

DENMARK

- The income gap vis-à-vis leading OECD economies has widened over the past decade, driven mainly by slower productivity growth. Although labour utilisation decreased in recent years, it is still relatively high. Employment rates are high, but hours worked are low.
- Progress has been made in priority areas to reduce marginal taxes on labour income, enhance product market competition and improve the efficiency of the education system. Recent reforms of disability benefits and early retirement schemes should increase employment. However, less has been achieved in the area of the housing market.
- Continuing with shifting the tax burden away from labour and effective implementation of the disability benefit reform would increase hours worked and employment rates. Enhancing the competition framework and reducing housing market rigidities, as well as improving the efficiency of the education system would boost productivity growth.
- Reforms to decrease drop-out rates in upper secondary education would boost human capital formation and help keep poverty rates low.

Growth performance indicators

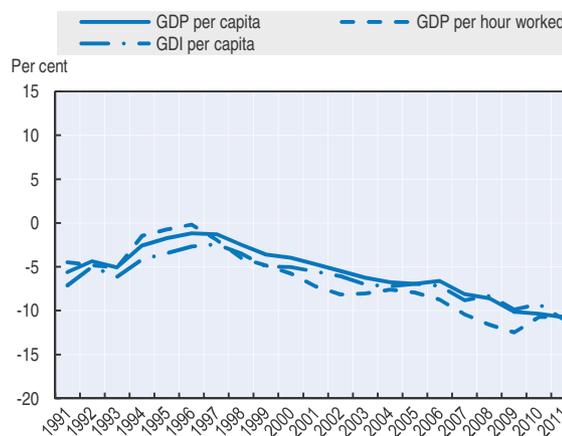
A. Average annual trend growth rates

Per cent

	2001-06	2006-11
Potential GDP per capita	1.2	0.4
Potential labour utilisation	0.2	-0.2
of which:		
Labour force participation rate	0.2	-0.1
Employment rate ¹	0.0	-0.1
Potential labour productivity	1.0	0.6
of which:		
Capital intensity	0.7	0.5
Labour efficiency	0.1	-0.1
Human capital	0.2	0.1

B. Gaps in GDP per capita and productivity have tended to widen

Gap to the upper half of OECD countries²



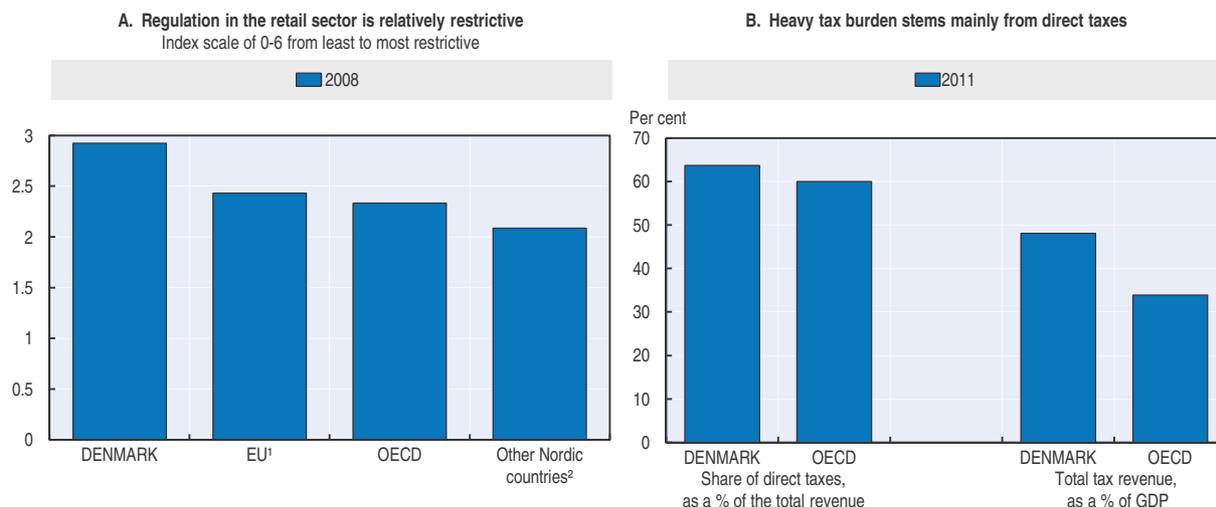
1. The employment rate is defined with respect to the economically active population and therefore captures the (inverse) changes in the structural unemployment rate.
2. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).

Source: OECD, National Accounts and OECD Economic Outlook 92 Databases.

StatLink  <http://dx.doi.org/10.1787/888932776295>

DENMARK

Policy indicators



1. Average of 21 EU countries members of the OECD.

2. Average of Finland, Norway and Sweden.

Source: OECD, Product Market Regulation and Revenue Statistics Databases.

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Identifying Going for Growth 2013 priorities

Priorities supported by indicators

Shift the tax structure away from direct sources. The overall tax burden is high. Lowering and shifting taxation from direct to indirect taxes would help boost growth.

