which are sought after. A strengthened competition law is helping to reduce barriers to competition.

The government continues to work on the aim to strengthen competition and productivity growth as well as improving education, inter alia by utilising labour resources more efficiently.

The government continues to focus on securing financial stability by strengthening requirements for systemically important financial institutions and a more stable mortgage-credit sys-

tem, e.g. by removing the refinancing risk for the mortgage-credit institutions related to the adjustable-rate mortgages.

3.1 Fiscal consolidation towards 2013 and stronger spending control

Fiscal policy is planned in order to ensure sound public finances while supporting growth and employment as much as possible within the fiscal framework. The responsible and balanced fiscal policy – adhering to both the requirements of the EU-recommendation and the Danish Budget Law – contributes to the high level of confidence in Danish Economy and thereby the low interest rates that benefit growth and employment.

In the Council's statement based on Denmark's National Reform Programme for 2013 and Denmark's Convergence Programme for 2013 it is recommended that Denmark *"implements the budgetary strategy in 2013 as planned to ensure the correction of the excessive deficit by 2013. Then implement the budget strategy for 2014 and onwards to ensure sufficient fiscal policy actions in order to maintaining the medium term objective."*

Based on the latest estimates of public finances in *Convergence Programme Denmark 2014*, Denmark is expected to fulfill the requirements of the EU-recommendation. The forecast of the actual balance implies that Denmark is expected to adhere to the key requirement in the recommendation of bringing the actual deficit on EDP-basis sustainably below 3 per cent of GDP by 2013 at the latest¹. Moreover, the structural balance is expected to improve from a deficit of 1.7 per cent of GDP in 2010 to a deficit of 0.1 per cent of GDP in 2013, *cf. table 3.1*. The improvement of the structural balance is in accordance with the requirement in Denmark's EU-recommendation of improving public finances in structural terms by 1½ per cent of GDP in 2011-13.

¹ The assessment of whether Denmark can have its EU-recommendation abrogated is based on figures from the European Commission. The key requirement in Denmark's EU-recommendation is thus associated to the actual government balance on EDP-basis. The actual balance on EDP-basis and the actual balance based on the Danish national accounts differ – inter alia – because the actual balance on EDP-basis include net interest income from central government interest rate and currency swaps. Moreover, the treatment of central government revenues from sale of UMTS-licences differs.

Table 3.1
Actual and structural government budget balance, 2010-15

Per cent of GDP	2010	2011	2012	2013	2014	2015
Actual government budget balance (EDP-basis)	-2.5	-1.9	-3.8	-0.8	-1.3	-2.9
Actual government budget balance (based on Danish national accounts)	-2.7	-2.0	-3.9	-0.9	-1.4	-3.0
The above excl. temporary measures in 2012-2015 ¹⁾	-	-	-2.4	-2.8	-3.3	-2.9
Structural government budget balance	-1.7	-0.9	-0.8	-0.1	-0.6	-0.4

1) The temporary measures include impact of the repayment of VERP-contributions in 2012 and temporary revenue measures in 2013-15.

Source: Convergence Programme Denmark 2014

The actual deficit is expected to amount to 0.9 per cent of GDP in 2013 and 1.4 per cent of GDP in 2014. Thus, the deficits in 2013 and 2014 are expected to remain well below the 3 per cent of GDP-limit of the Stability and Growth Pact. In both years, the public balance is positively affected by a number of temporary revenues², including large one-off revenues from the restructuring of the taxation of existing capital pensions. The temporary revenues do in isolation improve public finances by approx. 1.9 per cent of GDP in both years.

In 2015, the actual fiscal balance will no longer be influenced by one-off revenues from the restructuring of the taxation of existing capital pensions. Moreover, the ordinary revenue from taxation of capital pensions is expected to be temporarily reduced by around DKK 1½ billion (0.1 per cent of GDP) due to forwarded revenues in 2013 and 2014. Based on this, the actual deficit in 2015 is expected to increase compared to the deficits in 2013 and 2014 and is expected to amount to 2.9 per cent of GDP on EDP-basis and 3,0 per cent of GDP based on Danish national accounts, *cf. figure 3.1*. Fiscal policy in 2015 is not finalised until the budget bill for 2015 has been proposed and approved. The assessment of public finances in 2015 is therefore to a certain extent based on technical assumptions.

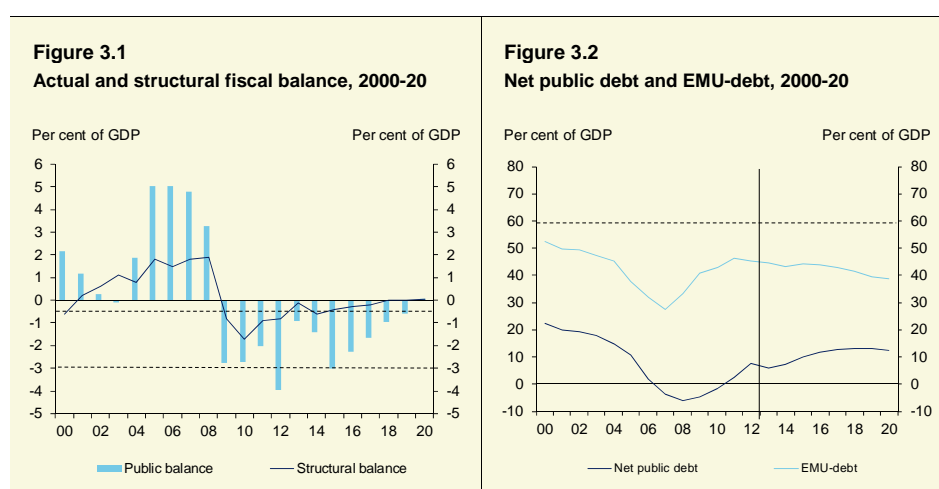
In 2014, the structural deficit is estimated to 0.6 per cent of GDP and in 2015 the structural deficit is expected to amount to 0.4 per cent of GDP. Fiscal policy is planned within the framework of the Danish Budget Law, including the limit for structural deficits of ½ per cent of GDP. The limit for structural deficits is aimed at the estimated structural deficit based on the budget proposal for a given fiscal year. The structural deficit in 2014 was estimated to be in

² The option of restructuring existing capital pensions with a tax reduction in 2013 and 2014 is estimated to provide one-off revenues of DKK 28½ billion in 2013 and DKK 30 billion in 2014. As a result of the tax reduction in connection to restructuring existing capital pensions the ordinary revenues from the taxation of capital pensions are expected to have been advanced amounting to DKK 5 billion in 2013 and DKK 3 billion in 2014 respectively from 2015-19. Moreover, temporary revenues from a reallocation in the pension sector from schemes with a guaranteed yield in each year to schemes in which each year's yield reflects market return are expected to amount to DKK 2 billion in both 2013 and 2014.

line with the framework of the Budget Law both at the time of the budget proposal for 2014 and when an agreement on the budget for 2014 was reached. The small adjustment of the estimated structural deficit in 2014 on the current basis should be seen in light of the uncertainty associated with the estimation of the structural balance, and is not due to changes in fiscal policy.

From 2016 towards 2020 the medium-term planning implies some safety margin to the limit for structural deficits in the Budget Law, *cf. Convergence Programme Denmark 2014*. Moreover, the actual deficits are expected to decline towards 2020 as the economy gradually recovers from the economic crisis.

The planned fiscal policy implies an EMU-debt that maintains a wide safety margin to the debt-limit of 60 per cent of GDP in the Stability and Growth Pact, *cf. figure 3.2*.



Note: The horizontal dotted lines in figure 3.1 show the limit for structural deficits of $\frac{1}{2}$ per cent of GDP and the limit for actual deficits in the Stability and Growth Pact of 3 per cent of GDP. The dotted line in figure 3.2 shows the EMU-debt limit of 60 per cent of GDP in the Stability and Growth Pact.
Source: Convergence Programme Denmark 2014.

The implemented measures to ensure the correction of the excessive deficit by 2013 and adherence to the medium-term objectives are discussed below.

3.1.1 Implemented measures

The consolidation of public finances from 2010 to 2013 is mainly due to the phasing in of the financing elements from the tax reform in the *Spring Package 2.0* (February 2009) as well as the initiatives in the *Fiscal Consolidation Agreement* (May 2010) and *Agreements of the Approved budget bill for 2012*, *cf. table 3.2*.

The *Spring Package 2.0* contributes to the consolidation of public finances through the phasing in of the financing elements in the tax reform, including increased energy taxes, auctioning of carbon credits, and extensions of the tax base for the taxation of companies.

The key initiatives in the *Fiscal Consolidation Agreement* include a reduced growth rate in public consumption in 2011-13, suspension of the automatic §20-regulation of the income thresholds in the tax system, and a shortening of the period of unemployment benefits. *Agreements of the approved budget bill for 2012* include a lasting increase in public tax revenues in 2012 and 2013 of DKK 5 billion.³

The overall fiscal policy contributes to strengthening public finances by 2.7 per cent of GDP in the years 2011-13 (measured by the direct revenues), *cf. table 3.2*.

Table 3.2**Consolidation contributions, direct revenues, etc. 2011-13**

Per cent of GDP	2011	2012	2013	2011-13
Direct revenues, total	1.1	0.5	1.2	2.7
Hereof expenditures:				
- public spending	0.8	0.0	0.4	1.2
- public investments	-0.1	-0.1	0.1	-0.1
- income transfers ¹⁾	0.1	0.1	0.1	0.3
Hereof revenues:				
- Spring Package 2.0	0.1	0.0	0.2	0.4
- The Fiscal Consolidation Agreement	0.3	0.1	0.1	0.5
- Approved budget bill 2012	0.0	0.2	0.1	0.4
Hereof other matters	-0.1	0.0	-0.1	-0.1
Structural factors affecting public finances	0.0	-0.4	0.0	-0.4
Underlying strengthening of public finances	1.1	0.0	1.1	2.2

Note: The calculation of the direct budgetary impact of public finances is, among other things, based on an assumption of productivity growth of 1¼ per cent per year in the non-agricultural industries in the zero-points for a neutral fiscal policy. If the structural productivity growth in 2011-2013 is used for the zero-points, the total fiscal consolidation in 2011-2013 corresponds to approximately 2 per cent of GDP. The calculation of the zero-points is based on an increase in net prices of 1.8 per cent yearly, corresponding to the assumptions in the medium-term projection. In “structural factors” is, among other things, included a structural decrease in the North Sea revenues by 0.3 per cent of GDP.

1) The budget impact from taxable transfers is net of the derived impact on taxes.

Source: Convergence Programme Denmark 2014.

³ The DKK 5 billion is the estimated long-term impact (net of derived effects) of *Agreements of the approved budget bill for 2012* at the time of the agreement. Subsequently, certain components of the *Agreements of the approved budget bill for 2012* have been altered in connection with later agreements.

The consolidation contribution from public revenues accounts for approx. 1¼ per cent of GDP over the three years, while the contribution from public expenditures accounts for almost 1½ per cent of GDP. Regarding public expenditures, it is especially the low real growth in public consumption of almost -1½ per cent in 2011 that provides a significant contribution to the consolidation of public finances from 2010 to 2013.

Several structural factors do, however, weaken public finances by approx. 0.4 per cent of GDP towards 2013, primarily due to a structural decline in North Sea revenues in 2011-12 and subdued underlying productivity growth in 2011-13. Public finances are thus estimated to improve net by approx. 2.2 per cent of GDP during the recommendation period.

A responsible economic policy is essential in order to maintain confidence in fiscal policy and to provide the foundation for balance and future growth in the Danish economy. The fiscal framework in Denmark has been strengthened as a result of the Danish Budget Law which was passed by a large majority in parliament in 2012. This contributes to assure that there is credible financing of future public expenditures. The Budget Law contains a budget-balance rule that implies that the yearly structural deficit should not exceed ½ per cent of GDP. The limit for structural deficits is aimed at the estimated structural deficit based on the budget proposal for a given fiscal year. Based on considerations behind the requirements in the Budget Law, measures that will have a significant negative impact on the structural deficit of the year in question can not be decided on in the period following the budget proposal. In addition, expenditure ceilings for the central government, municipalities and regions have been implemented covering the period 2014-17. The key elements of the Budget Law are presented in box 3.2.

The Budget Law addresses two main problems characterising the former fiscal framework in Denmark. First, the medium term planning used to be based on a required – but unspecified – reform contribution. Thus, the planned growth of public consumption was only financed and the requirement of fiscal sustainability only met, if the contribution from unspecified reforms was achieved. With the precautionary principle implemented in the Budget Law, the medium term planning of public expenditures can only be based on reforms and other forms of financing that a majority of parliament has agreed upon. Secondly, the controls of public expenditures were not sufficient in order to ensure compliance with the planned real growth of public consumption. The expenditure ceilings that have been implemented with the Budget Law imply an improved control of public expenditures. The ceilings are legally binding and cover approx. ¾ of public expenditures.

