



Ageing and Employment Policies

DENMARK

WORKING BETTER WITH AGE



Ageing and Employment Policies: Denmark 2015

WORKING BETTER WITH AGE

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Foreword

Given the phenomenon of rapid population ageing, providing older people with better work incentives and choices is tremendously important, both in order to promote economic growth and to help sustain public social expenditures. Therefore, in 2011 the OECD Employment, Labour and Social Affairs Committee decided to carry out a new series of policy reviews to encourage greater labour market participation at an older age, through the fostering of employability, job mobility and labour demand. It builds upon previous work that the OECD has conducted in this area in the Ageing and Employment Policies series, summarised in the Organisation's major cross-country report *Live Longer, Work Longer*, published in 2006.

Drawing on the findings of a comparative policy review of recent reforms, an empirical study of labour market factors, and in-depth country case studies, a synthesis report entitled *Working Better with Age* will be prepared in 2015 to highlight key issues and policy recommendations.

This report on Denmark is one of the OECD country case studies comprising that review. Following on from reports on France, the Netherlands, Norway, Poland and Switzerland, the book points to areas where changes or new reforms are needed in Denmark to improve work incentives and employment opportunities at an older age.

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Acronyms and abbreviations

ALMP	Active labour market programmes
ASPA	Activating Senior Potential in Ageing Europe
ATP	Labour market supplementary pension
CLA	Collective labour agreement
DA	Confederation of Danish Employers
DKK	Danish krone
EPL	Employment protection legislation
EU-LFS	European Union Labour Force Survey
ICT	Information and communication technology
ILO	International Labour Office
LFS	Labour force surveys
LO	Danish Confederation of Trade Unions
PES	Public employment service
PIAAC	Survey of adult skills
SA	Social assistance
SAP	Labour market pension for the disabled
SHARE	Survey of Health, Ageing and Retirement in Europe
SME	Small and medium-sized enterprises
STAR	Danish agency for the labour market and recruitment
UIB	Unemployment insurance benefit
UIF	Unemployment insurance fund
VERP	Voluntary early retirement pension
VET	Vocational education and training

Executive summary

Both employment and unemployment for older people have risen over the past decade in Denmark. Incentives and provisions to retire early were previously too generous, explaining Denmark's high level of reform efforts in recent years. The 2006 Welfare Agreement and the 2011 Agreement on Later Retirement are important steps taken to reduce the burden of an ageing population. Further efforts are needed to implement a broader strategy to promote longer working lives.

Strengthen incentives to carry on working

- Enhance work incentives for persons approaching and beyond retirement age.
- Provide information to form the basis for well-informed choices between work and retirement.
- Ensure that transitory “bridging” benefits are not used as alternative pathways to early exit from the labour market.
- Closely monitor and evaluate the 2013 reform of rehabilitation and disability schemes and the coming 2016 reform of reimbursements to municipalities.

Tackle employment barriers on the side of employers

- Ensure greater age-neutrality in the functioning of the labour market to face the ageing of the workforce.
- Move ahead with abolishing mandatory retirement age.
- Focus wage-setting procedures more on performance and skills and less on age and tenure, particularly in the public sector.
- Evaluate which measures work best to promote longer working lives, and create networks for sharing experience among employers.

Improve the employability of older workers

- Greater access to suitably flexible work arrangements should be encouraged.
- Continuous learning should relate more closely to work.
- Improving co-ordination between health care and employment services could increase the likelihood of return to work.
- Encourage transitions back to regular jobs, and prevent inactive periods and early exit from the labour market.

Assessment and key recommendations

The rise in both employment and unemployment for older people

Like many other countries, Denmark is facing the challenge of population ageing. The ratio of the population aged 65 and over to the population aged 20-64 is projected to increase from 30% in 2012 to 43% in 2050. Even so, the ageing process is slower than in many other OECD countries, making Denmark better positioned to meet the demographic challenge.

In 2013, the employment rate for the age group 55-64 in Denmark was 61.7%, well above the EU21¹ average (49.5%) and the OECD average (54.9%). This was, however, well below the rate of over 70% in Iceland, New Zealand, Norway, Switzerland and Sweden. The employment rate for the age group 55-59 decreased by 1.9 percentage points between 2007 and 2013, as Denmark was hit relatively hard by the economic crisis. By contrast, the employment rate for the age group 60-64 increased by 6.2 percentage points over the same period, a consequence of decisions in 2006 and 2011 to close a number of early retirement pathways. Meanwhile, the employment rate for the age group 65-69, at 14.9% in 2013, has remained almost unchanged over the past decade. This is slightly above the EU21 average (11.2%) but well below the OECD average (19.6%). In 2011, Denmark decided to raise the statutory retirement age, gradually increasing it to 67 over the period 2019-22. It is clear from these figures, however, that law may need to be accompanied with a substantial change in attitudes and behaviour towards working beyond 65.

The unemployment rate for the age group 55-64 has risen from 3.4% in 2007 to 5.1% in 2013, although it remains lower than the OECD and EU21 averages of 6.3% and 7.9%, respectively. According to an OECD broad measure of joblessness, around 5% of the population aged 55-64 in 2013 was neither in employment nor completely in retirement, less than the OECD average of 8.5%. Transition rates into employment are much higher from unemployment than from inactivity and early retirement, and have increased for the unemployed aged 55-64 over the period 2001-11, as well as for inactive persons aged 55-59. Having less education decreases the transition into employment for the age group 55-59, but less so for the age group 60-64.

The Danish flexicurity model and challenges for older workers

The Danish “flexicurity” model is a combination of relatively low employment protection and generous unemployment benefits, backed with strong activation policies. The model has received considerable international attention over the past decades, delivering good labour market outcomes in terms of both dynamism and inclusiveness. The 2007 financial crisis is seen for many experts as a stress test for the flexicurity model.

Getting the flexicurity balance right between security for the worker and a flexible labour market could prove to be more challenging with the postponement of statutory retirement. In particular, some disadvantaged older workers are at risk of a chaotic transition from work to retirement when they lose their job. Even if the country’s high job turnover (compared with other OECD countries) has been maintained since 2007, hiring rates are much lower for older workers than for workers aged 25-54 while separation rates are similar. The older workers who have lost their jobs during the crisis, whose numbers continue to grow, became unemployed with a high risk of long-term unemployment (of one year or more). The incidence of long-term unemployment for unemployed people over 55 increased from 38.3% in 2007 to 40.4% in 2013, which is well above the incidence for unemployed people aged 25-54 (30%).

Adaptability of the flexicurity model to an ageing workforce

Adaptability has long been a key feature of the Danish flexicurity model; an important issue now is getting the balance right for an ageing workforce. Incentives and provisions to retire early were previously too generous, explaining Denmark’s high level of reform efforts in recent years. The 2006 Welfare Agreement and the 2011 Agreement on Later Retirement are important steps taken to reduce early retirement and the burden of an ageing population, by promoting longer working lives.

The statutory pension age is currently 65 years, but as stated above it will increase gradually to the age of 67 over the period 2019-22. Subsequently, it will be linked to changes in life expectancy. This measure is combined with a higher minimum age and a shorter duration for the voluntary early retirement pension (VERP). As part of the 2006 reform, the previous right to prolonged unemployment insurance benefits (UIBs) for people over the age of 55 has been abolished for those born in 1953 or later. In 2011, legislation to reduce the maximum duration of UIBs from four to two years passed through Parliament. This regulation is applicable for workers who began their unemployment period after 1 July 2010.

The need to implement a broader strategy to promote longer working lives

These recent reforms are well in line with the recommendations of the 2005 OECD report *Ageing and Employment Policies: Denmark*. The aim of this report is to identify what more could be done to promote longer working lives. As a first step, the government should assess closely the implementation of the recent reforms, particularly targeting the supply side, to ensure that the outcomes expected are achieved. More broadly, the strategy should call for action to be taken to: i) strengthen incentives to carry on working; ii) tackle employment barriers on the side of employers; and iii) improve the employability of older workers.

Strengthen incentives to carry on working

Denmark has a highly effective system to protect against the risk of poverty and social exclusion, including old age pensions, occupational pensions, and disability and unemployment arrangements, as well as social assistance. This system is a result of laws and national regulations, but also of collective labour agreements (CLAs) among the social partners. The municipalities in Denmark have a central role in implementing labour and social policies. However, the fact that about half of the population in the age group 55-64 in 2014 have received a VERP, one form or another of social benefits, or subsidised work during the whole (or part) of the year is a matter of concern. Generally, the likelihood of returning to work after a period of receiving benefits declines with age, and becomes very low after the age of 60. It is therefore necessary to ensure effective implementation of new measures that additionally cover the older age groups. The shorter remaining period in work underscores the importance of rapid re-entry, and payback periods should be taken into account in the design and selection of suitable measures to make them interesting for both employers and employees.

Old age pensions, the first pillar

A universal old age pension is payable to everyone at a fixed amount, but subject to a means test. The pension is based on residency and consists of three elements: the basic amount, the pension allowance, and a supplementary benefit. The maximum old age pension requires 40 years of residence in Denmark between the ages of 15 and 65.

A labour market supplementary pension (ATP) is also available. All employees working more than nine hours a week have to pay contributions to the scheme, as well as most recipients of social security benefits. Membership is voluntary for those self-employed. The contributions are independent of income and vary only against the number of hours worked.

Old age pensioners can also be eligible for special means-tested supplements for heating and health expenditures, and they have easier access to housing benefits.

As a consequence of means testing, nearly half of the pensioners received a reduced pension allowance in 2014. Among pensioners in the age group 65-69, 29% did not receive any pension allowance at all, while 33% received less than the full amount. Up to 7% of old age pensioners had their basic amounts reduced or removed due to their high level of income.

There is no possibility for early take up from the public old age pensions, but take-up can be deferred for up to a maximum of ten years (though currently not after age 75). From 2011, working at least 750 hours a year is a criterion to receive an increment of the pension by deferring take-up. Pension and work can be combined, but in accordance with the rules for income testing. In 2015, annual work incomes up to DKK 60 000 are exempted from testing.

Life expectancy indexation of the pension age is set such that the period of old age pension payments will be about 14.5 years based on life expectancy at age 60. The indexation cannot exceed one year every five years. Changes in the statutory pension age will be decided 15 years before they enter into force. The first decision will be taken by the Parliament in 2015, and every fifth year afterwards.

Occupational pensions, the second pillar

About 90% of the labour force is estimated to hold membership in an occupational pension scheme, often described as a “quasi-mandatory” pension. Those with low or no contributions are found among part-time workers, the self-employed and employees in SMEs without any CLA. In addition, there are no payments of contributions during periods of unemployment.

The earliest age for take-up is five years before the statutory pension age, and it will be linked to the increasing official pension age. Take-up can be deferred, but specific rules and the maximum age for take-up differ somewhat by type of payment. Since most of the occupational schemes are defined contribution schemes, rights can usually be portable if a change of job requires transfer to another pension scheme. According to most CLAs in Denmark, employees can withdraw a partial occupational pension in combination with further work.

Possible routes to pension reforms: Reduce means testing and lower implicit marginal taxes on work

The Danish pension system is relatively successful in reducing poverty at moderate budgetary costs. At the same time however, the system is complex due to the combination of flat-rate benefits and benefits based on working time or on earnings subject to means testing. In 2014 the Danish Government established a Pension Commission to analyse the system and present recommendations for specific policy changes in 2016. The commission has highlighted the trade-offs between work incentives, income insurance and distribution in pension systems as main theme for their work. Overall, the incentives to work and save are lowest for people with relatively low incomes, and the effective marginal tax rate can be high. They do not receive appreciable tax deductions for contributions to pension schemes, and can face relatively high effective marginal tax rates on payments they receive from pension when they retire.

A challenge in reforming the pension system in Denmark is to improve work incentives while retaining the strong focus on both poverty alleviation and sustainable public budgets. An avenue to explore could be the possibility of reducing gaps in second-pillar pension savings. This could make the rules for social benefits for old age pensioners a more viable route. A system with fewer and more universal rules across age groups could in turn improve transparency and boost incentives to work, particularly in the lower income segments. There would still be a certain share of the population with low pensions, particularly among people with low previous work incomes, but the replacement rate for these persons could nevertheless be high.

The types of incomes and wealth that are included in means testing differ to some extent across benefits. This adds to the complexity, and can stimulate saving in wealth types exempted from means testing. Another avenue could therefore be to broaden the base for means testing. The scope for circumventing testing would be limited, and could thus allow lower reduction rates, particularly for low-income earners. A more diverse base for means testing could, however, extend the need for administrative procedures, and it could be difficult to eliminate any possibility of financial planning to avoid means testing – for example, by transferring wealth to the heirs before reaching retirement age.

A more limited reform involving simplifications and alignments within the current system could also help. For example, the basic amount of the old age pensions is tested against earned income above DKK 305 700. Most of the people with work incomes at this level fulfil the criteria for deferral of public pension, so removing this income test could simplify the system.

Furthermore, some CLAs in the private sector allow using a portion of pension contributions in the final years before retirement to finance extra days off. Exempting pension contributions from income testing of the pension allowance and the supplementary benefit could be offered as an alternative for those who continue in full-time jobs and help balance people's choice between full-time work and extra time off.

Finally, some countries have implemented tax reliefs to improve incentives to work for targeted groups. For example, Sweden introduced an in-work tax credit in 2007 to increase labour supply. Tax reliefs could likewise be implemented through deductions from taxable income if working after reaching retirement age. Another avenue could be to reduce the role of work income in the income testing. The impact of those measures can vary for different income groups, depending on the tax system and rules for means testing. Choice from among such measures and a better fine-tuning should therefore be based on analysis of all possible impacts. Indications that people are not well aware of small policy changes stress the importance of sufficient information about reforms, as well as the need to improve financial literacy.

Unemployment insurance benefits (UIBs) and voluntary early retirement programmes (VERPs)

To be eligible for UIBs and VERPs in Denmark, workers have to be members of an unemployment insurance fund (UIF). Membership is voluntary. Around three out of four persons in the labour force (both employees and the self-employed) are members of a UIF, although membership rates have fallen over the past decades, particularly among younger groups.

A relatively rapid phase-in of the shorter maximum duration of UIBs – adopted in 2011 – combined with a difficult labour market led to an increasing number of people without any rights to social benefits. Even if the rate of unemployment among older people in Denmark is lower than the total rate of unemployment, unemployed persons above the age of 55 are clearly overrepresented among those who exhaust their rights to UIBs, and the proportion of them who find a regular job is lower. The impacts of the shorter maximum duration of UIBs are currently dampened by temporary benefit schemes such as temporary unemployment benefits, education allowances and the recently adopted temporary access to social assistance with less means testing for those who exhaust their rights to other unemployment support in the period 2015-17. Efforts should be made, however, to ensure that these transitory “bridging benefits” are not used as new pathways to early exit from the labour market.

Analysis of the advantages and disadvantages of making UIBs more responsive to the business cycle is one of the mandates of the Unemployment Benefit Commission, appointed by the Danish Government. The commission will present its proposals in 2015/16, and will also analyse specific problems facing older unemployed people.

To qualify for a VERP scheme, workers must have been members of a UIF for at least 30 years and have paid VERP contributions during this period. Any payments from occupational or individual schemes will reduce VERPs, even if take-up is postponed. The VERP take-up rate has decreased as a consequence of the reforms implemented since 2006 to encourage people to work longer. The share of workers contributing to the VERP scheme is decreasing, so the proportion of people who will be eligible for VERPs in the future is declining. The VERP is currently payable from the age of 60.5, but the minimum age will increase to 62 over the period 2014-17. The duration of a VERP benefit will subsequently decrease from five to three years over the period 2018-23.

As shown by the OECD in its 2013 *Employment Outlook*, over the period 1982-2009 older displaced workers in Denmark (who experienced involuntary job loss due to economic factors) saw a substantially larger and more persistent earnings loss when re-employed than younger age groups. These losses will very often be permanent for those with only a few years remaining before retirement. This could lead to a severe inactivity trap as a result of high effective tax rates for moving off benefits and back into work. The problem could be tackled by introducing an in-work tax credit for benefit recipients who have few years left to retirement if they return to regular work exceeding a certain minimum number of hours per year to compensate for the shorter payback period. In addition, mutual obligations should be enforced, and unwillingness to accept relevant job offers should be sanctioned.

Sickness, rehabilitation and disability benefits

The new regulation of 2013 regarding sickness benefits moved reassessment of benefit entitlement forward, from the previous twelve months of benefit to five months. There will also be a reform of reimbursements to municipalities as from 2016. Currently, rates of reimbursement from the state budget to the municipalities vary with the type of benefit or intervention a person receives. With the new system, the reimbursement rates will, with a few exceptions, be the same across benefits, and will decline with duration to stimulate early efforts to return to work.

Efficient job assessment on the part of local stakeholders is essential to encourage people to take measures to return to work. Health issues as well as efficient measures with regard to employability can change with age. Such features must be part of training reassessment teams and other key staff to ensure that older people are offered re-employment measures by jobcentres well adapted to their work experience and relatively short remaining work career. Based on the modest results from previous reforms, close monitoring of implementation and outcomes is essential.

The caseload of recipients of disability benefits is relatively high in Denmark, although there has been a small decline for the oldest age groups over the past decade. The rehabilitation schemes and disability benefits were reformed in 2013. People below the age of 40 can only be granted a disability benefit in cases where there is no possibility of returning to work. People who have prospects of returning to work will receive individual, tailor-made support through a so-called “resource process”. These rehabilitation programmes could consist of labour market assistance, health treatment and social help. A resource process can be granted for periods of one to five years. If the person is not back into work during this period, but a return is still assessed to be likely later on, further resource process periods can be granted. People can apply for a disability benefit without previous participation in a rehabilitation programme if they have a permanently reduced capacity to work; a maximum five years remaining until they reach pension age; and recent labour participation of at least 20-25 years measured on a full-time equivalent basis.

