

## DENMARK

### Priorities supported by indicators

#### ***Reduce marginal taxes on labour income (2007, 2009, 2011)***

**Recommendations:** Reduce disincentives to work longer hours by continuing to cut income taxes, notably for wages above the average, while better controlling public expenditure growth.

**Actions taken:** The Parliament adopted a tax reform in 2009 lowering the top marginal income tax rate. The in-work tax credit was expanded in 2008 and 2009.

#### ***Reform sickness leave and disability benefit schemes (2007, 2009, 2011)***

**Recommendations:** Increase incentives to return to ordinary employment for the sick and disabled with some ability to work; lower subsidies to the disabled employment programme (*Fleksjob*) that has created some lock-in effects.

**Actions taken:** In 2009, the Parliament adopted new rules for sickness leave that increased control and put more emphasis on rehabilitation. However, access to the disability scheme was eased in 2011.

#### ***Improve the efficiency of the education system (2007, 2009, 2011)***

**Recommendations:** Develop the culture of evaluation of compulsory education; strengthen its educational content; speed up tertiary education completion.

**Actions taken:** In 2010, mandatory national tests in compulsory education were introduced and the system of student grants and loans were changed. Also, various incentives to speed up completion at university, including extra funding to universities for timely completion, were introduced in 2008 in 2010.

### Other key priorities

#### ***Enhance the competition framework and relax product market regulation (2007, 2009, 2011)***

**Recommendations:** Enhance competition in specific sectors; streamline competition institutions.

**Actions taken:** Measures to cut business red tape in 2009, to loosen regulation of opening hours in the retail sector in 2010, and to promote competition for public contracts were introduced in 2011. The Parliament adopted legislation in 2010 that grants the competition authorities more powers to intervene in mergers.

#### ***Reduce housing subsidies and abolish rent regulation (2007, 2009, 2011)***

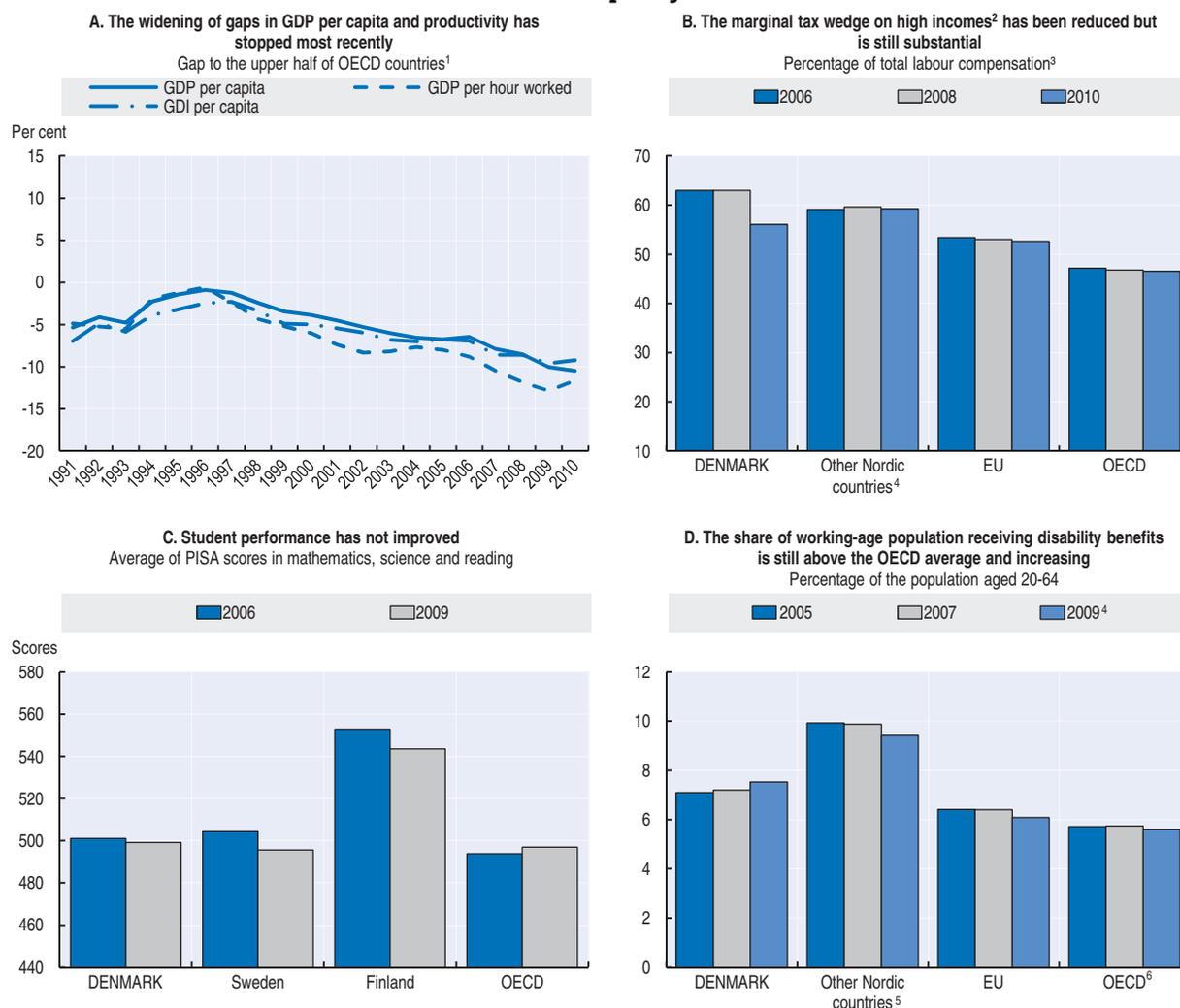
**Recommendations:** Ease rent regulations, cut housing subsidies and raise housing taxation.

**Actions taken:** The 2009 tax reform reduced the value of the mortgage interest rate deduction from income taxation starting from 2012. No action has been taken on rent regulation.

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- The income gap vis-à-vis the upper half of OECD countries has widened over the past decade, with rising labour utilisation more than offset by lower productivity growth. Employment rates are high but working hours remain low. The remaining income gap reflects mainly a labour productivity shortfall.
- Among key priorities, progress has been made in reducing marginal taxes on labour income, improving the performance of the education system and enhancing product market competition; by contrast, less progress has been achieved in getting recipients of sickness and disability benefits into work and reducing distortions in the housing market.
- In other areas, measures taken in 2008 and 2009 to support the financial sector, including capital injections, guarantees and extra liquidity support, have limited the impact of the crisis.

## Performance and policy indicators



1. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).
2. Labour taxes include personal income tax and employee plus employer social security contributions and any payroll tax less cash transfers.
3. Evaluated at 167% of average earnings for a single person with no child.
4. For Denmark, data refer to 2010.
5. Average of Finland, Norway and Sweden.
6. Excluding Chile, Iceland and Turkey.

Source: Chart A: OECD, *National Accounts and Economic Outlook 90 Databases*; Chart B: OECD, *Taxing Wages Database*; Chart C: OECD, *PISA 2009 Database*; Chart D: OECD (2010), *Sickness, Disability and Work: Breaking the Barriers: A Synthesis of Findings across OECD Countries*.

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