Box 3.2**Key elements of the Danish Budget Law**

- Within the framework of a sustainable fiscal policy a budget balance requirement for public finances is introduced. The annual structural public balance must not exceed a deficit of ½ per cent of GDP at the time of the budget proposal for a given year unless extraordinary circumstances are present. Moreover, an automatic correction mechanism is activated in case of a significant deviation from the budget balance requirement is introduced.
- Expenditure ceilings underpin that the overall targets for fiscal policy are met. The ceilings set legally binding limits for expenditures in central government, municipalities and regions respectively. The expenditure ceilings are to be adopted in parliament and cover a continuous period of 4 years. With the law on expenditure ceilings for central government, municipalities and regions the expenditure ceilings for 2014-17 has been adopted. Economic sanctions support compliance with the expenditure ceilings.
- The Danish Economic Council is to continually assess whether economic policy adheres to the target of the structural public balance, complies with expenditure ceilings and whether the adopted expenditure ceilings are consistent with medium term projections for public finances.

3.2 Promoting an inclusive labour market and education reforms

In the Council opinion on Denmark's National Reform Programme of 2013 and the Convergence Programme of 2013 it is recommended that Denmark takes measures with a view to *“take further steps to improve the employability of people at the margins of the labour market, including people with a migrant background, the long-term unemployed and low-skilled workers. Improve the quality of vocational training to reduce drop-out rates and increase the number of apprenticeships. Implement the reform of primary and lower secondary education in order to raise attainment levels and improve the cost-effectiveness of the education system.”*

The economic policies and employment measures of the Danish government aim at supporting employment and reduce the unemployment and long-term-unemployment rates, and ensuring a high level of labour supply and strong enterprises which is a condition for continued growth and welfare in the long term. Repeated reforms have contributed to maintaining the downward trend in long term unemployment, *cf. figure 3.3*.

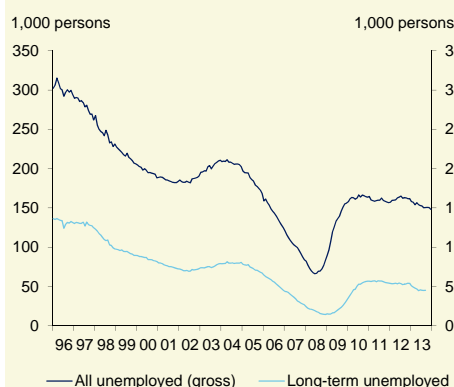
A number of the employment measures carried out by the government have entered into force since 2012, including the reforms of the anticipatory and flexi-job schemes as well as the cash benefit reform. Besides, an agreement on the reform of the sickness benefit scheme has been reached.

Knowledge and education form the basis of our future prosperity, and progress is being made towards achieving the targets of a high educational level, *cf. figure 3.4*. The government seeks to ensure high-quality education and training programmes for all, as well as relevant programmes in relation to subsequent employment, so that the education and training pro-

programmes contribute actively to promoting growth, productivity, and prosperity in Denmark. Therefore, the government has reached a political agreement on a reform of the Danish public school system, as well as a reform of vocational education and training (VET) aimed at ensuring that more young people take a VET programme by, for example, boosting the quality of these programmes.

The government has also implemented a reform of the state education grant (SU) system and framework for higher education programmes which ensures the continued cost-effectiveness of the SU system and also places demands on students aimed at reducing completion times. Lastly, the government has set up a committee to carry out a review of the quality, relevance and coherence of higher education system.

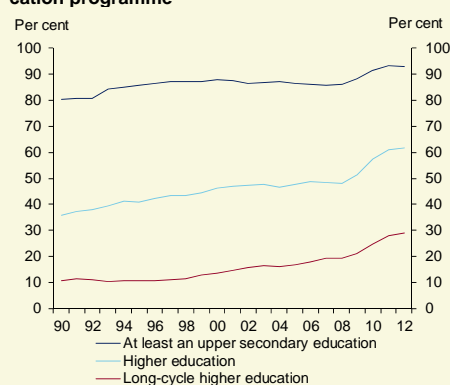
Figur 3.3
Unemployment and long-term unemployment



Note: Long-term unemployment is defined as persons that have received unemployment benefits, cash benefits, and unemployment benefits during holidays or have been in activation for at least 80 percent of the time in the past 12 months.

Note: Statistics Denmark and own calculations.

Figur 3.4
Percentage of a 9th form cohort expected to complete an upper secondary and/or higher education programme



Note: The government has three objectives, at least an upper secondary (95 per cent), a higher education (60 per cent) and a long-cycle higher education (25 per cent).

Source: Ministry of Education. Profilmodel 2012.

Implemented and agreed upon reforms, which will improve the employment potential in respect of persons on the fringe of the labour market, are dealt with in the section below. Subsequently, measures introduced to improve education and training programmes and to ensure a more cost-effective education system are described.

Measures that the government is planning regarding employment and education are discussed in the subsequent sections.

3.2.1 Implemented measures in the employment field

A number of reforms have been implemented in the employment field: the reform of the anticipatory pension scheme and the flexi-job scheme among others, which entered into force on 1 January 2013 as well as the reform of the cash benefit scheme, which entered into force 1 January 2014. Box 3.3 describes the reforms and measures agreed upon since the NRP 2013 as well as certain major initiatives with considerable effect on the rate of employment.

The reform of the anticipatory pension scheme and the flexi-job scheme

The basic purpose of the reforms of the anticipatory pensions and flexi-job schemes is that the citizens get a chance to live a life in employment rather than being granted anticipatory pension. Young persons must receive individual, holistic offers in a process focusing on their individual resources, which may contribute to developing their working capacity and give support to the citizen when handling any health challenges. At the same time the flexi-job scheme is targeting persons with very limited working capacity, public grants are redefined and flexi-jobs will be temporary as a point of departure. The target group of the reform is persons with complex problems where social, employment, and health challenges create barriers vis-à-vis the labour market.

Box 3.3**Measures adopted and agreed upon to promote employment**

- **Reform of the anticipatory pension scheme and the flexi-job scheme:** The aim of the reform of 2012 is to retain as many people as possible on the labour market - primarily in non-subsidised employment. The reform aims to ensure that, in the future, greater focus is put on the resources of the individual and to develop his/her working capacity. This means that the flexi-job scheme will be more targeted, and subsidies readjusted, so that persons with reduced capacity to work may get into a flexijob, and limiting the access to anticipatory pension so that persons under 40 years of age, as a point of departure, are to go through a process focused on their individual resources rather than receiving anticipatory pension. The assessment of the persons' capacity to work will regularly be reviewed with a view to assess the possibility for a return to the labour market.
- **The cash benefit reform.** The aim of the reform of the cash benefit scheme dating from April 2013 is to have young persons under 30 years of age undergo training/education and those over 30 in employment.

 - Young persons: Young persons, who do not have training or education, but have the sufficient basic skills to embark on and complete training/education must be instructed to start training/education. At the same time young persons who have not received any training/education must be re-qualified in order to do so. Young persons having received training/education must be helped to get a job. Measures with respect to young persons with difficulties to read and write are intensified and systematised.
 - Adults: Those who are able to work must work. Those who cannot must receive interdisciplinary and holistic measures that may help them get closer to the labour market.
- **The reform of the sickness benefit scheme.** The reform of December 2013 abolishes the limited qualification period for sickness benefit so nobody is in risk of having no means of support. At the same time the sick person must have a faster and much better process than today. The reform enters into force as of July 2014. The reform implies:

 - Going forward, all persons reported sick are to have their case reassessed after 5 months. If the person reported sick, who remains unable to work due to illness, does not comply with the conditions allowing them to have the sickness benefit period prolonged the sick person is transferred to job re-assessment.
 - The measures of this re-assessment are organised individually and contain all-round employment, educational and social and health measures in order to clarify the situation of the sick person with the aim of having the sick person back to work.
 - During the whole period the person reported sick is entitled to an allowance which corresponds to the amount awarded in the cash benefit scheme. The allowance is not dependent on wealth or the income of the spouse.
 - A new special extension rule for seriously ill persons with a fatal diagnosis securing them sickness benefit during the whole sick period.
 - Persons reported sick are entitled to reject treatment which he or she does not wish, without risking to lose the allowance.
 - Persons reported sick who fulfil the conditions to have their period of sick benefit extended in accordance with the current rules on extension, will continue to receive sickness benefit subject to the current rate.

The reform of the cash benefit system

The reform is targeting young persons below 30 years of age with no training/education who subsequently must go through such training/education in order to improve their chances of gaining a stable attachment to the labour market. Unemployed who are above the age of 30 and young persons, who have received training/education gaining them specific skills, are required to work.

In contrast, those who cannot manage on their own must receive help to move on. The most vulnerable persons must go through a holistic programme, which must be based on early and thorough assessment of the challenges and needs of the individual person. The measures must be interdisciplinary and may entail employment, training/educational, social, and health measures, which are to help the person forward in the process, so that they eventually can begin training/education or get a job. The target groups of the reform are those unemployed receiving cash benefits.

The reform of the sickness benefit scheme

The agreement ensures that persons reported sick may be entitled to public maintenance allowance during the full sick period as the limitation on the duration of the sick period is abolished. Furthermore the reassessment of entitlement to the benefit is moved forward from 12 to 5 months after benefits are first rewarded. A person losing entitlement to the benefit, who remains unable to work due to illness, will be transferred to the job assessment which, subject to active and individually adapted measures, is to promote the working capacity of such persons. Furthermore, the reform implies that the measures target persons who are not expected to have recovered within 8 weeks.

Integration

The reforms of the cash benefit scheme and of the anticipatory pensions and flexi-job schemes are fundamental to the strategies of integration in order to achieve the objective that more persons of foreign origin transition into employment or receive training/education.

Immigrants and their descendants totalled 6 per cent of the total number of persons in flexi-jobs in the period January-October 2013, and 16 per cent of the total number of persons receiving anticipatory pension in 2013, as well as 29 per cent of all persons in receipt of cash benefit in 2013. Immigrants thus make up a large share of the groups targeted by the two reforms.

Furthermore, in November 2012 the government introduced its integration policy "A strengthened integration policy". According to this, the task of getting more immigrants into employment is to be solved first and foremost as an integrated part of the municipal plans and measures in the field. In some areas, however, an extra targeted effort will be needed, reaching across areas of expertise.

3.2.2 Implemented measures in the education field

Improvement of the standards in the Danish public school system

In June 2013, the government reached a broad political agreement to improve standards in the Danish public schools. The agreement incorporates a reform of the Danish public school, which is set to take effect from the 2014/2015 school year. The reform will make good public

schools better by building on the schools' present strengths and by addressing the challenges facing schools.

The reform has three principal objectives: 1) The public school system must challenge all students to reach their full potential, 2) public schools must lower the significance of social background on academic results, and 3) trust in the school and student well-being must be enhanced through respect for professional knowledge and practices. These objectives are to be achieved through a number of initiatives, *cf. box 3.4*, including a longer and more varied school day and improved teaching in a number of subjects.

Box 3.4

Initiatives in the agreement on improvement of standards in the Danish public school system, with effect from the 2014/2015 school year

- *A longer and more varied school day*, in which the youngest students have a 30-hour school week, the intermediate-level students have a 33-hour school week, and the oldest students have a 35-hour school week. Up until the next general election, the school week will be 28, 30 and 33 hours, respectively, for students who opt out of homework assistance and in-depth study.
- More and improved teaching in *Danish and Maths*.
- Introduction of *assisted learning activities*, with focus on coaching and in-depth study, the link between theory and practice, physical exercise, homework assistance and students' well-being and multi-faceted development.
- Strengthening *English*, so that the subject is taught at all form levels (1st to 9th grade).
- Strengthening *practical/arts subjects, natural sciences & technology subjects* as well as *elective subjects* – e.g. in the form of more lessons
- Increased focus on the *transition to post-compulsory education*
- *Strengthened competence development* of school principals, teachers and pedagogical staff, as well as focus on an improved application of knowledge about good teaching practice, partly by establishing a Resources Centre for the public school and a team of educational consultants.
- *A simplification of rules and regulations* and greater freedom for schools and local authorities by means of greater objective-focused management and fewer procedural requirements.

Improved educational quality

In December 2012, the government presented its visions for improving the quality of upper secondary school programmes as well as adult and continuing education and training programmes in the white paper, *Even better education programmes – for young people and adults*. The goal of the quality boost is that everyone reaches their full potential, that the programmes contribute to lowering the significance of social background on academic results and that student well-being is enhanced.

At the collective bargaining in 2013 for the state sector, agreement was reached in the education field on new rules governing the working hours of teachers employed in general upper-secondary education. These new rules will enable teachers' working hours to be used more flexibly and effectively, with the aim of providing the best possible teaching to general upper-secondary school students.

Agreement on better vocational education and training (VET) programmes and a strengthened 'education guarantee'

As part of the Budget Agreement for 2013, the government reached an agreement on better vocational education and training and a strengthened 'education guarantee'. The agreement aims to, among other things, reduce drop-out rates in the VET programmes and increase the number of students that obtain an apprenticeship. The agreement entails a prioritisation of funds corresponding to DKK 3.1 billion for the period 2013-16. The agreement incorporates 12 initiatives which are designed primarily to improve quality, reduce drop-out rates and increase the number of apprenticeships. The initiatives are described in Denmark's National Reform Programme 2013. The agreement was the first phase of the efforts to improve VET programmes, and implementation began in 2013, for example with the establishment of 50 placement centres nationwide.