Preliminary data show that inflows to disability benefits have declined from 2013, including for the age groups above 50. It is too early, however, to draw conclusions about the long-term impacts of the 2013 reform, which should be closely monitored and evaluated.

In sum, the following measures could be considered:

- *Enhance work incentives for persons approaching and beyond retirement age.* Steps should be taken to improve transparency of the pension system and reduce effective marginal tax rates for full-time workers close to retirement age and for those who continue working beyond retirement age. The choice of reform path and how measures are designed should be based on a thorough analysis of impacts on income distribution, work incentives and public expenditures.
- *Provide information to form the basis for well-informed choices between work and retirement.* Reforms to improve transparency and increase incentives to work should be accompanied by forcefully cogent

information campaigns to make people aware of the gains from working longer, as well as efforts to improve financial literacy.

- *Ensure that transitory “bridging” benefits are not used as alternative pathways to early exit from the labour market.* The impacts of these temporary unemployment benefits should be closely monitored and evaluated to prevent having a return to work replaced by “tunnelling” from unemployment to retirement. Long-term recipients of social benefits who have reached an age where the permanent earnings loss is likely to be significant could be granted an in-work tax credit if they return to work over a certain minimum number of hours per year.
- *Closely monitor and evaluate the 2013 reform of rehabilitation and disability schemes and the coming 2016 reform of reimbursements to municipalities.* This should include efforts on the part of municipalities to help older people in need of assistance to find regular jobs; steps should be taken with the shortest possible delay. The selection, design and fine-tuning of suitable measures should be adapted to the remaining period in work, to make them attractive to municipalities, employers and employees.

Tackle employment barriers on the side of employers

Denmark has actively tried to combat discrimination, insecurity and prejudice associated with older workers over the past decade, through legislation, information campaigns and actions to raise awareness. Most CLAs include a framework on specific schemes for older workers and some of them contain measures promoting age diversity embedded in a life course perspective. Nonetheless, for many experts, there is not enough commitment on the part of employers to implement these measures in their own workplace. Particularly in sectors facing labour shortages, employers should be made more aware of opportunities to enlarge their workforces by hiring older workers, and should be encouraged to opt for a more age-diverse staff.

Mandatory retirement ages

The mandatory retirement age of 70 for civil servants was abolished in 2008, and as a result some positive trends have already been reported by administrative registers. Nonetheless, the mandatory retirement age is still in place in the private sector. CLAs and individual labour contracts can include a requirement to leave at the age of 70, and legislation still makes it possible for companies to automatically terminate employees as soon as they reach the age of 70. Moreover, a mandatory retirement age rule is still enforced in some public service positions – for example, 62 for the military and 70 for priests

and judges – as well as in occupations with security concerns, such as piloting. There also remains an age limit (currently 65) on membership in UIFs.

The Danish Ministry of Employment has recently sent for consultation a proposal to make it illegal for rules stipulating retirement at age 70 to be written into employment agreements, but this proposal does not include the Civil Servants Act covering public service positions. Abolition of any mandatory retirement age in the few professions that still have it could be an important signal that individuals can work longer.

Provisions for older workers in CLAs

The Danish model regulating labour builds on strong dialogue with the social partners. Remuneration, at times training, and other working conditions are negotiated every two to three years by workers' unions and employers' organisations. The great majority of workers are covered by a CLA. In the private sector, collective bargaining sets framework conditions but negotiations to implement them take place at the firm level and so require local agreement. By contrast, in CLAs in the public sector, provisions are more extensive, and in many cases there is a built-in entitlement to them. The nature of older worker provisions thus differs considerably in CLAs in the public and private sectors.

The focus should be on increasing awareness about the usefulness of working longer and, to that end, on offering different solutions to make it more attractive to delay retirement. There have been two linked messages for older workers in most CLAs over the past decades. First, there is the individual “development dialogue” in which the manager/director/daily supervisor and the older worker together try to identify a high-quality end-of-career pathway. Second, particularly in the private sector, it is important to establish flexible and proactive practices for older workers at the firm level.

Special arrangements regarding older workers' job functions can be agreed in the development dialogue at firm level; these can cover work tasks, flexible hours, reduced working time, change to another job within the company, and teleworking. One agreed practice in the state sector is to offer the possibility for employees aged 62 and over to take an extra day off every month with full pay. Some agreements provide the opportunity to convert “senior days” to pay or pension contributions for those who opt not to work reduced hours.

Another measure included in many CLAs is so-called “senior freedom”. When an employee has five years or less left until the official retirement age, employers and employees can draw up a written agreement about shorter working hours or more days off. Part of the employer's contribution

to the occupational scheme can be used to finance the extra time off. There are no statistics showing the extent to which the senior freedom measure is actually applied, but conversion of pension contributions is said to be common practice. As the statutory pension age will increase from 2019, and greater restrictions are being placed on early retirement alternatives, senior freedom could provide a flexibility that would help older workers work longer. But there is also the risk that such measures – in reality amounting to subsidised free-time – could be utilised mostly by people who otherwise would have continued in full-time work, thus in effect reducing the total labour supply of older workers. The measures should therefore be rigorously monitored and evaluated.

Wages and productivity

Obstacles to the employment of older workers have to do in large part with negative perceptions on the part of employers, based mainly on the idea that wages will be higher than productivity in late career. However, the conclusions of recent international empirical studies of older workers' productivity are in fact mixed, although they do highlight the positive correlation between these workers' gained experience and maintaining productivity.

The rather flat age-wage profile in Denmark is in line with the “compact wage structure” story often referred to in Nordic countries. It can reduce the cost disadvantages of older workers even if many workers, including those in their late career, do not have strong incentives to be promoted internally or to move to another job. Very often, measures for older workers included in CLAs such as senior days can be seen as substitutes to wage increases at the end of the career.

In general, the flexicurity model in Denmark and its flexible wage setting is conducive to promoting high job turnover and a relatively well functioning “match” between vacancies and jobseekers. Wage negotiations in the private sector take place at the firm level for around 80% of employees, as a result of the decentralisation process that has taken place since the 1980s. Even if a link between age and wages is included in the framework of most CLAs, wage-setting agreements linked to individual performance are predominant at the firm level. By contrast, the wage-setting system in the public sector remains highly centralised, and the performance pay element plays no great role. Wages more closely linked to individual performance in the public sector could encourage productivity gains, and align financial incentives to work in the public and private sectors.

Public policies and practices in firms

In spite of the overall awareness among Danish employers of the challenge to society posed by an ageing workforce, commitment to encouraging older workers to prolong their careers seems weak, and best practices rarely serve as inspiration for others. Specific steps do not seem to have been taken by the Danish Government or the social partners to promote and facilitate self-employment among older people, nor among those already retired. Older entrepreneurs could provide jobs for other people, and are able to offer mentoring and financing based on their experience to enhance labour productivity.

A number of activities and campaigns have been launched since the late 1990s by the Danish Ministry of Employment and Ministry of Social Affairs to stimulate the employment of older workers, and these developments have indeed been encouraged by the social partners. As a result of reform of active labour market programmes (ALMPs) from 2015, DKK 10 million is allocated to initiatives and projects to improve job matching for older unemployed people. Exactly how the funds are to be used has not yet been decided. A special website (www.seniorpraksis.dk) established by the Ministry of Employment in 2004 and currently managed by the National Labour Market Authority (STAR), presents information and advice on senior policies at the company level for both employers and employees. What is valuable here is that this website is part of a dynamic and inclusive network to promote a diverse workforce in Denmark. As yet there seems to be no publicly available evaluation of the use of the “senior praksis” website. Finally, a step in the right direction has been recently taken by the public authorities in Denmark. In April 2015 the Ministry of Employment appointed a task force whose mandate is to present proposals aimed at improving the position of seniors in the labour market. The task force’s 19 members include experts, managers and representatives from the municipalities and the social partners. They are scheduled to present their proposals in the second half of 2016.

The following measures could be considered:

- *Ensure greater age-neutrality in the functioning of the labour market to face the ageing of the workforce.* One stress test is to prevent the marginalisation of certain groups, such as hiring discrimination based solely on the fact that applicants are close to retirement.
- *Move ahead with abolishing the mandatory retirement age.* Any mandatory retirement age in the private sector should be removed as well as in the few occupations that have it. It is especially crucial in those sectors and occupations facing labour shortages.

- *Focus wage-setting procedures more on performance and skills and less on age and tenure, particularly in the public sector.* CLAs negotiations should promote a more flexible age profile based on skills. Financial incentives to work in the public and private sectors should be aligned.
- *Evaluate which measures work best to promote longer working lives, and create networks for sharing experience among employers.* Evaluation of use of the senior praksis website could be a first step. Impacts of the senior freedom measure in collective labour agreements on net labour supply should be closely monitored. The potential of senior entrepreneurship among older people, even those already retired, should also be assessed.

Improve the employability of older workers

Large shares of older workers in Denmark do not see any problem continuing in their jobs until retirement age. Even so, this share could be considerably increased by extending assistance targeted at specific groups of disadvantaged older workers, but also by more general interventions to encourage workers to extend their working lives. As workers advance in age, it is important to ensure that they can update their skills, enjoy good working conditions, and have access to ALMPs.

Skills in a life-cycle perspective

Older workers in Denmark have on average a high education level, well above the OECD and EU21 averages. Denmark is the champion in the participation of older workers in job-related training, with a frequency almost as high as for workers aged 25-54. Beyond formal education and training, certain physical, social and – particularly – mental activities can help workers maintain their skills. In particular, use of skills at work tends to stimulate further skill development. The results of the OECD Survey on Adult Skills (PIAAC) show that Denmark scores well, in that age differences in the use of all skills at work are among the smallest in the OECD area. There is a well-developed system for continuous learning for employees and the unemployed of all ages. A special measure in Denmark, “Jobrotation”, encourages firms to train their employees through a public subsidy to hire a replacement for the person training. To get the subsidy, the replacement has to be a recipient of UIB or social assistance. The scheme is not specially targeted at older workers, but could help reduce the cost disadvantage older workers experience because of a shorter payback period.

Denmark has implemented the European Qualifications Framework to facilitate bridging different qualification systems. Evaluation of the

implementation process indicates that the programme is assessed relatively positively by the main stakeholders, even if they refer to the potential for further development. For example, representatives from the social partners stress that coherence between the qualifications obtained and the needs of the firms should be strengthened through more dialogue among stakeholders.

Initiatives by the Danish Government to improve recognition of prior learning as well as the quality of training programmes are welcome, and could be furthered. Establishing a framework that allows teachers in vocational education and training (VET) programmes to spend time regularly in a firm or institution within their professional field could help them keep their vocational skills updated. Training of workers approaching the end of their careers must have a very clear work focus and encourage a sufficient payback period to ensure positive returns for both employers and employees. Training could for example be directly linked to a specific task or job. In particular, dissemination of good practices in SMEs could serve as an inspiration for many others. Work organisation is crucial for the development of skills, and underscores the role of good age-management at the workplace.

Health conditions

Denmark scores well internationally with respect to self-perceived health and active life expectancy at the age of 50 is above that of most western European countries. Surprisingly, life expectancy at birth (in 2012 80.1 years, almost equal to the OECD average of 80.2 years) remains significantly lower than in most western European countries and in other Nordic countries. Notably, socio-demographic differences in mortality in Denmark have increased over the past decades, compared with most other countries in western Europe. This is a matter of concern, since the statutory pension age will increase gradually from 2019, while access to early retirement pension is limited.

Thus, policies to reduce disparities and improve possibilities for disadvantaged groups to stay on working as the statutory pension age is increasing need to involve a broad range of stakeholders. Primary care is an area of particular concern in Denmark. There are few mechanisms to reward the quality and continuity of care that general practitioners provide. Thus, specific quality initiatives in primary care should focus on co-ordination between primary and secondary care, and on creating incentives for primary care professionals to take a high level of responsibility for quality and outcomes across the whole patient pathway. This could be important in preventing as early as possible lifestyle and stress-related diseases. The OECD's 2013 review *Mental Health and Work in Denmark* includes for

example recommendations to promote shared care models to facilitate better connection between primary and specialist mental health care, and to test different ways of integrating health and employment services.

Working conditions

As highlighted by the OECD in its 2014 *Employment Outlook*, Denmark performs above the OECD average in three job quality indicators: earnings quality, labour market security and quality of the working environment. Behind these averages there are, however, some groups working under poor physical or psychosocial conditions, which could reduce health or employability.

Part-time work is less widespread in Denmark than in the majority of OECD countries for all workers above the age of 25, including older workers. Flexible work is, on the other hand, relatively prevalent. The term, however, covers a broad range of different arrangements. Some sectors rely on fixed work schedules, but with rotating shifts or other non-standard working hours. Other sectors allow for more choice of working hours or working place. For some older workers, shorter working hours could have a positive impact on their labour participation. For others, working according to a flexible scheme, from home, or in ad hoc jobs could be attractive options. But for those used to more traditional work arrangements, managing without a well-defined working scheme could be a challenge. Flexible work should therefore be developed further to better adapt to different sectors and life phases. Less direct contact at the workplace will change the ways of communication and co-operation among employees and managers. New technology provides opportunities, but could require new knowledge and training. Denmark has an extensive social dialogue that could be a basis for the further development of such models, which could be promoted in CLAs. Good personnel management and training and competence to adapt to changing working conditions will be central elements of such an approach.

To encourage better working lives, the Fund for a Better Working Environment and Labour Retention, with which the social partners are involved, issued “prevention self-help kits” in 2012, along with financial support, to enterprises. The kits provide step-by-step instructions to improve health and safety conditions and employees’ health in industries with a high risk of early exit and burnout. These kits are very popular; in 2014 they offered subsidies to enterprises in 13 different industries. A specific “senior starter kit” was added in 2013 to help older workers stay on the job as long as possible in the most suitable way, through emphasising health and safety at work; updating qualifications and skills; and taking into account special needs and access to flexible working arrangements. Enterprises can receive

subsidies by following the instructions in the starter kit. The fund has planned a number of different initiatives in order to reach a larger number of firms in 2015.

The public employment service (PES)

At the national level, the Danish Agency for Labour Market and Recruitment (STAR) has the objective of increasing the labour supply. At the regional level, the labour market councils are responsible for co-ordination across regions and stakeholders. Jobcentres in municipalities perform the task of helping the unemployed to access employment or education through ALMPs. In parallel, UIFs managed by the unions are responsible for payment of UIBs, but they also help members in their job search.

Denmark spent 2.10% of GDP on ALMPs in 2012. This is more than any other OECD country, and substantially above the OECD average of 0.57%. Most activation measures in Denmark are universal for all age groups, and not targeted at specific groups. In 2014, the Parliament amended the regulations for these measures to simplify the activation procedures and to increase the efficiency of ALMPs, based on proposals from the Koch Commission. Co-operation between the jobcentres and UIFs will be improved and sharing of information extended; jobseekers will have more choice. The new regulation entered into force in 2015, with a few exceptional measures implemented later in 2016 and 2017.

Knowledge about the needs of older workers and how to best match their qualifications and vacancies should be part of the training of jobcentre staff. The large degree of freedom accorded to Danish municipalities in their design measures and programmes represents a unique source of information that could be further exploited to find a good balance between the mainstreaming approach and special measures for older workers. Pilot implementation of some effective ALMPs, with experimental evaluation by age group, could help in selecting the measures that are most likely to have a positive impact for the specific age group. STAR already operates a well-developed tool for knowledge sharing (the “knowledge centre”), which could be used to better inform jobcentres and municipalities about good practices.

Active measures for older jobseekers

An exemption from the universal activation approach is the so-called “seniorjob” scheme. This scheme was written into the 2006 Welfare Agreement as part of a package to promote later retirement. Municipalities have to offer a seniorjob with a normal wage to all unemployed persons

whose UIB has expired and who are entitled to a VERP within the next five years. These public sector jobs will be located in the municipal sector at the individual's place of residence. Due to the job crisis and the abrupt decrease in the maximum duration of UIBs, the inflow to the seniorjob scheme increased rapidly; in 2014, 4 872 people were granted a seniorjob. According to forecasts from the Ministry of Employment, the inflow will decrease from 2016, when the shorter duration of UIB is fully phased in.

Access to a seniorjob has dampened the impact of a difficult labour market on the older unemployed who are eligible for VERPs. This is, however, an expensive measure that is accessible only to a selected group of registered unemployed. It would be preferable to improve opportunities for all unemployed people to go back to the ordinary labour market. The seniorjob scheme should therefore be progressively phased out or at least reformed to generate incentives to return to regular jobs, for example by exchanging early information between UIFs and jobcentres on forthcoming candidates of a seniorjob; reducing the duration of seniorjobs; or adjusting the wage setting of these sheltered jobs to avoid lock-in effects until retirement.

Flexjobs are subsidised jobs offered to people who are not able to fill a normal full-time job. Employers pay salaries for the actual work performed and municipalities pay an extra wage subsidy. Features of the scheme are the very low share of participants returning to regular jobs. More than half of the almost 30 000 individuals in flexjobs in 2013 were above the age of 50. This raises the question of whether the criteria are sufficiently targeted, or whether the scheme is being used to circumvent labour market problems for disadvantaged older workers. The criteria for being entitled to a flexjob must therefore be very clear, as well as rigorously evaluated. The high shares of middle-aged and older people in flexjobs is an argument for regular employability assessments and for putting a stop to granting people over the age of 40 a permanent place after the first five-year period.

Potentials for more job-to-job transitions

Regular contact to assist the unemployed in their job search is one of the elements of the strong activation strategy in Denmark. This contact involves relatively less costly measures that make it worth analysing the potential for further development in terms of timing, matching of the unemployed and their advisors, and better targeting of such job-search assistance.

