

OECD THEMATIC FOLLOW-UP REVIEW OF POLICIES TO IMPROVE LABOUR MARKET PROSPECTS FOR OLDER WORKERS

DENMARK (situation mid-2012)

*In 2011, the employment rate for the population aged 50-64 in Denmark was 0.4 percentage points **lower than in 2005** and 5.9 percentage points **above the OECD average**. Further statistical information about the labour market situation for older workers in Denmark is presented in the scoreboard in Table 1.*

A major multi-country OECD review of employment policies to address ageing took place during 2003-05 and was summarised in the OECD synthesis report *Live Longer, Work Longer*, published in 2006. That report put forward an agenda for reform, consisting of three broad areas where policy action was seen as necessary to encourage work at an older age:

- strengthening financial incentives to carry on working
- tackling employment barriers on the side of employers
- improving the employability of older workers

One of the main purposes of this follow-up review is to take stock of the progress OECD countries have made in implementing this reform agenda. In the third quarter of 2011, a questionnaire was sent to all member countries, seeking information on the measures and reforms carried out since 2006. For each of the 21 countries¹ that had participated in the original review, the questionnaire was adapted to refer to the OECD's specific policy recommendations in each corresponding country report.

The main actions taken in Denmark since 2005 are described in this Note. A summary assessment of the extent to which Denmark has followed the OECD's recommendations in the report *Ageing and Employment Policies: Denmark* is given in Table 2.

¹ Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom, United States. For further information, see www.oecd.org/els/employment/olderworkers.

A. STRENGTHENING FINANCIAL INCENTIVES TO CARRY ON WORKING

A.1. OECD recommendations to Denmark in 2005 – action taken

Abolish the voluntary early retirement pension (VERP)

The May 2011 Agreement on Later Retirement is a key element in the policy to meet both the demographic challenge and the financial crisis, and thus improve the Danish economy by 2020. Some measures will be phased in over a shorter period than originally planned in the earlier 2006 Welfare Reform. The main points are the following:

- The official retirement age will be raised from 65 to 67 in the years 2019-22, five years earlier than agreed in the 2006 Welfare Reform.
- The VERP is not abolished but the VERP benefit period will be reduced from five to three years.
- Own-retirement savings will reduce the amount of the VERP by a percentage higher than today. It is no longer possible to avoid reductions in the VERP by continuing to work a certain period while waiting to apply for VERP.
- The maximum work income that can be received without affecting the public retirement pension will be raised from DKK 30 000 to DKK 60 000 a year.
- Older people that have less than five years before reaching the official retirement age will be given a fast administrative decision on whether they are entitled to an early retirement pension.

The legislation was passed in December 2011 and will gradually be implemented over the period 2014-23. The reform is expected to increase the employment of older people by 65 000 persons in 2020.

Avoid unemployment benefits being used as a pathway to early retirement

As part of the 2006 Welfare Reform, the previous right to prolonged unemployment benefits for people aged 55 and over was abolished for those born in 1953 or later; instead they now receive a right to a “senior job” (see Section C for further description). In addition, since 2011 the unemployment benefit for all unemployed people has been limited to a period of two years instead of the previous four, irrespective of age.

Reduce the required number of hours of work in the deferred pension scheme

As part of the 2011 Agreement on Later Retirement, the number of hours of work required to qualify for the deferred pension scheme will be reduced from 1 000 to 750 a year.

Link the public pension system to improvements in life expectancy

As part of the 2011 Agreement on Later Retirement, a demographic component is implemented to adjust the official retirement age, for both the VERP and public pensions, to the changes in life expectancy.

A.2. OECD recommendations to Denmark in 2005 – no action taken

Allow for well-designed flexible work-retirement pathways through the public pension system

Since the VERP is being reduced from five to three years but remains in place, and the public retirement age increased from 65 to 67 years, in Denmark it is seen as less relevant to introduce a new flexible work-retirement pathway for people younger than 65 through the public pension system.

B. TACKLING EMPLOYMENT BARRIERS ON THE SIDE OF EMPLOYERS

B.1. OECD recommendations to Denmark in 2005 – action taken

Gather more evidence concerning employer attitudes towards older workers and raise awareness of age-discrimination legislation

In 2006, the Ministry of Employment has conducted a campaign titled “A few extra years make a difference”, with enterprises, older workers and the population in general as target audiences. Several initiatives, such as information dissemination, promotion of best practice and a homepage (www.seniorpraksis.dk), have been undertaken to increase employers’ awareness of, and influence their attitudes toward, age and employment. Steps to increase age awareness have included establishing an award for good management of senior workers and a think tank to produce new ideas and activities concerning seniors in the labour market.