Better and more attractive vocational education and training (VET) programmes

In February 2014, the government reached a broad political agreement on the vocational education and training (VET) programmes. The agreement aims to offer young people a VET programme of high quality and good opportunities for further education and training. Entry requirements for admission and talent tracks for the most talented students are introduced. In addition, continuing training of teachers has been prioritised in order to enhance the quality of the teaching. With the reform, students are ensured a minimum of 26 hours' teaching per week from 2016, equivalent to 35 lessons per week.

The agreement has four objectives: 1) More students must choose a VET programme straight after 9th or 10th form, 2) more students must fully complete a VET programme, 3) the VET programmes must challenge all students to reach their full potential and 4) trust in VET colleges and student well-being must be strengthened. The objectives of the reform are to be achieved through a number of initiatives, *cf. box 3.5*.

Box 3.5

The key elements in the agreement on better and more attractive VET programmes

- A better educational environment within the VET programmes. The one-year basic course for the youngest students, centred on class groups, gradual specialisation.
- From 12 vocational clusters (common access routes) leading to four new main areas.
- Improved opportunities for further education and training – e.g. via more advanced-level courses, wider provision of a VET programme that include general upper-secondary qualification (EUX), and improved access to higher education.
- Clear entry requirements: Minimum grade point average of 02 in Danish and Maths, respectively, or a pre-arranged apprenticeship, as well as the opportunity for admission following a holistic appraisal based on test and interview.
- A new 10th form targeted at VET programmes.
- A new two-year combined upper secondary education programme targeted at young people who do not have the academic knowledge and skills needed to complete an ordinary upper secondary education.
- More and improved teaching through a minimum number of lessons in the basic course and competence development of teachers.
- Continued efforts to ensure availability of apprenticeships.
- A new VET programme for adults aged 25 or older.

Reform of the state education grant system and framework for higher education programmes

In April 2013, a political agreement was reached on a reform of the state education grant (SU) system and framework for higher education programmes. The reform is based on the premise of the continued cost-effectiveness of a SU system which ensures young people the opportunity to take an education regardless of social background. At the same time, a key element of the reform is to ensure faster completion of studies. The individual initiatives in the reform will be phased in from 1 January 2014 onwards. The reform will also strengthen the public finances with DKK 2.2 billion by 2020, which will be spent on initiatives designed to stimulate growth and job creation.

3.2.3 Planned measures in the employment field

The ambition of the government is a dynamic labour market where vacancies are filled quickly and the unemployed transition into permanent employment as fast as possible. The government emphasises the importance of enterprises being able to get the qualified manpower they need and that the unemployed have the right qualifications.

Reform of the employment policy

It is the aim of the government to obtain a wide majority among the political parties in the parliament in order to carry through a basic reform of the employment policy. To that effect the government commissioned a study of all measures available for the unemployed. The study has been carried out by a committee with former minister, Mr. Carsten Koch as chair, and presented its report and recommendations at the end of February. Subsequently the government discussed the report with the social partners and will now work out a proposition for a reform of employment initiatives.

The study provides an answer to 3 questions: 1) How to secure better employment measures in order to get the unemployed into permanent employment as soon as possible? 2) How to secure more meaningful employment initiatives taking the needs of the individual unemployed as the point of departure – without weakening the principle of being available for the labour market? 3) How to strengthen cooperation between enterprises and job centres including securing optimum job matches to the effect that the enterprises get the most qualified manpower and the unemployed get into permanent employment.

3.2.4 Planned measures in the education field

The Expert Committee on Quality in Higher Education in Denmark

The public investments in higher education must aim to ensure relevant education programmes of high quality that prepare for subsequent employment. In October, therefore, the government set up an independent committee comprising seven experts with considerable knowledge and insight within the field of higher education, whose task during 2014 is to submit recommendations on how higher education programmes can increase their contribution to growth, productivity and prosperity in Denmark, cf. box 3.6.

The Committee's first report (April 2014) puts forward a number of recommendations regarding the higher education system. These include a new structure in the higher education sys-

tem, caps on student enrolment in specified areas and reduction of the number of study programmes being offered.

Box 3.6

The Expert Committee on Quality in Higher Education in Denmark

The Committee's task is to analyse challenges and potential solutions to strengthening the framework conditions and the institutions' efforts to ensure quality and relevance. The analysis is rooted in the following political objectives:

1. *Quality*: The quality of teaching and study programmes in higher education must be raised.
2. *Relevance*: All students must acquire competencies that can be translated into relevant employment – regardless of the education level of the programme – particularly in the private sector.
3. *Coherence*: Greater coherence in higher education must be ensured, so as to prevent overlaps in the education system, wasted time and duplicate education.

3.3 Removing barriers to competition

The Council has recommended Denmark in the period 2013-14 to *"continue its effort in removing barriers to competition, such as in the retail sector and the building and construction sector, and to improve efficiency of the public services"*.

The government wishes to strengthen competition and thereby productivity and growth in Denmark. In October 2012 the government launched its competition policy programme and formed the Productivity Commission the same year. The Productivity Commission gave concrete recommendations as to how growth in the Danish economy can be increased through improved productivity, and published its final report at the end of March 2014. The Commission recommends productivity to be improved *inter alia* through increased competition, including in the domestically oriented service sectors. The work of the government to follow-up on the recommendations is in process.

In the sections below the already implemented and planned initiatives to improve competition is explained in more detail.

3.3.1 Implemented measures

The government launched in October 2012 its competition policy programme, *Strengthened competition to the benefit of Denmark*. The programme, which included a number of initiatives in order to strengthen competition in Denmark, was divided into three main areas: a stronger competition act, increasing competition in domestically oriented business and increased competition and easier collaboration in solving the public tasks. The implementation of the programme is well under way and six of the initiatives have been conducted. The programme documents, that it is the domestically oriented service sector that has had the lowest growth in productivity, which *inter alia* is due to a lower degree of competition (from abroad).

In December 2012 a strengthening of the competition act was adopted. As of the 1st of March 2013 cartel members will be liable to a custodial sentence, and fines for individuals and enterprises have been raised significantly. Following this the Danish Competition and Consumer Authority have launched a prevention strategy and strengthened information efforts towards the private companies in order to improve the knowledge of and compliance with the competition act.

In addition, the parliament adopted an Act in June 2012, promoting competition on the market for electricity etc. (the wholesale model). The Act will be fully implemented in 2015 and has the objective to increase mobility on the market for electricity for the about 3 million consumers with low consumption.

In April 2014, Parliament adopted an Act modernising license agreements on electricity, plumbing and sewers. The purpose is to increase competition and access to the market and to simplify the rules for businesses.

From the competition policy programme, two initiatives have likewise been implemented which contribute to increasing the competition for public works, services and supplies. The initiatives concern the establishment of a more effective system for tendering complaints, which contributes to a shortened processing time. In addition, the rules for provision of home care have been simplified, which increases competition in the tendering for these services. The Danish Competition and Consumer Authority has also increased its guidance on the rules of tendering, in order to provide more clarity and make it easier for public authorities to create competition for public works, services and supplies and easing cooperation between public and private actors. The effort on guidance includes inter alia instructions on sought after subjects like evaluation models and dialogue during tendering.

In April 2013 the government formed a new council for public-private partnership. The tasks of the council are to promote knowledge and to help underpin competition for public sector contracts and to foster cooperation between public authorities and private companies. The council have, among other things, analysed the effects of creating competition for prison operations and payroll administration.

3.3.2 Planned measures

A large number of the launched initiatives in the competition policy programme aim at increasing the competition in the trade oriented domestic markets, including healthcare, the construction sector, retail, energy, professions regulated by law, financial businesses as well as real estate agents and trustees. The majority of the initiatives is expected to be implemented in 2014.

The government has on basis of their competition policy programme, formed a committee on the Danish procurement law. The aim of the committee is to ensure more effective and flexible public procurement rules (as a follow-up on the EU Public Procurement Package). The committee will report its results mid-March 2014, for the purpose of launching a proposal for a Danish procurement law in the parliamentary year 2014/2015.

The council for public-private partnership is furthermore continuously launching new initiatives, which are to strengthen the collaboration on public tasks. The government is currently following up on 29 specific initiatives, defined in the strategy for intelligent public procurement, where the main focus is on streamlining public procurement. The government will monitor the progress in public procurement and take stock of the launched initiatives in 2015. In addition the government will conduct an analysis on when it is economically beneficial to use public-private partnerships (OPP) in solving public construction projects.

The government is also expected to launch a number of measures as a follow-up on the recommendations of the Productivity Commission in the first six months of 2014, where the focus inter alia will be on removing inexpedient barriers to increased competition and productivity in the domestic markets.

3.4 Follow-up on the recommendation on financial stability strengthening

Denmark was not given recommendations regarding financial stability after the examination of the national reform program for 2013. However, the Danish government still has great focus on strengthening financial stability and has taken a number of initiatives. This work has resulted in a strengthened regulation of systemically important financial institutions. In addition the government works on securing a more robust mortgage credit sector, amongst other things by removing the institutions' refinancing risk in relation to adjustable-rate loans. These initiatives are covered below and should be seen as a follow-up on the previous recommendation from 2012 to "*consider preventive action to strengthen the medium-term stability of the housing market and the financial system (...)*".

Credit institutions generally, including SIFIs

In the National Reform Program for 2013 under planned initiatives it was stated that the Committee on systemically important financial institutions (SIFIs) had published its report and that political negotiations would be started. These resulted in a political agreement in October 2013 (Bank Package 6) on regulation of SIFIs and credit institutions generally, including implementation of the capital directive (CRD4/CRR).

According to the Agreement, a capital requirement of at least 10.5 per cent of the risk-weighted assets will generally apply to Danish banks and mortgage-credit institutions and a significantly larger share of capital must be Common Equity Tier 1 capital. A higher capital requirement of at least 11.5-13.5 per cent of the risk-weighted assets will apply to SIFIs, depending on the systemic importance of the individual SIFI. In addition, there will also be a possible additional and individual solvency requirement that will apply to all SIFIs, depending on how systemic the SIFIs are. Additionally, an individual capital requirement can be set for all institutions depending of the risk profile of the institution. This currently amounts to just below 2 per cent for SIFIs and slightly more than 3 per cent for other banks and mortgage-credit institutions.

The stronger requirements should make banks and mortgage credit institutions more robust and should strengthen confidence in the financial sector generally. Going forward the institutions should be better prepared to absorb losses and be able to go through possible crises without this resulting in risks for the rest of the economy. A more robust financial sector is an important prerequisite for long-term growth and employment in society.

A bill which implements the political agreement has been presented on the 7th of February 2014 in order to be in force from the 31st of March 2014.

A more robust mortgage credit sector

It has been pointed out from several sides that the mortgage credit institutions' refinancing risk has become too large in relation to the high quantity of adjust-able rate loans. The government has presented a bill and subsequently reached a broad political agreement, which going forward handles this refinancing risk.

Specifically, the bill imposes requirements whereby the conditions attached to the variable-rate bonds must stipulate that the bond may be automatically extended by one year at a time if the institution is unable to sell a sufficient number of new bonds to refinance the underlying loans.

Issuances of bonds underlying all loans that are not pre-financed and which are funded by fixed-rate or floating rate bonds and where the bonds have a term of up to and including 24 months (F1 (one-year) and F2 (two-year) loans, and one-year and two-year loans based on the CITA (Copenhagen Interbank Tomorrow/Next Average) rate, and similar) will be extended by one year if the interest rate increases by more than five percentage points within 12 months. At the next refinancing after the expiry of that year, there will be no limitations on the interest rate. Interest rate increases of more than five percentage point within one year are very rare.

In addition, the political agreement implies that banks' issuances of covered bonds must have a term of more than 24 months. This ensures that banks do not derive an advantage from being able to issue covered bonds without an interest rate trigger for terms, where the bill requires mortgage-credit institutions to have an interest rate trigger.

The bill was enacted by the Danish parliament on the 11th of March 2014. The rules apply from the 1st of April 2014 for bonds with a term of up to and including 12 months and from the 1st of January 2015 for all other bonds.

4. The National Targets in the Europe 2020 Strategy

Since the government took office, a number of reforms and measures have been implemented, which contribute to the fulfilment of the key targets in the Europe 2020 Strategy. In order to increase the Danish economy's long-term growth potential, the government has launched an ambitious reform agenda focusing on a number of areas, creating growth through, among other things, rising skill levels, more jobs, and increase productivity growth.

The government has undertaken a number of ambitious reforms, including Growth Plan DK, public school reform, reforms of the cash benefit system, anticipatory pensions, sickness benefits, vocational education and training, state education grant system, etc. The government will continue its reform efforts, and in the coming year it will propose reforms of the employment effort, and initiatives to follow up on the work in the Productivity Commission. The government will continue to ensure the Danish economic house is in order and improve the environment for growth and jobs in Denmark.