Jobcentres have a direct expertise in the local labour market, while UIFs are related to specific occupations and have close contact with employers within the same branch of activity. As proposed by the Koch Commission and implemented in new regulations in 2015, co-operation across

administrative units of jobcentres and UIFs is strengthened to make advice and information more efficient.

As an example of the importance of good co-operation, a rapid merger of information about downsizing and closures with information about vacancies and demands for up-scaling could result in more direct job-to-job transitions without any intervening period of unemployment. Greater transparency and better information about the competences of workers and the competences required by employers could be achieved through e-matching, e-portfolio systems and systems for recognition of prior learning and validation of acquired experience.

Furthermore, the potential in empowering people's own resources should not be underestimated. The Senior Network is an example of an innovative practice: unemployed older workers are reaching out to employers directly through participation in teams to find jobs for themselves or to promote other older workers as a resource. Participating in local independent networks receive financing from the public budget; in relying on the efforts of members, they ensure a dynamic and enthusiastic approach to job search. More training of key team members may be needed to help harvest scale effects. Contacts with the PES could be formalised and extended, as could some co-operation with the social partners.

The following measures could be considered:

- *Greater access to suitably flexible work arrangements should be encouraged.* The social partners could co-operate to better integrate working hour arrangements, organisation of work tasks, and technologies as a broad approach for promoting flexible work in CLAs. Training in how to cope with less structured work schemes, as well as adaptation of personnel management, is an essential element in the approach.
- *Continuous learning should relate more closely to work and become an integrated part of age-management.* Training courses for older people should have a short or flexible payback period. Subsidies from the “Jobrotation” measure could help reduce the cost disadvantage experienced by older workers. Recognition of prior learning and validation of acquired experience could help adapt training to individual needs. Teachers in vocational education and training should be given incentives to regularly spend time in a firm within their professional field. Work-related training, particularly in SMEs, should be better organised to increase efficiency, for example through programmes across branches or regions.

- *Improving co-ordination between health care and employment services could increase the likelihood of return to work.* Better incentives for primary care professionals to take more responsibility across the whole patient pathway could prevent life-style and stress-related diseases. The potential of the senior starter kit to prevent early exit and burnout should be evaluated.
- *Encourage transitions back to regular jobs, and prevent inactive periods and early exit from the labour market.* Jobcentres, UIFs and employers could co-operate in developing e-matching systems to help such transitions through less fragmentation and better information matching. Pilot implementation of some effective ALMPs with experimental evaluation by age group could help in selecting the measures that are most likely to have a positive impact on the specific age group. Regular re-employability assessment is essential, as is putting a stop to granting permanent flexjobs to people above the age of 40 after the first five-year period. Seniorjobs should be progressively phased out, and incentives to seek regular jobs increased.

Note

1. “EU21” refers to the unweighted average for 21 European OECD countries.

Chapter 1

The “live longer, work longer” challenge for Denmark

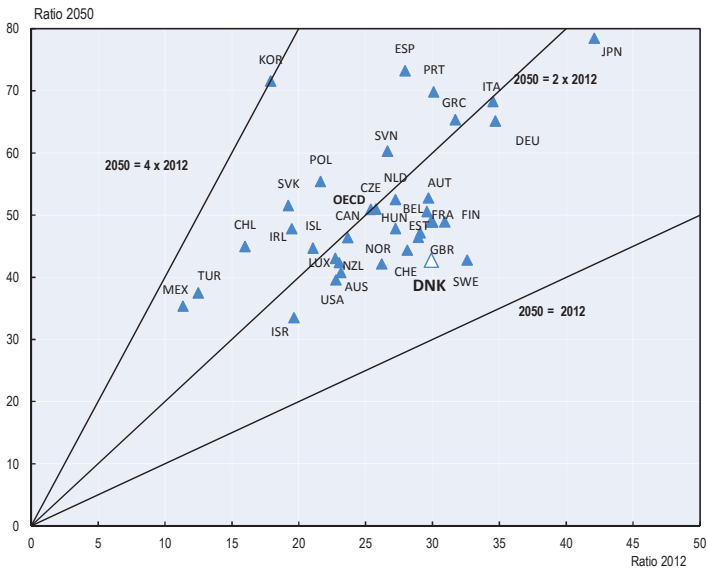
This chapter offers a first look at Denmark’s situation with regard to meeting the demographic challenge of an ageing population. The country is positioned in relation to other OECD countries with regard to old age dependency ratios, and life expectancy figures for men and women are compared with those of other European countries. The chapter concludes with a summary assessment of the extent to which Denmark has followed the OECD recommendations from the 2005 report, Ageing and Employment Policies: Denmark. This assessment based on action taken between 2005 and 2012 is useful to identify areas where more could be done, covering both supply-side and demand-side aspects.

The magnitude of the demographic challenge

Like many other countries, Denmark is facing the challenge of population ageing. A broad indicator of the rising economic burden that an older society may place on the working-age population is given by the *old age dependency ratio* – that is, the ratio of the population aged 65 and over to the population aged 20-64. In Denmark it is estimated that this ratio will increase by nearly one-half, from 30% in 2012 to 43% in 2050 (Figure 1.1).

Figure 1.1. **Demographic dependency ratios, OECD countries, 2012 and 2050**

Population aged 65 and over as a percentage of the population aged 20-64



Source: OECD Database on Population and Labour Force Projections.

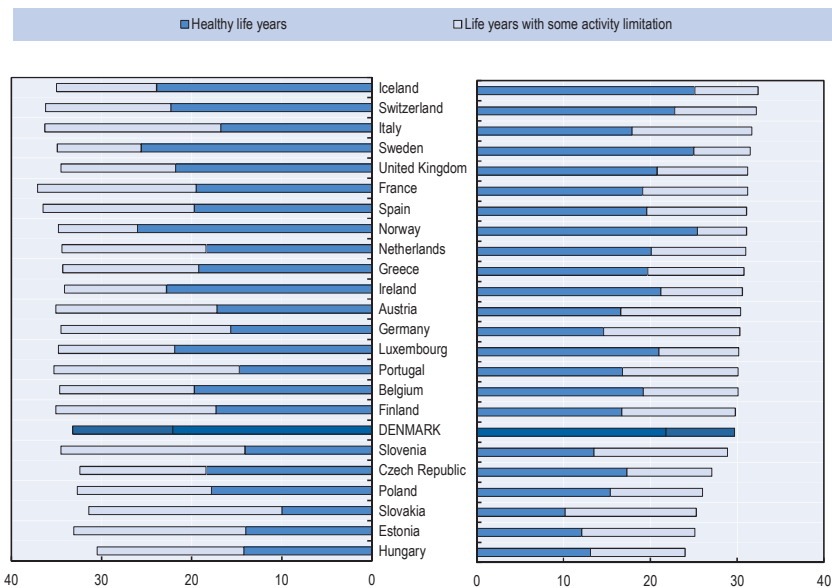
StatLink  <http://dx.doi.org/10.1787/888933215807>

In 2012 Denmark belonged to the group of OECD countries with a relatively high old age dependency ratio, above the OECD average (26%). However, the ageing process is slower in Denmark than in many other countries (OECD, 2014). This is due to a fertility rate (1.76 children per women in 2011) below the replacement rate (2.1 children per women) but slightly above the OECD average (1.7), and an increase in the net migration rates (from 2.5% to 3.2%) compared with a small decline in the OECD average in the period 2008-10. As a consequence, Denmark in 2050 is projected to have moved to the group of countries with lower old age dependency ratios than the OECD average (51%). As a consequence, Denmark is better positioned than many other OECD countries to meet the demographic challenge. In particular, Korea

would experience the fastest increase in its currently low old age dependency ratio, from 17.9% in 2012 to 71.5% in 2050.

Surprisingly, life expectancy at the age of 50 in Denmark is at the low end of the distribution among European countries (Figure 1.2). The active life expectancy (i.e. the healthy life years remaining at the age of 50) is on the other hand above that of most of the other countries shown in Figure 1.2. Still, 22.1 years for women and 21.8 years for men are far behind the expectancies of frontrunner position Norway, with 26 years and 25.4 years, respectively. Efforts to prolong the number of healthy years among at-risk occupations and industries should therefore be accorded high priority in preventive policies.

Figure 1.2. Active life expectancy at the age of 50, by gender, European countries, 2011



Source: Eurostat Health Database, http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=hlt_hlye&lang=en.

StatLink  <http://dx.doi.org/10.1787/888933215812>

Recent reforms in ageing and employment policies

A major multi-country OECD review of ageing and employment policies was conducted during 2003-05, and then summarised in the synthesis report *Live Longer, Work Longer* (OECD, 2006). This report put forward an agenda for reform in the following three broad areas, where policy action was deemed required 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.

Denmark was among the 21 countries¹ that participated in the 2003-05 review. The report *Ageing and Employment Policies: Denmark* was published in 2005, and included the OECD’s specific policy recommendations for that country (OECD, 2005). The summary assessment given in Table 1.1 indicates that, in response to these recommendations, Denmark implemented between 2005 and 2012 a number of substantial policy initiatives to encourage work at an older age. The aim of this review is to provide an overview of the implementation of these measures and their impact on older workers,² and identify areas where more could be done, covering both supply-side and demand-side aspects.

Table 1.1. Ageing and employment policies: Denmark, situation mid-2012

OECD’s recommendations in 2005	Action taken
A. Strengthening financial incentives to carry on working	
Abolish the voluntary early retirement pension (VERP)	+
Avoid unemployment benefits being used as a pathway to early retirement	++
Allow for well-designed flexible work-retirement pathways through the public pension system	/
Reduce the required number of hours of work in the deferred pension scheme	+
Link the public pension system to improvements in life expectancy	++
B. Tackling employment barriers on the side of employers	
Gather more evidence concerning employer attitudes towards older workers and raise awareness of age-discrimination legislation	+
Abolish mandatory retirement age clauses from collective agreements	+
C. Improving the employability of older workers	
Reinforce mutual obligations for the 58-60 year-olds	+
Extend early activation measures for the older unemployed	+
Include people eligible for flexjobs in the ordinary employment service	+
Include a larger share of older people in vocational rehabilitation	/
Strengthen and expand training opportunities for older and low-skilled workers	/

Note: / means no (relevant) action taken; + means some action taken, but more could be done; ++ means substantial action has been taken.

Source: Answers in 2011 to the OECD questionnaire. For further information, see www.oecd.org/els/employment/olderworkers.

Notes

1. Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom and United States. For further information, see www.oecd.org/els/employment/olderworkers.
2. In this review, “older workers” refers to individuals aged 55-64, except where otherwise indicated.

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Chapter 2

The labour market situation of older workers in Denmark

This chapter sets the scene for the book's later discussions by examining the prospects for older workers in the context of the flexicurity model that characterises the functioning of the labour market in Denmark. It begins with a summary of indicators and a scoreboard that compares the country's labour market situation with those of other EU and OECD countries. The effectiveness of active labour market programmes is assessed in relation to adjustments made necessary by stress factors, most notably the 2007 financial crisis. Employment rates for older people are presented – with findings from both register-based and labour force survey data – as well as unemployment rates, with special mention of the category “neither employed nor completely retired”. Various aspects of older workers' low labour market mobility are then discussed.

Introduction: Denmark in an international context

About 20 key indicators illustrate features of and developments in the labour market situation of older workers in Denmark. These include not only employment and unemployment rates but also factors impacting employment prospects, such as gender differences, job quality, labour mobility and education and training. Table 2.1 presents a summary of these indicators, placing Denmark in an international context through comparison with OECD and EU21¹ averages. The main findings for Denmark follow:

- *Employment:* The employment rates for the age groups 55-59 and 60-64 were above the OECD and EU21 averages during the period 2003-13. The employment rate for the age group 65-69 throughout the decade has been lower than the OECD average but higher than the EU21 average. The gender gap in employment for the age group 55-64 is lower in Denmark than the OECD and EU21 average gaps.
- *Job quality:* The share of part-time work for the age group 55-64 is lower than the EU21 and OECD averages, as is the incidence of temporary work and the incidence of self-employment. Earnings for 55-64 year-olds are similar to the earnings of the 25-54 year-olds in contrast with the average EU21 and OECD ratios, which are comparatively higher for the older age group.
- *Dynamics:* The retention rate was above the OECD and EU21 averages in 2003 and in 2013, but not in 2007. The hiring rate has always been above the international averages, as well as has been outflow from work measured by the separation rate. The effective labour force exit ages for both genders were lower than the OECD average (except for women in 2002), but above the EU21 average over the past decade.
- *Unemployment:* The unemployment rate for the labour force aged 55-64 and the incidence of long-term unemployment were below the OECD and EU21 averages. A broad measure of joblessness among older workers – those neither in employment nor completely in retirement – shows a potential waste of resources but less on average than in other countries.
- *Employability:* Older workers in Denmark have on average a relatively high education level, much above the OECD and EU21 averages. Older workers participated much more often in job-related training in 2012 than they did in 2005, with the later year's participation well above the OECD and EU21 averages. In addition, the ratio measuring the age gap in training is very low in Denmark, in contrast with the OECD and EU21 average ratios.

Table 2.1. Older workers scoreboard, Denmark, the European Union and the OECD area, 2003, 2007 and 2013

	Denmark			EU ^a			OECD ^b		
	2003	2007	2013	2003	2007	2013	2003	2007	2013
Employment									
- Employment rate, 55-64 (% of the age group)	60.2	58.9	61.7	40.7	45.1	49.5	47.2	51.1	54.9
of which 55-59	75.7	79.8	77.8	53.5	58.5	64.2	58.1	62.1	66.5
60-64	38.0	38.6	44.8	25.5	29.0	33.6	34.0	37.7	42.2
- Gender gap in employment, 55-64 (ratio men/women)	1.27	1.23	1.17	1.83	1.60	1.36	1.75	1.60	1.40
- Employment rate, 65-69 (% of the age group)	14.4	12.6	14.9	9.0	10.3	11.2	15.8	17.2	19.6
Job quality									
- Incidence of part-time work, 55-64 (% of total employment)	13.8	14.6	12.1	16.4	17.1	17.0	17.1	17.7	18.2
- Incidence of temporary work, 55-64 (% employees)	4.4	4.5	3.7	6.5	7.1	6.7	9.2	9.4	8.7
- Incidence of self-employment, 55-64 (% of total employment)	14.9	12.9	11.2	25.8	22.7	21.7	30.0	27.1	25.7
- Full-time earnings, ^c 55-64 relative to 25-54 (ratio)	1.01	1.02	1.01	1.13	1.14	1.12	1.08	1.10	1.08
Dynamics									
- Retention rate after 60 ^d (% of employees t-5)	43.0	39.0	42.5	36.9	39.2	39.7	38.2	41.7	41.2
- Hiring rate ^e , 55-64 (% of employees t-1)	7.9	10.2	8.4	5.2	5.5	5.1	5.1	6.3	5.9
- Separation rate, ^f 55-64 (% of employees t-1)	12.0	19.1	16.4	16.7	16.2	15.2	15.4	16.0	15.3
- Effective labour force exit age ^g (years) Men	62.4	63.4	63.4	61.4	61.7	62.4	63.3	63.7	64.2
Women	62.2	62.0	61.9	59.8	60.6	61.3	61.3	62.3	63.1
Unemployment									
- Unemployment rate, 55-64 (% of the labour force)	4.9	3.4	5.1	5.3	4.6	7.9	4.7	4.0	6.3
- Incidence of long-term ^h unemployment, 55+ (% of total unemployment)	40.8	38.3	40.4	53.0	56.9	57.0	42.7	46.0	46.6
- Neither in employment nor completely in retirement, ⁱ 55-64 (% of the age group)	3.9	4.4	5.0	5.7	5.2	8.6	5.5	5.2	8.4
Employability									
- Share of 55-64 with tertiary education ^j (% of the age group)	30.3	27.3	31.7	21.2	21.5	24.9	22.9	23.8	27.1
- Participation in training, ^k 55-64									
Absolute (% of all employed in the age group)	10.2	23.7	26.9	6.4	6.5	8.0	7.9	8.0	9.6
Relative to employed persons aged 25-54 (ratio)	0.71	0.87	0.91	0.64	0.69	0.74	0.67	0.72	0.77

a) Unweighted averages for 21 European OECD countries. b) Unweighted averages for 34 OECD countries. c) Mean gross hourly earnings. d) All employees currently aged 60-64 with tenure of five years or more as a percentage of all employees aged 55-59 five years previously. e) Employees aged 55-64 with job tenure of less than one year as a percentage of total employees aged 54-63 a year before. f) The separation rate is defined as the difference between hiring rates and the yearly net percentage employment change adjusted for cohort size. g) Effective exit age over the five-year periods 1997-2002, 2002-07 and 2007-12. Also called the effective age of retirement, the effective exit age 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. h) Unemployed for more than one year. i) Percentage of those aged 55-64 either unemployed or inactive but willing to work. j) 2005, 2007, 2012. k) Job-related training during the last month before the survey in 2005, 2007 and 2012.

Source: Authors' own calculations based on national labour force surveys, the European Union Labour Force Survey (EU-LFS), the OECD Earnings Distribution Database and the OECD Education Database.

The Danish flexicurity model

High job turnover and short unemployment spells are among the key characteristics of the Danish flexicurity model based on three pillars; relatively low employment protection and generous unemployment benefits, backed with strong activation policies. The model has received considerable international attention over the past decades, delivering good labour market outcomes in terms of both dynamism and inclusiveness. The model is broadly accepted by the government and the social partners, and is the basis for close co-operation among them (Ministry of Employment, 2015).

