



REGERINGEN

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# Denmark's National Reform Programme 2017

Ministry for Economic Affairs and the Interior

APRIL 2017





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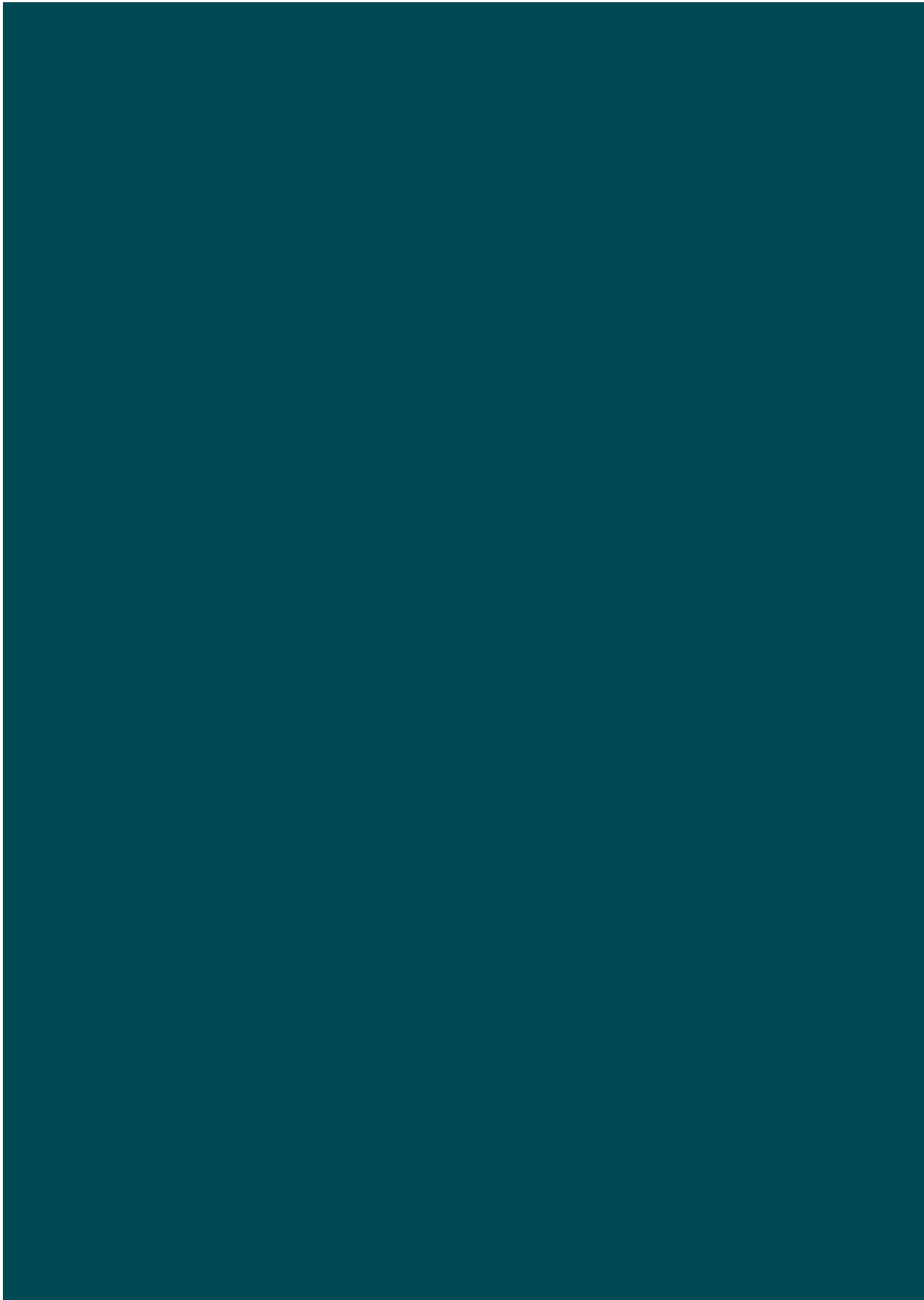
Ministry for Economic Affairs and the Interior

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## Content

1. Introduction .....	7
2. Economic framework .....	9
2.1 Outlook for the Danish economy .....	9
2.2 Macroeconomic balances .....	11
3. The country specific recommendations .....	15
3.1 Fiscal policy and budget target .....	16
3.2 Increase productivity and investments in the private sector .....	19
4. National targets in the Europe 2020 strategy .....	27
4.1 The national target for employment .....	27
4.2 The national target for research and development .....	35
4.3 The national target for climate and energy .....	39
4.4 The national targets for education.....	43
4.5 The national target for social inclusion.....	47
5. Institutional issues and stakeholder involvement .....	53



# 1. Introduction

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The Danish economy is in an economic upturn. GDP has grown every year since 2009, and employment has increased markedly since 2012. In recent years, the reform efforts have contributed to increase labour supply. Danish economy is approaching a situation with normal capacity utilisation, while a state of pressure on the labour market is getting closer. Structural policies will focus on increased labour supply, enhanced productivity and ensuring sustainable public finances.

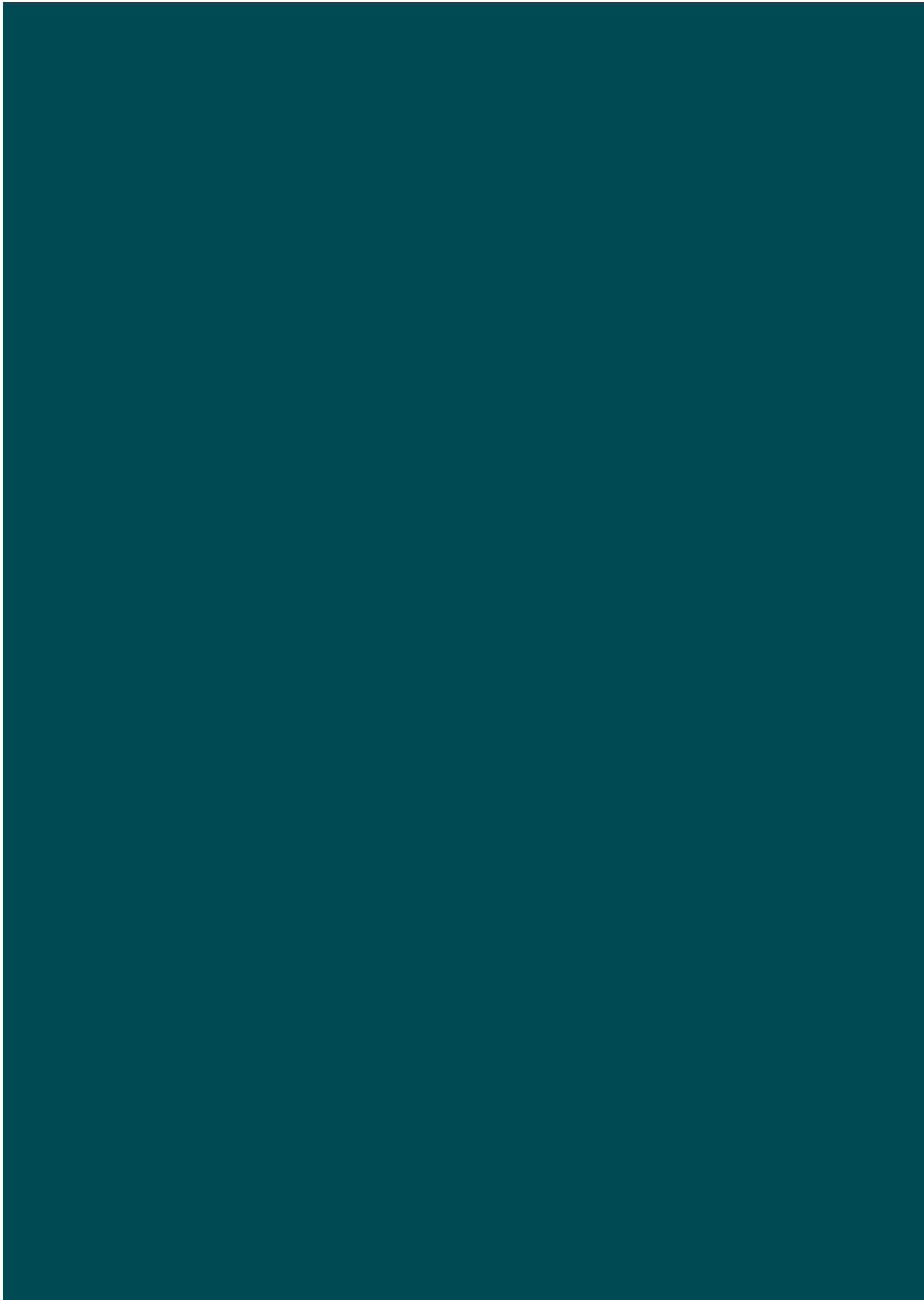
Every spring, in the context of the European Semester, the individual EU countries forward their national reform programmes, which describe the countries' structural reforms. Furthermore, annual stability and convergence programmes are forwarded focusing on medium-term macroeconomic projection and public finances.

Denmark's National Reform Programme 2017 presents the measures that Denmark has taken in order to comply with the country-specific recommendations from EU received in July 2016. It also describes the Danish implementation of EU's growth strategy (Europe 2020). Furthermore, the overall economic framework for the Danish economy is presented based on Denmark's Convergence Programme 2017.

The structure of Denmark's National Reform Programme 2017 is as follows:

- **Chapter 2** describes the overall economic framework for Denmark, including the economic outlook and fiscal policy.
- **Chapter 3** presents the initiatives that Denmark has undertaken and will undertake in order to comply with the country-specific recommendations received in July 2016.
- **Chapter 4** regards the initiatives that Denmark has undertaken or will undertake to contribute to the fulfilment of the five main goals of the Europe 2020 strategy.
- **Chapter 5** describes the involvement of the Danish Parliament (Folketinget) and non-governmental organizations.

The individual chapters also address a number of the topics and issues raised in the European Commission's country report for Denmark published in February 2017. If available, the chapters include evaluation of the impact of reform measures from recent years.



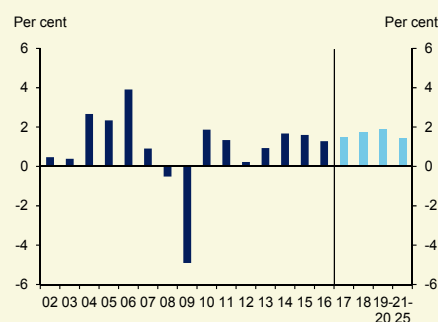


## 2. Economic framework

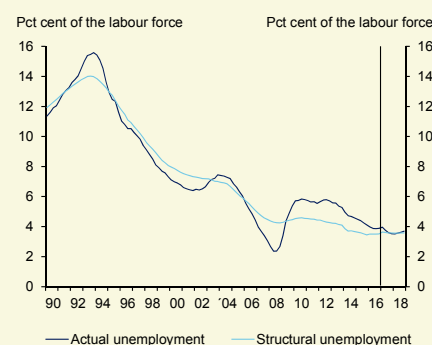
### 2.1 Outlook for the Danish economy

The Danish economy is in an upswing. GDP has grown each year since 2009, and indicators suggest that this progress will continue in 2017. Thus, the economy is in its eighth year of positive growth and is approaching a situation of normal capacity utilization. The rate of growth in GDP is expected to increase from 1.3 per cent in 2016 to 1.5 per cent in 2017 and 1.7 per cent in 2018. In the medium-term period until 2025, the rate of growth is projected to be 1.9 per cent on average in 2019-2020 and 1.4 per cent in 2021-2025, *cf. figure 2.1*.

**Figure 2.1**  
GDP has grown since 2009



**Figure 2.2**  
Unemployment is low and approaching the structural level



Note: In Figure 2.1, the light blue columns indicate the expected rate of growth in GDP. After 2018, the projection is based on technical principles.

Source: Statistics Denmark and own calculations.

The progress in production is accompanied by an upswing in the labour market. In total, more than 134,000 persons have gained employment since the beginning of 2013 where employment started to increase. Last year alone employment increased by almost 50,000 persons.

The unemployment rate has fallen and reached in 2016 the lowest level in 40 years, except for the years 2007 and 2008 where the overheating of the Danish economy in the previous years had reduced unemployment to a very low level, *cf. figure 2.2*.

In the coming years there is a broad foundation for growth. Private consumption has been strong since the beginning of 2014, and is expected to continue to increase, supported by

increasing real incomes. This should be seen in the light of strong employment growth and a subdued price development. The 2016 increase in core income (wages and public transfers) was the highest since 2007.

The potential for stable growth in private consumption should also be seen in context of the fact that consumption is still at a low level relative to incomes. Through a number of years, household consumption has been constrained by the general uncertainty surrounding the economic outlook and some households have held back on consumption due to a need to consolidate following considerable loan-financed consumption spending in the middle of the last decade.

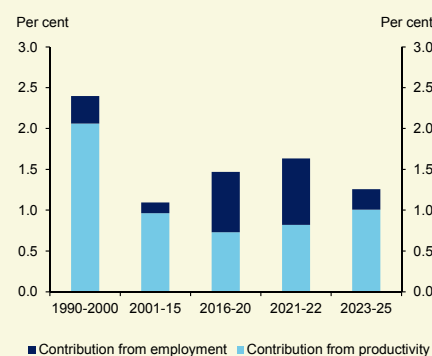
Export growth has been sluggish in recent years reflecting a subdued world trade. However, world trade is expected to gradually to pick up, and on Danish export markets, employment is generally improving, including in the US and Germany. Against this background, a larger contribution to growth is expected from exports in 2017 and 2018. Increased demand is expected to induce companies to expand production in the coming years, thus increasing demand for both labour and new production capacity.