Actions taken: In June 2012, an extensive tax package, including an increase in the top tax threshold, was agreed, decreasing gradually marginal taxes on high incomes and increasing in-work tax credits. Excise taxes were increased in 2012 but the Budget Bill for 2013 repealed the “fat tax” introduced in 2011 and decreased the tax on electric heating, which will be financed by an increase in the basic income tax rate and a reduction in income tax deductions.

Recommendations: Shift the tax burden further away from labour towards consumption and property taxes. Streamline tax expenditures. Contain public expenditure to lower the overall tax burden.

Reform sickness leave and disability benefit schemes. Reducing the share of the working-age population receiving disability and sickness benefits would increase labour force participation.

Actions taken: Access to disability benefit schemes was eased for seniors as part of the early retirement reform in December 2011. In June 2012, an agreement was reached to reduce inflows into disability benefit schemes, introduce a rehabilitation model, and substantially reform the disabled employment programme (*Fleksjob*).

Recommendations: Rigorously implement the disability benefit and *Fleksjob* reforms and closely monitor their effects; move towards regular entitlement assessments.

DENMARK***Enhance the competition framework and ease regulation in specific services sectors.***

Enhancing competition in some sectors, especially retail trade, would boost productivity.

Actions taken: In April 2011, competition was increased *e.g.* by opening the Danish electricity market to international power plugs and allowing the provision of retail services from places other than regular stores. In 2012, competition law was strengthened with stricter penalties for violations of competition policy and a taskforce was set up to explore ways to improve public procurement.

Recommendations: Enhance competition in the service and construction sectors by easing zoning and planning regulations; streamline the institutional set-up of the competition authorities; improve competition in the public sector *via* greater tendering.

Other key priorities

Improve the efficiency of the education system. Enhancing the efficiency of the education system would contribute to higher labour productivity.

Actions taken: The Budget Bill for 2012 allocated funds to implement reforms to reduce drop-out rates and increase apprenticeship placements in vocational training.

Recommendations: Continue to develop the evaluation framework in compulsory education. To lower drop-out rates in upper secondary education, improve the early identification of weaker students, develop targeted initiatives towards them and reinforce vocational education. Provide incentives to shorten completion time in tertiary education by moving to a system combining grants and loans.

Reduce housing subsidies and abolish rent regulation. Distortions in the housing market can hinder labour market mobility and productivity.

Actions taken: No actions taken.

Recommendations: Ease rent regulations; cut housing subsidies; increase housing taxation.

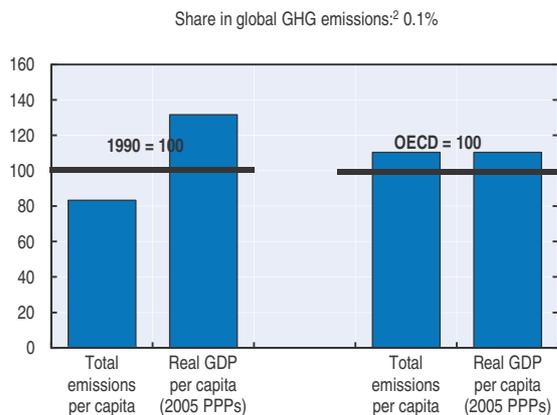
Previous *Going for Growth* recommendations no longer considered a priority

For this country, all 2011 *Going for Growth* recommendations remain as priorities.

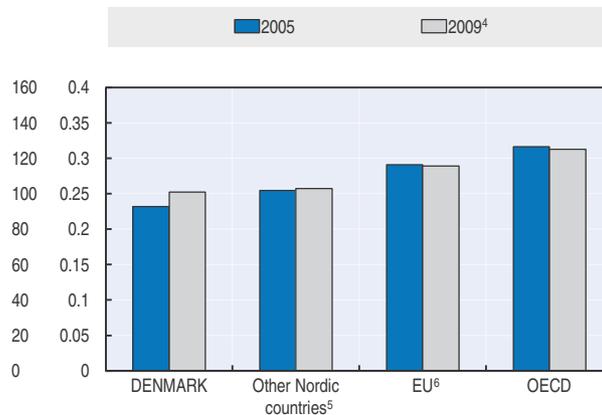
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Other dimensions of well-being performance indicators

A. Emissions per capita are below the 1990 level
Average 2006-10¹



B. Income inequality³ remains well below the OECD average
although it has been increasing
Gini coefficient



1. Total GHG emissions including LULUCF in CO₂ equivalents (UNFCCC). The OECD average (excluding Chile, Israel, Korea and Mexico) is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) data and is an average of years 2005, 2008 and 2010.
3. Income inequality is measured by the Gini coefficient based on equalised household disposable income for total population.
4. Data refer to 2010 for Denmark.
5. Average of Finland, Norway and Sweden.
6. Average of 21 EU countries members of the OECD.

Source: United Nations Framework Convention on Climate Change (UNFCCC) Database; OECD, Energy (IEA) Database and OECD Income Distribution Database, provisional data www.oecd.org/social/inequality.htm.

StatLink  <http://dx.doi.org/10.1787/888932776333>