Anchored on these three pillars, flexicurity provides employers with the ability to easily adjust their workforce to structural changes as well as to cyclical fluctuations in demand, while at the same time providing workers and their families with a solid buffer against large income losses. On the downside, this model entails high public expenditure on labour market programmes (both active and passive measures), amounting to 3.8% of GDP in 2012 – the highest level in the OECD area (OECD, 2014). This has created debates about its sustainability in bad economic times. The 2007 financial crisis is therefore seen by many experts as a stress test for Denmark’s model. The need to keep a balanced flexicurity approach for the entire workforce is especially a challenge for some groups of older workers being confronted with both longer working lives and higher risks of long-term joblessness (Box 2.1). Several mechanisms have been put in place in the 2006 and 2011 reforms, such as postponement of the age of retirement, its indexation by life expectancy, and restrictions on early retirement schemes; however, there is in addition the introduction of a right to a senior job for some older unemployed. The key task is to analyse whether these mechanisms are adequate and efficient to reconcile flexibility with security for an ageing labour force.

Box 2.1. The Danish flexicurity model in the 2007 financial crisis and challenges for older workers

Denmark experienced a rapid surge in unemployment when the economy fell into a deep recession in the second half of 2008. Overall, there is currently little sign that much of that rise in unemployment has become structural (Andersen, 2012). A critical issue is the effectiveness of active labour market programmes (ALMPs) in strengthening job-search incentives and enhancing the employability of jobseekers against a backdrop of persistent unemployment. Most ALMPs relate to individuals’ skills and follow a mainstream approach; the chief exception is the youth strategy.

Box 2.1. The Danish flexicurity model in the 2007 financial crisis and challenges for older workers (*cont.*)

The levels of activation have been broadly maintained despite the rapid increase in unemployment, according to measures comprising both the proportion of jobless persons enrolled in ALMPs – 20% for unemployment insurance benefit (UIB) recipients and 35-40% for social assistance (SA) recipients – and the average programme duration: 14-15 weeks for UIB recipients and 10-11 weeks for SA recipients (Andersen and Svarer, 2014). The public employment service (PES) managed to expand its administrative and supply capacity quickly, a challenging task that could have raised major funding and organisational issues.

Two key factors helped meet this challenge. First, there was fiscal space to accommodate rising expenditure on ALMPs, which is essential to ensure the viability of the flexicurity model. Second, adaptability has long been a key feature of Danish activation policies. ALMPs are the result of a long series of reforms that began in 1994, and have had considerable fine-tuning over the years in order to adjust their design and content in light of the labour market situation and new evidence on their effects. Over the past decade, and in particular prior to the crisis, Danish employment policy was focused on “enlarging the workforce” and reducing potential labour shortages.

The 2007 financial crisis imposed another important step in this adjustment process. In the fiscal recovery agreement of May 2010, a number of reforms were decided that aim at strengthening the activation stance through earlier interventions, more intensive contacts with the unemployed, and a shortening of UIB’s duration. Madsen (2013) sums up the observations of the stress factors with respect to the three flexicurity pillars. First, it is beyond doubt that the levels of income provided by the UIB system have declined. Second, the crisis put pressure on ALMPs, and there was a deliberate policy shift toward less counselling and training. Finally, the introduction of severance pay for blue collar workers who had been employed for more than three years was a small step towards more restrictive employment protection.

Specific issues remain concerning the effectiveness of ALMPs in a deep recession (Andersen, 2012; Madsen, 2013). Activation policies may prove less effective in a period with fewer job vacancies, and the increase in the number of participants may lead to difficulties in meeting timing requirements. In this respect, there are indications that the PES has faced difficulties in keeping deadlines with respect to activation. According to participants in a recent European peer review on flexicurity, this model has provided shelter from the economic crisis because some aspects have been efficiently adjusted (EU Peer Review, 2014). However, key aspects to consider further and revise include prevention of both segmentation of the labour market and marginalisation of certain groups, such as young people and the long-term unemployed.

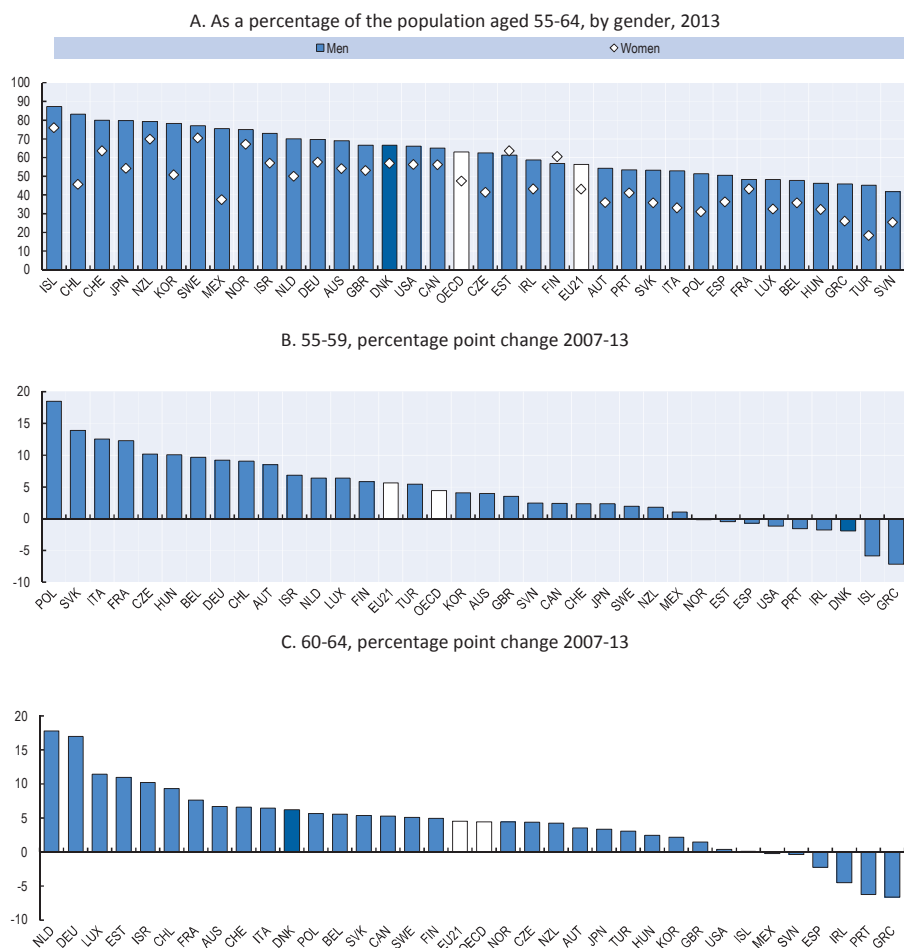
Source: Andersen, T.M. (2012), “A Flexicurity Labour Market in the Great Recession: The Case of Denmark”, *De Economist*, Vol. 160; Andersen, T.M. and M. Svarer (2012), “Active Labour Market Policies in a Recession”, *IZA Journal of Labor Policy*, Vol. 1, No. 7; EU Peer Review (2014), “Peer Review on Flexicurity, Mutual Learning Programme, Copenhagen, 20-21 November”; Madsen, O.K. (2013), ““Shelter from the Storm?” Danish Flexicurity and the Crisis”, *IZA Journal of European Labor Studies*, Vol. 2, No. 6.

Increased employment for older people – but only those over 60

In 2013, the overall employment rate for the age group 55-64 in Denmark was 61.7% (Table 2.1). This is well above the EU21 average (49.5%) and the OECD average (54.9%) but well below the rate of over 65% for both genders in Iceland, New Zealand, Norway and Sweden (Figure 2.1, Panel A). Even if the gender gap in Denmark is below the average OECD and EU21 gaps, it is higher than in the other Nordic countries. Notably, the gender gap favours women in Finland: the employment rate for Finnish women, at 60.5%, was higher in 2013 than the rate for Finnish men as well as the rate of Danish women (both at 56.8%).

Since 2007, the age group 60-64 has been performing better than the group aged 55-59 in terms of change in the employment rate (Figure 2.1, Panels B and C). The decrease in the employment rate for people aged 55-59 was 1.9 percentage points between 2007 and 2013 as Denmark was hit relatively hard by the crisis, but that figure was less than in Iceland or in Greece. By contrast, during the same period there was an increase (+6.2 percentage points) in the employment rate for people aged 60-64, slightly above the international average change (+4.5 percentage points) but well below Germany and the Netherlands (+17-18 percentage points). Employment increases after the age of 60 could be the result of decisions in 2006 and 2011 to limit the early retirement schemes in Denmark (see Chapter 3).

Employment prospects after the age of 65 remain poor in Denmark. The employment rate for the age group 65-69 was 14.9% in 2013, almost unchanged over the past decade and only slightly above the EU21 average of 11.2% (Figure 2.2). In comparison, the employment rate for this age group has increased steadily in the EU21 area over the same period, and especially in Sweden after 2006. It is striking that in the United States, over 25% of people aged 65-69 have been working over the past decade, with the figure reaching 30.3% in 2013. This reflects long-term effects related to increasing levels of education and better health, but also wealth effects since the start of the global financial crisis to compensate for losses in wealth or household income (OECD, 2013).

Figure 2.1. Employment rates for older populations, OECD countries,^a 2007 and 2013

a) EU21 refers to the unweighted average for 21 European OECD countries.

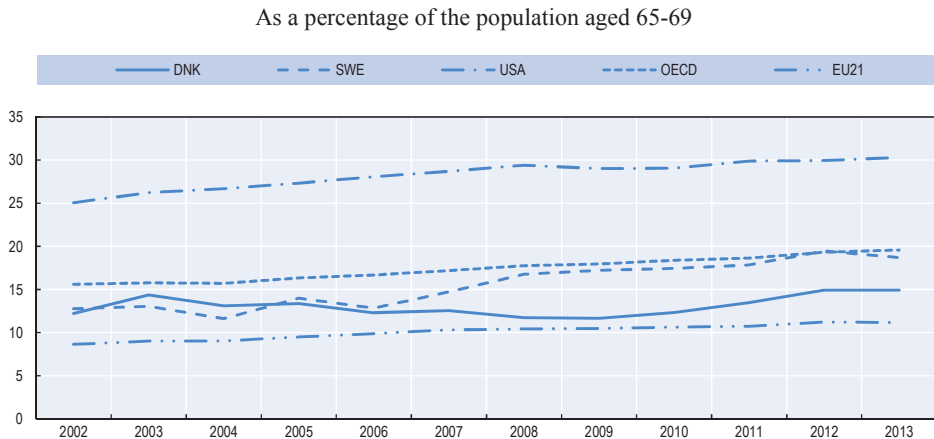
Source: Authors' own calculations based on national labour force surveys.

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In 2011, Denmark decided to raise the statutory retirement age, gradually increasing it to 67 over the period 2019-22 but increasing employment opportunities after the age of 65 is a challenge in Denmark. For Larsen and Pedersen (2013), decisions to work for those 65 and older result from the combined effect of different variables such as education, home ownership, marital status and aggregate unemployment at the age of retirement. In particular, being married has a positive impact for men and a

negative impact for women. Some people retire and then later regret their decision. According to a survey, in 2012 the “unretired”, i.e. those back to work after a period of full retirement, represented 17% of the employed aged 65-75 and 30% of those combining work and early retirement (Larsen, Bjerregaard Bach and Liversage, 2012). The “unretired” worked on average about 20 hours a week, more often as replacements and as project workers than prime-aged workers, and about 40% of them worked in a new enterprise, often in a new sector or occupation. Social networks are frequently used as channels to finding new jobs. By contrast, virtually no one has received assistance from the PES or a private labour agency. According to Larsen, Bjerregaard Bach and Liversage (2012) even if the share of (early) retired people who want to return to labour is currently low, they represent considerable labour force potential for Danish society.

Figure 2.2. **Employment rates for the population aged 65-69, selected OECD countries,^a 2002-13**



a) EU21 refers to the unweighted average for 21 European OECD countries.

Source: Authors' own calculations based on national labour force surveys.

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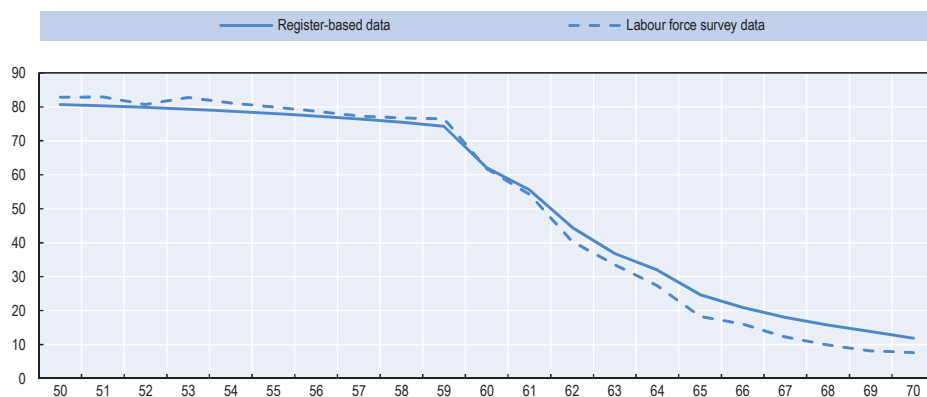
Labour force surveys vs. register-based data

Labour force surveys (LFS) are considered to be the best data source to allow international comparisons of employment and unemployment according to the ILO guidelines.² But do these surveys underestimate the level of employment of older people? Like other Nordic countries, Denmark uses administrative records to construct register-based data that include

employment information from tax records. In general, register-based statistics measure employment as the actual record on the last week of the month under consideration, while LFS data refer to the status over the entire quarter for individuals declaring themselves as employed for at least one hour the week prior to the interview. It appears that LFS underestimate the level of employment of older workers compared with register-based data in Denmark (Figure 2.3). This finding highlights the challenge of adequately measuring employment after the age of 62, reflecting the very often complex labour market situation of people who combine work and retirement.

Figure 2.3. **Employment rates for older people using register-based and labour force survey data, Denmark, 2009-13^a**

As a percentage of the population by age



a) Average of January data in the period 2009-13.

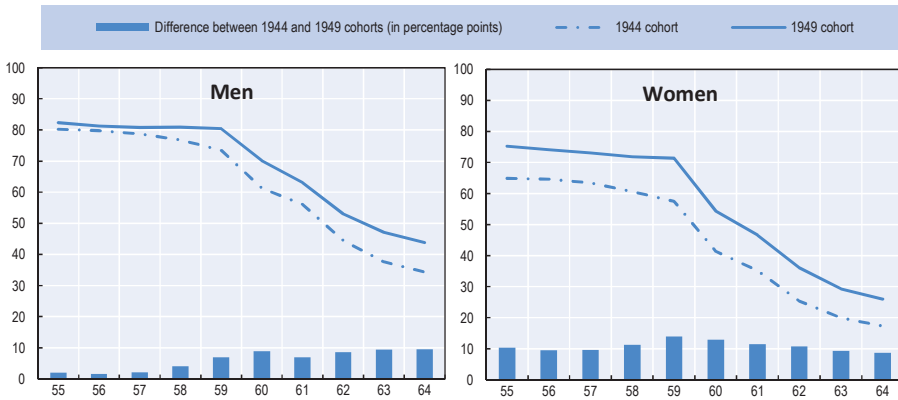
Source: Authors' own calculations based on Statbank Denmark (www.statbank.dk) and data from the European Union Labour Force Survey (EU-LFS).

StatLink  <http://dx.doi.org/10.1787/888933215840>

Upward employment profiles by cohort, particularly for older women

Register-based data allow comparing employment profiles by cohort. Figure 2.4 indicates that employment profiles have moved up, by comparing two cohorts five years apart (first cohort born in 1944, aged 64 in 2008; second cohort born in 1949, aged 64 in 2013). The change is more significant for men in their 60s than for those aged 55 and 59. By contrast, the employment profile of the two female cohorts moved more significantly upward for all ages between 55 and 64.

Figure 2.4. **Employment rates for people aged 55-64, by cohort and gender, Denmark**
As a percentage of the population in each group



Source: Authors' own calculations based on Statbank Denmark (www.statbank.dk).

StatLink  <http://dx.doi.org/10.1787/888933215851>

Andersen et al. (2013) discuss the long-term impact of business cycles on different cohorts. They analyse the employment profiles of cohorts born in 1935 to 1980 from Danish register-based data for the period 1980-2008. Using a life-cycle model, they find that younger workers tend to be more exposed to business cycle fluctuations than older workers but importantly, they recover more quickly from such setbacks than older workers. In addition, older men tend to be more exposed to these fluctuations than older women. The results suggest that young individuals are more exposed to unemployment risks than older individuals during recessions, but the duration of the average unemployment spell is much longer for the older unemployed. Nonetheless, Andersen et al. (2013) indicate that their key findings could not be replicated for the current recession, as their sample experienced business cycle downturns that were both lower and less prolonged than in the 2007 financial crisis.

Unemployment: Higher but still below international averages

In 2013, Denmark had an unemployment rate for the 55-64 age group of 5.1%, 1.7 percentage points higher than in 2007. This is below the EU21 and OECD averages in 2013 (7.9% and 6.3%, respectively) but far above the best achievers, with an unemployment rate for this age group lower than 3% (Norway, Korea, Mexico, Chile and Switzerland) (Figure 2.5, Panel A). The incidence of long-term unemployment for the group 55 and over remained around 40% in Denmark over the entire past decade, a share much lower than the OECD and EU21 averages (47% and 57%, respectively).

Nonetheless, in 2013 eight OECD countries had an incidence of long-term unemployment for the older unemployed lower than in Denmark – especially Sweden (31%) and Norway (26%).

Figure 2.5. **The older unemployed, OECD countries,^a 2007 and 2013**



a) EU21 refers to the unweighted average for 21 European OECD countries.

b) Unemployed for more than one year.