In line with continued progress in the Danish economy, employment is expected to increase by more than 50,000 persons during the course of 2017 and 2018. Increasing employment in a situation with already low unemployment can lead to a shortage of labour and increasing capacity constraints. Recent reforms, including the retirement reform, will increase structural employment – and thus the production capacity of the Danish economy – in the coming years, but employment will for all practical purposes be back at the structural level in 2018. Without the reforms, employment would already have been above the structural level, and, consequently, there would have been a risk of widespread bottlenecks and rising wage pressures, *cf. figure 2.3*.

**Figure 2.3**  
Reforms support an increase in employment



**Figure 2.4**  
The growth potential is hampered by a weak productivity development



Note: In Figure 2.3 employment is including persons on leave.

Source: Statistics Denmark and own calculations.

The pressure on the labour market is not yet so high that there is evidence of accelerating wage growth. The wage growth rate has been relatively stable over the past couple of years, but accelerating wage growth typically appears with a certain delay when the labour market tightens. However, this spring's collective agreements in the private part of the labour market do not indicate any major increase in wage growth rates.

If the Danish economy is overheated, it can lead to a subsequent period of weak or negative growth. Conversely, new measures that increase labour supply could counteract capacity constraints and support continued employment growth, thus extending the upswing.

In the medium term, it is assumed that the upswing and labour market progress will continue and hence are not hampered by an unsustainable development due to increasing capacity pressures. Employment is expected to increase by almost 100,000 persons by 2020, and reach a level of approximately 3,000,000 persons, and increase furthermore by almost 70,000 persons in the period 2021-2025. This largely reflects an increase in structural employment, as adopted reforms take effect.

In the coming years, the increase in structural employment will contribute to the growth potential of the Danish economy, but the effect of already adopted reforms will gradually decrease. The overall growth potential is also limited by a weak productivity development, *cf. figure 2.4*.

Towards 2025, the rate of GDP growth is projected to be 1½ per cent per year on average. In the period towards 2022, where reforms are increasing structural employment, the rate of growth is projected to be slightly higher, whereas the rate of growth is projected to fall to 1¼ per cent per year on average in the period 2023-2025, unless new reforms where the growth potential will fall without new reforms that increase structural employment or productivity.

Progress in the Danish economy and a tighter labour market puts an emphasis on the need for suitable economic policy. To ensure that the upswing is sustainable and does not lead to a build-up of imbalances, an economic policy that does not worsen capacity constraints further is required.

In the coming years, it is important that economic policy as a whole is aligned with the business cycle situation of the Danish economy. The projections in the Convergence Programme are based on technical principles that rest on goals and targets in the 2020 plan, including structural budget balance in 2020.

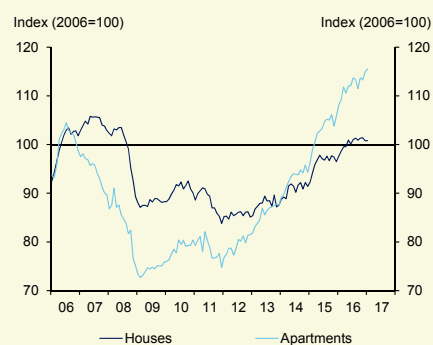
## 2.2 Macroeconomic balances

The reform effort in recent years has strengthened the structures of the Danish economy, including in the form of initiatives to prevent unsustainable indebtedness. Together with the progress in the Danish economy, this means that there are no significant imbalances in the Danish economy. This is reflected, *inter alia*, by the fact that households continue to reduce debt relative to their incomes and that overall credit growth continues to be subdued.

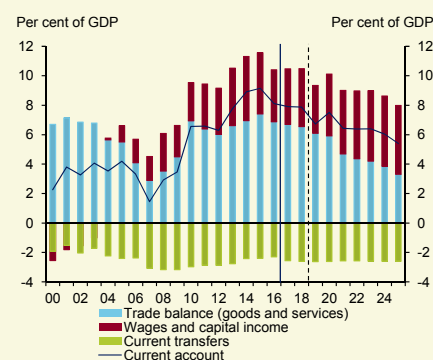
Prices for single family houses and apartments have risen since 2012, *cf. figure 2.5*. Developments in the housing market fundamentally reflect the upswing in the Danish economy, rising incomes and the effect of the low interest rate level. Fundamental conditions in the housing market indicate that prices for single-family houses will continue upwards in the coming years.

In parts of the housing market, price developments give rise to vigilance, especially in the larger cities where apartment prices have grown significantly in recent years. There is, among other things, a risk of low interest rates leading to an unsustainable development in borrowing. Total credit growth is still subdued, but credit growth in Copenhagen is relatively high.

**Figure 2.5**  
House prices



**Figure 2.6**  
Balance of payments



Source: Statistics Denmark and own calculations.

On 28 March 2017, the Systemic Risk Council adopted a recommendation to the Government on limiting risky loan types in the case of high indebtedness. The Council specifically recommends that a maximum of 15 per cent of mortgage institutions' new mortgage loans in Copenhagen City and surrounding areas as well as Aarhus may consist of variable interest rate loans and/or loans free of repayment if the borrower's total debt exceeds 400 per cent of pre-tax income, or that the government implements an initiative with similar effects on the housing market and lending.

The government agrees that developments in the housing market in and around the largest cities combined with high LTV's and variable interest rate loans and/or amortization free loans rise to vigilance. The Government will assess the need for further initiatives aimed at the housing market and households that may be vulnerable to interest rate changes, *inter alia* in the light of any changes in housing taxation. A political agreement has already been reached on a new system of property valuation, which implies, among other things, a more accurate assessment of the values of land.

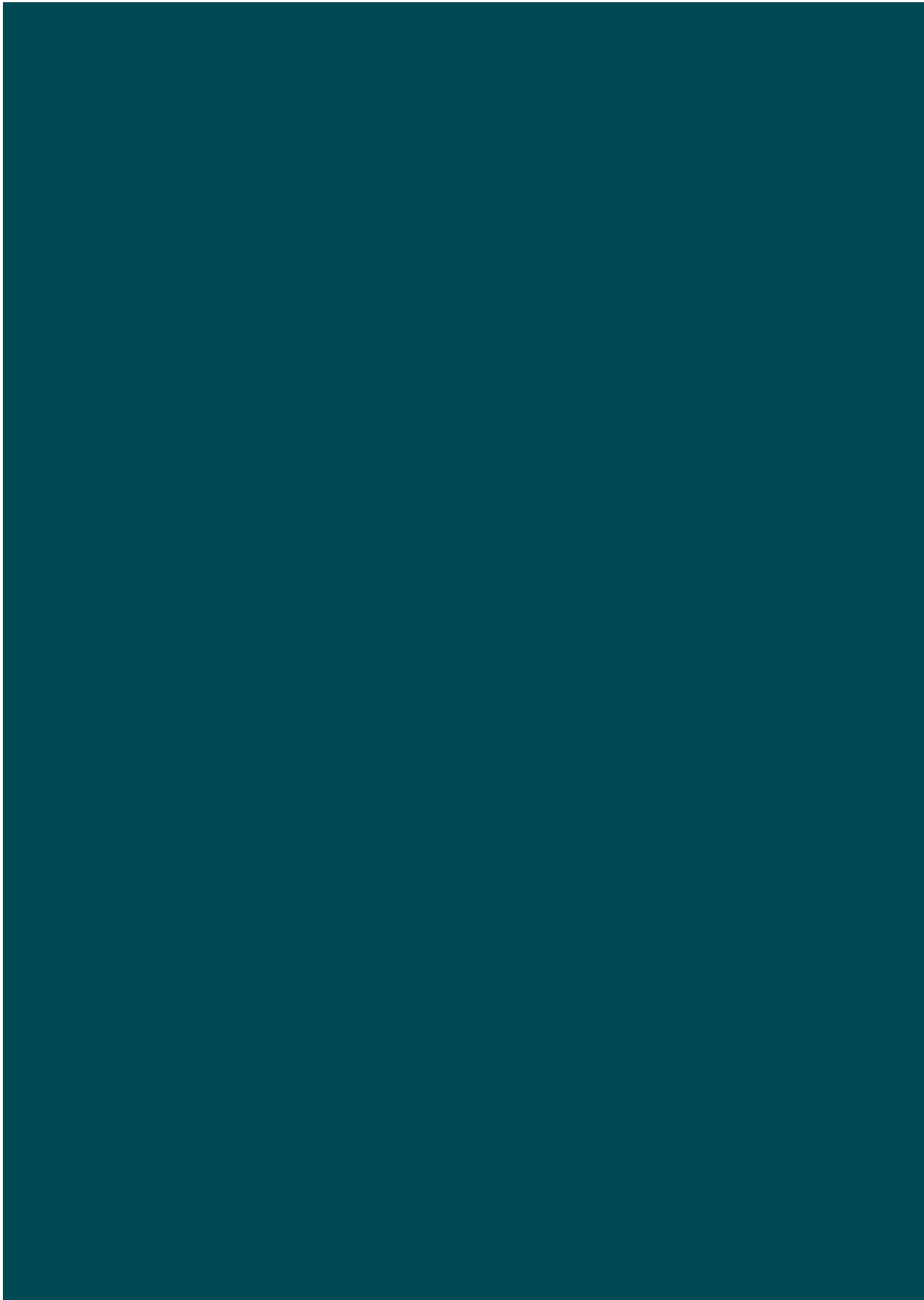
Another potential imbalance is relating to the balance of payments. The surplus on the payment balance has fallen from a record high level in 2015 of 9.2 per cent of GDP to about DKK 165 billion in 2016, corresponding to 7.5 per cent of GDP. The surplus reflects a relatively

large surplus on both the goods and services balance (trade balance) and on net income from abroad, while current transfers to and from abroad decrease the surplus, *cf. figure 2.6*.

The surplus on goods and services balance reflects, among other things, that the slowdown in private consumption and corporate investments in the wake of the economic and financial crisis has led to an increase in financial savings in the private sector to a level significantly above the historical average. In particular, firms have increased their financial savings. This indicates that the trade balance surplus to some extent reflects a continued weakness in investments, which also dampens imports. However, the large savings are also due to structural conditions, including rising assets in business funds.

Furthermore, wage and wealth income from abroad (net) has significantly contributed to the growing balance of payments surplus. This is partly due to the fact that the Danish economy has built up large net foreign assets as a result of sustained balance of payments surpluses, and partly due to the composition of the private and public sector assets and liabilities. A large proportion of foreign assets is thus invested in direct investments, which have historically yielded a relatively high return, while a large part of the liabilities consists of bonds where interest rates have been very low.

The balance of payments surplus thus to a high extent reflects structural conditions. However, along with increasing investments and consumption, a gradual reduction in private savings as a percentage of GDP is expected from 2016 onward. The reduction in the private sector's savings surplus is partly offset by falling public deficits towards 2020. Overall, the balance of payments surplus is expected to fall to just over 5 per cent of GDP in 2025.



## 3. The country specific recommendations

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As part of the European semester, Denmark received the Council's opinion on Denmark's economic policy on 12 July 2016. The opinion was based on Denmark's Convergence Program and National Reform Program for 2016. Denmark received two recommendations, *cf. box 3.1.*

### **Box 3.1**

#### **The country specific recommendations for Denmark**

The Council recommends that Denmark take action in 2016 and 2017 to:

1. Respect the medium-term budgetary objective in 2016 and achieve an annual fiscal adjustment of 0.25 per cent of GDP towards the medium-term budgetary objective in 2017.
2. Enhance productivity and private sector investment by increasing competition in the domestic services sector, in particular by facilitating market entry in retail and construction. Incentivise the cooperation between businesses and universities.

In late February, the European Commission published the annual country report for Denmark. In the country report, the Commission comments i.a. on Denmark's progress in relation to the country specific recommendation about increasing productivity. Overall, the Commission finds that progress has been made in the focus areas recommended for enhancing productivity. The Commission states that the modernization of the legislation on electric installations and the proposed modifications of the building regulations imply that progress is made towards boosting competition in the construction industry.

Likewise, the Commission finds that progress has been made in terms of a number of initiatives that strengthens cooperation between universities and business. With regards to retailing, the Commission finds that limited progress has been made with respect to increasing competition. The Commission states that the proposal on modifying the Planning Act was not adopted, but nevertheless proposed when the country report was produced.

The recommendations are largely in compliance with the objectives of the Government's policy. The Government conducts a sound and responsible economic policy and will adapt its fiscal policy to the framework of the national Budget bill, the Stability and Growth Pact, and the Fiscal Compact. The Government will strengthen productivity and make it cheaper to do business in Denmark in order to promote investments and risk-seeking. The Government places emphasis on a close collaboration between universities and business.

## 3.1 Fiscal policy and budget target

Fiscal policy is planned within the framework given by the Budget Law and the medium-term targets for the Danish economy and EU's Stability and Growth Pact. This involves annual fiscal policy being conducted in accordance with both the Budget Law structural budget deficit limit of 0.5 per cent of GDP. The Budget Law structural deficit limit corresponds to Denmark's nationally set medium-term objective for public finances (MTO).<sup>1</sup>

In the Council's statement based on Denmark's National Reform Programme 2016 and Convergence Programme 2016 it is recommended to *"Respect the medium-term budgetary objective in 2016 and achieve an annual fiscal adjustment of 0.25 per cent of GDP towards the medium-term budgetary objective in 2017"*.

### Development of the structural balance and the medium-term budgetary objective

The Budget Law deficit of 0.5 per cent of GDP for the structural balance applies when submitting the budget proposal for the given year. After the submission of the budget proposal there must not be implemented initiatives with a significant negative impact on the public finances, which would cause a breach of the deficit limit.

The deficit on the structural balance in 2017 was 0.4 per cent when the budget for 2017 was proposed in August 2016, which fulfills the requirement from the Budget Law. Currently a deficit of 0.5 per cent of GDP is estimated in 2017.<sup>2</sup>

In the coming years it is important that fiscal policy as a whole is in tune with the progress of the Danish economy. Based upon the goals and objectives from the 2020-plan, the structural deficits will be gradually decreased towards structural balance in 2020. The structural balance is expected to show a margin to the deficit limit of 0.5 per cent of GDP in the entire period from 2018-2020, cf. *table 3.1 and Convergence Programme Denmark 2017*. Consequently, it is the opinion of the Ministry of Finance that fiscal policy is in compliance with the medium-term budgetary objective in the coming years.