The targets for the 2014 National Reform Programme are set out in table 4.1.

Table 4.1
The national targets

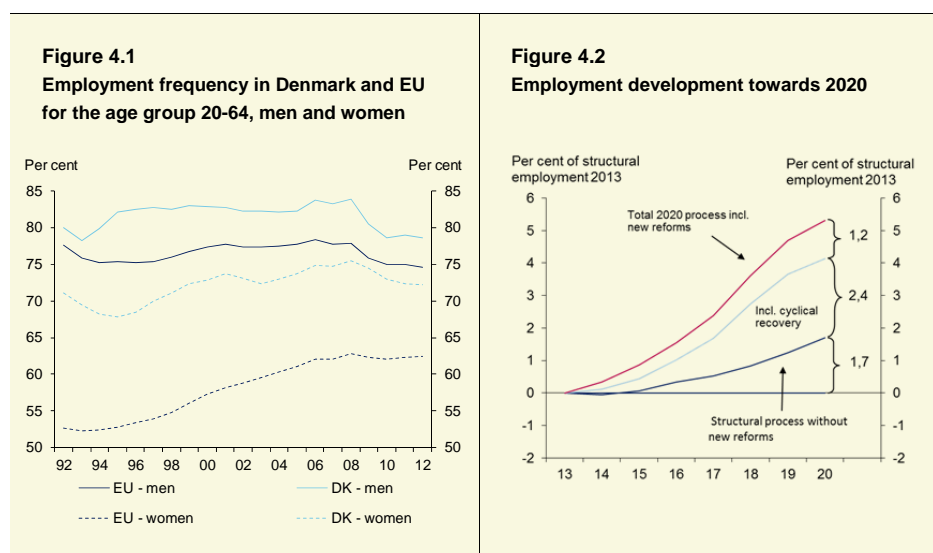
	Target in 2020
The national target for employment	80 per cent structural employment rate
The national target for R&D	3 per cent of GDP
The national target for climate and energy	Increase in the energy consumption stemming from renewable sources to 30 per cent by 2020 and use of renewable energy in the transport sector of 10 per cent by 2020. Gradual reduction of emissions in non-ETS sectors in 2013-20 of up to 20 per cent by 2020 relative to 2005.
The national target for education	Less than 10 per cent school dropout rates of the population aged 18-24 and at least 40 per cent of the population aged 30-34 having completed tertiary or equivalent education.
The national target for social inclusion	Reduce the number of people in households with low work intensity by 22,000 towards 2020.

Each chapter is structured with a presentation of both implemented and planned measures that are viewed as contributing to the governments overall 2020-targets as presented above. As in chapter 3 implemented measures entails initiatives where there is either a law or an

agreement has been made. Planned initiatives cover measures which have not yet been agreed upon.

4.1 The national target for employment

There are signs of improvement in the Danish labour market. The employment rate has gradually increased throughout 2013 and the unemployment level has declined. This development is expected to continue with increasing speed as the international economic situation improves. The structures on the Danish labour market are healthy and the labour market shows no signs of permanent impact from the economic setback. The high flexibility on the Danish labour market remains intact and the level of gross unemployment is low compared to earlier setbacks. The employment frequency for the age group 20-64, at just above 75 per cent in 2012 is likewise significantly higher than the EU average, *cf. figure 4.1*. The Danish employment frequency is higher than the EU average for men and in particular for women. The Danish target is a structural employment rate at 80 per cent for those aged 20-64 in 2020.



Note: The employment frequency in figure 4.1 is based on EU's "Labour force Survey". The employment frequency for EU includes Croatia in 2012.

Source: Eurostat, Statistics Denmark, DREAM and in-house calculations.

The Danish government is determined to maintain a high employment rate and improve the possibilities for people who receive public income transfers to re-enter employment or begin an education. Central elements in *Growth Plan DK* aim at increasing employment and growth. This will be achieved through increased education as well as reforms to increase the labour supply. To fulfil the growth target in *Growth Plan DK*, reforms corresponding to 33,000 fulltime persons (1.2 per cent of structural employment in 2013) towards 2020 have to be implemented.

The agreement on the tax reform, the anticipatory pension scheme and the flexi-job scheme, all implemented since 2012, have been estimated to increase labour supply and structural employment by approximately 27,000 fulltime persons (1.0 per cent). When the reforms implemented earlier are included along with the contribution from demographic development (which, when viewed in isolation, reduces the labour supply) the structural employment can increase by just above 90,000 fulltime persons (2.4 per cent) towards 2020.

Table 4.2
Contributions to the changes in labour supply and employment, 2013-20

1.000 individuals	Effect, 1.000 persons	Incl. working hours, full-time persons
Demographics contributions (age, gender, origin)	-9	-16
Estimated contributions from earlier reforms ¹	78	81
Implemented reforms since 2012	22	27
Of this:		
- Tax reform 2012 ²	5	11
- Reform of anticipatory pension and flexi-job scheme	8	5
- Specific initiatives in Growth Plan DK ³	9	11
Total change in structural employment	91	92
Contribution from cyclical normalization	81	69
Total change in actual employment	172	161
Further reforms in Growth Plan DK		6
Total change in actual employment including further reform ambitions		167
Of this, private sector employment		150

Note: The difference between the effect measured in working hour effect and number of individuals does not only reflect the change in the average working hours from the various initiatives, but also the difference between the average working hours and the normal working hours. Due to round-offs, sums may differ from the total.

- 1) Including initiatives in the Consolidation Agreement, tax agreements from 2007 and 2009, the retirement reform as well as the educational objectives.
- 2) Includes estimated effect for 2013.
- 3) Includes reform of state education grants as well as a slight increase in the average working hours due to higher real wages in following easing of the business taxation.

Source: Statistics Denmark, DREAM and in-house calculations.

Towards 2020, the economic situation is expected to normalise and this is estimated to increase the employment rate by almost 70,000 full-time persons, *cf. figure 4.2*. Altogether, the cyclical recovery, the underlying demographic development, previous and new reforms as well as the reform-ambition, are estimated to raise employment by approximately 167,000 full-time persons towards 2020, *cf. table 4.2*. Furthermore, private sector employment can increase by approximately 150,000 full-time persons.

The projected development in employment corresponds to an increase in the employment frequency for the age group 20-64 of just above 4 percentage points towards 2020. The reforms will thereby contribute to fulfil the Danish target of a structural employment frequency at 80 percent for those aged 20-64 in 2020.

4.1.1 Implemented measures

Implemented reforms, including the *retirement reform 2011*, tax reforms, reforms of anticipatory pension and flexi-job scheme, reforms of the cash benefits scheme and state education grants, are estimated to increase labour supply significantly towards 2020.

The *tax reform* from June 2012 ensures that being employed pays off, and in the long run, the reform is estimated to increase employment by approximately 16,000 individuals, including contributions from longer working hours. Towards 2020, the reform is estimated to increase employment by approximately 11,000 individuals, *cf. table 4.2*. The labour supply increase may be ascribed primarily to the increase in the general tax allowance, particularly the tax allowance for single parents, the increase in the upper tax threshold as well as the moderate regulation of transfer payments in the years 2016-23, all of which contributes to ensuring that employment pays off.

Reforming the anticipatory pension and flexi-job scheme contributes to an increase in labour supply by approximately 5,000 fulltime persons in 2020 (and just above 12,000 fulltime persons in 2030), *cf. table 4.2*. The reform came into force on 1 January 2013. The target of the reform is to retain as many individuals as possible on the labour market. Access to the anticipatory pension scheme will be limited for individuals younger than 40 years who will, instead, be offered a newly established resource clarification process. Furthermore, the reform entails that the flexi-job scheme is made more specific and that the government grant it restructured in order to enable individuals with low working capacity to enter a flexi-job. The municipalities have not yet established the expected number of resource clarification processes as set out in the anticipatory pension reform. Hence, the government will follow the implementation closely.

In April 2013, the Danish government agreed on reforms of the cash benefit scheme and state education grants (a part of *Growth Plan DK*), which together increases the employment by approximately 10,000 individuals towards 2020.⁴ Among other things, the reform of the cash benefit scheme causes a greater incentive for cash benefit receivers (younger than 30 years) to find employment or undertake an education. The reform of the state education grants encourages the students to complete their education faster. Furthermore, the employment increases by approximately 1,000 individuals in 2020 as a consequence of higher productivity caused by increased capital stock, as follows from the initiatives in *Growth Plan DK*.

⁴ Furthermore, the employment increases by approximately 1,000 individuals in 2020 as a consequence of higher productivity caused by increased capital stock, as follows from the initiatives in *Growth Plan DK*.

Since NRP2013, a new reform of the sickness benefit scheme have been adopted which, in addition to the above mentioned reforms, is expected to add a small contribution to the employment in 2020.

4.1.2 Planned measures

According to *Growth Plan DK*, the government aims to present further reforms, which can increase labour supply by approximately 6,000 individuals towards 2020, thereby contributing to fulfil the ambition of increasing growth (measured by GDP) by DKK 20 billion as a result of a higher level of education and increased labour supply.

4.2 The national target for research and development

Research and development forms the basis of knowledge, productivity growth in the economy as well as new products, services, manufacturing processes and other types of innovation. The Danish government has established a national target of 3 per cent of GDP for investments in research and development. Publicly financed research is to comprise at least 1 per cent of GDP. In addition, with the innovation strategy, *Denmark – a nation of solutions* from December 2012, the government has formulated the objective that Denmark is to be among the five OECD countries where the business community invests the most in research and development as a percentage of GDP.

With the innovation strategy, the government has also formulated national targets for, respectively, the share of innovative enterprises as well as the number of persons with a higher education in the private sector, which is to be among the top five European OECD countries by 2020. The targets are important guide posts for strengthening structural competitiveness and increasing Denmark's growth potential.

Table 4.3
Development in public and private research investments as a percentage of GDP

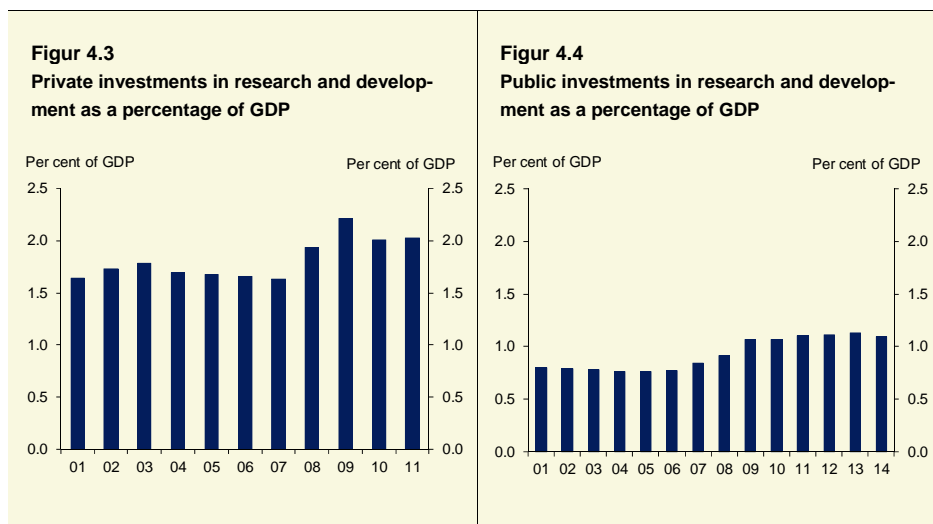
	2006	2007	2008	2009	2010	2011
Public	0.82	0.75	0.84	0.95	0.99	1.02
Private	1.66	1.63	1.94	2.21	2.01	2.03
Total	2.48	2.39	2.78	3.16	3.00	3.04

Note: 2011 is the final figure for private R&D and the provisional figure for public R&D. In connection with auditing the National Accounts in September 2014, the statement of R&D investments that contribute to boosting the total GDP level was subject to a technical conversion. The higher GDP indicates that R&D investments are falling as a share of GDP despite an unchanged level of resource consumption.

Source: Statistics Denmark.

Denmark has achieved the 3 per cent target, *cf. table 4.3*. Private research accounted for 2.03 per cent of GDP in 2011 and has stabilised above the 2 per cent level, *cf. figure 4.3*. The

public research budget has generally been increasing since 2005 and is at a relatively high level in comparison with other countries. In 2014, the government has budgeted 1.09 per cent of GDP for publicly financed research, *cf. figure 4.4*.



Note: 2011 is the final figure for private R&D and the provisional figure for public R&D.

Source: Statistics Denmark and agreements on Finance Act 2014.

4.2.1 Implemented measures

New, large-scale government initiatives within research, development and innovation since NRP 2013 as well as initiatives still in the process of implementation are presented in box 4.1.

In 2013, the primary focus was on implementing the initiatives in the innovation strategy from December 2012. The most large-scale initiatives in the strategy will be fully implemented in 2014. These include a reform of the innovation and research-financed bodies, the introduction of new and important support instruments, as well as strengthened coordination across governmental and regional bodies.