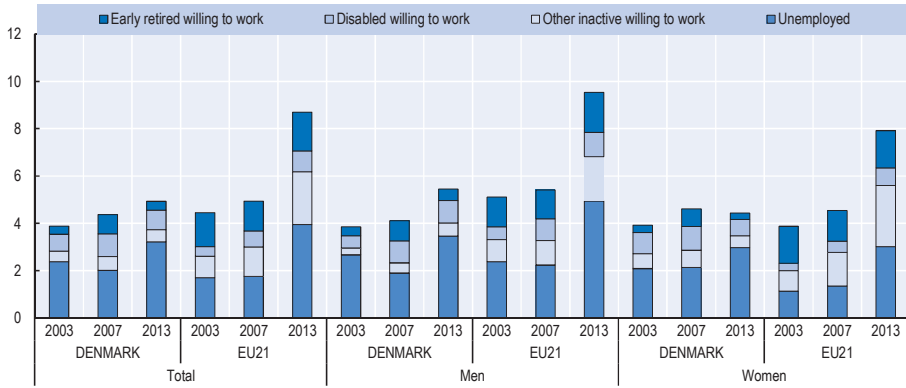
Source: Authors' own calculations based on national labour force surveys.

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If the group of people declaring themselves inactive (e.g. disabled or [early] retired) but willing to work is added to the unemployed, a broader indicator of joblessness is obtained: the so-called older people “neither employed nor completely retired”. This broad indicator in Denmark for the age group 55-64 is below the EU21 average for the period 2003-13, but particularly in 2013 (5% and 8.6%, respectively) (Figure 2.6). It is slightly higher for men (5.4%) than for women (4.4%) due to men’s higher incidence of unemployment, disability and (early) retirement. Moreover, the proportion of disabled men who are willing to work has increased in 2007 and 2013 compared with 2003.

Figure 2.6. **Older people neither employed nor completely retired,^a by gender, Denmark and EU area,^b 2003, 2007 and 2013**

As a percentage of the age group 55-64



a) The group is defined by matching information given in the following three responses of the survey: self-declared status; willingness to work; and job seeking. They include the unemployed (ILO definition) and inactive people willing to work.

b) EU21 refers to the unweighted average for 21 European OECD countries.

Source: Authors' own calculations based on the European Union Labour Force Survey (EU-LFS).

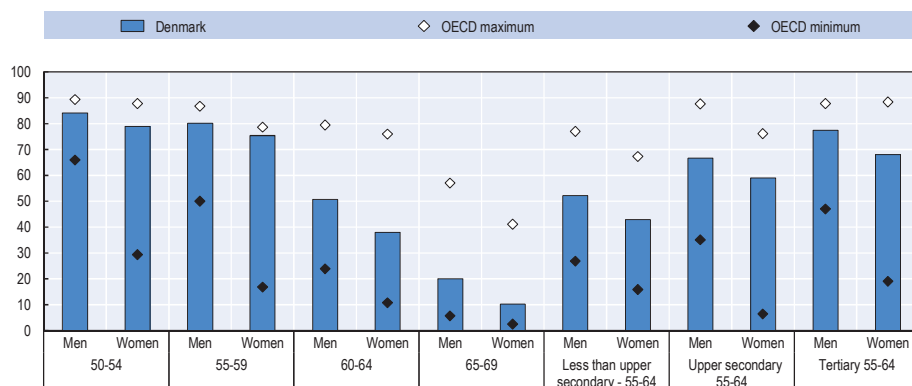
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The important role of education

Substantial employment disparities can be observed with respect to gender, age and particularly education (Figure 2.7). The employment rates for Danish men and women aged 50-59 are in general at the higher end of the country ranking, but not after 60. For both genders, the employment rates rise in line with educational attainment: those who completed tertiary education had around 25 percentage points more than those with less than upper secondary education.

Figure 2.7. **Socio-demographic disparities in employment, by age, gender and education level, Denmark and OECD area, 2012**

As a percentage of the population in each group



Source: Authors' own calculations, based on national labour force surveys.

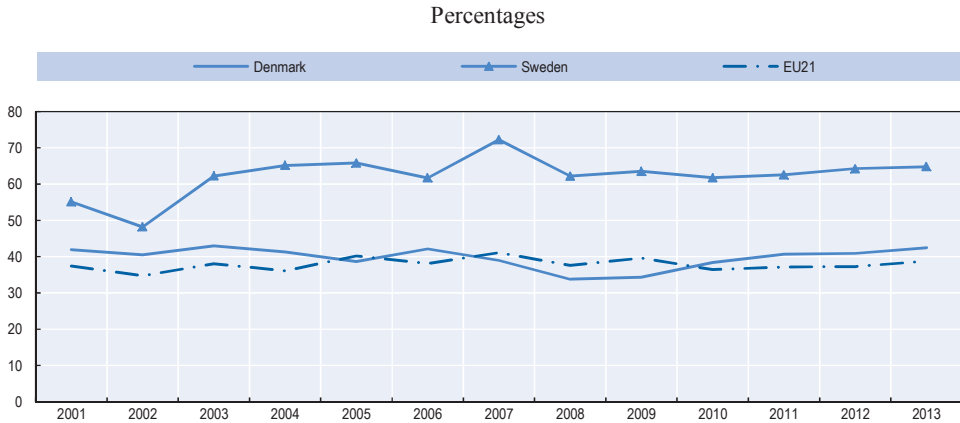
StatLink  <http://dx.doi.org/10.1787/888933215882>

The low labour market mobility of older workers

Retention after 60

Job retention after the age of 60 is estimated by LFS data as the number of employees aged 60-64 with tenure of five years or more as a percentage of all employees aged 55-59 five years previously. This rate stood at 42.5% in Denmark in 2013 and has remained quite stable and higher than 39% over the past decade, except in 2008 and 2009 when it declined to 34%, a figure lower than the EU21 average (Figure 2.8). The retention rate in Sweden was much higher than in Denmark over the entire period, except in 2001 and 2002, when it was only slightly higher. According to Halvorsen et al. (2013), in Sweden it appears that older workers and people with permanent employment have relatively good protection, through the “Employment Protection Act” and the tradition of seniority principles (“last in, first out” or “first in, last out”). This protects older workers and people with seniority, but could on the other hand reduce their labour market mobility.

Figure 2.8. Retention rate^a after the age of 60, Denmark, Sweden and EU area,^b 2001-13



a) Employees aged 60-64 with tenure of five years or more as a percentage of total employees aged 55-59 five years before.

b) EU21 refers to the unweighted average for 21 European OECD countries.

Source: Authors' own calculations, based on national labour force surveys.

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Hiring and separation

Labour market transitions into jobs (hiring rates) and out of jobs (separation rates) can also be estimated from LFS. Unsurprisingly, with the flexicurity model in place in Denmark (Box 2.1), both turnover indicators are higher in Denmark than in Sweden and the EU21 average, except that Danish separation rates were lower than the EU21 average in the period 2001-04 (Figure 2.9). Hiring rates of older workers in particular remained relatively high in Denmark compared with Sweden and the EU21 average over the past decade. However, the country gap has been declining with the crisis, particularly between Denmark and Sweden. Separation rates for older workers have decreased in Denmark since 2006 and have increased in Sweden, particularly since 2012. In addition, the trend of hiring rates has been negative in 2007-09 in Denmark, compared with a slight positive hiring trend in Sweden since 2004.

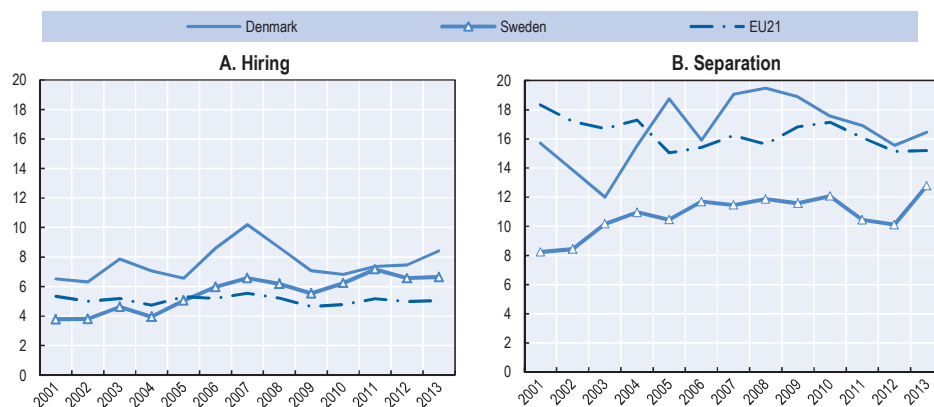
Transitions into employment

Annual transitions into employment of people aged 55-59 and 60-64 who were unemployed, inactive and (early) retired one year before can be estimated from Danish register-based data (Figure 2.10). Transition rates into

employment are much higher from unemployment than from inactivity or (early) retirement, for both genders and age groups. The proportion of unemployed persons who are back to work one year later has increased between 2001 and 2011, particularly for the age group 55-59. By contrast, the corresponding transition increased only significantly for the inactive aged 55-59, and remained low for the (early) retired aged 55-59 and for inactive and (early) retired aged 60-64. The gender gap is not high, even if women experience lower transition rates into employment than men. Education matters for the age group 55-59 – having a low education level decreases the transition into employment for the three categories (unemployed, inactive and [early] retiree) – but less so for the age group 60-64.

Figure 2.9. **Hiring^a and separation^b rates of older workers (55-64), Denmark, Sweden and EU area,^c 2001-13**

As a percentage of employment in the age group



a) The hiring rate is measured as the ratio of all employees aged 55-64 with tenure of less than one year to the total number of employees aged 54-63 the year before.

b) The separation rate is computed as the difference between the net employment change rate and the hiring rate (net employment change in year t = hiring in year t – separations in year t).

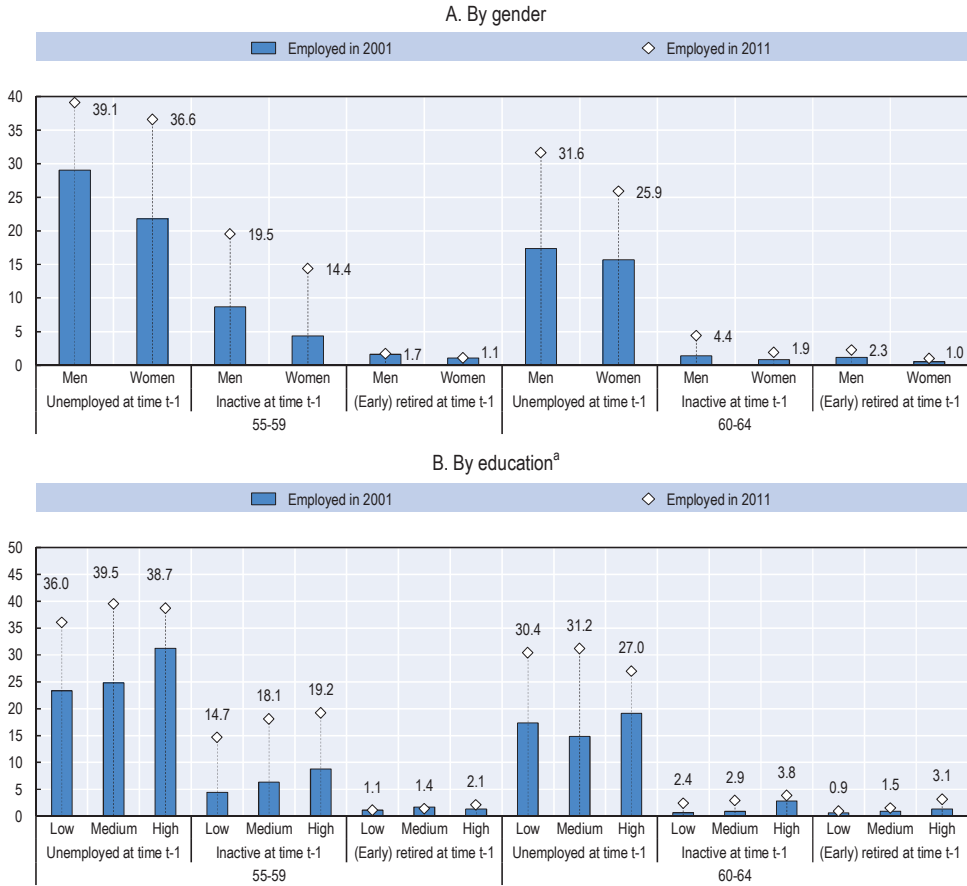
c) EU21 refers to the unweighted average for 21 European OECD countries.

Source: Authors' own calculations, based on the European Union Labour Force Survey (EU-LFS).

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Figure 2.10. **Transitions into employment by age group, gender and education, 2000-01 and 2010-11, Denmark**

Percentage of persons in each status at $t-1$ employed a year later at time t



a) “Low” education level = less than upper secondary; “Medium” = upper secondary; “High” = tertiary.

Source: Authors’ own calculations based on Statbank Denmark (www.statbank.dk).

StatLink <http://dx.doi.org/10.1787/888933215917>

Key issues

Labour market prospects for older workers have been worsening in Denmark since the crisis. Two indicators are particularly worrying: the decrease in the employment rate of people aged 55-59 and the increase of the unemployment rate of people aged 55-64. Adaptability has long been a

key feature of the Danish flexicurity model, and one important issue now is how to get that balance right so as to deliver better labour market outcomes for an ageing workforce. The following chapters will analyse the main steps to enhance opportunities for longer working lives in Denmark.

Notes

1. EU21 refers to the unweighted average for 21 European OECD countries.
2. The ILO guidelines enumerate the criteria for a person to be considered as unemployed or employed. These criteria are summarised at www.oecd.org/els/emp/LFSNotes_Sources.pdf.

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Chapter 3

Making work rewarding for older workers in Denmark

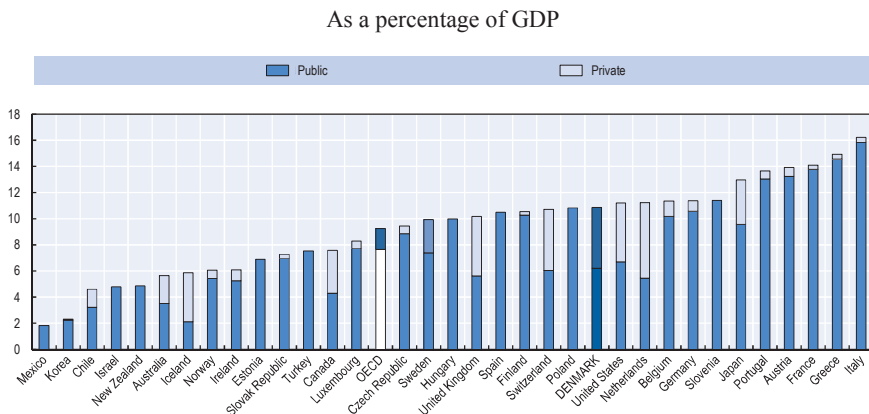
Major reforms have been implemented in Denmark over the past decade to limit early retirement schemes, remove more favourable rules for unemployment benefits for older workers and reduce pathways through disability benefits. The pension age will be increased gradually from 65 to 67 years over the period 2019-22. Subsequently, the retirement age will be linked to changes in life expectancy. Nevertheless, the effective age of exit from the labour market remained relatively stable in the period under review, and social benefits or special labour market schemes are still routes out of regular work for many older people. The purpose of this chapter is to assess the impacts of the implemented reforms, and to identify remaining challenges and further steps that may need to be taken to encourage longer working lives.

Introduction: Social protection in Denmark

Denmark has a highly effective system to protect against the risk of poverty and social exclusion. This system, which involves *inter alia* old age pensions and disability and unemployment arrangements, is a result of law and national regulation, but also of collective labour agreements (CLAs) among the social partners. All employees in the public sector are covered by CLAs, as well as about 70% of employees in the private sector. The municipalities in Denmark play a central role in implementing labour and social policies.

Expenditures on public and private pensions in Denmark amounted to about 11% of GDP in 2011, somewhat above the OECD average of about 9% (Figure 3.1). The share of private pensions in Denmark, at 4.7%, is substantially higher than the OECD average (1.6%), a fact explained by the wide coverage of occupational pensions.

Figure 3.1. Pension expenditures (private and public), Denmark and OECD area, 2011



Source: OECD (2013), *Pensions at a Glance*, OECD Publishing, Paris, http://dx.doi.org/10.1787/pension_glance-2013-en.

StatLink  <http://dx.doi.org/10.1787/888933215925>

Compared with those in many other countries, the social partners in Denmark have a strong influence on, and are greatly responsible for, earnings-related pensions above the universal, social minimum. Negotiated schemes and regulations cover the large majority of workers in Denmark. About 90% of the labour force is estimated to be members of an occupational scheme, through CLAs or contracts between employers and employees (Nososko, 2008).

The division of pension responsibilities between the public and private sectors is one of the reasons why projected public expenditures on pensions in Denmark are lower than in many other countries (OECD, 2013a). Additional explanations are major reforms, such as the 2006 Welfare Reform and the 2011 Agreement on Later Retirement, intended to reduce early retirement and the burden of an ageing population by encouraging longer working lives. Simulations of impacts of the 2006 and 2011 pension reforms on the participation rate of older people indicate that the effective retirement age in Denmark could increase by more than three years by 2060, and reach a level close to 68 years – the highest among EU countries (European Union, 2014). Nevertheless, in the short term, the effective age of exit from the labour market (an indicator of the effective retirement age) has remained relatively stable since 2006, at around 63.5 for men and around 62 for women (Figure 3.2). This is well below the OECD maximum, illustrating that Denmark could face major long-term challenges in realising the potential for a much higher retirement age.

Figure 3.2. Average effective age of exit^a from the labour market, Denmark and OECD area, 1970-2012



a) The average effective age of exit from the labour market is calculated as a weighted average of (net) withdrawals from the labour force at different ages over a five-year period for workers initially aged 40 and over. In order to abstract from compositional effects in the age structure of the population, labour force withdrawals are estimated based on changes in labour force participation rates rather than labour force levels. These changes are calculated for each (synthetic) cohort divided into five-year age groups.