Additionally, it is the assessment that Denmark will also be in compliance with the Stability and Growth Pact deficit limit of 3 per cent of GDP for the actual budget balance.

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<sup>1</sup> Thus Denmark's nationally fixed MTO is more ambitious than the EU-Commissions minimum requirement which implies a MTO for the structural budget balance of at least -1.0 per cent of GDP for Denmark. The more ambitious MTO reduces the risk that the actual budget deficit in a normal recession exceeds the 3 per cent of GDP limit given by the Stability and Growth Pact. Furthermore, Denmark has historically often set a MTO which is more ambitious than the minimum requirement

<sup>2</sup> The deterioration of the structural balance since August is solely caused by revised estimates, and is not caused by changes in fiscal policy. Among other items, this concerns new information regarding net pension payments, which points towards a slightly lower tax base for net pension payouts than previously provided. This decreases the total tax base and thereby the structural balance.



**Table 3.1**  
**Actual and structural government budget balance**

	2015	2016	2017	2018	2019	2020
<b>Per cent of GDP</b>						
Actual budget balance	-1.3	-0.9	-1.9	-0.9	-1.2	0.0
Structural budget balance	-0.6	-0.2	-0.5	-0.2	-0.1	0.0

Source: Denmark's Convergence Programme, April 2017.

The Ministry of Finance's estimate of the structural balance deviates from the Commission's estimate, which is based on another method. The differences in method include that the Commission method does not involve a correction for fluctuations in government revenue from North Sea production and the pension yield tax. For this reason, the Commission method generally results in larger fluctuations of the structural balance estimate, cf. box 3.2. It is the method of the Ministry of Finance which is used to measure compliance with the national Budget Law and the Fiscal Compact. Viewed in this perspective, the volatile revenue components do not pose significant challenges for fiscal planning in Denmark.

The Commission's calculation of the structural balance is included in the overall assessment of public finances, which the Commission conducts for the individual EU countries as outlined in the Stability and Growth Pact. Since 2014, when the EDP-recommendation from 2010 was lifted, Denmark has been in the preventive arm of the Stability and Growth Pact, which involves the given country achieving a medium-term objective (MTO) close to structural balance. These rules contribute to EU countries conducting healthy and sustainable fiscal policies, which creates the necessary fiscal space to counter cyclical economic fluctuations.

**Box 3.2****Ministry of Finance and European Commission estimates for structural balance 2015-2017**

The Ministry of Finance's estimates for the structural balance in 2015-2017 have generally been rather stable across the Economic Surveys, which are normally published in May, August (at the presentation of the budget proposal for the coming fiscal year) and December (in connection with the approval of the budget bill for the coming fiscal year), *cf. table a*.

The Commission's structural balance estimates for Denmark have varied considerably more across the Spring, Autumn and Winter Economic Forecast, *cf. table b*.

Among other things, the significantly larger variation is due to the fact that the Commission's structural balance calculations solely take into account the cyclical effects on public finances and specific one-off measures, e.g. the temporary revenues from the restructuring of capital pension schemes etc. in 2013-2015. The Commission's structural balance estimates ensure a uniform methodological approach across countries, but at the same time it also implies that no adjustment is made for special factors, which may apply in the various EU countries. As a consequence, in the Danish case the rather significant fluctuations in revenues from e.g. oil and gas activities in the North Sea and the pension yield tax are not taken into account.

**Table a****Ministry of Finance estimates for structural budget balance**

	Dec. 2013	May 2014	Aug. 2014	Dec. 2014	May 2015	Sep. 2015	Dec. 2015	May 2016	Aug. 2016	Dec. 2016	Apr. 2017	Largest revision
Per cent of GDP												
2015	-0.4	-0.4	-0.5	-0.6	-0.6	-0.9	-0.7	-0.6	-0.5	-0.5	-0.6	±0.3
2016	-	-	-	-0.5	-0.5	-0.4	-0.4	-0.4	-0.3	-0.3	-0.2	±0.1
2017	-	-	-	-	-	-	-0.4	-0.4	-0.4	-0.5	-0.5	±0.1

**Table b****EU Commission estimates for structural budget balance**

	Autumn 2013	Winter 2014	Spring 2014	Autumn 2014	Winter 2015	Spring 2015	Autumn 2015	Winter 2016	Spring 2016	Autumn 2016	Winter 2016	Largest revision
Per cent of GDP												
2015	-0.3	-0.5	-0.5	-1.2	-1.8	-0.5	-2.3	-1.7	-1.8	-1.5	-1.9	±1.8
2016	-	-	-	-0.7	-1.5	-1.4	-1.0	-1.4	-1.0	0.6	-0.6	±1.6
2017	-	-	-	-	-	-	-1.0	-1.0	-0.9	-0.8	-0.6	±0.2

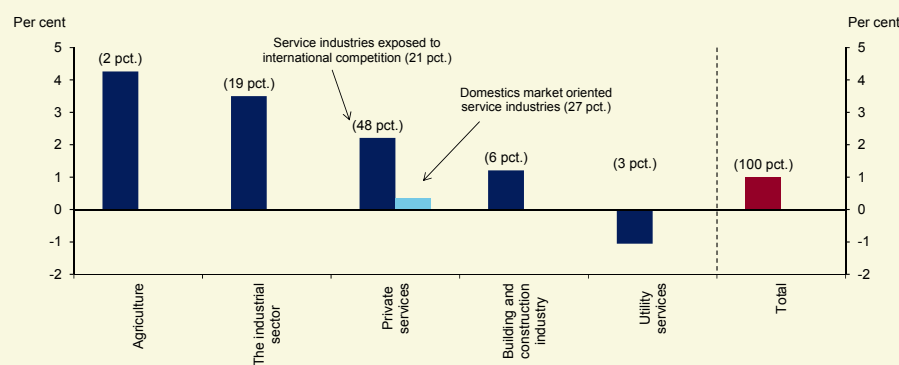
Source: Various forecasts according to the European Commission and Economic Survey and own calculations.

## 3.2 Increase productivity and investments in the private sector

Increased productivity is the primary driver of economic growth in the long run. Economic growth in Denmark is challenged by weak productivity growth in specific industries.

Since 2001, productivity growth has been particularly low in the domestic-oriented services and in the utility service sector, while the industry and agriculture have had a relatively high productivity growth. The service industries exposed to international competition are doing better than the rest of the private services, *cf. figure 3.1*.

**Figure 3.1**  
Actual productivity growth in private enterprises, annual average, 2002-2015

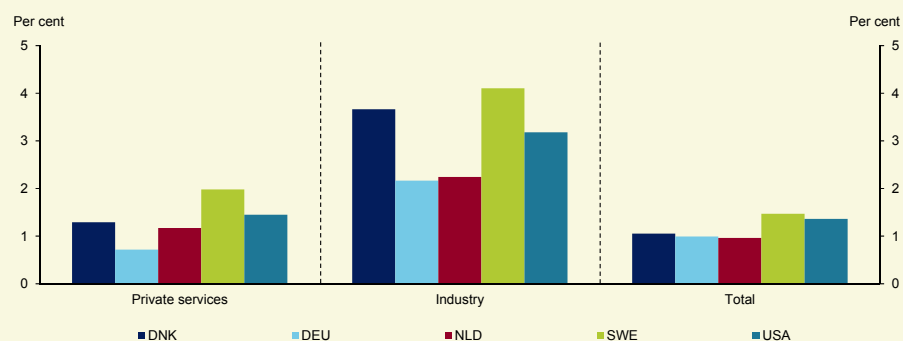


Note: Productivity is measured as GVA in real terms per working hour. The number in brackets indicates the industry's share of total GVA for the private sector in 2015. Productivity calculations for the construction sector are subject to significant uncertainty, *cf. The Danish Productivity Commission*. For private services, the following sectors are omitted: financing and insurance, real estate, and housing. They account for about 19 per cent of total GVA. The public sector is left out in the "Total". Since the Danish publication, the share of service industries exposed to international competition and domestic market oriented service industries has been corrected.

Source: Statistics Denmark and own calculations.

The overall productivity growth has been lower in Denmark than in Sweden and the US, but on a par with the Netherlands and Germany. The picture is roughly the same for the productivity growth in private services, while the productivity growth in the industrial sector has been relatively high, *cf. figure 3.2*.

**Figure 3.2**  
Actual productivity growth for selected countries, annual average, 2002-2014



Notes: Productivity is measured as GVA in real terms per working hour except in the USA where it is per employed due to insufficient data on number of hours. Total includes the public sector.

Source: OECD and own calculations.

The Government will launch a series of initiatives to help increase productivity in the private sector. The focus is to make it cheaper and easier to run a business in Denmark. The Government has, inter alia, introduced a burden stop and will ease regulatory burdens on businesses by a total of DKK 6 billion towards 2025.

Digitisation and new technology will create new business models and will be a key driver for productivity growth. The use of new digital technology enables companies to utilize capital more efficiently, improve workflows and reduce operating costs.

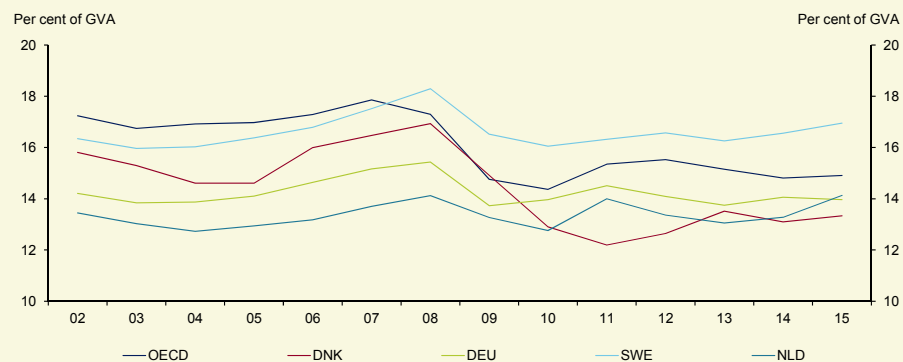
Denmark has been among the frontier countries in adapting new digital technologies. However, the digital development is fast and many countries' digitisation rates are growing faster than Denmark's.

It is the Government's ambition that Danish companies should have good conditions to seize the new opportunities that the technological and digital development provides. Therefore, as part of the effort to increase productivity, the Government will present a strategy for Denmark's digital growth, which will support Denmark's position as digital frontrunner.

The Government has also asked the independent institution, the Danish Economic Councils, to monitor productivity growth in the Danish economy from 1 January 2017. The Danish Economic Councils shall, among other things, analyse the factors behind productivity developments, make specific recommendations on how to strengthen the development of productivity, and make impact assessments of productivity-enhancing initiatives.

Investments in new assets and technologies help to increase and improve the capital stock and productivity in companies. It is therefore a challenge that the Danish business investments, as a share of gross value added, is relatively low compared to countries, which we normally compare ourselves with, *cf. figure. 3.3*.

**Figure 3.3**  
**Industry investment in selected OECD countries, 2002-2015**



Notes: Business investments are calculated in current prices and as a share of GVA for the whole economy

Source: OECD and own calculations.

Therefore, the Government is working on increasing corporate investments, easing taxes for entrepreneurs, providing small start-up companies better access to venture capital, and improving the equity culture. This will also support efficient investments in digitisation and other forms of new technology.

### Increased cooperation between universities and businesses

With regard to increased cooperation between universities and businesses there has been added a liable goal of increased regional knowledge collaboration into the development contract of universities and other higher education institutions specifically. The same is true in developing contracts with the Approved Technological Service Provider<sup>3</sup>, to which there are further two mandatory targets on enhanced synergy across the innovation system, and on enhanced internationalisation of Danish companies.

Next, the Government allocated DKK 1.2 billion through the National Budget for 2017 to the Innovation Fund Denmark that provides project funds for business research and innovation. The Innovation Fund Denmark thus support cooperation between universities and enterprises and co-finance innovation projects of small and medium-sized enterprises.

In addition, Denmark's Cluster Forum, consisting of six ministries, five regions, Danish Regions and Local Government Denmark (KL), has launched a cluster strategy for 2016-2018 to strengthen the knowledge bridge between Danish companies and educational and research institutions through business clusters and innovation networks. The business clusters func-

<sup>3</sup> The approved technological service provider (GTS) is non-profit-making institutes that are driven on commercial conditions. The seven GTS institutes have the purpose of building technological competencies and services, and making them available for Danish industries and businesses. A GTS institute has to be approved by the Minister of Higher Education and Science.

tion as technical hubs for up to 12,000 small and medium-sized enterprises where they can exchange best practices with each other and with other Danish knowledge institutions.

The most recent annual report on public research institutions' technology transfer and research shows indication of strong progress. The survey shows that there has been an increase of 29 per cent in the number of research collaboration agreements involving private companies over the past 5 years, and that Denmark is in the top three in Europe in terms of public research institutions' scientific co-publications with company employed researchers, measured per inhabitant. Furthermore, recent numbers indicate that public research institutions have succeeded in entering into agreements with businesses across the country.

## Retail

### *The Planning Act*

The existing Planning Act sets limits on size and location of stores, resulting in hampering of the development of efficient store size and locations. An ease of the Planning Act can help to enhance productivity in the retail sector.

In June 2016, a broad political agreement was concluded on the modernisation of the Planning Act, including liberalization of the retail rules in order to increase both competition and productivity. On 25 January 2017, the bill on the modernisation of the Planning Act was put forward for the Danish Parliament.