In October 2013, an agreement was reached between the government and all parties in the Danish Parliament regarding the Danish National Innovation Foundation. The foundation which has been assigned responsibility for the future allocation of all competitive funds for strategic research, innovation and technology development under the jurisdiction of the Ministry of Higher Education and Science, is expected to commence on 1 April 2014. In 2014 the Danish National Innovation Foundation will be allocated a total budget of approx. DKK 1.6 billion. The initiative is part of the government's policy in the research and innovation field aimed at establishing a more effective innovation system and thereby promoting growth and employment.

Box 4.1**Implemented and agreed measures for the promotion of research, development and innovation****Public research and institutions of higher education:**

- **The Danish National Innovation Foundation:** In October 2013, an agreement was reached between the government and all parties in the Danish parliament regarding the establishment of the Danish National Innovation Foundation. In 2014, the Foundation has been allocated a total budget of approx. DKK 1.6 billion.
- **Simplification package:** As part of the innovation strategy, a forum across the innovation system has been set up to implement a simplification package for all public innovation schemes. The initiative is designed to reduce the number of programmes and administrative burdens. At the same time, the division of labour and the cohesion between programmes are to be improved just as better impact measurements are to be developed.
- **The YDUN (Younger women Devoted to a University career) Programme:** A total of DKK 110 million has been earmarked to ensure a more even gender mix in research environments in Denmark.
- **Strengthening of Arctic research:** Arctic research is to be strengthened through a number of initiatives, including the establishment of the Forum for Arctic Research, which is designed to enhance the impact and coordination of development and research activities related to Arctic research.
- **Establishment of three new innovation centres:** In 2013, three new innovation centres opened in São Paulo (Brazil), Seoul (South Korea) and New Delhi/Bangalore (India), respectively. Through partnerships, individual consultancy services and collaboration with foreign research, innovation and higher education institutions, the new innovation centres are to contribute to strengthening Danish research, innovation and education as well as attract increased investments and talent to Denmark.

Research, development and innovation by enterprises:

- **Societal partnerships and INNO+:** Five major societal partnerships on innovation have been selected, emerging from INNO+: Blue jobs via green solutions, Denmark as the preferred country for early clinical testing of new medicines, water-efficient industrial production, Innovatorium for building renovation, and Intelligent, sustainable and efficient plant production.
- **Support professional clusters and innovation networks:** In 2013, a strategy was launched for collaboration on Denmark's cluster and network efforts. The strategy aims to strengthen the coordination of the local, regional, national and international cluster and networking activities, certify Danish innovation networks and cluster organisations according to European standards, and strengthen the international focus of Danish clusters and networks.
- **Tax credit for research and development activities:** From 2014, the upper limit is raised for how much expenditure on research and development gives rise to cash payment through tax credit. The limit is raised from DKK 5 million to DKK 25 million, equivalent to a payment of DKK 5.5 million once the corporation tax reduction is fully phased in by 2016.
- **SPIR (Strategic Platform for Innovation and Research):** A grant was awarded for a SPIR (Strategic Platform for Innovation and Research) concerning production systems for the future in order to strengthen research, innovation and development in Danish manufacturing enterprises and make it more attractive for these enterprises to continue to locate their research, development and production operations in Denmark.
- **Growth teams and growth plans:** Based on recommendations from the government's growth teams, the government has presented growth plans for business areas where Danish enterprises have international competitive power and potential. The growth plans contain, among other things, initiatives designed to strengthen research, development and innovation activities.
- **Establishment of the Market Development Fund:** In 2013, the Business Innovation Fund changed its name to the Market Development Fund. The fund has an annual budget of DKK 135 million for the next three years (2013-2015) for, among other things, co-financing the market development of small and medium-sized enterprises – including testing and adapting new and innovative products and services of enterprises immediately prior to market entry. The fund also promotes innovative public sector demand.

4.2.2 Planned measures

The government wishes to maintain a high level of ambition for investments in research and innovation through a number of initiatives, *cf. box 4.2*.

In conjunction with the establishment of the Danish National Innovation Foundation, a range of support instruments designed to promote research, development and innovation will be enhanced and new ones will be developed. These include societal partnerships, tax incentives, SME activities, and cluster policy.

The overall infrastructure of the research and innovation field - including long-term grants to institutions such as universities, Approved Technological Service GTS-institutes (the Danish Research and Technology Organisations, or RTOs), innovation incubators and innovation clusters and networks – has been strengthened.

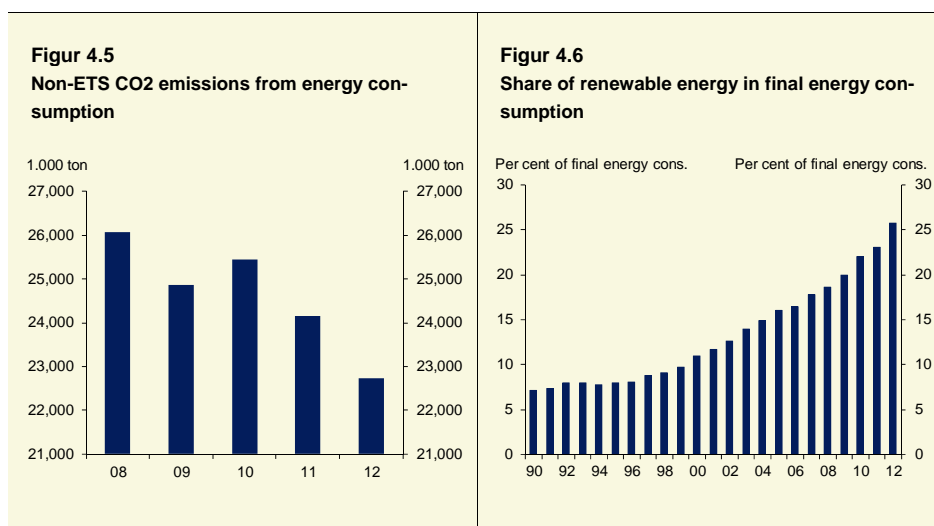
Box 4.2**Planned measures for the promotion of research, development and innovation**

- **Follow-up on the Danish National Innovation Foundation:**
 - **Evaluation of knowledge cooperation between knowledge institutions and businesses:** In line with the agreement on the Danish National Innovation Foundation, a broad evaluation of the knowledge cooperation between knowledge institutions and businesses is to be conducted during 2014 with the aim of assessing the need for new measures in the field.
 - **Strengthened SME activities:** With the Danish National Innovation Foundation, the activities in relation to small and medium-sized enterprises (SMEs) and entrepreneurial enterprises are to be strengthened. A number of SME schemes are to be merged into an overall SME programme, and funds will be earmarked for innovation projects in interplay between SMEs and knowledge institutions.
 - **Evaluation of the Danish Council for Independent Research:** In line with the agreement on the Danish National Innovation Foundation, a broad evaluation of the Danish Council for Independent Research is to be conducted, which together with the earlier evaluation of the Danish National Research Foundation is to provide the basis for a political discussion of the overall organisation of research within this field.
- **The European Spallation Source (ESS):** Denmark and Sweden co-host one of the world's largest and most advanced joint European research facilities - the European Spallation Source (ESS) - which will be located in Lund, Sweden.
- **Increased share of funding from EU programmes:** Danish participation in EU programmes is to be strengthened with the aim of securing an overall share of 2.5 per cent of total funds from Horizon 2020. This is to be achieved partly through a re-launch and expansion of the EUopSTART scheme, which provides grants for the preparatory work of Danish enterprises and knowledge institutions in connection with participation in European research programmes.
- **Innovation networks:** In 2014, a new and comprehensive infrastructure comprising 22 national innovation networks is to be established. Aimed at promoting growth and innovation these networks are to constitute the national cluster and network infrastructure up until 2018 and have a key bridge-building role in the interplay between research institutions and enterprises.
- **ESOF (Euroscience Open Forum) 2014:** Denmark has been selected as host for ESOF 2014, with Copenhagen as host city. ESOF is the large cross-cutting general science and science policy conference in Europe.
- **Follow-up on growth plans:** Regular action will be taken to follow up on initiatives related to research, development and innovation in the government's growth plans in areas where Danish enterprises have international competitive power and potential.

4.3 The national targets for climate and energy

The national targets for climate and energy encompass the following:

- EU target of a 20 percent reduction of emissions in non-ETS sectors by 2020 in comparison to the 2005 level.
- EU target of increasing the share of final energy consumption stemming from renewable sources to 30 percent by 2020.
- EU target for use of renewable energy in the transport sector of 10 percent by 2020.



Source: Danish Energy Agency, *Energy Statistics 2011-13*

Source: Danish Energy Agency, *Energy Statistics 2013*

Climate-policy targets

In October 2009, the EU heads of state and government reaffirmed that industrialised countries must reduce their greenhouse gas emissions by 80-95 percent by 2050 in comparison to 1990 levels. The target has not yet been precisely defined, made legally binding or distributed amongst the member countries. As part of the EU Climate and Energy Package's target for a total reduction in greenhouse gas emissions of 20 per cent below 1990 levels by 2020, Denmark has committed to reducing its non-ETS emissions by 20 percent relative to 2005 levels. There are annual commitments for the period 2013-20, and it is possible to carry any surplus forward to the subsequent year. With the implementation of the initiatives signed-up to in the energy agreement from 12 March 2012, it is expected that the target will be reached by 2020.

Energy-policy targets

Under the EU Climate and Energy Package from 2008, Denmark has committed itself to increasing its share of final energy consumption stemming from renewable sources from 17 per cent in 2005 to 30 per cent by 2020. With the implementation of the agreed initiatives in the Energy Agreement of 22 March 2012 (*Energy Agreement 2012-2020*), this goal will be met by guaranteeing renewable energy accounts for more than 35 per cent of the final energy consumption by 2020.

Furthermore, provided the assumptions about economic growth, developments in energy prices etc. hold, the initiatives in the energy agreement will lead to an absolute reduction in gross energy consumption of 12 per cent by 2020 relative to 2006. In the 2008 energy agreement, the target was a reduction of 4 per cent by 2020 relative to 2006.

As part of the Climate and Energy Package, Denmark must comply with a requirement that at least 10 percent of energy consumption in the transport sector must be covered by renewable

energy. This goal will be achieved through the implementation of the agreed transport initiatives in energy agreement.

4.3.1 Implemented measures

Energy Agreement 2012-2020

The energy agreement is comprised of a wide range of initiatives designed to support and expand the Danish position on climate and energy. The content of the agreement is laid out in the National Reform Programme 2013. At the same time, important steps are being made towards achieving 100 per cent renewable energy in the Danish energy and transport sector by 2050. With such initiatives in the energy agreement, Denmark is well on course for an overall reduction in greenhouse gas emissions of about 34 percent in 2020 compared to 1990 levels.

The Climate Act

The government reached an accord in February 2014 regarding two climate policy agreements that not only provides wide parliamentary support for the Climate Law, which the government will put forward in parliament in late March, but also allow for broad parliamentary support for the government's national reduction target of 40 percent over the period 1990-2020, as set forth in the Governmental Platform from 2011 (see below).

The Climate Act puts into law that the government must publish an annual climate policy survey and set new national climate goals every five years. As part of the climate act, the government is also establishing an independent body, the Climate Council, whose task it will be to advise the government on how the transition to a low-carbon economy by 2050 can be achieved in a cost effective manner, taking into account growth, competitiveness and sound public finances. The Climate Council is expected to be operational from 1 January 2015.

4.3.2 Planned measures

In the Government Platform from 2011 the government presented its national climate targets of a 40 percent reduction in total greenhouse gas emissions by 2020 compared to 1990. The reduction target of 40 per cent is the basis for the government's climate policy plan, which was submitted in August 2013, as previously mentioned.

The government's ambition is that climate concerns should be integrated into policy development in all the sectors that emit greenhouse gases. The government's climate policy is based on a number of principles set out in box 4.1. Alongside the government's climate policy plan from August 2013, a catalogue of potential scenarios to mitigate climate change has been prepared in which various measures to achieve the reduction target are analysed. This catalogue, together with climate policy plan and the new climate bill, will form the starting point for further political dialogue on how the reduction target is to be reached.

Box 4.3**Principles of Danish climate policy*****Integration of climate considerations into other areas of policy***

- The integration of climate considerations in other policy areas is a fundamental principle of the government's climate policy in order to achieve the target of 40 per cent by 2020, the government will, in political discussions and negotiations regarding relevant sectors such as agriculture, transport, energy and the environment, seek to integrate specific climate considerations.

Combining an ambitious climate policy with growth and employment

- The working group's catalogue outlines a wide range of options for reducing greenhouse gas emissions. The list is not exhaustive and for the sake of comprehensiveness also includes the actions and instruments available to the government which it will, with its current policy, not deploy. For example, the government will not impose new business taxes.

Cost-effectiveness

- The achievement of the 40 per cent target for the long-term transition towards a low-carbon society requires substantial reductions in greenhouse gas emissions. Therefore, efforts must be organised in a cost-effective way: i.e. in a manner that incurs as few economic costs as possible.