Source: Authors' own calculations, based on the results of national labour force surveys, the European Union Labour Force Survey (EU-LFT) and, for earlier years in some countries, national censuses.

StatLink  <http://dx.doi.org/10.1787/888933215932>

The recent reforms of the Danish pension system are based on a mutual agreement between the social partners and the government about extending compulsory collective pension schemes to cover both the private

and public sectors. Thus, future pensions will depend to a large extent on compulsory pension saving. The close interaction between tax-financed public schemes and collective, savings-based schemes and measures makes it necessary to consider them simultaneously in assessing the effects of actions taken and the need for further reforms.

Old age pensions

The Danish old age pension system has three tiers:

- Pillar 1: The universal old age public pension is available to everyone at a fixed amount, subject however to a means test.
- Pillar 2: Occupational pensions provide the majority of employees with a supplement to the public pension. Most of the occupational schemes are defined contribution schemes.
- Pillar 3: Individual, voluntary pension saving is encouraged by several tax exemptions.

Attached to the first pillar is the labour market supplementary pension (ATP), which is regulated by law and available to most employees. ATP is independent of income, but contributions are based on work participation. Recipients of disability pension also have the possibility of earning a specific supplement to their public old age pension, referred to as the labour market supplementary pension for recipients of disability pension (SAP).

Public pension, the first pillar

The universal public pension is based on residency and consists of three elements: the basic amount, the pension allowance and a supplementary benefit. The basic amount paid depends on years of residence in Denmark between the ages of 15 and 65. The maximum old age pension requires 40 years of residence; shorter periods qualify for a prorated benefit. The payments are indexed by annual wage growth. If the wage growth exceeds 2%, the indexation factor is reduced by 0.3%, and the excess funds are used to finance targeted measures for vulnerable groups.

The full basic amount in 2015 is DKK 71 964 per year, equivalent to around 17% of average earnings. There is an individual earnings test: the basic amount will be reduced if the earned income exceeds DKK 305 700 per year, or approximately 75% of average earnings. Above that level, the benefit is reduced at a rate of 30% against earned income.

The full pension allowance is DKK 75 132 per year for a single person and DKK 36 516 per year for couples. The actual amounts are tested against all sources of personal income, including ATP and earned income apart from the public pension. If personal income exceeds DKK 67 500 per year, the allowance is reduced by 30.9% of the excess income for a single person. For couples, the household income test is calculated for income above DKK 135 400 per year, with a reduction rate of 16%.

The supplementary benefit is paid as an annual lump sum of a maximum of DKK 16 400 per year in 2015. The benefit is targeted at the poorest pensioners, and is reduced if the pensioner or the spouse has cash savings or incomes beyond the public old age pension. In 2015, a single pensioner could not receive any supplementary pension if they had cash savings above DKK 81 500 or additional incomes to the public old age pension above DKK 67 500.

Old age pensioners can in addition be eligible for special means-tested supplements for heating and health expenditures, and they have easier access to housing benefits (Box 3.1).

Box 3.1. Housing supplements in Denmark

Means-tested housing benefits are available in Denmark. The rules for old age pensioners are more liberal than the general rules. For example, pensioners who own a house or an apartment can receive a housing supplement as a loan, to be paid back when the house is sold. The maximum housing benefit in 2015 for an old age pensioner household is DKK 44 844 per year, compared with the standard benefit of DKK 41 928. In 2013, nearly 290 000 old age pensioner households received the housing benefit (Danmarks Statistik, 2014a).

Old age pensioners can likewise be eligible for a heating supplement. The supplement is means-tested against incomes; wealth is not taken into account. In total, 167 000 old age and disability pensioners received a heating supplement in 2013. The number has been slowly declining over time.

Source: OECD Mission to Denmark, May 2014.

More pensioners receive now reduced public pensions

Means-testing aims to alleviate poverty for the most vulnerable groups, and helps keep costs down. But incentives to work and save for one's own pension could be reduced through high marginal effects. In addition, the testing's complexity (Table 3.1) reduces transparency and can hamper rational decision making on the part of individuals. Nevertheless, the poverty rates in Denmark are relatively low, which is explained by a combination of

employment rates well above the OECD average and a generous welfare system (OECD, 2014a). This indicates that Denmark has so far managed to find a reasonable balance between the two goals of preventing poverty and promoting employment.

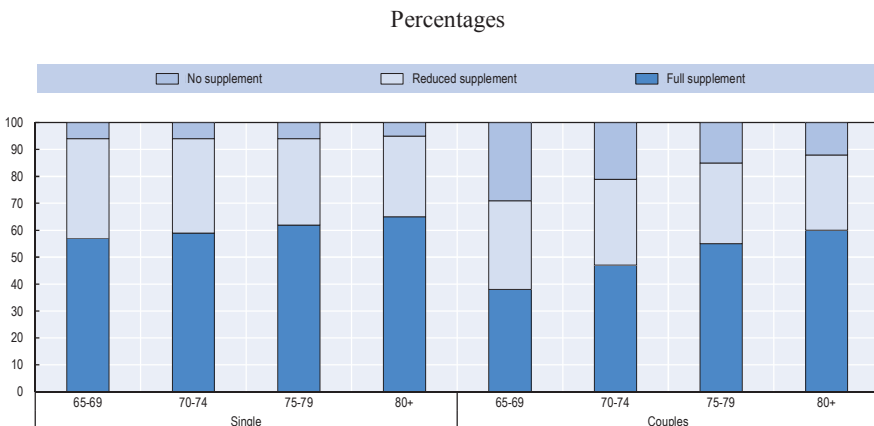
Table 3.1. **Testing of public benefits for old age pensioners**

Pension benefit	Earned income	Other incomes	Wealth	On need
Basic amount	+			
Pension allowance	+	+		
Special supplement	+	+	+	
Heating supplement	+	+		+
Housing benefit and health supplement	+	+	+	+

Source: Pension Commission (2015), *The Danish pension System – Internationally Recognised, But Not Without Problems*, Pensionskommissionen, Copenhagen.

In 2014, nearly half of the pensioners received a reduced pension allowance. This proportion has been increasing over time (Danmarks Statistik, 2014a). Among pensioners in the age group 65-69, 29% did not receive any pension allowance at all, while 33% received less than the full amount (Figure 3.3). Especially affected are couples in the same age group: the proportion receiving the full supplement is lower than that of single persons.

Figure 3.3. **Old age pensioners by the size of the supplement and family status, Denmark, January 2014**



Source: Danmarks Statistik (2014b), “More pensioners have their supplement reduced”, *NYT fra Danmarks Statistik*, No.185, Copenhagen.

By contrast, about 7% of the pensioners had such high earned incomes that they received a reduced basic amount, or none at all. The number of pensioners receiving the special supplement reached 274 000 in 2013, accounting for about 25% of the old age pensioners.

Pension age to be linked to life expectancy

The statutory pension age is currently 65 years, but according to the new legislation adopted in 2011, it will increase gradually to the age of 67 over the period 2019-22. Subsequently, the retirement age will be linked to changes in life expectancy. The indexation rule is set so that the period a person receives an old age pension will be about 14.5 years based on life expectancy at age 60. Changes in the statutory pension age will be decided 15 years before entering into force. The first decision will be taken by Parliament in 2015, and every fifth year afterwards. The retirement age can be increased by at most one year every five years; the first increase due to indexation will take place in 2030. Life expectancy regulation is a major reason for the stability in projected pension expenditures, for instance in Denmark's Convergence Programme 2014 (Government of Denmark, 2014).

Deferral of pensions

There is no possibility for early take up of public old age pensions, but take-up could be deferred for up to a maximum of ten years (currently not after age 75). The increment for deferring withdrawal of pension is the ratio of the length of the deferral period to average life expectancy at the time the pension is drawn. The special supplement, which has features similar to a special social assistance for pensioners with low incomes, cannot be deferred.

From 2011, working at least 750 hours a year is a criterion to receive an increased pension by deferring take-up. The number of hours in work required to receive the increase was halved over the past decade in order to stimulate people to work longer.

It is necessary first to apply for a pension, and afterwards to apply for a deferral to be eligible for the increment. The latter can be done immediately after the initial application, but it is also possible to stop receiving pension payments after a while in order to go back to work and to receive the higher benefit after renewed take-up. Deferral can take place a maximum of two times. That deferrals are possible implies that the decision about retirement is close to neutral (Danish Economic Council, 2013). In 2013, more than 15 000 persons deferred drawing their old age pension. Even if the share of deferrals relative to the total population is small, it almost doubled over the past five years.

Pension and work can be combined, but in accordance with rules linked to income testing. Annual work incomes of up to DKK 60 000 per year are exempted from testing. Whether deferral of the take-up or combining work and pension is the more profitable alternative depends on the expected remaining lifetime and income from work or pension for each individual. Since the basic amount is tested only against earned income, deferral is a good choice for people earning more than the test-free income of DKK 305 700 per year.

The rules regarding pension deferral and work and pension combinations have been relaxed over the past years to encourage people to work longer. Larsen and Ellerbæk (2012) evaluated the impact of changes implemented in 2008.¹ They show that people in the potential target group were not well informed about these changes, and that the impact on decisions to carry on working was limited. Larsen, Bjerregaard Bach and Liversage (2012) note that among employed people in the age group 65-75, the vast majority works because they want to, but nearly 30% also works because they need the money. Ejsing (2011) finds that people who defer their pension have a higher education level, a higher income and better health than those who take up their pension. Men with a spouse who have not reached retirement age are more likely to defer take-up of their pension.

These studies illustrate that decisions about work and take-up or deferral of pensions can be influenced by many factors. Fewer hours needed to defer drawing the pension could have a negative impact on hours worked. On the other hand, a lower threshold could stimulate more people to defer their pension. Ejsing (2011) estimates the net impact based on the response to the 2008 change in regulations that reduced the minimum hours worked to be able to defer pension from 1 500 to 1 000 hours a year. The evaluation concludes that the reduction in average hours worked is relatively small, and that there is a positive response to making the deferral more attractive.

Labour market supplementary pension (ATP)

ATP is a statutory, fully funded, defined contribution scheme. Technically, an old age pension from ATP is a guaranteed deferred annuity. The contribution is an amount varying only against the number of hours worked. All employees working more than nine hours a week pay contributions to the scheme. Most recipients of social security benefits are also members. The contribution is about 1% of average earnings (Nososko, 2008). For three out of ten people in the working-age population in Denmark, the primary pension saving plan is ATP (ATP, 2014a).

The contribution is adjusted if and when the social partners decide to do so as part of CLAs. Over the past 20 years the contribution has been increased in steps more or less in line with average earnings (OECD, 2011).

The individual pays one-third of the contribution. The employers pay the remaining two-thirds for employees, while the state pays the two-thirds for benefit recipients. Membership is voluntary for the self-employed. ATP provides a lifelong pension from the current retirement age of 65. A maximum annual ATP with a full contribution history was DKK 24 800 in 2014. Take-up can be deferred until the age of 75. Later take-up is compensated by higher payments in the remaining period.

Labour market pension for the disabled (SAP)

Through voluntary membership in a special scheme abbreviated SAP, disability pensioners can contribute for higher pension payments. The maximum annual premium is (in 2014) DKK 5 868. The individual pays one-third and the municipality two-thirds. The pension is paid as a lifelong benefit beginning at the age of retirement, at present 65 years.

Occupational pension, the second pillar

Employee membership in occupational pension schemes is typically mandatory, and the schemes are often described as “quasi-mandatory” (OECD, 2013a). An aim in collective bargaining has been closure of contribution gaps by ensuring that there is a short or no waiting period prior to entry, and reducing the entry age to 18 years (Money and Pension Panel, 2013).

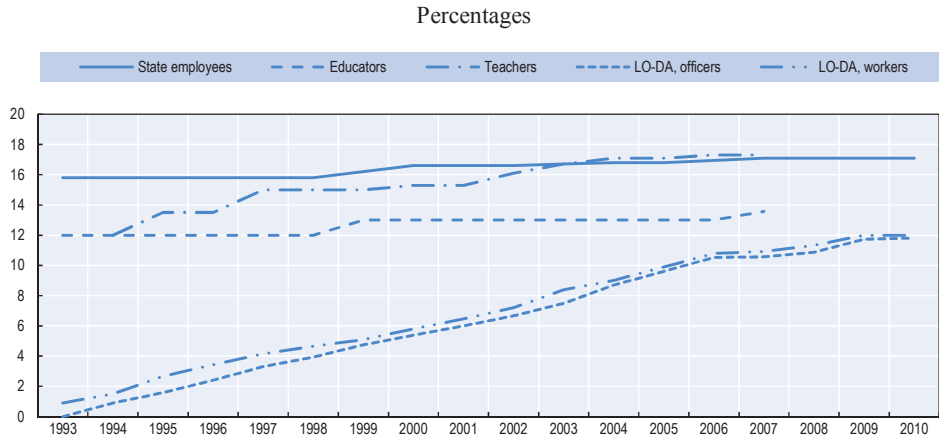
The schemes are normally fully funded defined contribution schemes, but with a guarantee that benefits at least amount to paid contributions. The contribution rate varies across CLAs or agreements between employers and employees (Figure 3.4). The average contribution rate is about 11-12% of gross salary (Nielsen, 2013). The employer pays two-thirds of the contribution and the employee pays one-third.

Even if the average contribution rate is relatively high, a large group of people pay small contributions (Money and Pension Panel, 2013). Stephansen (2013) finds that there is no difference in average contribution percentages for men and women, but since men have higher wages, they have higher contributions. The total replacement rate for people with low incomes and low contributions can still be high, since public old age pensions are targeted at poverty alleviation in Denmark.

Nielsen (2013) finds that 20-30% of people in the working-age population (students excluded) have contributions so low that they are likely to end up with a low pension. If only full-time wage earners are included, this group is reduced to 5-10%. The Pension Commission (2015) finds that in one specific year (2012) about 10% of the age group 34-59 paid no contributions to an occupational pension scheme, only a small proportion of them working full time. Since coverage of occupational schemes has increased over time, the

proportion of the employed with very low pension saving has decreased. Those with low or no contributions are found especially among part-time workers, the self-employed and employees in SMEs without any collective agreements. Also, there are no payments of contributions during periods of unemployment.

Figure 3.4. **Contribution rates in occupational pensions, selected schemes, Denmark, 1993-2010**



a) “LO-DA” means covered by CLAs between member organisations of the Danish Confederation of Trade Unions (LO) and the Confederation of Danish Employers (DA). “Officers” are white collar workers; “workers” are blue collar workers.

Source: Money and Pension Panel (2013), *The Default Option for Labour-market Pensions*, Report by the Committee of the Money and Pension Panel, Copenhagen.

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According to the Danish Ministry of Employment, only six out of ten self-employed persons have some sort of pension saving on top of the universal public pensions, compared with nine out of ten employees. There is big variation within the group of self-employed. Some groups, such as doctors, dentists and lawyers, have pension coverage similar to the average for employees. In contrast, pension saving for self-employed persons such as hairdressers, small cleaning company owners and restaurateurs is often low or entirely absent.

Administration of occupational schemes

The occupational schemes are administered either by an insurance company, a collective pension fund or a firm-specific pension fund. There has been a considerable concentration of these industries over the period 1999 to 2013.² The number of insurance companies declined from 60 in 1999 to 21 in 2013. In the same period, the number of collective pension

funds dropped from 31 to 18, and firm-specific pension funds dropped from 50 to 23. OECD (2013b) finds that administration costs in Danish pension companies are at the low end among OECD countries. Pension funds covering a number of companies and in some cases an entire sector enable economies of scale. Broad pension funds can likewise facilitate change of jobs, since the pension capital often can remain within the same fund.

Payments of occupational pensions

The earliest age for take-up is five years before the statutory pension age, and it will be linked to the increasing official pension age. There are transition rules for people born in 1959 and 1960. Take-up can be deferred, but the specific rules and maximum age for take-up are somewhat different for the different types of payment. Benefits are usually withdrawn as an annuity or in instalments. Many schemes also allow lump sum withdrawals. Since 2000, the annuity calculation must use unisex mortality tables. According to the Money and Pension Panel (2013) in 2010, more than 40% of contributions were for pension payable in instalments, more than 40% for annuity products, and about 15% for capital pensions. Payments from annuities and instalments are included in income testing of pension allowance, the special supplement and housing benefits, while lump sum payments are exempted.

Since most of the occupational schemes are defined contribution schemes, rights can usually be added if a change of job requires transfer to another pension scheme. If the worker wants to move the capital to the new scheme, it can usually be done by paying a handling fee. According to most collective agreements in Denmark, employees can withdraw a partial occupational pension combined with further work.

People who continue working after they have reached the pension age remain members of the occupational scheme and acquire additional pension rights based on their income according to the specific rules of the scheme. On the other hand, some CLAs allow termination of contributions to the pension scheme, so that workers can use the money to (for example) finance reduced working hours or extra days off (see Chapter 4).

Coverage of the occupational schemes in CLAs and labour contracts has increased significantly since the beginning of the 1990s, when about 30% of employees were members. Most of the schemes are therefore not yet mature. In a longer-run perspective, the proportion of retirement income that comes from occupational schemes is expected to increase, but the public pension will remain a significant part of most retirees' income well into the future (OECD, 2008). The increase in income from occupational schemes will be largest for less skilled workers, because they were among the last to build up substantial contributions to employment-related schemes.

