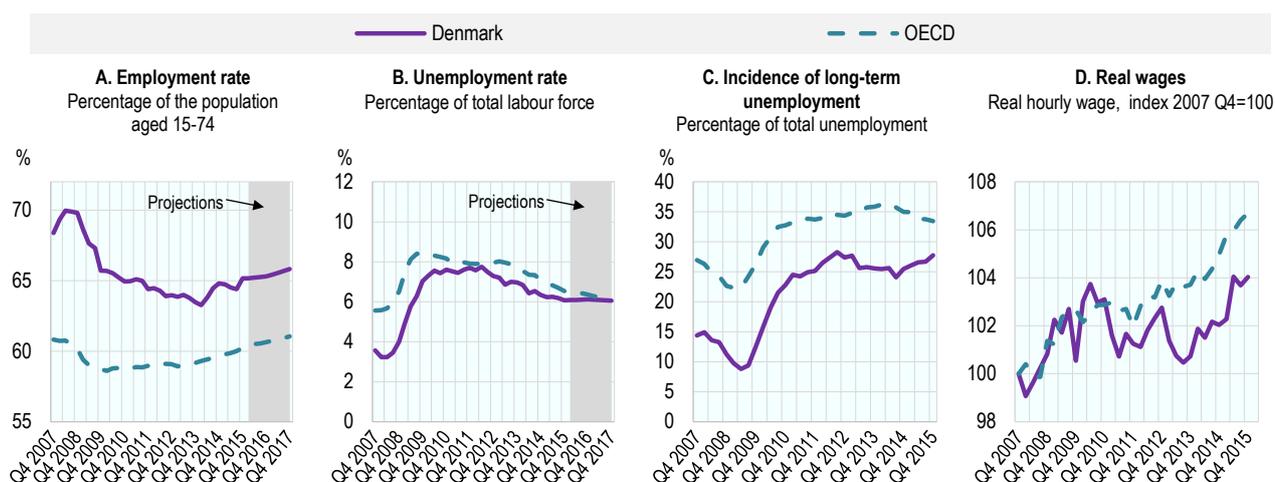


The 2016 edition of the *OECD Employment Outlook* provides an international assessment of recent labour market trends and short-term prospects, with a focus on vulnerable youth. It also contains chapters on: skills use at work; the short-term effects of structural reforms; and gender labour market gaps in emerging economies.

[DOI: 10.1787/empl_outlook-2016-en](https://doi.org/10.1787/empl_outlook-2016-en)

Labour market developments in Denmark



Note: OECD weighted average.

Source: OECD Economic Outlook No 99, June 2016, <http://dx.doi.org/10.1787/9572784d-en>; OECD Employment database (www.oecd.org/employment/database); OECD calculations based on quarterly national accounts.

RECENT LABOUR MARKET TRENDS AND PROSPECTS

Labour market conditions continue to improve and the OECD average employment rate is projected to return to its pre-crisis level in 2017, nearly ten years after the global financial crisis (GFC) erupted. The recovery remains very uneven across both countries and different groups within the workforce. Real wage growth has also been relatively slow since 2007 raising concerns about the impact of a prolonged period of wage stagnation.

- Denmark was hit harder by the GFC than its neighbouring countries and the OECD area, but is now slowly recovering. In the first quarter of 2016, the employment rate was still 4.8 percentage points lower than before the GFC with only minor improvement since 2013.
- The unemployment rate continues to steadily decline, but at 6.1% in May 2016, it remains well above its pre-crisis level (3.2%).
- Because of relatively high job turnover, long-term unemployment is rather low (28%) in Denmark

compared to the OECD average (34%); however, it is still twice the level before the GFC and has not improved at all since its 2011 peak.

- After a prolonged period of wage stagnation (2007-13), real wages began rising over the past two years, slowly narrowing the gap with the evolution of the OECD average wage.