With the proposal of the Planning Act, the size limit for non-grocery stores is removed. In the future, store size will be decided by the local municipality. For grocery shops, the store size is raised from 3,500 m<sup>2</sup> to 5,000 m<sup>2</sup> in city centres and district centres, and in secondary centres from 3,500 m<sup>2</sup> to 3,900 m<sup>2</sup>. It will still be possible to add 200 m<sup>2</sup> for staff facilities. The maximum surface threshold for grocery stores in small local centres and for small local shops is set to 200 m<sup>2</sup>, which specifies the maximum floor area of the property (i.e., sales area, warehouse, office and staff facilities etc.). With this proposal for a modification, the local municipalities will get the possibility to designate new secondary centres in order to locate new non-grocery stores.

The proposed easing of the Planning Act aims to strengthen the municipalities' overall ability to take account of the local conditions when planning for the retail sector and to promote a more efficient operation of shops. These efforts are expected to improve competitiveness in the retail sector, making way for a better selection of goods and lower prices.

It is expected that the modification of the Planning Act will take effect in the first half of 2017.

### *Municipality planning*

The bill on the modernisation of the Planning Act aims to create better planning opportunities for the local municipalities, and to simplify rules and standards in favour of both local municipalities and enterprises. The bill ensures that the government only vetoes the municipal planning when significant national interests are concerned. In addition, it is proposed that the period for public comments is reduced, while certain requirements are simplified.

Current examples show that urban renewal and the placement of new residential areas are done in a way that complicates production and development opportunities for businesses in existing industrial areas. The bill clarifies when and how new area for urban growth can take place, and when the rules for companies' environmental impact can be revised in order to ensure that development opportunities for businesses are not being restricted unnecessarily.

#### *E-commerce*

Currently, it is possible to establish online shops outside the ordinary retail structure. However, in some cases it has been unclear which rules apply exactly to this type of business. Often, online shops will have a showroom and limited direct physical sales to customers. However, it may be unclear whether the direct sale to customers are so widespread that the company should be categorized as a store in the legal sense, and treated in accordance with the rules of retail in general. The Government is in the process of preparing guidelines that clarifies the possibilities of e-commerce with showrooms. The guidelines are expected to be published in 2017.

#### **Increased competition in the construction sector**

With the agreement from February 2016 on growth and development throughout Denmark, the government at the time launched a number of growth initiatives for the construction sector. Among other things, it concerned initiatives to ensure simpler fire requirements and a more efficient process for handling construction cases in order to make it easier to build and increase growth in the building and construction sector. Following this proposal, the Danish Parliament adopted a number of amendments to the Building Act in April 2016, which included simplifications of the current regulations. The new amendment to the Building Act took effect the 1 July 2016.

The amendment to the Building Act gives the municipalities the capacity not to make an assessment of the technical issues when applying for a building permission for complex constructions. Henceforth, the assessment will be carried out by certified companies that prepare documentations for the technical provisions of building regulations as part of the project design. The new amendment should contribute to a shorter and simpler building permission process. The new system is expected to take effect on 1 January 2018.

The modification of the Building Act further enables fire requirements for the operation of buildings to fit into the scope of the Building Act. So far, these requirements have been regulated in two separate laws, which made the process for handling construction cases unnecessarily complex. Finally, the modification provides the possibility to remove the requirement for construction insurance when constructing rental properties, just as the municipalities have been enabled to charge a small fixed fee for their handling of building cases. These changes came into force on 1 July 2016.

The previous government also took initiative to a number of other initiatives to promote simplification and thus competition and productivity in the construction sector. Amongst other things an analysis of the entire fire requirement scheme is being carried out in order to identify the possibilities for a more risk-based approach to fire requirements in construction.

Current practices in the process of building permission oblige the municipality to ensure compliance with the Building Act and the Building Code regulations as well as to ensure that

the building does not conflict with 22 other laws. Efforts to ensure simplification are conducted, which evaluates the full set of rules that regulate construction. This work is expected to be concluded in 2017.

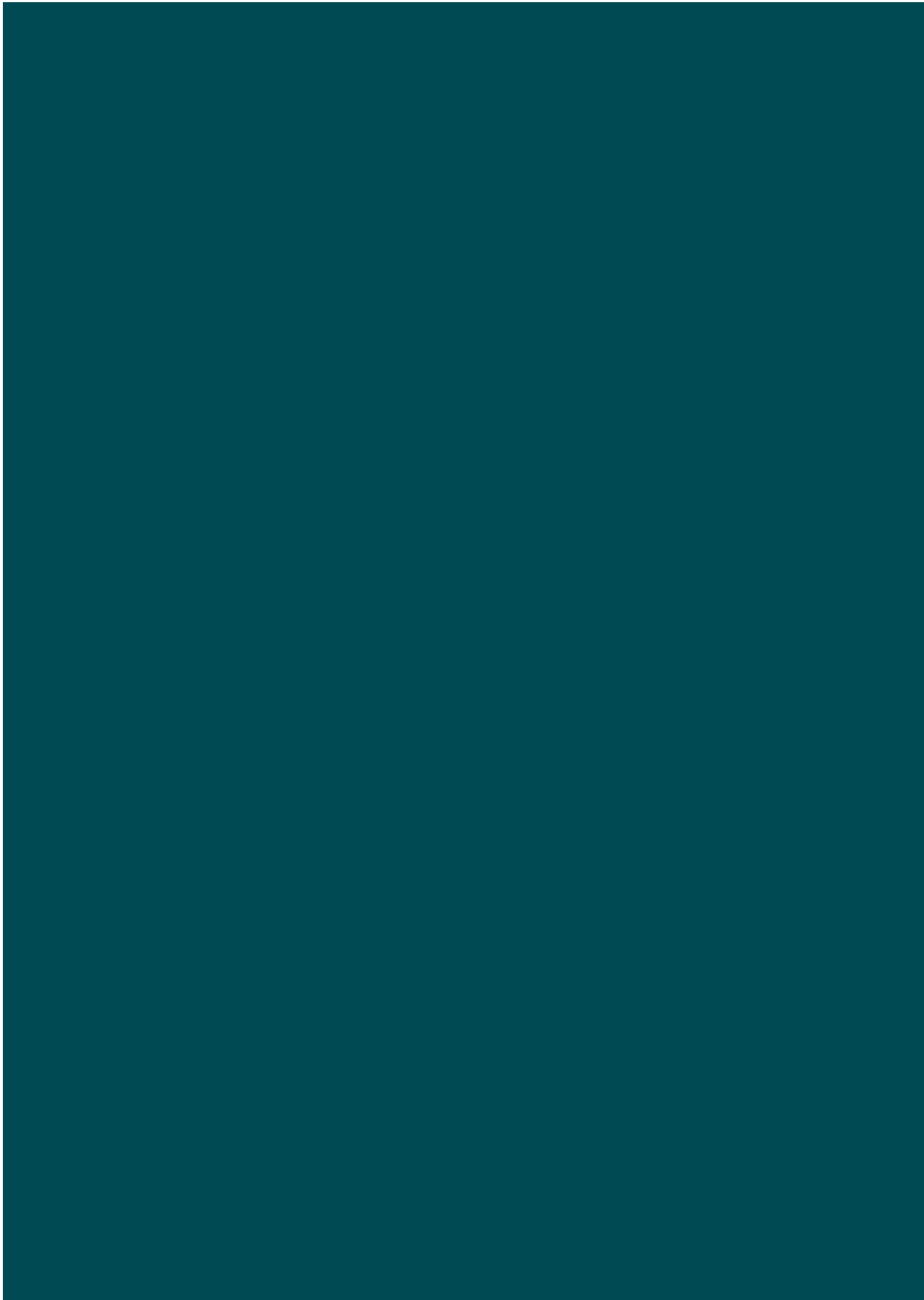
The procedure includes an evaluation of the act on public construction in order to assess whether there are rules that can advantageously be simplified or repealed. This work is expected to be concluded in 2017.

Greater opportunities for competition within electric installations and electric systems have been created by basing the regulation on international standards. This will give foreign companies greater opportunity to move their businesses to the Danish market since much of the regulation is based on international standards rather than national rules.

To support this further it is the intention that the entire legal framework should be translated into English. At the same time, the modification should help to provide Danish companies with better conditions to compete in an international market for electric installations and electric systems. The regulation for gas is modernised and made more function-based in order to create better opportunities for introducing new technologies and products.







## 4. National targets in the Europe 2020 strategy

The Europe 2020-strategy has five key objectives covering employment, research and development, education, social inclusion, and climate and energy. Each EU-country has determined its own national target within each area to support the strategy. The Danish Europe 2020-targets are shown in *table 4.1*

**Table 4.1**  
**The Danish EU 2020 targets**

	2020 targets
The national target for employment	Structural employment rate of 80 per cent among the 20-64-year-olds.
The national target for research and development	Investments in R&D amount to 3 per cent of GDP.
The national target for climate and energy	Renewable energy must account for at least 30 per cent of the final energy consumption. 10 per cent of energy consumption in transport must stem from renewable energy. Emissions in non ETS sectors should gradually be reduced by up to 20 per cent compared to 2005.
The national target for education	Reduce school dropout to less than 10 per cent for 18-24-year-olds and increase the share of 30-34-year-olds who have completed tertiary education to at least 40 per cent.
The national target for social inclusion	Reduce the number of persons in households with low work intensity by 22,000

In the last few years Denmark has implemented several reforms and other initiatives that contribute to achieving the overall targets in the Europe 2020-strategy. In many areas, the Danish 2020 targets have already been fulfilled or they are on their way to being met. This chapter describes the performance in the individual areas.

### 4.1 The national target for employment

The labour market is definitely picking up with increasing employment and decreasing unemployment. From late 2012 until fourth quarter of 2016, an additional 127.000 persons have been employed in the private sector and unemployment has been reduced to a low level. Employment is expected to increase even further in the following years, as the upturn in the

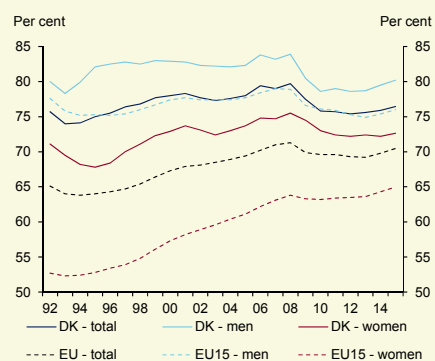
Danish economy is expected to continue and already acceded reforms are brought into effect.

From 2015 until 2020 the employment is expected to increase with 140.000 persons. About 80.000 of this increase can be attributed to earlier and more recent reforms, where approximately 42.000 persons reflect the cyclical normalisation. Towards 2025 the employment is expected to increase even further by 64,000 persons.

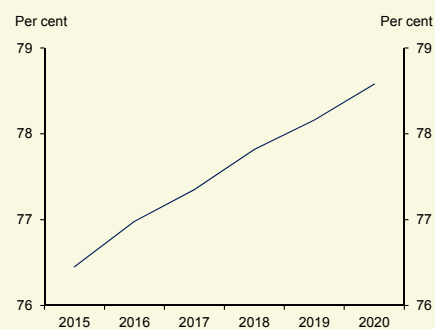
With the estimated employment increase this year and next year, the employment gap is expected to close in 2018. The labour market is thus close to a situation with structural capacity utilisation with increasing risk of forming bottle-necks and labour market pressure in general.

The structural aspects of the Danish labour market are generally sound. Among other things, this is reflected in an increasing structural employment and a continued downward trend in structural unemployment. This has contributed to the fact that both unemployment and long-term unemployment – in a historical perspective – are at low levels. At the same time flexibility in the Danish labour market is high, which is reflected in the amount of people changing jobs. Towards the end of 2016 unemployment has been slightly increasing as refugees and family reunifications are expected to enter the labour market rather than taking part in an active labour market program.

**Figure 4.1**  
Employment rate in Denmark and the EU for 20-64-year-old men and women



**Figure 4.2**  
Total employment rate towards 2020



Notes: In figure 4.1 the employment rates are based on the EU Labour Force Survey, corresponding to the Danish Labour Survey.

Source: Eurostat, Statistics Denmark and own calculations.

The Danish employment target is a structural employment rate of 80 per cent in 2020 for the 20-64-year olds. The employment rate was 76.5 per cent in 2015 which is almost 6 percentage points above the EU average. Especially the significantly higher employment rate among Danish women contributes to this difference, cf. figure 4.1. The estimated development in

employment from 2015 to 2020 corresponds to an increase of 2 percentage points in the employment rate for the 20-64-year olds. The central forecast thus predicts a 78,5 per cent employment rate in 2020, *cf. figure 4.2.*

The central forecast of the employment rate is  $\frac{1}{2}$  percentage point higher than estimated in Denmark's National Reform Programme 2016. This is primarily caused by a downward revision of the immigration flow of refugees towards 2020. Refugees and family reunifications have a low employment rate compared to the rest of the Danish population, thus fewer refugees will mechanically increase the employment rate.

Through new reforms and initiatives the Government has ambitions to increase employment further by 55-60,000 full-time employees in 2025, which will increase the welfare with DKK 80 billion (measured by structural GDP). Achieving the growth target will prolong the upturn and sustain continued employment growth without facilitating bottlenecks and pressure in the labour market.

It is the Government's ambition that more people should be employed, especially in the private sector and that fewer people should receive public benefits. Therefore the Government wants to ensure that the gain from being employed is greater than receiving public transfers. In order to increase employment a range of initiatives have been implemented since the publication of The National Reform Programme 2016.

With *Trepartsaftalen om arbejdsmarkedsintegration* (March 2016) a wide range of initiatives have been set forth, in particular a more focused effort of integration and the creation of integration elementary education (IGU), which enables employment and education at a wage lower than the ordinary minimum wage on the Danish labour market. This has already increased the number of immigrants taking part in a company internship program. The initiatives support the Government's ambition that half of the newly arrived refugees and family reunifications must be employed after three years stay in Denmark. With *Trepartsaftalen om tilstrækkelig og kvalificeret arbejdskraft i hele Danmark* (August 2016) steps are taken to prevent and limit recruitment challenges in the future by focusing on skill upgrading, increasing mobility and availability of the labour force. These efforts can counteract potential bottlenecks forming in the labour market.