Denmark does not have any specific training programmes in the human resource management of an ageing workforce, but a company can receive five hours of consultancy assistance on motivating employees to continue working longer. A fund that also involves the social partners has been established to support initiatives to promote retention of older workers in the public sector, primarily in the municipalities.

In 2010-11, the Ministry of Employment was in charge of an evaluation to gauge the willingness of people aged 55 and over to work, and the barriers they face. The main finding was that a surprisingly large percentage of people in that age category wanted to keep on working after the official age of retirement.

A new initiative by the Ministry of Social Affairs and Integration focuses on “unretirement”. The aim is to study the possibilities for some retirees to step back into the workforce should they wish to do so. A report on this issue will be published mid-2012; the results will lay the foundation for further policy development and initiatives to support more retirees choosing to get a job instead of remaining retired.

Abolish mandatory retirement age clauses from collective agreements

In 2008, mandatory retirement at the age of 70 for civil servants was abolished.

C. IMPROVING THE EMPLOYABILITY OF OLDER WORKERS

C.1. OECD recommendations to Denmark in 2005 – action taken

Re-enforce mutual obligations for the 58- to 60-year-olds

From 2007, unemployed persons aged 58 and 59 can no longer be exempted from general activation measures. One of the main aims of the 2006 Welfare Reform was to promote later retirement as an answer to the demographic challenge. Abolition of exemption from activation was part of an effort to increase the labour market participation of older people and increase the effective age of retirement.

Extend early activation measures for the older unemployed

In connection with abolition of the prolonged unemployment benefit period for the older unemployed, two new activation measures for unemployed persons older than 55 were implemented in 2008:

- Unemployed people who lose their right of unemployment benefit because of the 2006 Welfare Reform may obtain the right to a senior job. The maximum period of unemployment benefits must be exhausted, and the person must fill the necessary criteria to be entitled to VERP if he or she is continuing their membership of an unemployment insurance fund and their payment of retirement

contributions. The person must contact the municipality to get a senior job, and can keep it until the age of VERP eligibility. The appointment is subject to contractual terms, and takes place in the municipality where the person lives. That municipality will receive a subsidy of about DKK 123 922 per year for a full-time senior job.

- Unemployed people aged 55 and over have, after an unemployment period of 12 months, the possibility of obtaining a subsidised job in the private sector for six months. They are not guaranteed a job, but if they find one the company is granted a subsidy. They must find the job themselves, and are thus encouraged to actively seek jobs.

Include people eligible for flexjobs in the ordinary employment service

Like other unemployed persons, those unemployed who have held flexjobs, regardless of age, are a target for the municipal job centres, which have the mission of bringing people back into the labour market. This means that the centres offer guidance and skill development courses when required, and assist in the search for appropriate flexjobs. Furthermore, “flexjobbers” can use the same mechanisms of job-finding as other unemployed, for instance on www.jobnet.dk. As a special measure, the Ministry of Employment finances 25 independent associations of unemployed seniors who assist each other in finding jobs.

C.2. OECD recommendations to Denmark in 2005 – no action taken

Include a larger share of older people in vocational rehabilitation

Vocational rehabilitation in Denmark is seen as an individual arrangement, focusing on each person’s particular situation. Participation in vocational rehabilitation has decreased since 2004, reportedly as a consequence of better training opportunities and the use of active labour market programmes in general, for instance related to sick benefit and public assistance.

Strengthen and expand training opportunities for older and low-skilled workers

Vocational training and other education opportunities for adults in Denmark are also seen as individual arrangements, tailored to the situation of the individual. Participation in training for employed persons aged 55 and over increased considerably in the 2000s, and is among the highest within the OECD area. Relative to younger employed people, however, there is still an age gap in training participation.

C.3. Other implemented measures unrelated to specific OECD recommendations

A measure called the Prevention Fund, set up with a capital of DKK 3 billion, aims to prevent attrition in the labour market. The fund is to finance activities to prevent premature withdrawals due to physical and mental factors, and involves the social partners.

Financial support from the fund may be granted for:

- preventing routines and work functions that lead to attrition
- developing new technologies to replace routines and work functions that lead to attrition
- improving the retraining and vocational rehabilitation of sick and disabled persons
- increasing awareness of risks related to smoking, alcohol, physical inactivity and obesity.