BETTER WAYS TO IMPLEMENT STRUCTURAL REFORM

Structural reforms are needed to enhance growth and reduce labour market segmentation. However, they can be disruptive in the short run. The 2016 *Employment Outlook* provides new evidence that structural reforms are sometimes associated with short-term employment losses, but shows how these losses can be minimised or even avoided. For example, structural reforms that are implemented during an economic upturn result in little or no job loss. Similarly, reforms can be combined and implemented in ways that significantly improve short-term outcomes.

- A number of structural reforms have been implemented in Denmark in recent years improving fiscal sustainability and strengthening long-term employment. The 2010 labour market reform halving the unemployment benefit payment period from four to two years had a large positive impact on structural employment; the 2011 pension reform regulating retirement age in accordance with life expectancy will continue to foster labour supply over time, while the 2015 social assistance reform will further reduce disincentives to work by introducing a ceiling to public transfers and tightening availability rules. Finally, with a spending reform in 2016 reimbursement by the central government of municipal labour market expenditures was simplified and financial incentives were increased for municipalities to act quickly to activate benefit recipients. This should help to address long-term dependence on public income support.
- The 2016 OECD Employment Outlook highlights that adverse effects of structural reforms are likely to be smaller in countries with an effective activation strategy to support jobseekers, especially when activation systems are geared around early interventions of the public employment service during the notice period preceding job displacement.
- The Employment Outlook also points out that scaling up activation efforts during an adverse shock can be difficult, except when the upscaling in downturns is well planned in advance and fully integrated in the functioning of the system, as is the case in Denmark. This might explain why short-term job losses following recent structural reforms were limited in Denmark.
- Denmark could go further by easing access to early intervention services for workers at risk of displacement from firms in the supply chain of large dismissing firms or to workers involved in small-scale and individual dismissals, whenever needed due to deteriorating economic conditions in the region or the sector.
- In addition, the Danish unemployment benefit system faces two challenges that should be tackled: inequalities stemming from the fact that many low-wage and low-skilled workers are not covered by the system; and poor incentives for benefit recipients to accept short-term, fixed-term and part-time jobs as a stepping stone back into employment. Reform recently proposed by the

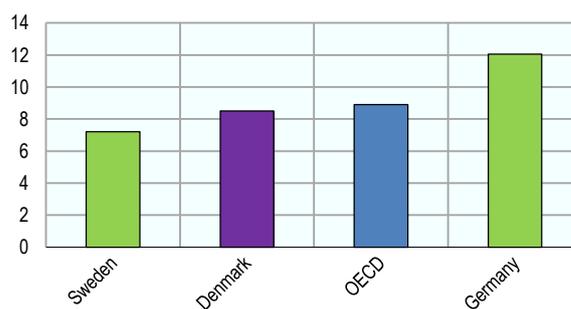
Danish Income Support Commission addresses some of these issues.

SKILLS USE AT WORK

Some countries are better than others at employing workers' skills and this difference has economic consequences. Among equally skilled workers, those making more frequent use of their skills at work earn higher wages and are more satisfied with their jobs. While employers have the primary responsibility to mobilise the competencies of their workers, governments can make use of a variety of policy tools to promote improved skills use.

- Denmark is one of the countries where workers' ICT skills are very well exploited at work. This is important because technological change and digitalisation often raise fears that workers will be replaced by computers and computer-enabled robots, resulting in what has been called technological unemployment.
- In Denmark, 8.5% of all jobs are at a high risk of automation. A higher frequency of tasks relating to the use of reading, writing and complex ICT skills at work significantly reduces the likelihood that a job will be automated. On the other hand, tasks involving physical dexterity increase the likelihood of automation.
- One out of four jobs faces a medium risk of automation meaning that many – but not all – tasks are at risks of being automated. These jobs are unlikely to be replaced entirely, but will be significantly retooled.

Jobs at high risk of automation



Note: Jobs at high risk of substitution if the likelihood of their job being automated is at least 70%.

Source: OECD Employment Outlook 2016, Chapter 2.

Contacts: Division for Employment Analysis & Policy, Directorate for Employment, Labour and Social Affairs **Christopher Prinz** (+33 1 45 24 94 83; christopher.prinz@oecd.org) or **Gwenn Parent** (+33 1 45 24 75 01; gwenn.parent@oecd.org).