Timing and action under conditions of uncertainty

- It makes no sense at this time to organise reduction efforts until 2050 in detail. Instead, it is appropriate that the choice of action should comply with the most recent and updated practices in terms of discharges, possible actions and new technologies. This increases the probability that the total effort also proves to be cost effective.

Competitiveness

- Developing a cost-effective climate initiative raises an issue in relation to the Danish competitiveness for competitive businesses and the possible relocation of production. This could mean the loss of Danish investments and jobs. Therefore, whether the potential initiative involves any relocation of production or not must be taken into account.

Limited possibility of public funding

- The Danish climate effort must be implemented within the framework of a sustainable economic policy. In the coming years, the ability to obtain public funding for such initiatives will be severely limited. This limitation should be viewed in the light of the need to consolidate public finances.

The polluter pays principle

- Reduction efforts must be based on the fundamental principle that the polluter pays. Based on this principle, as well as considerations of cost effectiveness, a uniform pricing of all greenhouse gas emissions in all sectors should be made standard.

Support for a long-term transformation

- The 40 per cent target is a stepping stone towards a broader green transition and the fulfilment of the long-term EU climate policy target of an 80-95 percent reduction by 2050. It is therefore essential that meeting the 40 percent target supports long-term and structural transformation, and that the decisions taken up to 2020 are cost effective and provide the impetus to the initiation of reductions in all sectors.

Source: The government's climate plan, *August 2013*.

4.4 The national target for education

The government has acceded to the EU headline targets for education set out in the Europe 2020 Strategy to reduce the education drop-out rate to 10 per cent for 18-24 year-olds as well

as increase the percentage of 30-34 year-olds who have completed a higher education or equivalent to at least 40 per cent.

Denmark is working towards fulfilling the EU targets through its national targets, which, however, are calculated according to different methods than the EU targets. The Danish national targets are that 95 per cent of a youth cohort is to complete at least an upper secondary education by 2015, 60 per cent of a youth cohort is to complete a higher education by 2020 and at least 25 per cent is to complete a long-cycle higher education.

It is a key objective of the Danish government to raise standards in primary and lower secondary education, in upper secondary education and in higher education. It is also the government's objective to ensure that more young people gain a vocational education and training (VET) qualification, and that Danish students reduce their average study time. This will contribute to increasing the availability of well-qualified labour while at the same time reducing average educational costs. It is also the government's objective to strengthen the quality of adult education and continuing training, partly with the aim of ensuring that more unskilled people gain an educational or training qualification.

4.4.1 Implemented measures

An improvement of standards in the Danish public school system

In 2013, the government reached a broad political agreement on an improvement of the standards in the Danish public school system. The agreement entails a reform of the public school system, which will take effect from the 2014-15 school year, *cf. section 3.2.2*. The reform entails, among other things, a longer and more varied school day, which incorporates more and improved teaching, including in the core subjects of Danish and Maths, and improved final years of compulsory schooling, the aim of which is to raise the students' academic level and support their transition into post-compulsory education.

Better and more attractive vocational education and training (VET) programmes

In February 2014, the government reached a broad political agreement on the vocational education and training (VET) programmes, *cf. section 3.2.2*. The agreement aims to ensure that young people are offered high-quality VET programmes and good opportunities for further education and training. Entry requirements for admission and talent tracks for the best students will be introduced. In addition, priority is assigned to the professional development of teachers in order to strengthen the quality of teaching. The reform ensures students a minimum of 26 hours of teaching a week, equivalent to around 35 lessons a week. The agreement will be phased in from 2014 onwards.

Reform of the state education grant system and framework for higher education programmes

In April 2013, a political agreement was reached on a reform of the state education grant (SU) system and framework for higher education programmes. The reform is based on a premise of the continued cost-effectiveness of an SU system which ensures young people the opportunity to obtain an education regardless of social background. Another key element of the reform is to ensure faster completion of studies. The individual initiatives in the reform are phased in from 1 January 2014 onwards.

An overview of agreed measures in the education field is presented in box 4.4.

Box 4.4

Implemented and agreed measures for improving education since NRP2013

- **An improvement of the standards in the Danish public school system**, *cf. also section 3.2.2.*
- **Better and more attractive vocational education and training (VET) programmes:** In February 2014, a political agreement was reached aimed at ensuring that more young people take a vocational education and training (VET) programme, that more young people fully complete a VET programme, that all students are challenged, and that trust in VET colleges and student well-being are strengthened, *cf. also section 3.2.2.*
- **Implementation of the Agreement on better vocational and training (VET) programmes and a strengthened 'education guarantee'**, *cf. Section 3.2.2*, including, among other things, the establishment of 50 placement centres aimed at ensuring that more young people complete a VET programme.
- **Reform of the state education grant system and framework for higher education programmes**, *cf. also section 3.2.2.*
- **Reform of the Bachelor's Degree Programme in Social Education:** In September 2013, a political agreement was reached on a reform of the Bachelor's Degree Programme in Social Education aimed at supporting the goal of social mobility and breaking the intergenerational transmission of disadvantage through early action, with the aim of ensuring that more young people develop the ability needed to complete an education. The reform was implemented in the legislation in January 2014.
- **Enhanced efforts to promote talent:** In December 2013, the government reached a political agreement to send a proposal for a bill in consultation aimed at improving the framework for talent initiatives at institutions of higher education. With the proposal the institutions will be given a better framework to establish special talent tracks that offer extra academic challenges, and academically strong students will be able to have distinction inscribed on their diploma. Talented upper secondary students will have an opportunity to take courses in higher education and subsequently receive credit for the course when registering for a relevant programme of higher education.
- **New accreditation system:** As of 1 July 2013, a new accreditation system was introduced for all higher education programmes. The intention is to strengthen coherence in the education system, independent of the type of institution, in which a comprehensive accreditation system with common criteria and guidelines is established. The aim is to support the development of higher quality education study programmes and to ensure that the development within higher education is appropriate from a socio-economic and education policy perspective.

4.4.2 Planned measures

With the Government Platform, the government has set a clear and targeted focus on raising the quality of programmes within upper secondary and higher education, along with adult education and training programmes.

At the present time, work has commenced on further developing and improving the education system on several levels, *cf. box 4.5.*

Box 4.5**Planned measures for promoting education****Upper secondary education and vocational education and training (VET) programmes**

- **Development of general upper secondary programmes:** The government's service check of the content of and framework for the general upper secondary education programmes is to contribute to improving the quality of general upper secondary programmes.
- **Better and more adult education and continuing training:** With the political agreement on *Growth Plan DK* in 2013, a pool of DKK 1 billion was earmarked in the period 2014-17 for the purpose of significantly upgrading the skills of the labour force, partly in an effort to ensure that manufacturing enterprises and jobs can be kept in Denmark. The goal is to increase the number of people who upgrade from being unskilled to skilled workers, to increase the number of skilled workers who advance to higher education, and to improve the quality of vocational adult education and continuing training.

Higher education programmes, etc.

- **The Expert Committee on Quality in Higher Education in Denmark:** Based on the Danish welfare model, the government wishes for initiatives to be taken to improve quality, relevance and coherence in higher education. In October 2013, the government therefore set up a committee to submit recommendations for specific initiatives for improvements in this area, *cf. also section 3.2.4*. With the committee, the government will acquire a solid expert basis and recommendations within a number of general themes, including: high quality of teaching and intensive study programmes, teaching hours, labour market readiness, promotion of quality and relevance in the funding of higher education, transparency around the results of the higher education programmes, resource efficiency and coherence, as well as socio-economic return on higher education programmes.
- **Action plan for internationalisation:** In June 2013, the government launched the first part of an action plan to strengthen internationalisation of higher education programmes, with focus on strengthening the outward mobility of Danish students, the international learning environments that Danish institutions are involved in and the foreign language skills of students. The action plan is to be followed up in spring 2014 by the second part of the action plan, which will focus on strengthening recruitment and retention of the most talented international students in Denmark.
- **National Policy and Action Plan on Disability 2013 – A society for all:** The government's national policy and action plan on disability from October 2013 focuses on ensuring that everyone – including individuals with disabilities – is encouraged to and has equal opportunities to obtain an education. Greater inclusion of students with disabilities in higher education will support the government's goal of creating the most educated generation ever.

4.5. The national target for social inclusion

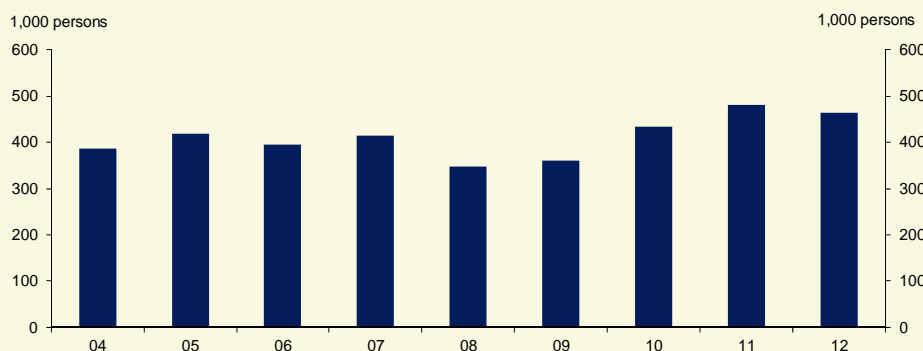
It is a key priority for the Danish government to ensure that everyone has equal opportunities. Social, economic and health-related challenges are transferred from generation to generation. Initiatives aimed at preventing social problems are important tools, especially for helping socially disadvantaged children and young people. These tools include special support for socially disadvantaged families and the government's national social 2020 goals.

As part of the EU2020 Strategy, the Danish government has set the target of reducing the number of people in households with low work intensity by 22,000 persons by 2020. When

citizens lose their jobs or never gain a proper foothold in the labour market, it has significant consequences, both for the individual and for society in general. The Danish target reflects the view that the strengthening of social inclusion can be achieved through a broad range of initiatives within the social, employment and education sector.

In the period from 2008 to 2011, the number of people in households with low work intensity rose from 347,000 to 480,000, mainly because of the financial crisis, *cf. Figure 4.7*. From 2011 to 2012, the number of people in households with low work intensity decreased to 464,000. Trends in the number of people in households with low work intensity are sensitive to business cycle fluctuations and are expected to decline as the market situation improves, *cf. Chapter 2*.

Figure 4.7
Persons in households with low work intensity



Note: People in households with low work intensity refer to the share of the Danish population under the age of 60 who live in a household with very low work intensity. The figures are based on self-reported employment levels.

Source: Eurostat.

The government is following the economic developments closely and has initiated several reforms aimed at reducing the number of people in households with low work intensity.

4.5.1 Implemented measures

The government has implemented initiatives aimed at creating opportunities for people to lead an active life, in which they are able to support themselves. Moreover, through the Budget Act and the rate adjustment pool (*satspuljen*) for 2014, a series of initiatives have been established to ensure better inclusion and support for some of the most socially disadvantaged groups in society, among both children and adults, *cf. box 4.6*.

Box 4.6**Initiatives to support social inclusion**

- **Cash benefit reform.** The cash benefit reform took effect on 1 January 2014. The reform harmonises the cash benefits available for young people under the age of 30 with the assistance paid out as state education grants. At the same time, a new cash benefit system is being developed for adults and young people with an education. The cash benefit reform is expected to result in fewer people claiming cash benefits in the future, because more will have initiated a course of study or obtained a job which will ultimately boost social inclusion.
- **Support for particularly disadvantaged families.** Through the cash benefit reform, DKK 100 million has been earmarked for a pilot scheme aimed at helping particularly disadvantaged families. The initiative does not only address employment. Its objective is to address other factors including health issues and social challenges.
- **Sickness benefit reform.** On 18 December 2013, an agreement was reached on a reform of the sickness benefit system. The objective of the reform is to ensure economic security for people on sick leave, as well as earlier and better intervention. The first part of the reform takes effect on 1 July 2014.
- **Agreement on implementation of the rate adjustment pool earmarked for disadvantaged groups.** In the period 2014 to 2017 a total of DKK 410 million is earmarked for an overall boost of the *psychiatric health services*. For instance, DKK 71 million has been set aside for making acute social initiatives more widely available to mentally vulnerable people who live in their own homes. The pool also allocates DKK 72.5 million to strengthen efforts to fight *homelessness*. In the initiative, special attention will be given to prevention and early intervention in relation to socially disadvantaged young people who are either homeless or at risk of becoming homeless. Moreover, a development funding pool has been established in an effort to improve the quality of life for people with dementia and their relatives. DKK 12 million has been allocated to the pool in the period 2014 to 2016 with a view to help volunteer organisations, develop initiatives that can contribute to better conditions for people with dementia and for their relatives, as well as to create a better understanding of the situation which the relatives find themselves in when someone close to them develops dementia.
- **The Budget Act.** In the agreement on the Danish Budget Act 2014, DKK 20 million a year has been earmarked for the period 2014 to 2017 for further initiatives to fight homelessness among young people. In addition, DKK 150 million in 2014 and a permanent DKK 50 million a year have been allocated to reduce the use of force in the psychiatric health services.
- **Strengthening the reception of new arrivals.** Reception initiatives for newly arrived refugees and reunited families of refugees are to be strengthened with various initiatives, including offers of systematic health screening and requirements for the preparation of holistic integration plans, which ensure an early, preventive and coordinated effort at local government level.