Table 1. Older workers scoreboard, 2001, 2005 and 2011

	Denmark			OECD ^h		
	2001	2005	2011	2001	2005	2011
Employment						
-- Employment rate, 50-64 (% of the age group)	66.1	67.6	67.2	55.6	58.4	61.2
<i>of which</i> 50-54	80.9	83.3	81.8	71.8	73.7	76.1
55-59	73.5	78.0	76.4	55.9	59.9	64.8
60-64	33.7	37.3	42.9	32.5	35.6	40.0
-- Employment rate, 55-64 (% of the age group)	56.5	59.5	59.5	44.9	49.0	52.9
-- Employment rate, 65-69 (% of the age group)	12.2	13.4	13.5	15.2	16.5	18.5
Job quality						
-- Incidence of part-time work, 55-64 (% of total employment)	11.9	14.5	14.7	17.2	17.2	18.7
-- Incidence of temporary work, 55-64 (% employees)	4.7	4.4	3.6	9.0	9.1	9.1
-- Full-time ^a earnings, 55-59 relative to 25-29 (ratio)	1.20	1.25	1.29	1.32	1.33	1.34
Dynamics						
-- Retention rate ^b , after 60 (% of employees <i>t</i> -5)	35.1	36.7	33.1	37.8	40.4	42.2
-- Hiring rate ^c , 55-64 (% of employees <i>t</i> -1)	9.3	7.6	7.5	7.8	9.2	8.5
-- Effective labour force exit age ^d (years) Men	62.9	63.2	63.5	63.1	63.3	63.9
Women	61.0	61.9	61.4	61.1	62.0	62.8
Unemployment						
-- Unemployment rate, 55-64 (% of the labour force)	4.0	5.2	5.7	4.6	4.8	5.8
-- Incidence of long-term ^e unemployment, 55+ (% of total unemployment)	42.6	48.3	42.0	46.8	47.7	45.9
Employability						
-- Share of 55-64 with tertiary education ^f (% of the age group)	18.9	27.3	27.9	15.9	19.9	22.9
-- Participation in training ^g , 55-64						
Absolute (% of all employed in the age group)	10.0	21.0	26.7	6.6	8.2	9.4
Relative to employed persons aged 25-54 (ratio)	0.55	0.72	0.78	0.44	0.52	0.57

-- unavailable.

a) Mean gross hourly earnings, 1999, 2004 and 2009.

b) All employees currently aged 60-64 with tenure of five years or more as a percentage of all employees aged 55-59 5-years previously, 2000, 2005 and 2010.

c) Percentage of employees aged 55-64 with a job tenure of less than one year, 2000, 2005 and 2010.

d) 2001, 2005 and 2011. Effective exit age over the five-year periods 1996-2001, 2000-2005 and 2006-2011. The effective exit age (also called the effective age of retirement) is calculated as a weighted average of the exit ages of each five-year age cohort, starting with the cohort aged 40-44 at the first date, using absolute changes in the labour force participation rate of each cohort as weights.

e) Unemployed for more than one year.

f) 2000, 2005, 2010.

g) Job-related training during the last month.

h) Unweighted averages for 34 OECD countries.

Source: OECD estimations from national labour force surveys and OECD Education database.

www.oecd.org/els/employment/olderworkers

TABLE 2. AGEING AND EMPLOYMENT POLICIES: DENMARK (*situation mid-2012*)

OECD's recommendations to Denmark in 2005	Action taken
A. Strengthening financial incentives to carry on working	
<i>Abolish the voluntary early retirement pension (VERP)</i>	+
<i>Avoid unemployment benefits being used as a pathway to early retirement</i>	++
<i>Allow for well-designed flexible work-retirement pathways through the public pension system</i>	/
<i>Reduce the required number of hours of work in the deferred pension scheme</i>	+
<i>Link the public pension system to improvements in life expectancy</i>	+
B. Tackling employment barriers on the side of employers	
<i>Gather more evidence concerning employer attitudes towards older workers and raise awareness of age-discrimination legislation</i>	+
<i>Abolish mandatory retirement age clauses from collective agreements</i>	+
C. Improving the employability of older workers	
<i>Re-enforce mutual obligations for the 58- to 60-year-olds</i>	+
<i>Extend early activation measures for the older unemployed</i>	+
<i>Include people eligible for flexjobs in the ordinary employment service</i>	+
<i>Include a larger share of older people in vocational rehabilitation</i>	/
<i>Strengthen and expand training opportunities for older and low-skilled workers</i>	/
<p><i>Notes</i></p> <p>/ = no (relevant) action taken; + = some action taken, but more could be done; ? = some action taken, but could have negative impact and requires further assessment; ++ = substantial action has been taken.</p> <p>Source: OECD (2005), <i>Ageing and Employment Policies: Denmark</i> and answers to the follow-up questionnaire from Denmark.</p>	