With the agreement to repeal the PSO-tax on consumption of electricity the cost incurred by households and firms will be reduced, thus increasing both competitiveness of firms and consumption possibilities of households. The repeal of the PSO-tax is expected to increase the labour supply by 500 full-time employees in 2020.

In relation to the agreement *Aftale om finansloven for 2017*, the registration-tax will be lowered. This is expected to increase labour supply by 500 full-time employees in 2020 through an increase in hours worked. Furthermore, the government has settled an agreement and set forth legislation to introduce a temporary job premium for long-term unemployed, *cf. Integration of the long-term unemployed in the labour market.*

Since the change of government in the summer of 2015 agreements have been made, which collectively increases the labour supply by 2,500 persons. Beyond the aforementioned initia-

tives, the increase in labour supply reflects a reduction of the automatic regulation of public benefits, in particular cash benefits and integration allowance.

#### *First phase of the JobReform*

The ceiling on social assistance (“kontanthjælp”) and the 225-hour rule, which are also described in *Denmark’s National Reform Programme 2016*, came into force on 1 April 2016 with effect as of 1 October 2016. The main purpose of the changes is to make it more attractive for social assistance recipients to work and to ensure that more of these recipients are available for work and thus get jobs.

- *Ceiling on social assistance*

Recipients of social assistance (“kontanthjælp”) must stand to gain more financially by taking a job that pays a monthly rate at the lower end of the wage scale, when one takes into account the total amount of social benefits they can receive. The ceiling on social assistance limits how much a person can receive in social benefits, thus ensuring a distinct financial gain for people going from social assistance to employment. Cash benefits as such and directly child-related benefits are not being reduced. Housing allowance and special allowance are the only forms of social assistance that can be reduced as a consequence of the ceiling.

- *225-hour rule*

The 225-hour rule means social assistance (“kontanthjælp”) recipients must document their availability for the labour market by working at least 225 hours within a year. This corresponds to five or six hours’ weekly employment or approx. six weeks’ full-time employment and is intended to provide an incentive for everyone to maintain some form of connection to the labour market. Failure to meet this requirement will result in a reduction in benefits. If a local authority assesses that a person cannot complete 225 hours of ordinary, unsubsidised employment the person is exempted from the employment requirement.

It is estimated that the JobReform will increase structural employment by about 700 full-time employees.

#### **Promoting labour market participation of refugees and immigrants**

In the spring of 2016, the previous government entered into agreements with Local Government Denmark (KL) and social partners to establish an integration programme that is more job-oriented and closely linked to businesses. One element of the agreements stipulates that immigrants must be assessed as being ready for work. As a result, the number of benefits recipients in the integration programme who are categorised as ready for work has risen from 3 per cent in June 2015 to 58 per cent in January 2017. In addition, the agreements aim to promote earlier business-oriented efforts and to ensure that instruction in Danish is provided to underpin each individual’s ability to perform a job. Another aim is to intensify and target the integration programme so that it supports the shortest possible route to employment. Among other things, this initiative is reflected in the positive development in the share of benefits recipients in job training or subsidised jobs, which has increased from 15 per cent in June 2015 to 32 per cent in January 2017.

Furthermore, a new basic integration training module has been established that offers practical work experience and skill-upgrading to refugees whose education does not yet qualify them for jobs under ordinary Danish pay and employment conditions.

### Integration of the long-term unemployed in the labour market

The Council presented its recommendations for integrating long-term unemployed persons in the labour market in February 2016.

Denmark has actively contributed to the work on the recommendations, providing experience from the active employment initiative, since Denmark – compared to other European countries – has few long-term unemployed and significantly better developed and more comprehensive active measures than many other countries. It is estimated that Denmark had approx. 25,000 long-term unemployed persons in 2015 corresponding to approx. 20 per cent of the unemployed in total.

The existing Danish rules in the area are assessed to meet the recommendations. A range of channels (web, personal meeting, telephone) make registration possible, and the unemployed have an incentive to register because they must do so in order to receive social benefits. The active employment policy entails the completion of a plan for the unemployed person (“My plan”), which outlines job search activities, etc., and sets out offers. All unemployed persons will receive an offer within 18 months of unemployment, as described in the Council recommendations, either a “right-and-duty” offer and/or the special programme offered towards the end of the unemployment benefit period. Job centres act as the point of entry for all unemployed persons – whatever the basis of their maintenance.

In connection with the tripartite agreement in August 2016 concerning sufficient and qualified labour in Denmark and apprenticeships, the parties agreed to evaluate the special programme for the long-term unemployed offered towards the end of the unemployment benefit period. The evaluation is expected to be completed and discussed with social partners in 2017.

#### *Job premium for the long-term unemployed*

In March 2017, legislation providing a job premium for the long-term unemployed was adopted. Effective for two years starting on 1 April, the new temporary job premium scheme is targeted at unemployed persons who received social benefits in week 48 of 2016 and had been receiving social benefits for a continuous, extended period at the time.

The job premium amounts to 10 per cent of the earned income with a maximum of DKK 2,500 a month. The job premium can be paid for no more than 18 months for income earned in the period from 1 April 2017 up to and including 31 March 2019. The maximum job premium thus amounts to DKK 45,000.

A sum of DKK 630 million has been allocated to the temporary job premium scheme from 2017-2020.

### Partnership on the future labour market

In the spring of 2017 the government will set up a partnership in which social partners, businesses, experts and relevant government ministers will discuss and analyse the future labour market. Two specific topics will be discussed:

- How can Denmark best take advantage of the opportunities of technological development (automation, robots, artificial intelligence, etc.) to give everyone a share of the growing wealth made possible by globalisation and new technology?
- How can Denmark maintain and expand a dynamic labour market with well-regulated conditions and no social dumping?

### Changes to childbirth benefits for the self-employed

Currently, self-employed business owners can choose to take full-time or part-time childbirth leave. To give this group greater flexibility with the benefits they receive when taking childbirth leave, the finance bill for 2017 allocated an annual amount of over DKK 10 million to amend the rules.

The change means that in the future self-employed people will be able to work in their business for up to 25 per cent of normal working hours and simultaneously receive childbirth benefits corresponding to 75 per cent. This will allow them to keep their business running, for example taking care of moderate administrative work and following up on agreements, etc., during their leave period while also receiving childbirth benefits corresponding to 75 per cent of the maximum allowance. About 1,000 individuals a year are expected to make use of the new rules.

The new rules take effect on 1 July 2017.

### Denmark's implementation of the EU Youth Guarantee

In Denmark, all unskilled unemployed persons under 30 must be given an active offer no later than after one month of unemployment. The offer must be education or training oriented and must continue until the young person can commence and complete a programme of education or training on ordinary terms.

The education and training oriented offer might include:

- Courses in reading, writing and arithmetic.
- Bridge-building courses at vocational colleges.
- Trainee placements in workplaces.
- Wage subsidy.
- Mentor support.

The best-resourced young persons, who face no obstacles in terms of embarking on a programme of education or training, must work for their benefit through the "useful service scheme", which requires them to carry out community tasks for public sector employers until they start education or training.



The most vulnerable young persons are entitled to a coordinator – a case officer who ensures that the young person receives multi-disciplinary, coordinated assistance targeted at education or training.

#### *Bridge-building schemes at vocational colleges*

The Ministry of Employment has launched a number of pilot programmes and projects to support local authorities in initiating education and training oriented programmes to help young people progress to a programme of training or education or a job.

Together with the Ministry of Education, the Ministry of Employment has implemented a development project, *Brobygning til uddannelse (building a bridge to training and education)*, which uses bridge-building courses as a guide to the transition to vocational training. The evaluation of the project shows that bridge-building courses have a significantly positive effect in terms of helping young training assistance recipients to start education or training. Bridge-building courses take place at vocational colleges and contain skills upgrading in Danish and mathematics as well as brief periods of job training at educational institutions and in companies. The young person also has a designated training mentor throughout the period.

In the light of this, the Ministry of Employment allocated funds in 2016 together with the Ministry of Education to extend bridge-building courses to young people who are ready to commence a programme of training. These courses will be run by local authorities and vocational colleges in partnership. Furthermore, in 2017 the Ministry of Employment will launch a pilot project offering a two-year bridge-building course to the most vulnerable young people.

#### **Effects of reforms implemented in the employment area**

In recent years, a number of major reforms have been implemented through employment policy initiatives, in terms of both income-replacement benefits and active measures; see *the national reform programmes for Denmark 2014-2016*. Areas in which reforms have been made include social assistance (“kontanthjælp”), unemployment benefit, sickness benefit and anticipatory pension (“førtidspension”). In addition, reforms concerning benefits receivable on withdrawal from the labour market, early retirement benefit and old age pension have continually entered into force.

The reforms implemented are generally assessed to be having the intended effects. This picture is confirmed by proper impact analyses, which are being conducted as sufficient data becomes available and experience with the new rules and schemes accumulates. The following sections refer to the main impact analyses and surveys, which naturally are mostly preliminary. (For a more detailed description of the reforms, please refer to the earlier national reform programmes.)

#### *The unemployment benefit reform of 2010*

The unemployment benefit reform of 2010 halved the unemployment benefit period from four to two years, and the employment requirement for re-qualification was tightened. The rules gradually came into force as of 2013. (The most recently implemented unemployment benefit reform does not take effect until 2017.)

The Ministry of Employment's impact analysis shows that the two-year unemployment benefit period means that unemployed persons transition to employment and other activities to a higher degree than they would have under the four-year unemployment benefit system. The effect of the two-year unemployment benefit period on the transition to employment is already positive after only six months of unemployment.

#### *Social assistance*

The social assistance ("kontanthjælp") reform that entered into force on 1 January 2014 lowered the rate of benefits for 25-29-year-olds from that of the adult benefit to that of a training assistance benefit at student grant level or to the youth rate for cash benefits. The impact analysis relating to this part of the reform shows that unemployed persons between 25 and 29 are more likely to transition to employment and education or training than they would have been in the absence of the reform. The reform had a significantly positive effect in the months after coming into force. The positive effect of the reform was greatest in the immediate wake of the reform changes, and although the effect diminished during the subsequent months, it remained positive.

#### *The sickness benefits reform*

The reform, which came into force in 2014 and 2015, covers the levels and duration of benefits as well as the scope, nature and timing of the active measures.

As expected, the impact evaluation of the reform shows that the transition to employment is greatest in the first part of the sickness absence period, and that the rate of transition is slower among those with long-term sickness.

#### *Early retirement benefit*

In May 2011, an agreement was reached concerning later withdrawal from the labour market. Among other things, the agreement advances the introduction of the previously adopted higher age for early retirement benefit and labour market withdrawal. This means that in the period from 2014 to 2017, the early retirement benefit age has gradually been increased by six months a year, so that the age for early retirement in 2017 is 62. It was examined whether the progressively higher age for early retirement benefit has induced wage earners to postpone withdrawal from the labour market, and whether the higher early retirement benefit age has been reflected in larger numbers of older people receiving sickness benefits or taking flex-jobs, participating in resource building programmes or receiving anticipatory pension ("førtidspension").

The examination shows that people whose early retirement benefit age has been raised generally remain in the labour market until they can take early retirement. Employment among 60-62-year-olds has thus risen significantly. On the other hand, the higher early retirement age does not seem to have resulted in far more older people receiving, for example, sickness benefits, taking flex-jobs, participating in resource building programmes or receiving anticipatory pension.

#### *The anticipatory pension reform*

The anticipatory pension ("førtidspension") and flex-job reform came into force on 1 January 2013. It abolished anticipatory pension for persons younger than 40 years (unless attempts to develop a person's capacity for work would clearly be pointless). Instead, vulnerable young

people receive individual, multi-disciplinary assistance as part of resource building programmes intended to develop their capacity for work and help them progress to a job or programme of education or training.

The reform will be evaluated in 2017. The Ministry of Employment has examined the early, preliminary effects of the reform on 20-39-year-olds on the basis of an observation period running from six months after the reform to two years and eight months after the reform. The effects therefore do not capture the full impact of the reform, as resource building programmes can last up to five years – and several programmes are possible.

The analysis shows that after the reform, 11 per cent of the vulnerable young people who would have been at high risk of receiving anticipatory pension prior to the reform have instead started jobs or a course of education or training – with 60 per cent now in ordinary jobs. Only a marginally higher number of people aged 20-39 obtained inclusion in the labour market through the flex-job scheme than before the reform.

The analysis also shows that after the reform 34 per cent of the group of vulnerable young people who had been unemployed for one to two years obtained inclusion in the ordinary labour market rather than anticipatory pension, whereas the pre-reform figure was only 6 per cent for those with the same observable characteristics and unemployment history.

## 4.2 The national target for research and development

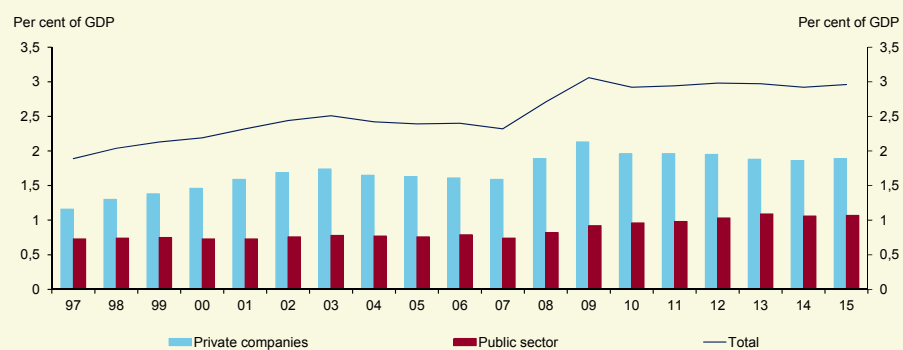
It is the Government's target that public investment in research and development must constitute at least 1 per cent of GDP. Moreover, Denmark has adopted the EU target that total public and private investment in research and development should amount to 3 per cent of GDP. It is important to the Government that public investment in research is used in the way that creates most value for private companies and the rest of society. Therefore, an impact assessment of the research and innovation effort was launched in 2015 with the aim of procuring a solid basis for prioritising the public research funds. This work should also be seen in the context of the strategic work with FORSK2025 (RESEARCH2025) that will include a consolidated overview of the future's most promising research areas in the view of private companies, organisations, ministries, knowledge institutions etc.