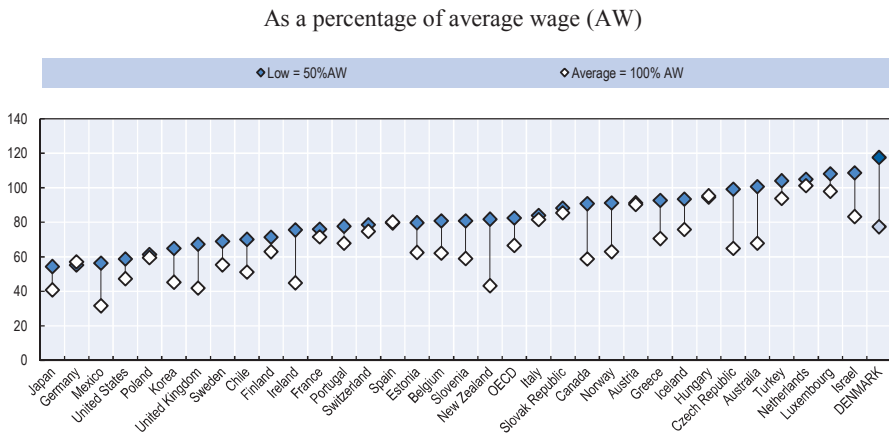
It could be thought that mandatory occupational pension schemes have a crowding-out effect on private savings. Arnberg and Barslund (2013), however, find relatively small substitution effects, in the range of 0-30% depending on age. Chetty et al. (2014) find that subsidies for retirement accounts that rely on individuals' own actions to raise savings primarily shift assets from taxable accounts to tax-relieved pension accounts (the third pillar). By contrast, policies raising pension contributions without any actions from the individual – for example, employer contributions to occupational pension schemes – increase wealth accumulation considerably.

Some key transversal issues in the first and second pillars

Replacement rates and work incentives

Replacement rates including both pillars, the public and mandatory private schemes, are relatively high in Denmark. Theoretical net replacement rates for full-career workers entering the labour market in 2012 indicate that Denmark will have the highest replacement rates in the future as well, compared with most other countries (Figure 3.5): nearly 120% for low-wage earners and nearly 80% for average-wage earners, compared with the corresponding OECD averages of 82% and 66%. In 2011, average annual wages in Denmark amounted to about DKK 400 000.

Figure 3.5. Theoretical long-term net pension replacement rates,^a OECD countries



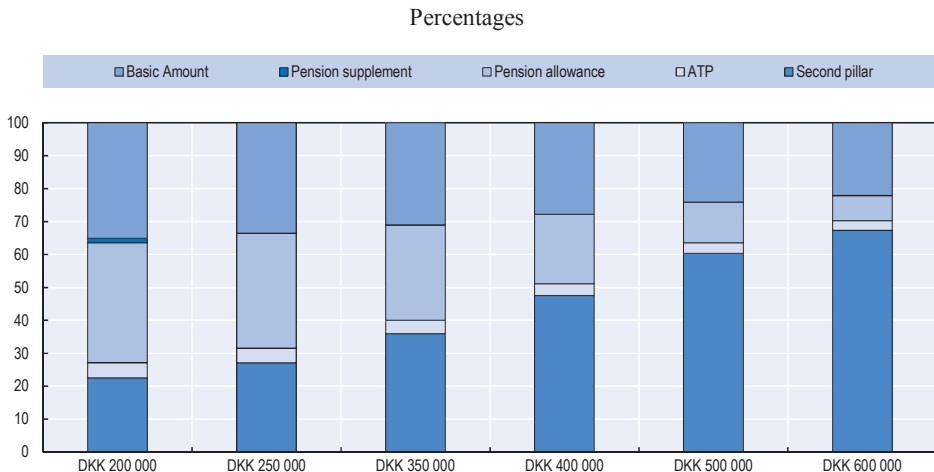
a) The net replacement rate is calculated by the OECD pension model, which assumes labour market entry at age 20 in 2012 and a working life equal to the pensionable age in each country. The net replacement rates shown are calculated for an individual with 100% and 50% of average wage.

Source: OECD (2013), *Pensions at a Glance: OECD and G20 Indicators*, OECD Publishing, Paris, http://dx.doi.org/10.1787/pension_glance-2013-.

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In the lowest income deciles of pensioners, public pensions account for 80-90% of total incomes, while the proportion in the highest deciles is only in the range 10% to 40%. High-income pensioners have substantially higher incomes from private and occupational pensions (the second pillar), but also from wages and profits (Danish Economic Council, 2013). Stylised examples show that while the pension allowance in the mature system will account for 36% of total pensions for a person with a previous annual income of DKK 200 000, it will account for only 7% for a person with a previous annual income of DKK 600 000 (Figure 3.6). In contrast, the second pillar pension accounts for 22% of total pensions for low-income earners, compared with 67% for high-income earners. For an average-wage earner, second pillar pensions will account for nearly half of the total pension in the fully implemented system.

Figure 3.6. **Estimated composition of total pensions from the first and second pillars,^a by income level, Denmark**



a) The basic amount, pension supplement, pension allowance and ATP all refer to the first pillar. It is assumed a fully implemented second pillar.

Source: Money and Pension Panel (2013), *The Default Option for Labour-market Pensions*, Report by the Committee of the Money and Pension Panel, Copenhagen.

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Income testing and implicit marginal taxes on work

Through income testing, the Danish public pension system aims to help the most vulnerable, and it is relatively successful in reducing poverty at moderate budgetary costs. However, the system is rather complex, and it can be difficult for individuals to estimate consequences for future entitlements

of their work, saving and retirement decisions. Moreover, there can be disincentives to work through high implicit marginal taxes on work, related to a loss of benefits when incomes are relatively high. This adds to relatively high marginal income tax rates in Denmark (OECD, 2012). In addition, spouses' work participation could be affected, since income from the spouse or partner is included in joint income testing of some elements in the pension and benefit system.

A Pension Commission was appointed in 2014 to analyse the complex rules of the Danish pension system and its interactions with the tax system, and to recommend in 2016 possible changes in rules and regulations to strengthen labour incentives.³ The Commission, chaired by Torben Andersen, has highlighted the trade-offs between work incentives, income insurance and distribution in pension systems as main focus of their work. One of their observations is that complexity, together with the fact that most people have very little knowledge about pensions, renders these trade-offs on people's behaviour difficult to estimate. Overall, the incentives to work and save are lowest for people with relatively low incomes, and their effective marginal tax rate can be high. They are not granted significant tax deductions for contributions to pension schemes, yet they can face relatively high effective marginal tax rates on payments they receive from pension payments when they retire.

An avenue to explore could be possibilities to reduce gaps in second-pillar pension savings. This could in a longer term perspective reduce the need of special social benefits for older people, and facilitate alignment of the regulation across age groups. A system with fewer elements and more universal rules across age groups could improve transparency and boost incentives to work, particularly in the lower income segments. There would still be a certain share of the population with low pensions, particularly among people with low previous work incomes, but their replacement rate could nevertheless be high (Amilon et al., 2014).

Workers who are self-employed and in SMEs without collective agreements (CLAs) are, as mentioned above, often left with low or no contributions to second-pillar schemes (ATP, 2014b). Higher coverage could be obtained through further encouragement of CLA-based agreements. Another possible route to explore could be extending the role of the ATP framework for workers without membership in occupational schemes. Under the present regulations, membership in ATP is possible and voluntary for self-employed, but it could be made mandatory. Since 1997, unemployed people pay double contributions to compensate for the loss of occupational pension saving in jobless periods without membership in a second-pillar scheme. Thus there is a structure to handle differentiated

contribution rates, for example for members who are not covered by other schemes.

The types of incomes and wealth that are included in means testing differ to some extent across benefits (see Table 3.1). This adds to the complexity, and can stimulate saving in wealth types exempted from means-testing. Another avenue could therefore be to broaden the base for means-testing as discussed for example by Hansen (2015). The scope for circumventing testing would then be limited, which would make for lower reduction rates. As a consequence, disincentives to work would be reduced particularly for lower-income groups, while a more diverse base for means-testing also could affect new income groups. The need for administrative procedures could be extended, making it difficult to avoid means-testing, for example by transferring wealth to others before reaching the retirement age

As a more limited reform, simplifications and alignments within the current system could also help. For example, the basic amount of the old age pension is tested against earned income above DKK 305 700. Most people with work incomes at this level fulfil the criteria for deferral of public pension. Furthermore, some CLAs in the private sector allow using part of the pension contributions in the final years before retirement to finance extra days off (see Chapter 4). Exempting pension contributions for these age groups from income testing of the pension allowance and the supplementary benefit could provide a level playing field for people's choice between full-time work and extra time off (see also Danish Economic Council, 2013).

Finally, some countries have used tax reliefs to improve incentives to work for targeted groups. For example, Sweden introduced an in-work tax credit in 2007 to increase labour supply.⁴ The in-work tax credit was larger for those older than 65, to encourage them to remain in the labour force. Laun (2012) finds an increase in employment of 1.5 percentage points the year immediately following the 65th birthday, although the impact of the in-work tax credit on taxable income was insignificant for this age group in Sweden. According to Kleven and Schultz (2011), it seems that taxable income elasticities in Denmark are relatively small. The country has a temporary measure that provides people reaching the age of 64 in the period 2010-16 a tax deduction if they fulfil certain requirements for work income and working hours after the age of 57. Impacts of and experience from this initiative should be closely examined and evaluated for different beneficiaries.

An alternative way of implementing tax reliefs is proposed by the Danish Economic Council (2013): a deduction in taxable income of DKK 100 000 if working the first year after reaching retirement age. The value of the deduction would depend on the income level. The council

estimates a relatively substantial positive impact of this measure on the number of persons working one year after 65. Alternatively, the role of work income in the income testing could be reduced. In 2014, a work income of DKK 60 000 is exempted from the test. Less income testing of public pensions means higher pension expenditures. Tax revenues from higher work incomes would, however, limit the net expenditures. Deadweight losses could be a problem if measures are taken up mainly by people who would continue working in any case.

The impact of possible measures can vary among income groups and can change over time. The choice of approach and fine-tuning of design should therefore be based on closer analysis of all possible impacts. Indications that people are not very aware of small policy changes stress the importance of sufficient information about reforms. This could include campaigns as well as efforts to improve financial literacy. Denmark already has web-based pension calculators that help people estimate future pension payments. These tools could be extended to further clarify the alternatives for people choosing between work and pension.

Unemployment insurance benefits (UIBs) and voluntary early retirement pensions (VERPs)

To be eligible to UIBs and VERPs in Denmark, workers have to be members of an unemployment insurance fund (UIF). Membership is voluntary. Currently, only around three out of four in the labour force (among both employees and the self-employed) are insured (OECD, 2013c). The proportion of membership has declined over the past decades, particularly among younger groups. After the age of 65, membership in the insurance fund is terminated – even if the member stays on working. There are 27 UIFs in Denmark, organised by sectors and/or occupations. The funds are responsible for payments of UIBs and VERPs to their members.

Unemployment insurance benefits (UIBs)

This scheme is financed by a universal membership fee of EUR 510 per year – independent of income, the unemployment rate and individual risk factors – and by contributions from the state budget. Eligibility requires registration as a jobseeker with the municipal jobcentre and to be available for and actively looking for a job. In 2015 the maximum benefit amounts to DKK 4 135 per week. The replacement rate cannot, however, exceed 90% of previous earnings. Due to benefit ceilings, replacement rates are thus lower for individuals with above-average earnings. Denmark has one of the highest levels of income replacement among OECD countries: during their first year

of unemployment, jobless persons received on average (in 2012) 74% of their previous wage, compared to 55% in the OECD.⁵

There are no longer any special rules for older people regarding unemployment benefits. As part of the 2006 Welfare Reform, the previous right to prolonged unemployment benefits for people above the age of 55 has been abolished for people born in 1953 or later. To counterbalance this abolition, the Welfare Reform introduced the right to a “seniorjob” (see Chapter 5). In 2011, Parliament passed legislation to reduce the maximum duration of the unemployment benefits from four to two years and to harmonise the length of time that it takes to earn the right to claim it to 52 weeks’ work in the past three years. This regulation is applicable to workers who started the unemployment period after 1 July 2010.

A relatively rapid phase-in of the shorter maximum duration of unemployment benefits, combined with a difficult labour market, led to an increasing number of people without any rights to social benefits. To dampen the negative effects of the reform, people who have exhausted their rights to unemployment benefits in 2013 could be eligible for a special education allowance of a maximum twelve months’ duration for those who became unemployed in the first half of the year, and six months’ duration for those who became unemployed in the second half.

In addition, a temporary unemployment benefit was introduced in 2013 targeted at people left without benefits from 2014. Due to remain in force until mid-2016, the temporary allowance amounts to 60% of UIB for non-members and 80% for members. The total period of unemployment benefit, special education allowance and the temporary unemployment allowance can altogether be of four years’ duration.⁶ In 2015 the Danish Parliament adopted new, temporary regulations to grant people who exhaust their rights to UIB and temporary unemployment benefits in the period 2015-17, and who are not entitled to other social assistance, benefits without means-testing up to a maximum period of three years.⁷

Even if unemployment among older people in Denmark is lower than the total unemployment rate, at 5% and 7% respectively in 2013, Bjerregaard Bach and Larsen (2014) find that unemployed above the age of 55 are clearly overrepresented among those who exhaust their rights to UIBs, and that the proportion of those who find a regular job is lower. Bjerregaard Bach and Larsen (2014) indicate, moreover, that unemployed people aged 50-54 seek jobs in greater numbers than other age groups. The study does not include information from which to draw any policy conclusions, but one hypothesis is that there are strong incentives for workers to remain eligible for UIBs until they reach the right to a seniorjob (see Box 5.4).

Evaluation of the effects of the reduced maximum duration of UIB is still in an early phase. Jonassen (2014) finds that there is a positive employment effect at the end of the new maximum duration of two years. As a whole, however, employment outcomes have not improved after the reform, since more people move from unemployment benefits to other benefits or to a situation of inactivity with less labour market attachment. For Hermansen (2014), estimations of the total long-term employment effects of the UIB reform contribute to an increase in the employment rate by almost a 0.5 percentage point. However, the study concentrates on the age group 25-50; more should be done to evaluate impacts for older unemployed, who traditionally have the greatest problems in finding new jobs.

A commission has recently been appointed in Denmark to review the unemployment benefit scheme. The commission is chaired by Nina Smith.⁸ Findings are scheduled to be presented the turn of the years 2015/16. The mandate for the commission is very broad; it includes introducing flexibility over the business cycle, reviewing voluntary versus obligatory membership, reducing bureaucracy and strengthening mobility. It is also asked to investigate whether there are issues related to specific groups of seniors.

Voluntary early retirement pensions (VERPs)

The voluntary early retirement pension is linked to the unemployment insurance scheme. To qualify, workers must have been members of an unemployment insurance fund (UIF) for at least 30 years and have paid voluntary early retirement contributions during this period. The benefit amounts to the rate of unemployment benefit up to a limit of 90%, the maximum rate of UIBs (Nososko, 2008). Any payments from occupational or individual schemes will reduce VERPs even if take-up is postponed.

According to the Economic Council of the Labour Movement (2010), 83% of VERP recipients have a background as blue collar workers. Most of them live in rural areas. Life expectancy for those who take up early retirement is lower than for those who stay on working. A 60-year-old man who is taking up a VERP can on average expect to live 2.2 fewer years than other male workers. For women, the difference is 1.3 years. The great majority of people taking up VERPs were previously working (Dansk Arbejdsgiverforening, 2013). In 2012, 23% had spent more than 20% of their potential working time receiving a public benefit in the three-year period prior to taking up a VERP. There are, however, substantial differences across sectors. While one-third of new recipients from the construction sector came from unemployment, the share was only 6% for nurses.

The generosity of the VERP has gradually lessened over time. From 1999, take-up between the ages of 60 and 62 is less attractive through income testing

against potential pension payments, not just actual payments, and in some cases also because of lower replacement rates. On the other hand, work after the age of 62 has been made more attractive, partly through facilitating the combination of work and VERPs. According to Jørgensen (2009), the 1999 reform slightly reduces withdrawal rates.

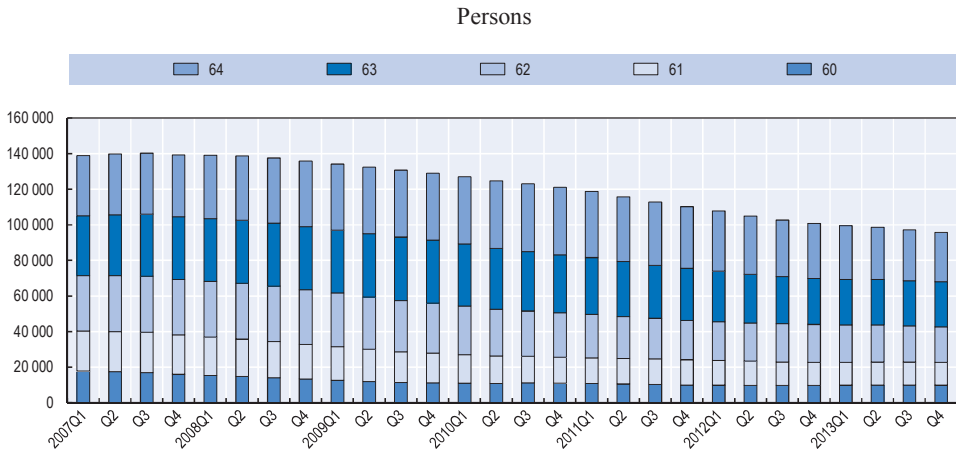
The VERP has until now been payable from the age of 60, but the minimum age will increase from 60 to 62 over the period 2014-17, as decided in the 2006 and 2011 reforms. The duration of a VERP benefit will subsequently decrease from five to three years over the period 2018-23. The new rules will apply for people born after 1 July 1959. In addition, as from 2027 the retirement age will be linked to improvements in life expectancy following an indexation rule. The indexation procedure is similar to the one for old age pensions, but the indexation decision will be taken 12 years before entering into force, compared with 15 years in advance for the old age pension. Limiting the VERP scheme is well in line with the recommendations presented in the 2005 report on Denmark (OECD, 2005).