In June 2013, the government's Expert Committee on Poverty presented the results of its efforts to clarify various techniques for measuring poverty and introduced several proposals for a possible Danish poverty threshold. Based on this, people are considered economically poor if they have a disposable income of less than 50 per cent of the median income for three consecutive years, do not have net assets in excess of DKK 100,000 per adult and are not students over the age of 17 or in a family with a student over the age of 17. With this poverty threshold definition, a group with prolonged limited financial resources is identified. Based on the Committee's financial poverty threshold, approx. 42,200 people lived in financial poverty in Denmark in 2010. While this group is extremely multifaceted, there is an over-

representation of e.g. independent business owners and single cash benefit recipients without children. Furthermore, there is a tendency for more men than women to be represented in the group. Based on the recommendations of the Expert Committee on Poverty, the government has decided to publish an annual poverty report from 2014 onwards.

As part of its efforts to improve conditions for the most disadvantaged and vulnerable people in society, the government released a number of social 2020 targets comprising quantifiable goals on 12 September 2013. The 2020 social targets comprise goals for improving education for socially disadvantaged children and young people and for fewer failures in the child placement process. For socially disadvantaged adults, the national social 2020 targets comprise goals for homelessness, women at crisis centres, substance abuse treatment and drug-related deaths, *cf. Box 4.7*.

It is not possible to quantify how the national social 2020 targets will affect the European targets for social inclusion. As a consequence, these social targets are not included in the Danish EU2020 targets. The Danish government will closely follow the developments towards reaching these targets.

Box 4.7

The national Danish social 2020 targets

On 12 September 2013, the government announced a series of social 2020 targets comprised of the following quantifiable goals for 2020:

- At least 50 per cent of socially disadvantaged children and young people must have completed an upper secondary school education or equivalent by the age of 25. In 2011, the share was 36 per cent.
- At least a 25 per cent reduction in the number of socially disadvantaged 15-17 year olds convicted of a crime, corresponding to a maximum share of 9 per cent.
- The number of child placement failures must be reduced by at least 30 per cent, corresponding to a maximum of 4 per cent.
- The number of homeless people in Denmark must be reduced by at least 25 per cent to a level of no more than 4,000 people.
- The share of citizens who return to a shelter or a care home for the homeless people within the first year after being assigned to their own home must not exceed 20 per cent. In 2011, the share was 31 per cent.
- The share of women in need of more than one stay at a women's crisis centre must be reduced by at least 30 per cent, corresponding to a share of maximum 25 per cent.
- The share of citizens who are drug free or have reduced substance usage after completing a substance abuse programme must be increased to at least 50 per cent. In 2011, the share was 31 per cent.
- The number of drug-related deaths must be reduced to and maintained at a level of no more than 200, representing a reduction of approx. 30 per cent.

4.5.2 Planned measures

In extension of the report from the Expert Committee on Poverty, starting in 2014, an annual poverty report will be produced as part of the publication "Fordeling, Fattigdom og Incitament" (Distribution, Poverty and Incentives), the aim of which is to show trends in the number of poor people and describe the composition of the population group of poor people in Denmark defined according to the poverty threshold set on the basis of the recommendations

of the Expert Committee on Poverty. The report will also contain a study of social risk factors for poverty.

Moreover, two initiatives promoting integration are to be implemented from 2014. In October 2013, a national anti-discrimination unit was launched to combat ethnic discrimination. December 2013 saw the launch of the strategy on integration through civic participation "Civilsamfundet Bygger Bro" (The Civil Society Builds Bridges) which contains initiatives to promote civil society's role and involvement in integration efforts.

5. Modernisation of the public sector

One of Denmark's strengths is a generally well-functioning and efficient public sector. An efficient public sector is a key requirement for the private sector and the basis for a high standard of living. The public sector in Denmark accounts for a large part of the economy. This calls for a strong degree of resource efficiency in the public sector.

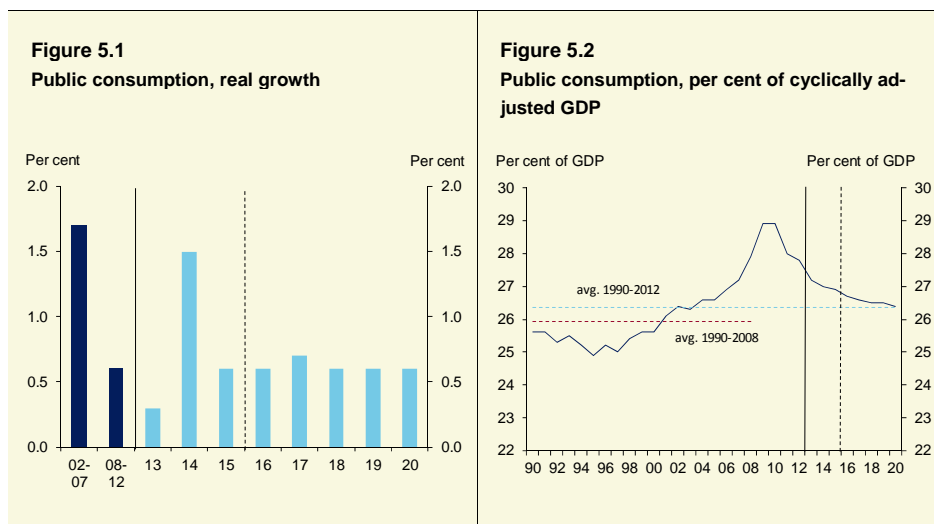
There is great potential for developing public services through continuous modernisation of the public sector. The overall aim of the modernisation is to ensure that public resources are being used as efficiently as possible and in the areas where they are most needed.

That is why modernisation of the public sector is a key reform track in the government's *Growth Plan DK*. This reform track should ensure efficient use of resources and continued high quality of public welfare services through innovation and modernisation of the public sector.

Modernisation of the public sector affects the general public, employees, managers, government, municipalities, and regions. Among other things, the changes aim at making better use of people's individual resources and potential. Better regulation and reduced bureaucracy should create more confidence and allow space for employees to use their professional expertise and experience, while freeing time for primary tasks. At the same time, managers must have the widest possible freedom to manage in a systematic way and to follow-up on clear and meaningful goals.

Furthermore, the need to promote the most efficient use of resources in the public sector should be considered in light of the fiscal framework. Towards 2020 a relatively modest growth in public consumption is expected, which is assumed to be around 0.6 per cent per year in the period 2015-20, *cf. figure 5.1*. With the continuous modernisation and efficiency improvements of the public sector it is possible to improve the quality of public services more than real growth in public consumption would indicate.

The more modest public consumption growth should be seen in light of the fact that planned public spending in 2014 is high, both in a historical perspective and in relation to the level of expenditure that can be funded from 2020 on a sustainable basis, given the planned fiscal policy and the agreed reforms. In 2020, public consumption is estimated to be approx. 26½ per cent of adjusted GDP, *cf. figure 5.2*. It remains somewhat higher than in the two decades before the financial crisis began and in line with the historical average of the period 1990-2012.



Source: Statistics Denmark, *Economic Survey*, December 2013 and *Finansredegørelsen*, January 2014.

Through modernisation, the government aims to free up DDK 12 billion in the public sector before 2020 for new initiatives. This corresponds to an average annual efficiency requirement of 0.3 per cent towards 2020.

The government is well underway with the modernisation of the public sector within different areas as outlined in box 5.1. The specific content of a number of the implemented initiatives are described in detail in the following sections.

Box 5.1**The modernisation of the public sector up to 2020**

Digitising. The government has launched an ambitious effort to promote the digitisation of the public sector. Digitisation can free up administrative resources and reduce the number of heavy, routine tasks for employees, while citizens and businesses receive a more flexible and efficient service.

Use of welfare technology. The government will innovate and modernise the service production in the public sector through increased use of welfare technology resulting in more efficient workflows, people becoming more self-reliant, an improvement of the work environment of public employees, and improvements in the quality of public services.

Focus on the effects, results, and mutual learning. The government will focus on increasing the existing knowledge of effects, results, and best practice. Public institutions in the state, regions, and municipalities have to learn from each other and constantly focus on using the best and most effective methods.

Service-minded public sector. The government will support the continued change in culture aimed at strengthening the service mindedness in the public sector.

Rules on working hours and working conditions in the public sector. The framework for state responsibilities is constantly changing. It is important that the working hour rules, forms of employment, and payroll systems support a flexible use of resources and continuous improvement of productivity.

Public-private collaboration. Increased collaboration with private stakeholders can help challenge, innovate, and streamline the execution of public sector tasks. The government will through, among other things, an improved framework underpin the public sectors ability to take advantage of private companies' strengths and aptitudes.

Better regulation and targeting. The government will adopt an ambitious approach in which tasks and rules that take away time from the core public tasks shall be removed, and hereby, through reducing bureaucracy and process requirements, focus on results. At the same time, public sector tasks must be targeted so that they yield the greatest benefit.

Enhanced focus on capacity utilisation and financial management. The government will increase public institutions focus on better capacity utilisation and costs. This will be done by promoting transparency in financial management, increasing the use of benchmarks, and focus on good governance across the public sector.

5.1 Digitisation

The government is working with municipalities and regions to create a more digital public Denmark that optimises and frees up resources, and at the same time improves services to citizens and businesses.

The majority of Danes use their computers, mobile phones, and the internet every day. Figures from Statistics Denmark show that 84 per cent of the population between 16 and 89 years of age use the internet on a daily or weekly basis, and approx. 75 per cent use public

websites and internet banking. From 2010 to 2012 an additional 175,000 persons between the ages of 65 and 89 years became Internet users.

When it comes to the public sector, Denmark is among the countries in the world that have made the most progress in using ICT and new technology to innovate and improve the welfare society.

On this basis, it was decided in 2011 to set a target that 80 per cent of all written communication between citizens and public authorities from 2015 and onwards should be digital. The 80 per cent target was set to ensure that in certain situations, and for citizens with distinct needs, it would remain possible to communicate in other ways, such as by conventional letters or telephone.

To ensure that the phasing in of digital communication follows the development of user-friendly solutions and the readiness among citizens, businesses and governments legal requirements on digital communication are phased in gradually until 2015. The transition to digital communication involves a comprehensive transformation of government, businesses, and citizens and, hence, the prolonged phase in must ensure predictability and time for implementation.

As for the outgoing written communications from public authorities to citizens and businesses a process has been outlined, where every company in November 2013 were given a digital mailbox where they have easy access to an overview of inquiries from public authorities. Similarly, every citizen will be given a digital mailbox in November 2014 to which the authorities can send their letters to citizens. Citizens who are not able to receive mail digitally will, in due time, be able to apply for exemption from the requirement for digital mail. According to the law on digital mail, digital letters addressed to the digital mailbox has the same legal status as if they were sent by regular mail.

The transition to mandatory digital self-service and the phasing out of paper forms for applications, requests, and reports to public authorities is carried out in four annual so-called waves. Areas for mandatory digital self-service are selected based on an assessment of the economic potential of digitisation of the area, the maturity of citizens and solutions, and the area's positive contribution to the overall transition to digital communications with the public sector.

The first wave came into effect on 1 December 2012, and offered ten service solutions, such as notification of relocation, which was already the most used public digital self-service solution, signing up for day care, where the target group is one of the most IT-ready of the population, and school enrolment where there is a potential net gain of DDK 16 million if an entire cohort of first year classes were signed up for school digitally in one year rather than traditionally by using paper forms. From 1 December 2013 to 2015, the second wave of mandatory digital self-services is set in effect in a number of new areas in which the general transition to mandatory digital communication in the population is well underway e.g. retirement pensions, sickness benefits, and cash benefits, *cf. table 5.1.*

Citizens, who cannot use the digital self-service solutions, will still to be able to make re-

quests, reviews and more in the traditional manner. The municipality will show the citizen how to submit an application, review, etc., if the municipality determines that special circumstances exist restricting the citizen from using the digital self-service solution. Special conditions include specific disabilities, lack of digital skills, specific social conditions, language difficulties, etc., which imply that the citizen cannot apply digitally.

Table 5.1
Wave plan for mandatory digital self-service, examples

2012	2013	2014	2015
Relocation	Passport	Housing subsidies	Sickness benefits
Health card	Drivers licences	Old-age pensions	Elderly and handicapped
Signing up for schools and day-care	Marriage	Building permits	Social benefits
Student loans	Name changes	Adoption	
Wave 1	Wave 2	Wave 3	Wave 4

Kilde: The government.

In parallel to the transition to digital communication the public authorities conduct quality assurance of the digital solutions in order to ensure that the solutions have the adequate usability and accessibility. Simultaneously, a range of information and activities are conducted to ensure that citizens and businesses have the necessary information and can easily access the necessary support to meet the new requirements.