Today, the total Danish research effort is considerably larger than it was 10 years ago and Denmark is among the highest ranked countries in international comparisons in terms of investments in research and development.

Total expenses for research and development (R&D) in 2015 were DKK 60.0 billion, of which publicly financed research amounted to DKK 21.6 billion, corresponding to 1.07 per cent of GDP in 2015. Private companies contributed DKK 38.4 billion, corresponding to 1.89 per cent of GDP in 2015, *cf. figure 4.3*.

The total public and private investment in research and development has increased from 1.89 per cent of GDP in 1997 to 2.96 per cent of GDP in 2015. Denmark's investment in research and development is thus very close to the Europe 2020 target of 3 per cent.

**Figure 4.3**  
Private and public investment in research and development, 1997-2015

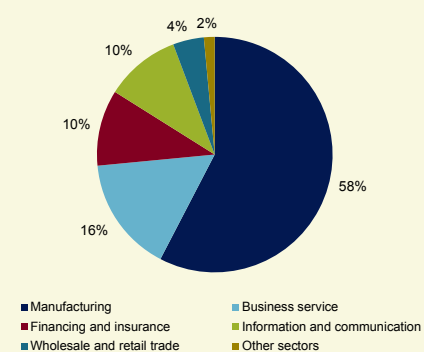


Notes: Due to the extraordinary audit of the November version of the National Accounts in 2015, the figures from 2008 and onwards have been adjusted. Among other things, the audit resulted in upwards adjusted GDP figures for 2013-2015. However, this means that Denmark falls short of the 3 per cent target, contrary to previous assumptions. Figures for 2015 are preliminary.

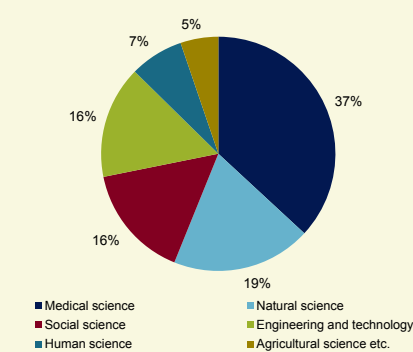
Source: Statistics Denmark and own calculations.

Among the total expenses for research and development, Danish companies still have a high investment level by historical standards, thus private companies are the biggest contributor to society's investment in research and development.

**Figure 4.4**  
Private companies' investment in research and development, by sector, 2015



**Figure 4.5**  
Public investments for research and development, 2015



Sources: Statistics Denmark and own calculations.

The majority of private companies' total research and development investments are in the manufacturing sector, which since 2008 has intensified research and development efforts considerably, cf. figure 4.4. The second largest investment in research and development

made by companies is in the business services sector, which together with the information and communication sector account for over one-fourth of the investments. However, in recent years both of these sectors have experienced a reduction in their research and development activities.

Among public investments, most investments are made in research and development in medical science. Medical science accounts for a good 37 per cent, while natural science account for 19 per cent and social science and engineering and technology both account for 16 per cent *cf. figure 4.5*. Among OECD countries, Denmark invests the most in medical science in terms of per cent of GDP and ranks second when looking at investments in social science in terms of per cent of GDP with Finland taking first place, *cf. Research Barometer 2016*.

Danish research performs well in international comparisons and has a strong impact internationally. Danish research production is large with Danish researchers producing over 17,000 scientific publications per million inhabitants in the period 2012-2015. This puts Denmark in 2<sup>nd</sup> place amongst the other OECD countries when comparing the number of scientific publications relative to the population, *cf. Research Barometer 2016*. At the same time, Danish researchers are among the most quoted. Denmark is ranked 3<sup>rd</sup> based on the number of citations per scientific publication and also in terms of Danish researcher's share of the 10 per cent most quoted scientific publications, surpassed only by Iceland and Switzerland. Furthermore, Denmark is the OECD-country with the highest share of co-publications with companies, *cf. Research Barometer 2016*.

Denmark is also doing well in the area of innovation. Innovation can be defined as knowledge and ideas that are transformed into products and processes, creating business and community-based value. According to the *European Innovation Scoreboard 2016*, which compares the EU countries' innovation capabilities, Denmark is again ranked 2<sup>nd</sup> in the EU, surpassed only by Sweden. Overall, Denmark performs above average on a number of parameters, especially in public-private co-publications and international co-publications.

### Implemented initiatives

A number of ambitious initiatives have been implemented to promote research, development and innovation. New initiatives within the fields of research, development and innovation that have been implemented in 2016 or are in the process of being implemented appear in *box 4.1*.

**Box 4.1****New initiatives to promote research, development and innovation**

- **RESEARCH2025:** RESEARCH2025 is a basis of prioritisation for the strategic research. The catalogue provides an academic basis for policy decisions and prioritisations concerning the distribution of the research reserve. The catalogue will provide a consolidated overview of the most promising research areas in the future seen from the perspective of private companies, organisations, ministries, knowledge institutions etc. The catalogue will be published in the spring 2017.
- **Stronger regional knowledge cooperation in development contracts with higher education institutions:** In connection with the growth plan, Vækst og udvikling i hele Danmark (growth and development in all of Denmark), the institutions of higher education, including the universities, have prepared an addendum to their development contracts for 2015 to 2017 with a new binding target for stronger regional knowledge collaboration to strengthen the institutions' interaction with companies throughout the country.
- **Development contracts with Approved Technological Service Institutes (GTS institutes):** The Danish Ministry of Higher Education and Science has concluded new development contracts with the GTS institutes for 2016-2018, i.a. with three binding targets of increased regional knowledge dissemination, strengthened synergies across the innovation system and strengthened internationalisation of Danish companies.
- **National strategies for space and drones:** In 2016, the previous government launched a national space strategy and a national drone strategy. The purpose of the strategies is to strengthen collaboration between companies, public authorities and researchers and to promote development of the technologies. In 2017, an additional DKK 25 million will be allocated to the space and drone area in Innovation Fund Denmark.
- **Strategy for research and education regarding the Arctic, including agreement in the Arctic Council:** In autumn 2016, the former government launched a strategy for research and education regarding the Arctic. The strategy proposes new, concrete initiatives to strengthen Danish research in the Arctic. In addition, a legally binding agreement has been concluded within the framework of the Arctic Council. The agreement concerns research collaboration among the Arctic countries and the observers on the Arctic Council; it will be signed at a ministerial meeting in 2017. The purpose of the agreement is to strengthen the general research collaboration on the Arctic.
- **Action plan for strengthened knowledge collaboration with Israel:** The former government has opened a new innovation centre in Tel Aviv. This provides Danish companies and knowledge institutions the possibility of strengthening their relations with a knowledge-intensive country with a financially strong market. In this connection, the Danish Ministry of Higher Education and Science launched an action plan in autumn 2016 focussing on strengthening Danish-Israeli collaboration in the education, research and innovation areas.
- **Cluster strategy for 2016-2018:** Denmark's Cluster Forum, consisting of six ministries and the five regions, Danish Regions and Local Government Denmark, launched an updated cluster strategy in 2016, focusing i.a. on strengthening the knowledge bridge between Danish companies and institutions of education and research through business clusters and innovation networks. The business clusters are professional venues for almost 12,000 small and medium-sized enterprises where they can spar with Danish knowledge institutions and each other.
- **The Market Development Fund:** According to the agreement on the distribution of the research reserve for 2017, the Market Development Fund must promote automation and digitisation in small and medium-sized manufacturing enterprises.

**Box 4.1 (continued)****New initiatives to promote research, development and innovation**

- **The Business Partnership for Advanced Production:** In addition, the former government has established the Business Partnership for Advanced Production, which in the period 2016-2019 will support the digital transition in Danish manufacturing enterprises.

## Evaluation and impact of previous initiatives

Evaluations and impact assessments are regularly performed to follow up on previous initiatives within research, development and innovation. Completed or planned initiatives appear in *box 4.2*.

**Box 4.2****Evaluation etc. of research, development and innovation**

- **Mapping of private funds:** The former government has identified the funds' contributions to research, innovation and higher education with a view to procuring a better knowledge and data basis concerning the importance of the funds in the area. The contributions were identified in collaboration with the large public and private research-financed councils, funds and associations in Denmark.
- **Mapping of private companies' research and innovation activities:** The former government has prepared a detailed survey of where in the country the private companies' investments in research, development and innovation are made, how the distribution has changed over time and how the use of the national research and innovation measures is distributed regionally. According to the report, half of the innovative companies, on a national level, were stable at around 45 per cent during the period 2008-10 to 2011-13. Furthermore, the private companies' research and development investments are geographically concentrated with 2/3 of the investments being made in Copenhagen, Outer Copenhagen and North Zealand.
- **Performance accounts for the innovation environments 2016:** The report has examined the activities and results from 2010 to 2015 of the innovation environments. The companies in the innovation environments have obtained more capital from external investors in 2015 than ever before.
- **Analysis of open research data:** In the light of the research and innovation policy report 2016, an analysis of the gains and costs associated with introducing open research data in Denmark will be carried out in 2017.
- **Analysis of research impact:** A cross-ministerial committee has been set up to analyse the impact of the existing research effort. The committee is expected to conclude its work at year-end 2018. The purpose is to assess the impact of the existing public research effort and contribute to making it easier to prioritise the various public research efforts.

### 4.3 The national target for climate and energy

Denmark is amongst other subject to the following binding national targets laid down by the EU for the climate and energy area:

- A number of annual obligations in the period 2013-20 for non-ETS greenhouse gas emissions. The target sharpens towards 2020, when Danish emissions must be reduced by 20 per cent compared with the level in 2005.
- The share of renewable energy in final energy consumption must increase to 30 per cent in 2020, an increase from about 16 per cent in 2005.
- 10 per cent of energy consumption in the transport sector (roads and railways) must be from renewables in 2020.

#### The Government's energy and climate policy

The Danish Government wants Denmark to remain a pioneer in green transitioning and energy efficiency. The green transition must continue in a sustainable and cost-effective manner and at the same time focus on both employment and competitiveness and environmental and climate concerns. The Government will therefore pursue a target that at least 50 per cent of Denmark's energy needs to come from renewable sources by 2030. The Government's long-term goal for Denmark in 2050 is a low-emission society independent of fossil fuels.

#### *Status for climate and energy policy targets*

The latest baseline projection from the Danish Energy Agency was published in March 2017, and it contains a status report on progress towards the Danish national 2020 targets set by the EU for the climate and energy area.

As part of the 2008 EU Climate and Energy Package, Denmark is obliged to reduce emissions from the non-ETS sectors by 20 per cent in 2020<sup>1</sup> compared with the 2005 level, and to achieve sub-targets moving towards 2020. The sub-targets increase gradually up to the end-target in 2020. Because of natural fluctuations in emissions, it is possible, however, to carry forward over-compliance from one year and set this off against under-compliance in another year.

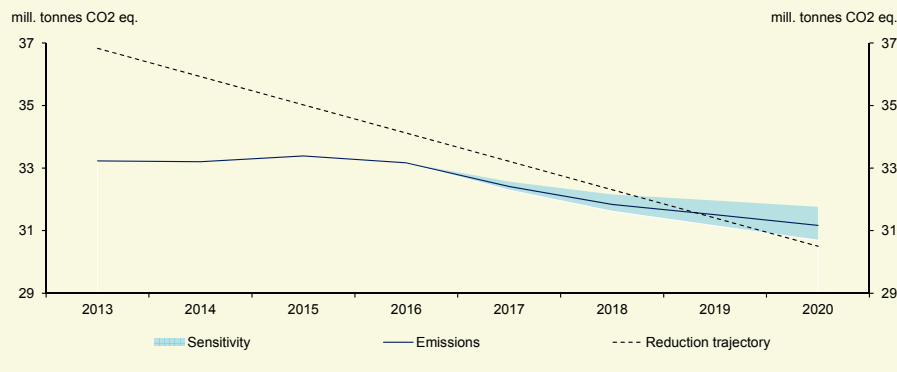
Currently, significant over-compliance throughout the period 2013-2019 is expected, whilst a small shortfall is expected in the single year 2020, *cf. figure 4.6*. As previous years' over-compliance may be carried forward and used for target performance in 2020, overall Denmark is expected to comply with the reduction obligations. The accumulated over-compliance is expected to be about 9 m. tons CO<sub>2</sub> equivalents in total for the whole commitment period.

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<sup>1</sup> The non-ETS greenhouse gas emissions primarily include emissions from transportation, agriculture and individual heating.



**Figure 4.6**  
Non-ETS emissions 2013-2020 and the EU target (mill. tonnes CO<sub>2</sub> eq.)

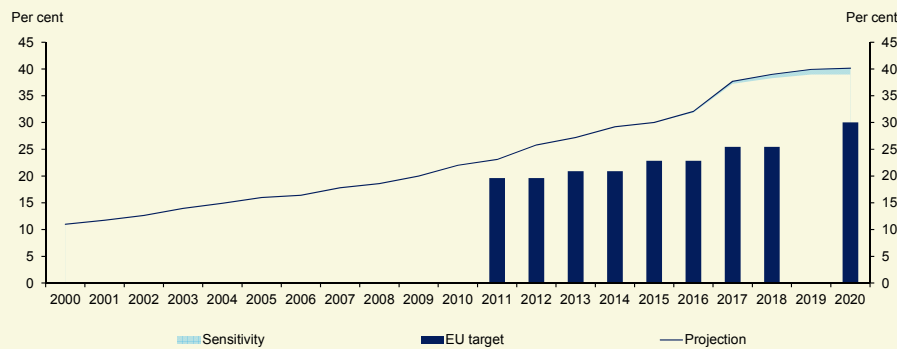


Notes: The shown emissions are from Danish Energy and Climate Outlook 2017. "Sensitivity" illustrates the span of emissions as a result of the projections' sensitivity.

Source: Danish Energy Agency (2017) Denmark's Energy and Climate Outlook 2017, March 2017.

Under the EU Climate and Energy Package from 2008, Denmark has committed to increasing its share of gross final energy consumption stemming from renewable sources to 30 per cent in 2020, an increase from approximately 16 per cent in 2005. According to the latest projection, this target is expected to be exceeded, with a share of final energy consumption of about 40 per cent in 2020, *cf. figure 4.7*.

**Figure 4.7**  
Renewable share of extended final energy consumption



Notes: The shown projection of RE-share is from Danish Energy Outlook 2017. The share of RE in the expanded final energy consumption lies above the EU-target throughout the period. "Sensitivity" illustrates a span for RE-share as a result of the projections' sensitivity.

Source: Danish Energy Agency (2017) Denmark's Energy and Climate Outlook 2017, March 2017.

The EU Climate and Energy Package also includes a separate renewable share target for the transport sector, by which Denmark is obliged to reach a renewable share in land-based transport of at least 10 per cent by 2020. This target only applies in 2020, and therefore there are no sub-targets towards 2020. The Danish Energy Agency has prepared an analysis (VE-analysen)<sup>1</sup> that describes different examples of how the EU target of 10 per cent renewable energy in the transport sector can be met. In general it can be concluded that, with the most recent changes in the EU regulations for target compliance, it has become easier to meet this target.

In December 2016 the Danish Parliament adopted a Danish blending obligation for advanced biofuels of 0.9 per cent, applicable from 2020. This is higher than the EU's obligation on 0.5 per cent for advanced biofuels by 2020. This requirement will help to meet the overall 10 per cent requirements for the transport sector.

In 2017 the Government will make a proposal for how the EU requirement for renewables in transport is to be complied with.

### New targets for 2030

In October 2014, EU heads of state and government agreed that total CO<sub>2</sub> emissions are to be reduced by at least 40 per cent in 2030 compared to 1990. To achieve this goal, the sectors covered by the EU emissions trading system have to reduce emissions by 43 per cent in 2030 compared to 2005, while the sectors outside the EU Emissions Trading Scheme have to reduce emissions by 30 per cent in 2030 compared to 2005.

In October 2014, EU heads of state and government set a further target for 2030. 27 per cent of energy consumption in 2030 is to come from renewables. This target is binding for the EU, but it will not be allocated to individual countries. In addition, an indicative target was set for energy efficiency at EU level of 27 per cent compared with a business-as-usual projection. In 30 November 2016 the Commission submitted a proposal for revision of the Energy Efficiency Directive and suggested a new binding target of 30 per cent improvement in energy efficiency by 2030. According to the proposal, the goal will not be allocated to individual countries. Instead it should be reached through binding instruments in the secondary regulation at EU level.

On 15 July 2015, the Commission presented a proposed revision to the EU ETS Directive for the period after 2020. The Danish Government works for structural reforms of the European Emission Trading System in order to reduce the amount of emission allowances and thereby ensure more uniform and clear price signals in and outside the emission trading system in order to benefit the green transition.

On 20 July 2016, the Commission presented a proposal for burden sharing between the EU Member States regarding the reduction efforts in the non-ETS sectors, which together are to reduce emissions by 30 per cent in 2030 relative to 2005. According to this proposal Denmark will be committed to reduce emissions from the non-ETS sectors with 39 per cent compared to 2005. Denmark is ready to accept an ambitious target for the reduction of emissions outside the ETS sector. In 2017, the Danish Government will develop a cost efficient strategy for how to achieve the target.

In recent years, a number of agreements have been concluded to support the climate and energy policy targets. The most important are the Energy Agreement 2012 and the Climate Act.

#### *Energy Agreement 2012*

With the 2012 Energy Agreement, a broad majority of parties in the Danish Parliament adopted a large number of initiatives to support and expand the Danish position in the climate and energy area, and to support EU targets, cf. *National Reform Programme 2013*. The agreement entails extensive investments in renewable energy and energy efficiency. The Government will in autumn 2017 make proposals for a new broad energy agreement after 2020, partly on the basis of the national Energy Commission's work. A new energy agreement aims to ensure the continued transformation of the energy sector.

#### *The Energy Commission*

In March 2016, the former government set up an energy commission to draw up proposals for the Danish Energy Policy for the period 2020-2030. The Commissions' focus is on how Denmark ensures a strong position in order to provide cheap green energy to the Danes by achieving a socio-economic optimal integration of energy systems, while the competitive power in the Danish energy production and technology is maintained by utilizing cost-effective and market based strengths. The Energy Commission will complete its work with a report in 2017.

## 4.4 The national targets for education

The Danish Government has acceded to the EU headline targets for education set out in the Europe 2020 strategy to reduce the school drop-out rate to 10 per cent for 18-24-year-olds as well as to increase the percentage of 30-34-year-olds having completed a higher or equivalent education to at least 40 per cent by 2020.

In 2015, the drop-out rate among 18-24-year-olds was 7.8 per cent, whereas 47.6 per cent of the 30-34-year-olds had completed a higher education. This means that the headline EU targets have been reached. At the same time, the most recent figures from the Profile Model, a prediction of a youth cohort's expected educational level 25 years after the 9th form, show that 92 per cent of the 2015 youth cohort are expected to complete at least a youth education programme. As the highest completed education, a total of 62 per cent are expected to complete a higher education. It is expected that 22 per cent will complete a vocational education and training programme.

In January 2016, the former government set up an expert group on the subject: *Bedre veje til en ungdomsuddannelse* (Better paths to a youth education programme). The expert group had to deliver recommendations on how to achieve a lower drop-out rate regarding youth education programmes, and how to ensure that all young people are presented with offers that will help them get into education or employment. On 28 February 2017, the expert group submitted its recommendations. These include among other things coherent local government youth-targeted action and the establishment of a new Preparatory Education programme to accommodate the diversity and different needs of young people. The Government

will continue work on the recommendations of the expert group, and in the course of spring 2017 the political parties will be invited to discussions on the work ahead.

### Primary and lower secondary education (*Folkeskolen*)

The *Folkeskole* reform took effect at the beginning of the school year in August 2014. The objective of the reform is to ensure that all pupils reach their full potential, that primary and lower secondary education reduces the significance of social background in relation to academic results, and that trust in and well-being at primary and lower secondary school are strengthened.

Evaluations of the implementation of the *Folkeskole* reform show that between 2014 and 2016 there has been an increase in the number of pupils with a high degree of academic participation and interest. There has been a positive development especially among girls, among pupils from what is known as homes without a tradition of education, and among pupils with an ethnic minority background. There is, however, a significant increase in the percentage of pupils who indicate that the school day is a little too long or far too long. This may be due to the fact that the educational practice according to teachers and assistant educators has changed only to a minor extent since the commencement of the reform. The evaluation also points out that there is a considerable development potential in terms of spreading good school administration as most school administrations today are very little involved in for instance educational leadership. The majority of the parents remain satisfied with the school, the school's teachers and their children's schooling, which was also the case in 2014. However, more parents in 2016 find that classrooms are noisy and distracting than was the case in 2014.

In 2016, in order to ensure a better framework for the integration of refugees, the former government strengthened the basis of knowledge regarding reception classes and allocated funds for the development of screening material that is to help local authorities and schools in their assessment of newly arrived pupils' competencies. In addition, guidance and inspirational material is to be developed with a view to the work with newly arrived pupils in primary and lower secondary school.

The academic results of pupils of foreign origin remain below those of pupils with ethnic Danish background, but the gap between the two groups of pupils has decreased in recent years. A total of 80 per cent of pupils of foreign origin obtained the grade 2 or above in the compulsory core subjects of Danish and mathematics at the 9th form school-leaving examinations in 2016. The same percentage among pupils of Danish origins was 90 per cent. In 2011, the equivalent percentages were 72 for pupils of foreign origin and 87 for pupils of Danish origin<sup>2</sup>.

As a follow-up on a review of inclusion in autumn 2015, the 96 per cent target was abolished and the Government and the organisation Local Government Denmark are now working on the basis of the general ambition that all children must be part of the community and that every single child must thrive and develop academically. One of the targets of the *Folkeskole*

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<sup>2</sup> As some pupils in the 9th form are not included in the reporting of grades, it is probable that the real percentage of pupils who nationwide achieve at least 2 in Danish and mathematics is lower than the figures presented here.

reform is that pupils in 2020 are to be taught by teachers with educational competence in the subject, and DKK 1 billion has been allocated in order to reach this target. In the school year 2015/16, pupils were in 83.2 per cent of the subject-divided lessons taught by teachers with competence within the subject in questions. This is an increase of 1.6 per cent compared to the previous year.

### Vocational education and training

The reform on *Bedre og mere attraktive erhvervsuddannelser* (Better and more attractive vocational education and training programmes) took effect at the beginning of the school year in August 2015. One of the targets is to ensure that more young people choose a vocational education and training programme immediately after the 9th or 10th form. The target is for 25 per cent to choose a vocational education and training programme in 2020 and for 30 per cent to choose this in 2025. Furthermore, one of the targets is to increase the completion percentage to at least 60 per cent in 2020 and 67 per cent in 2025.

Having come into force in August 2015, the reform shows a number of positive trends. Far more young people start vocational education and training with an *EUX* programme, which combines vocational education and training with an upper secondary school leaving certificate. In general there is a positive picture of the students' well-being. However, it remains a huge challenge to encourage more pupils to start a vocational education and training programme immediately after the 9th or 10th form as the figure today is 18.4 per cent. At the same time, only 50 per cent of those who embarked on a vocational education and training programme in 2015 are expected to complete the programme.

In August 2016, the Government and the social partners concluded a tripartite agreement on sufficient and qualified labour in all of Denmark. With the agreement, the employers commit themselves to creating 8,000-10,000 additional practical training placements. It was decided among other things to establish a number of so-called *fordelsuddannelser* which is education programmes which ensure that the students will be able to complete their vocational education and training programme with a practical placement in a company.

### General upper secondary education programmes

In the school year 2017/2018, the agreement on strengthened upper secondary education programmes will enter into force. The reform of the upper secondary education programmes must enhance the students' academic skills, general education, and improve the young people's opportunities of higher education.

The entry requirements for the upper secondary education programmes will be tightened so as to ensure that the young persons who are admitted are prepared to participate actively and complete the programme. Furthermore, the specialised study programmes will be targeted in the direction of higher education and steps will be taken to ensure that it becomes easy for the students to make an informed choice of specialised study programme.

The reform includes a particular effort in terms of enhancing the students' competencies regarding natural science, mathematics and languages. The students' digital education will be prioritised in all subjects and special importance will be attached to enhancing the students' innovative competencies, global competencies and career competencies.

The reform has given the Higher Preparatory Examination (HF) programme a new and more modern profile, which is to result in academically competent students who will be motivated to go on to higher education.

In combination with the increased support to help the students in their choice of specialised study programme, the tightened entry requirements are expected to imply that a greater percentage of the students will complete the chosen specialised study programme and will decide to embark on and complete a higher education programme. The reform is, moreover, expected to underpin the target that more young people are to complete a vocational education and training programme.

### Adult education and continuing training

With the tripartite agreement of August 2016, it was decided to set up an expert group to produce the necessary knowledge for subsequent discussions under the auspices of the tripartite negotiations on ways to strengthen the entire adult education and continuing training system in future. The expert group is expected to submit possible solution models to the Government and the social partners by the end of May 2017.

### Higher education

#### *Better framework for management*

The Government has reached a political agreement on a better management framework for universities. The societal role and responsibility of the universities must be made clearer in the legislation, and the procedures for appointing boards must reflect their huge societal significance. The universities must continue to be politically independent and retain a high degree of autonomy, including absolute freedom of research. With a clear framework for university managements, there is room for increased freedom and, consequently, the possibility of deregulation in the sector. The Government will accordingly look at the management framework for the other higher education institutions. With respect to university colleges and academies of professional higher education, it is important to maintain the close regional embeddedness in consideration of the quality and relevance of the education programmes for the regional labour market.

#### *Committee on better university education*

The Government has established a committee charged with the task of presenting specific models for better university education programmes. The committee is to look at the length, content and structure of the programmes. The target is to enhance the quality of the education programmes and improve the correlation between the programmes and the labour market.

#### *Adjustment of student intake*

From 2015, the student intake for higher education has been subject to an adjustment based on unemployment figures. The objective is to move the student intake from programmes with a persistently high unemployment rate to programmes with better job prospects. At the same time, a digital tool (*Uddannelseszoom*) has been established to give future students easy access to comparable information about e.g. unemployment figures and job opportunities relating to the various education programmes. From 2017 *Uddannelseszoom* comprises

assessments made by students and graduates of the quality and relevance of the education programmes.

#### *Adjustment of the Study Progress reform*

The Study Progress reform was adjusted in autumn 2015 on the basis of a broad political agreement. The agreement is to contribute to providing the institutions with a more flexible framework for the planning of the education programmes according to specific needs and for reaching the target of reducing the time students spend in excess of the length of the official study duration by 4.3 months up to 2020. The intention is that the combination of the adjustment measures is to support the institutions' management in striking a good balance between study progress and expedient planning of the education programmes that will not create unnecessary barriers for the institutions and the students.