To ensure that the solutions are perceived as lasting and to further strengthen the usability a mobile version of the public digital signature, NemID, is launched in April 2014. The new solution ensures that it will be possible to use NemID on mobile platforms such as smartphones and tablets. This will ensure citizens access to letters, documents, and solutions on the move and on an independent digital platform.

5.2 Digital welfare and the use of welfare technology

The government has, together with municipalities and regions, developed and adopted a strategy for digital welfare that will provide a framework for digital solutions within the areas of educational, health, and social care towards 2020.

There are two main objectives of the strategy. First, the digital solutions must enable each citizen to contribute to the overall welfare and actively participate in society and everyday life, e.g. when citizens through welfare technologies and other forms of aid becomes less dependent on personal assistance, for example to use of toilet. Second, digital solutions should contribute to a more effective and coherent welfare. The authorities must increasingly share relevant information about an individual which has already been registered. This will ensure that, for example, case work or social services are better coordinated across sectors.

The strategy sets targets for the digitisation of welfare in areas where the technical, performance and economic effects are well known. For example, it is a goal that pupils and students are able complete written tests and examinations digitally by 2016.

In other areas, more knowledge is needed before the targets are set and technologies are disseminated. Therefore, some of the strategy's initiatives are more analytic in nature, which will provide more clarity on new solutions, opportunities, and implications - for citizens and employees, the quality of service and to the public budget.

Box 5.2

Examples of initiatives in the overall strategy for digital welfare

Telemedicine

Towards 2015 three regions, 18 municipalities, and up to 3,500 patients are involved in two large initiatives of home based telemedicine monitoring. Towards 2020 new areas for using telemedicine will be explored and several large scale projects will be implemented with the aim of disseminating telemedicine to new groups of patients in the whole country.

Development of a common telemedicine infrastructure

The framework for a national telemedicine IT infrastructure that is developed and disseminated in the coming years has to be established. Performing tests and expansion of telemedicine infrastructures based on the existing infrastructure of health IT field is carried out, so the infrastructure will be ready by the end of 2015.

Prevalence of telemedicine in relevant areas

By the end of 2015, it is determined how home based telemedicine monitoring for chronic patients is disseminated in a joint and coordinated way in Denmark in the years towards 2020.

Welfare technology in the social sector

In 2014 a program for welfare technology is launched in a coordinated effort to disseminate welfare technology in the whole country. The first four solutions must be fully implemented in the municipalities in 2017 and are estimated to provide net gains of at least half a billion DDK at full phase-in in 2017:

Solution 1: Help for lifting (lifting devices). Municipalities across the country must use modern elevation sling technology and redesign work procedures so that the relocation of people with physical disabilities in nursing homes and assisted living mainly can be carried out by one employee instead of two employees.

Solution 2: Automatic bidet toilets. For citizens in need of help to use a toilet, an automatic bidet toilet is an important personal aid to increase self-reliance and dignity. Automatic bidet toilets are therefore disseminated to citizens within the target group in their homes and care centres in all municipalities.

Option 3: Better use of aids. Increased focus on the use of training and personal aids to increase citizens' self-reliance and reduce the need for personal care and practical help significantly.

Solution 4: Assistive eating devices in care centres. Citizens with decreased function in their arms and hands are able to eat with less assistance from others by using an assistive eating device. Assistive eating devices are disseminated in care centres in all municipalities.

Digital tools in the education

Teachers, pupils and students across the education system have to use digital tools where it provides better education and use of resources. In 2014, analysis is conducted, which will provide the basis for the dissemination of the best digital tools.

5.3 Focus on effects, results and mutual learning

Modernisation of the public sector will require broad cooperation on reforms across all levels of the public sector. Therefore, the government in June 2013 together with the parties in the public sector Local Government Denmark, Danish Regions, Organizations of Public Employees, Confederation of Professionals in Denmark, and The Danish Confederation of Professional Associations, adopted a set of principles for cooperation on modernizing the public sector, which will support work at all levels, *cf. box 5.3.*

As part of the collaboration, the parties have agreed to develop new forms of governance with a focus on the confidence in employees and personnel based on knowledge and experience of what works. In order to support the principals a Centre for Public Innovation was established in January 2014, which will support the trust-based management, employee-driven innovation, and mutual learning across the public sector. The centre is funded with DKK 28 million from 2014 to 2016.

Box 5.3**Principles of cooperation between partners in the public sector for modernisation**

1. Management in the public sector must focus on goals and results.
2. Dialogue, transparency, and clear goals must form the basis of task fulfilment.
3. Leadership and management must be based on trust and responsibility.
4. The development and technical scope of action must be based on well-founded evidence.
5. Solutions must be evidence based.
6. Leadership and commitment must foster innovation.
7. Public service must involve the general public's resources.

In the coming years these principles will form the basis for new agreements and decisions. In 2014 special introductory effort will be launched such as an information campaign and a series of meetings and workshops throughout the country.

Systematic use of benchmarking and dissemination of knowledge about the most effective interventions can strengthen the basis for local prioritisation by the local authorities. The government and Local Government Denmark have in 2013 agreed to implement benchmark analyses in selected areas and on specific issues. This is also supported by key indicators (KPI). A working group is now investigating the specific areas and issues.

Similarly, the government in 2013 agreed with the Danish Regions to strengthen the focus on results in healthcare. International experience shows that the visibility of results is a key driver of improvements in health care. Therefore a visibility reform is implemented based on principles of appropriate documentation of the entire healthcare system, transparency of results and general improvement of action.

5.4 Public-private collaboration

Increased collaboration with private stakeholders can help streamline and innovate the public sector. Through cooperation with private companies the government aims to take advantage of corporate strengths and skills. At the same time, cooperation can support the development of new business opportunities and thus help create growth in society as a whole.

Public-private partnerships and effective public procurement is a key element in the modernisation of the public sector. In October 2013 the government presented a strategy for *smart procurement* to streamline the public procurement of goods and services. Public demand

should increasingly be used to promote innovation and to support welfare technology and green transition. The public sector buys goods and services annually for about 12 per cent of GDP in association with government consumption and public investment. With such a large purchase volume, it is crucial to purchase intelligently in order for the public to get value for money.

In August 2013, the government also initiated committee work, which will draw up proposals for a comprehensive and clear set of rules to implement the new EU procurement directive into Danish law.

A well-functioning welfare state requires not only a strong private and public sector, but also a strong and committed voluntary sector. Just over 1.8 million Danes have performed unpaid volunteer work in the last 12 months. This corresponds to around 40 per cent of the population. In a period of tight economic conditions volunteer work helps to ensure more welfare and that citizens take responsibility and have the opportunity and desire to contribute to the community in interaction with the public.

In the spring of 2013, the government has initiated work to renew the charter for interaction between the voluntary sector and the public sector - a reciprocity agreement between the parties. The goal is to further develop and enhance cooperation between the two sectors. The process of drafting the Charter involved a wide range of stakeholders from the voluntary sector and the public sector. The Voluntary Charter was published in July 2013 and implemented locally in the autumn of 2013.

5.5 Improved regulation and targeting

Removing tasks and rules that take away time from the primary public sector functions is central for the government. Through deregulation and de-bureaucratisation of processes and by increasingly focusing on results the government aims to free up time for more welfare. The government has signed an agreement with the local authorities to carry out a systematic and thorough review of the rules on the major areas of welfare. The review has so far been conducted on the employment area and the day care area and the area of marginalised groups (social services).

In the employment area some simplifications have been made due to the review, eg. a more flexible framework for case management and simplification of the calculation methods of contact procedures and activation. The results of the review are also part of the government's current drafting of a new employment initiative. In the day care area, there was not found any government regulation, which could be removed. The results of the review regarding socially marginalised people are part of an overall analysis of the area of disadvantaged children and adults with disabilities, which are not yet finalised. This analysis examines the possibilities of more coherent governance and a simplified case management within the social area.

The government is continuing its review of areas and is just now starting to look at the health care area.

The Danish municipalities have the primary responsibility for the public welfare, and therefore play a central role in the modernization of the public sector. Nine municipalities have been selected to take part in experiments with deregulated municipalities. These municipalities can from 2012 and the following four years experiment with new ways of organising and delivering welfare services.

The government has approved more than 250 deregulating municipality experiments in all parts of municipal responsibility areas. The government has eg. approved experiments with a more loose organization and regulation in the employment area focusing on the needs of individual citizens, experiments with class formation in primary schools and experiments of cooperation between the regions, municipalities and the general practitioners to create coherent patient flow based on early intervention and involvement of the citizen. The employment area accounts for most experiments, followed by education. The results of the experiments provide ongoing opportunity to examine the rule simplification and how to cut red tape by the individual responsible ministries. The complete experiment with deregulated municipalities will be evaluated in 2016.

5.6 Increased focus on capacity utilisation and financial management

The public sector accounts for a large part of the Danish economy. The large volume implies that the public sector in particular is in a condition to be able to merge certain tasks in specialised units or in close cooperation with existing units, thereby potentially improving the quality and reducing the administrative costs.

In 2011 the government decided to merge the objective case management in the municipalities in the so called Payment Denmark. Objective case management includes payment of family allowance, household benefits, old age pension. Payments Denmark benefits with a net gain of 300 million DKK at full phase. Similarly, administrative units in the tax area have been merged as well as some of the central governmental administration through increased inter-ministerial cooperation. It has for example led to the establishment of the National IT and National Finance Service Centre.

6. Institutional issues and stakeholder involvement

As part of the Danish EU decision-making procedure, the *Danish Parliament* is continuously involved in the discussions of the European growth and employment agenda when the Europe 2020 Strategy and the European Semester are on the agenda of the EU, of the individual Council configurations, and of the European Council.

With a view to further strengthening the involvement of the Danish Parliament in the European Semester, the government and the Danish Parliament have agreed to increase the involvement of the European Affairs Committee and the Finance Committee of the Danish Parliament regarding discussions of the European Semester and the National Reform Programme. This implies that the government, in addition to the current discussions of the European growth and employment agenda, will brief the European Affairs Committee and the Finance Committee of the Danish Parliament through three annual joint consultations in the course of the European Semester.

In autumn, following the publication of the Commission's Annual Growth Survey, the government will in joint consultation inform the European Affairs Committee and the Finance Committee of the content of the Annual Growth Survey.

In spring, the government will in joint consultation inform the Parliamentary Committees of how the government expects to reflect the Broad Economic Policy Guidelines from the meeting of the European Council in March in Denmark's National Reform Programme and Convergence Programme.

After the presentation of the Commission's country-specific recommendations, the government will in joint consultation inform the Parliamentary Committees of the Commission's draft country-specific recommendations.

The three consultations are referred to as the "National Semester". In the light of the closer coordination of the economic policy in the EU, this is a good example of a strengthened role for national Parliaments in the EU.

The *Contact Committee for the Europe 2020 Strategy* is the pivotal point with regard to national anchoring of the Europe 2020 strategy and the European Semester in Denmark. The Committee, which was set up already in 2001 in connection with the adoption of the Lisbon Strategy, comprises approx. 30 regional and local authorities as well as a broad array of organisations with an interest in the European growth and employment agenda. Regional and local authorities are of key importance with respect to the national implementation of the growth and employment policy. The Contact Committee does not replace the various special EU committees within the framework of the Danish EU decision-making procedure, but works

as a parallel consultation forum in the growth and employment area. The Committee is an important forum for dialogue between decision-makers and interest organisations on the European growth and employment agenda and is of key importance in terms of achieving a consensus on Danish priorities in the growth and employment area.

The members of the Contact Committee meet typically four times a year. In the first half of the year, the Contact Committee is kept informed of the development of the European Semester, the current European growth and employment agenda as well as the preparation of the National Reform Programme. In the second half of the year, thematic meetings are held with a focus on elements of the growth and employment agenda, e.g. a meeting was held in November 2013 chaired by the Minister for Trade and European Affairs with a focus on social dumping.

The draft of Denmark's National Reform Programme 2014 was sent for consultation to the Contact Committee at the end of February and discussed at a meeting of the Committee on 27 February 2014. The Committee members subsequently had the opportunity to submit comments in writing. To the extent possible, the comments submitted by the Committee are reflected and incorporated in the National Reform Programme.

Box 6.1**The government's briefing of the Danish Parliament on the European Semester and the National Reform Programme ("National Semester")**

5 December 2013: Joint consultation of the European Affairs Committee and the Finance Committee of the Danish Parliament on the Commission's Annual Growth Survey 2014 and the Commission's Alert Mechanism Report 2014 under the Macroeconomic Imbalance Procedure.

10 April 2014: Joint consultation of the European Affairs Committee and the Finance Committee of the Danish Parliament on Denmark's National Reform Programme as well as the Convergence Programme and the Economic Policy Guidelines from the European Council.

19 June 2014: Joint consultation of the European Affairs Committee and the Finance Committee on the Commission's draft country-specific recommendations.

The National Reform Programme

Denmark 2014

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In tables numbers do not necessarily
sum to totals due to rounding

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