#### *Change of The State Education Grant and Loan Scheme in Denmark (SU)*

On the basis of its proposal *Et stærkere Danmark – Et mere robust SU-system* (A stronger Denmark - A more robust SU (Danish State Educational Grant and Loan Scheme) system), the Government will present a plan to change the SU system after 2017. The plan proposes to place the entire savings from the years 2019-2025 in a competence budget to be spent on strengthening the competencies of Danes and preparing the workforce for the labour market of the future.

#### *Growth in all of Denmark*

The provision of higher education programmes must be broad both professionally and geographically. University colleges and academies of professional higher education must ensure regional coverage in terms of education and training, thereby underpinning access to qualified labour in all parts of the country. At the same time, there is a university in all regions. The Government aims specifically at increasing the percentage of 30-year-olds having completed a higher education in order to foster a good supply of well-educated labour in all parts of the country.

The interaction between higher education institutions and regional companies will be strengthened in 2017, both by providing better opportunities for regional adjustment of the technical and commercial academy profession programmes and professional bachelor's programmes and by giving higher education institutions the opportunity to provide a larger part of a programme in other premises than the approved location of education, e.g. through increased use of digitally planned education programmes.

## 4.5 The national target for social inclusion

The Government aims for more people to be included on the labour market and that fewer are socially excluded. With recent reforms, the former government has strengthened the financial incentives to take actively part in the labour market. Moreover, the former government has established 10 Goals on Social Mobility to set the direction for the future social policy. The current government has endorsed the 10 goals and will also pursue these.

As a part of the EU-2020 strategy, the Danish government target is to reduce the number of persons living in households with very low work intensity (LWI) with 22,000 persons towards

2020. The development of this Danish target is measured relative to the year 2008, as for all member states.

According to Eurostat, 470,000 persons were living in households with very low work intensity in Denmark in 2015. This is a decrease by 25,000 persons compared to 2014, *cf. figure 4.8*. The economic downturn in 2008-2009 and the subsequent period with weak economic growth resulted in an increase in number of persons in LWI-households. The increase between 2008 and 2014 was mainly due to the reduction in employment during this period.

**Figure 4.8**  
People in households with low employment (LWI)



Notes: LWI households is defined as households where the yearly mean work intensity for persons aged 18-59 years of age (not including students below 25 years) in the household is less than 20 per cent. In the Eurostat data there is a data break between 2010 and 2011. Eurostat data for 2015 relate to 2014 figures.

Source: Eurostat

However, there is progress on the labour market with an increase in employment and decreasing unemployment. Private sector employment grew with about 127,000 persons from the end of 2012 to fourth quarter of 2016. With the improved situation on the labour market, the number of unemployed has decreased with almost 50,000 between the mid-2012 highpoint and early 2017. This positive trend on the labour market is expected to continue.

The last few years' reforms of the disability pension, social assistance, sickness and unemployment benefits set the framework for more people becoming an active part of the labour market in the future. A common objective of the reforms is to get as many as possible to become employed and thus self-supported.

In parallel with the increased financial incentives to work, focus is on assisting those who are vulnerable and socially excluded getting on the right track in life and into the labour market.

One example is the 'interdisciplinary rehabilitation programme' (ressourceforløb) created with the disability pension reform from 2013; that is offered to persons who apart from unemployment also have complex (socially, health or mental) problems and are in risk of receiving disability pension. The programme offers a cross-sectoral integrated approach to improve the



ability to work. These are employment, social and health related interventions/services such as support from a psychologist or therapist, courses in coping-strategies for stress and anxiety, assistance with finding solutions to housing-problems or mentoring. Another example is the integrated employment and social project facilitating the transition into a job and keeping it targeted towards long term recipients of social assistance, assessed as capable of activation, *cf. box 4.4.*

#### *Initiatives supporting social inclusion*

In parallel with inclusion of more people on the labour market, the government is also working towards fewer people being socially excluded. It is about giving each individual the best possible basis for achieving as much as possible with the resources available to this person; and about providing efficient support to the families where assistance is needed.

This requires that vulnerable and socially excluded people face a more efficient social effort. By establishing 10 Goals for Social Mobility, the Government has set a course for the social policy; simultaneously underpinning an evidence-based approach which, on the basis of documented efficient measures, improves the life-situation for the individual in question, *cf. box 4.3.*

#### **Box 4.3**

##### **The Government's 10 Goals for Social Mobility**

In May 2016, the former government presented Ten Goals for Social Mobility, which the new government also intends to pursue. The social goals set the direction and foster better progress in social policies:

##### **More people in the labour force**

1. Improved proficiency levels for disadvantaged children in primary and lower-secondary school
2. More disadvantaged young people to complete upper-secondary education.
3. More people with disabilities to enter education and employment
4. More people with mental disorders or social problems to enter education and employment
5. More victims of domestic violence to enter education and employment

##### **Fewer marginalised people**

6. Fewer disadvantaged young people to commit crime
7. Fewer homeless
8. More effective treatment of drug abuse
9. More effective treatment of alcohol abuse
10. More people outside the labour force to be involved in voluntary activities

Concretely, this is obtained by supporting development of and knowledge about efficient social methods. In this context, the Development and Investment Programme, *cf. box 4.4*, can be highlighted.

Knowledge about documented effective methods is made available on Vidensportalen.dk (Knowledge Portal) by the National Social Board under the Ministry of Children and Social Affairs. The National Social Board also provides tools for municipalities and institutions related to development of effective methods, for example a tool for identifying 'promising practices' which are likely to create positive changes for the citizens.

As of 2016, the Government publishes an annual Social Policy Report as a part of its social policy agenda. The report follows up on the 10 Goals for Social Mobility, and provides answers as to who people in social exclusion and people with disability are and how they are best assisted.

#### Box 4.4

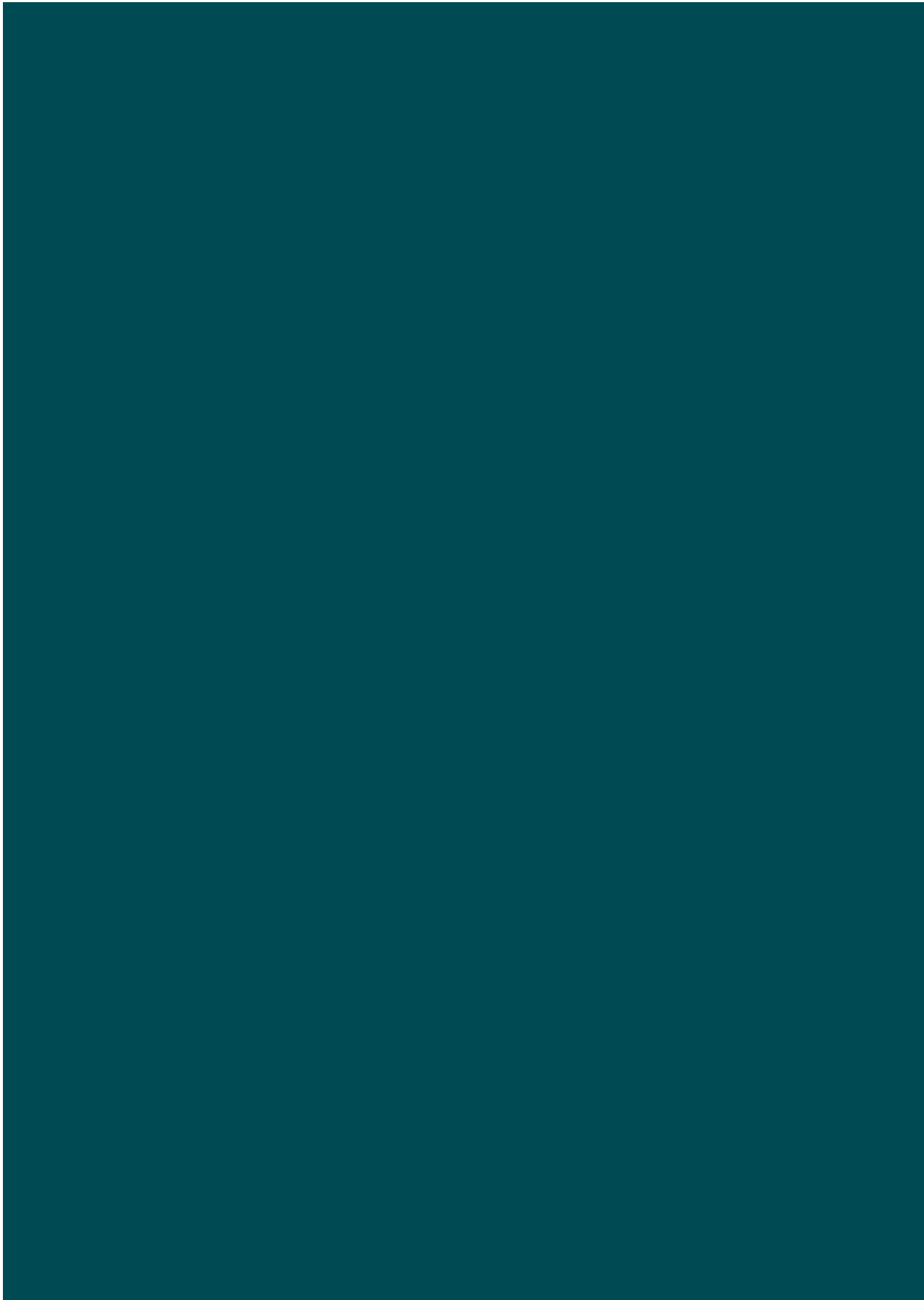
Initiatives underpinning social inclusion

- **Support for transitioning into and retaining employment:** Development and testing of an integrated employment and social methods e.g. by providing *one* contact-person during the transition into employment. In 2017, DKK 39.1 m. is allocated from the National Social Fund (the 'rate Adjustment Fund', Satspuljen); the initiative is expected to include approximately 750 'activation ready'<sup>3</sup> long-term social assistance recipients.
- **A holistic approach ensuring better social inclusion of marginalised adults:** in November 2016, a broad political agreement was reached on a revision of the Act on Social Services provisions for adults. One of the initiatives is an expansion of the municipality's room for early preventive intervention e.g. group-based support and measures in cooperation with civil society such as networks for social skills training.
- **Development and Investment Programme for marginalised adults:** the purpose of the programme is to improve the impact of the measures for marginalised adults; assisting them with their social problems and enhancing their ability to manage their own life. In 2017, DKK 249 m. is allocated under the National Social Fund.
- **Strategy on Attitudes and Disability:** The Strategy was published by the Danish Disability Council in January 2016. The purpose is to combat prejudices and change attitudes towards people with disability and thereby creating better social inclusion. The strategy includes initiatives and recommendations for children and youth, enterprises, civil society, public authorities and persons with disabilities.
- **A comprehensive effort targeting domestic violence:** Strengthening existing ambulatory treatment centres for both the abused and abusers. Furthermore, a national domestic violence unit is established: among other, it will operate a hotline and provide legal advice. For 2017-2020, DKK 65.6 m. is allocated from the National Social Fund.
- **Better quality in early childhood education and care (ECEC):** With the Finance Act, the Government allocated DKK 850 m. for improving the quality of ECEC, increasing well-being and learning for all children. Part of the funds is expected to be manifested into preventive measures preventing intergenerational transmission of social exclusion already while the children are in ECEC.
- **Research project on 'strengthening the transitions from ECEC to school for marginalised children:** The purpose is to examine which pedagogic teaching methods and measures that are effective in relation to strengthening cognitive and social skills among disadvantaged children aged 4-6 years. Measures are tested in 3 municipalities that have ECEC located in housing estates with a high degree of social exclusion.

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<sup>3</sup> Persons on social assistance who are 'activation ready' are assessed as capable of participating in active labour market inclusion polixxy related activities, but not (yet) deemed capable of starting or staying in full time employment.





## 5. Institutional issues and stakeholder involvement

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Denmark has an established procedure for the Parliament's involvement in the Danish and European growth and employment agenda. This is a priority part of the Danish EU-decision procedure, when the Europe 2020 strategy and the European Semester are on the agenda in the EU, in various Council formations and in the European Council.

The Government and the Danish Parliament have agreed on an extended involvement of the European Affairs Committee and the Finance Committee in relation to discussions on the European Semester and the National Reform Programme. This implies that the Government (in addition to current discussions of the European growth and employment agenda) will brief the European Affairs Committee and the Finance Committee of the Danish Parliament and discuss the most important questions in those committees. Overall three annual joint briefings are held during the European Semester. The procedure is as follows:

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.

During spring, the Government will in joint consultation inform the two parliamentary committees of the expected contents of the Danish National Reform Programme and Convergence Programme 2017 and the Commission's country report for Denmark.

In addition, the Government will - after the presentation of the Commission's country-specific recommendations - in a joint consultation inform the Parliamentary Committees about 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 was established in 2001 in connection with the adoption of the Lisbon strategy and consists of approximately 30 regional and local authorities and a wide range of organizations 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 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 acts 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 at respectively official and ministerial level. 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, the Contact Committee is informed about the Annual Growth Survey and thematic meetings are held with a focus on elements of the growth and employment agenda, e.g. a meeting was held in November 2016 chaired by the Minister for Foreign Affairs with focus on the current discussions regarding the future of the EU and the consequences of the British referendum on their withdrawal from the European Union.

The draft of the Danish National Reform Programme 2017 was sent for consultation to the Contact Committee and discussed at a meeting of the Committee 22 March 2017. 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 5.1**

##### **The Government's orientation of the Danish Parliament on the European Semester and the NRP ("the national semester")**

**2 December 2016:** Joint consultation of the European Affairs Committee and the Finance Committee on the Commission's Annual Growth Survey of 2017 and the Commission's early warning report in 2017 under the macroeconomic imbalances' procedure.

**5 April 2017:** Joint consultation of the European Affairs Committee and the Finance Committee on the expected contents of the Danish National Reform Programme and Convergence Programme 2017 and the Commission's country report for Denmark etc.

**14 June 2017:** Joint consultation of the European Affairs Committee and the Finance Committee on the draft country-specific recommendations.

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