Work and VERPs can be combined; however, this will result in a lower benefit payment. People deferring VERP take-up by at least two years, while they still are working, will receive a higher VERP rate. Three years' full-time work will result in a one-off lump sum for eligible people. The amount is not fully actuarially calculated, but the lump sum is not means-tested against potential payments from occupational schemes.

Take-up rate of the VERP was reduced following approval of VERP reforms (from 60% in 2007 to 51% in 2014), and the age of retirement seems to be increasing. At the end of 2013, 95 700 persons received VERPs, 32% less than in 2007 (Figure 3.7). The take-up rates vary greatly across sectors, from about 20% in many academic occupations to about 60% in manual occupations.

The share of adult workers contributing to the VERP scheme is decreasing, so the share of people who will be eligible for the VERP in the future is declining (Figure 3.8). A temporary measure in 2012 offering tax-free withdrawal of paid contributions encouraged many people, primarily below the age of 50, to give up their membership (Dansk Arbejdsgiverforening, 2013). The reason for this measure was that regulation of the scheme will be substantially changed (Madsen, 2012), which could make membership less attractive.

Figure 3.7. Recipients of VERPs by single year of age, Denmark, 2007-13

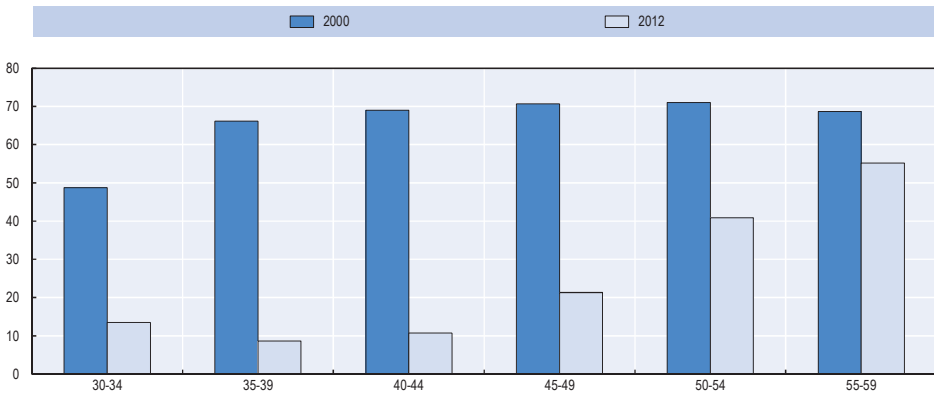


Source: Statistics Denmark (2014), “Declining Number of VERP Recipients”, *NYT fra Danmarks Statistik*, No. 142, Copenhagen.

StatLink <http://dx.doi.org/10.1787/888933215982>

Figure 3.8. Proportion of people contributing to the VERP by age group, Denmark, 2000 and 2012

As a percentage of persons employed in each age group



Source: Dansk Arbejdsgiverforening (2013), *Older Workers and the Labour Market*, Copenhagen.

StatLink <http://dx.doi.org/10.1787/888933215997>

The Danish Economic Council (2013) projects that the share of new cohorts entitled to VERPs will decline from about 66% currently to about 10% in 2050. According to projections, the entitled workers will to a large extent stay on working, and take up the lump sum. The reason is that rights to high occupational pensions will reduce annual payments of the early retirement benefit, while the lump sum is not affected. Take-up of the VERP is attractive mainly for workers with low occupational or private pension savings, for whom the means-testing has little effect. In the future, the advantage of membership in the VERP scheme will shift from access to early retirement to the right to have a seniorjob (see Chapter 5), as well as the lump sum at the statutory retirement age. Consequently, for the Danish Economic Council (2013), the employment effect of closing the scheme should be small.

Sickness, disability and social assistance benefits

Sickness benefits and return to work

Since 2012, Danish employers have been paying full income during the first 30 days of sickness absence. This period is very short compared with the situation in the Netherlands, where the first two years of sick leave and disability are paid by the employer (OECD, 2014b). After 30 days, the municipalities assume the responsibility in Denmark. Payments are earnings-related, with the maximum payment being equal to the maximum UIB. Via CLAs, most employees receive a full-wage payment for a considerable period, typically several weeks for blue-collar workers and even up to one year for white-collar workers (OECD, 2013c). The municipalities are in charge of helping sick-listed people back to work.

Efforts to get people back to work were reinforced in 2013. The period preceding reassessment of entitlement to the benefit is shortened, from the previous 12 months to five months. A person losing entitlement to the benefit but unable to return to the previous job will be transferred to a job assessment process. By tailor-made support from the municipality, the aim is promoting their working capacity and helping their return to work. During the job assessment process, the person can be granted a benefit equal to social assistance (see below) but exempted from income testing. The benefit can be granted for a period of two years, and if the person is still incapable of working, another two years period could be granted.

A number of policies have been implemented in Denmark to reduce sickness absence and to assist return to work, for example by involving the employer more actively in the return-to-work process. According to Holt, Jakobsen and Jensen (2013), nearly 70% of Danish firms have policies to

prevent and reduce sickness absence. They typically include regular contacts with employees on sick leave, partial sick listing and modifying the ill employee's working conditions. A majority of firms retain employees in work on ordinary conditions, but in a substantial number of firms, their return to work is accompanied by some support, as for example reduced work-load or special equipment to manage the work tasks with or without public assistance. There is no information regarding whether specific measures are used for different age groups. Nonetheless, Holt, Jakobsen and Jensen (2013) report that "senior" policy is the area where the fewest firms have implemented policies. According to the OECD report (2013d), the voluntary character of the initiatives results in weak implementation.

Older workers are not more absent because of sickness than younger workers (Dansk Arbejdsgiverforening, 2013). The low share of older recipients of sickness benefits returning to work is, however, a matter of concern. Above the age of 55, less than half of the beneficiaries were back in work one year after ending a sickness benefit period (Figure 3.9). Between the ages of 50 and 60, the take-up of specific subsidised jobs for people with reduced working capacity, such as flexjobs (see Chapter 5), is high, while after 60, a large share ends up on disability benefit.

The new regulation that moves reassessment forward to five months could be a step toward getting older people back to work after sickness absence. Shorter periods of absence could be particularly important for older workers with relatively short remaining working lives. An efficient job assessment process adapted to individual needs is essential to encourage all stakeholders to take measures to boost return to work, and prevent the perception that making the situation pathological will help the employee keep the full sickness benefit. Health issues as well as efficient measures to deal with them can change with age, and such features must be part of the training of the reassessment teams and other key staff. Measures must be designed to have an immediate return for employers as well employees, since the payback period is relatively short. Previous experience has shown that close monitoring of implementation and outcomes is essential.

Rehabilitation and disability benefits

The caseload of recipients of disability benefits is relatively high in Denmark, although there has been a small decline for the oldest age groups over the past years. To further improve outcomes, the rehabilitation process was reformed in 2013 with the aim of giving people individual, tailor-made assistance to come back to work through a so-called "resource process". A resource process can be granted for periods of one to five years' duration. If the person is not back into work during this period but returning is still assessed to be a likely outcome later on, further resource process periods can

be granted. During the resource process, people are granted a benefit at the level of social assistance, but exempted from income testing.

These rehabilitation programmes could combine labour market activities, treatment in the health sector, and social help, and involve close co-operation among these spheres and with the education sector. Rehabilitation teams are established in all municipalities.

Only people with substantially and permanently reduced work ability can be entitled to disability benefits. Rehabilitation and activation measures have to be applied before a disability benefit can be granted. People below the age of 40 can only be granted a benefit in cases where there is no possibility of a return to work. The disability benefit is residence-based. The full benefit rate for a single person with 40 years of residence in Denmark after the age of 15 amounts to the UIB level. People with a partner receive 85% of this amount. The benefit is tested against the person's and the partner's incomes.

People can apply for a disability benefit without previous participation in a rehabilitation programme if they have a permanently reduced capacity to work; a maximum of five years remaining until old age pension age; and recent labour participation of at least 20-25 years, measured on a full-time equivalent basis. In principle, the criteria are the same as for other applicants for a disability benefit but since the procedure is simplified the scheme has been described as a “fast track” to disability benefits (Madsen, 2012). OECD (2015) stresses the need to ensure that permanent disability benefits are granted only under special circumstances, to prevent these schemes from becoming a new pathway to early retirement.

A special system of subsidised jobs, called flexjobs, was implemented in 1998 for people who are not able to fill a regular job (see Chapter 5). Remaining work ability can be put to use through a combination of work and disability benefits, but the benefit is then reduced. Preliminary data show that inflows to disability pensions declined from 2013, including for the age groups above 50. It is, however, too early to draw conclusions about the long-term impacts, and this reform should be closely monitored and evaluated.

Social assistance

Uninsured unemployed people and other jobless groups who have exhausted all their rights to benefits, and are without any other income or significant wealth, can be eligible for social assistance. For people who are ready for the labour market, job search is a prerequisite for eligibility, while other groups have to satisfy conditions such as participation in a treatment group or in an activation programme. Payment rates correspond roughly to (respectively) 60% and 80% of the maximum UIB for a single person with

and without dependent children (OECD, 2013c). Benefits are calculated for an individual, i.e. a couple can get twice this amount. To be eligible for cash benefit, the person cannot have tradeable assets worth more than DKK 10 000, or DKK 20 000 for couples. The spouse's incomes are taken into account in the means-testing of the household.

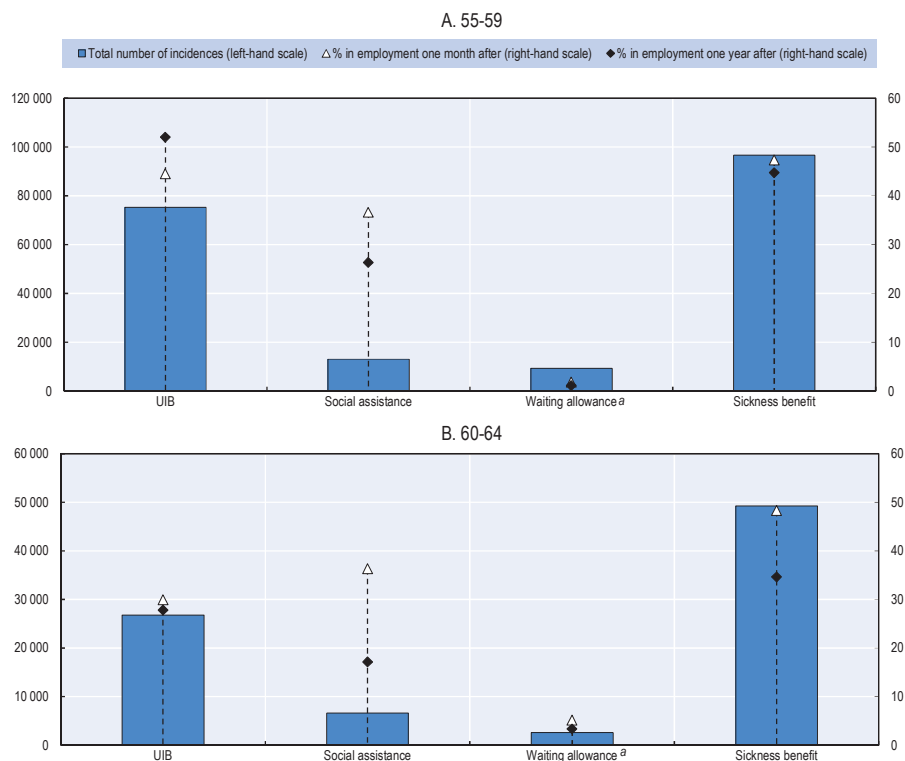
Older people have a higher rate of union membership than younger people, have greater coverage by UIBs, and may be entitled to a VERP – currently from the age of 60.5. The proportion of recipients of social assistance is therefore declining with age (OECD, 2013c). Nevertheless, a gradual decline in the proportion of jobless people who return to work by age is notable; above the age of 60 this share is very low. Most of these people remain on social assistance, or are granted disability benefits.

All these benefits: A help or a trap for older workers?

A key issue is to ascertain whether older recipients of sickness, unemployment or other social benefits return to sustainable jobs, or conversely whether reciprocity only acts as a trap during a chaotic transition to retirement. For Halvorsen and Tägtström (2013), compared with other Nordic countries, access to benefits related to unemployment or joblessness remain important pathways out of the labour market in Denmark. They find that labour market participation has not increased at the same rate as the reduction in the number of people above the age of 60 receiving a VERP or other social benefits. Moreover, Filges, Larsen and Pedersen (2012) find that for an individual, being unemployed plays a great part in the retirement decision and that impact is increasing with age. These studies highlight the complex interaction between retirement, the general labour market situation, and disincentives represented by the relatively short remaining period in work.

Actions have been taken over the past years in Denmark to close pathways to early retirement, but their full implementation will take place only at the end of the current decade. Today, too many older workers still depend on social benefits or subsidised work at the end of their career (Figure 3.9). The likelihood of return to work after a period of receiving benefits varies across types of benefits and age groups. One year after the last registered benefit receipt, previous UIB recipients in the age group 55-59 have the higher rate of return to work, particularly after one year, compared with those who received sickness benefits or social assistance. The decline in the employment rate over time for those who leave social assistance indicates that this group often has problems finding stable jobs, and that their return to inactivity or benefits is quite frequent. Generally, the likelihood of returning to work declines with age and becomes very low after the age of 60, except after a period of sickness absence. Reaching the age of entitlement to a VERP can be part of the explanation.

Figure 3.9. Transition from benefit to work, Denmark, 2013



a) A waiting allowance is a special benefit for those waiting to be placed in a subsidised flexjob.

Source: Authors' own calculations based on the database www.jobindsats.dk. Data downloaded 24 April 2015.

StatLink  <http://dx.doi.org/10.1787/888933216005>

Another element in the Danish employment and benefit system is the differential rates of reimbursement from the state budget to municipalities, varying with the type of benefit or intervention a person receives (OECD, 2013c). To avoid risks that short-term considerations related to reimbursement of expenditures overshadows longer-run employment prospects, a new reimbursement system will be implemented in 2016 (Ministry for Economic Affairs and the Interior, 2015). In the new system, reimbursement rates will, with a few exceptions, be the same across benefits and decline with duration, to encourage return to work. Even if not regulated by the same structure, flexjob subsidies to municipalities will be further targeted towards people with low wages and low work ability.

Joblessness after the age of 55 should, however, be analysed from a broader perspective. For Andersen, Määttä and Valkonen (2014), there is “excess unemployment” for older workers, but the age at which it is a concern is delayed with increasing effective retirement ages. Short remaining time horizons in the labour market could make workers less active in job search and employers more reluctant to recruit them. This “end point problem” seems, interestingly, not determined by age *per se*, but by adaptation to a changing ‘normal’ retirement age. That is to say, when the retirement age increases, unemployment problems among older workers are more important later. This indicates that policy measures can play a role but also that there are challenges linked to the last few years of working life that should be given special attention.

Further steps to close pathways to early retirement and encourage longer working lives

Older jobseekers should have better access to assistance that could efficiently help them to return to regular jobs. Their shorter remaining period in work until retirement underscores the importance of rapid re-entry, and the payback period should be taken into account in fine-tuning the design and selection of suitable measures to make them attractive for both employers and employees. Reimbursements from the state budget to the municipalities must provide incentives to get people of all ages back into regular jobs. Impacts for older workers should therefore be singled out as a theme in monitoring and evaluation of the new reimbursement system from 2016.

High VERP take-up rates by skilled and unskilled workers in rural areas could be signalling the impact not only of economic incentives but also of poor labour market perspectives for these groups. In a life-cycle approach, good initial education of the public could improve the likelihood of long working lives. On the other hand, high effective tax rates for moving off benefits back into work could result in a severe inactivity trap in Denmark (Jamet and Koen, 2014). Measures to increase the value of employment during the years immediately before the retirement age could therefore improve work incentives. OECD (2013d) shows that displaced workers above the age of 45 in Denmark have a substantially larger and more persistent earnings loss when re-employed than younger age groups. These losses will very often be permanent for those with very few years left before retirement. This could be tackled by introducing an in-work tax credit for those benefit recipients if they return to work to compensate for the shorter payback period. In addition, mutual obligations for recipients of UIBs or other social benefits should be enforced as a mainstream strategy, and unwillingness of unemployed people to accept a relevant job offer should be sanctioned, irrespective of age.

(Early) retirement decisions are often affected by a combination of economic and social factors. Policies to promote longer working lives must reflect this complexity, recognising that older workers are a heterogeneous group. Some of them, the most vulnerable (the less skilled in particular), often face involuntary “push” and “pull” factors to withdraw from the labour market (Box 3.2). As an example, Goul Andersen and Jensen (2011) refer to a number of factors to explain why Swedes work longer than Danes: i) people in Sweden live longer and are healthier; ii) working environment regulations are more comprehensive in Sweden; iii) the level of education in the age group 55-64 is higher in Sweden; iv) there is more flexibility in Sweden to accommodate vulnerable groups in the labour market; v) employment protection legislation (EPL) is weaker in Denmark than in Sweden.⁹

Box 3.2. Factors in late career working and retirement patterns

For Goul Andersen and Jensen (2011), it is important to move beyond economic incentives and obtain a more realistic picture to implement efficient measures. From their sociological perspective, socio-economic factors that are not mutually exclusive affect specific groups of older workers differently.

Factors stimulating withdrawal from the labour market

Push – Basically involuntary. Manual/unskilled older workers are pushed out, victimised by social structures and circumstances such as an economic crisis or a poor work environment.

Pull – Basically voluntary. Retirement is a rational decision for white collar workers based on economic calculations and social norms, for example regarding standard retirement age.

Jump – Basically voluntary. Retirement, particularly of women, is reflexive, the result of a process where leisure, family life, hobbies, etc. are the deciding elements.

Factors stimulating longer working lives

Stay – Basically voluntary. Highly educated and motivated workers decide to stay because of high job satisfaction, good relations with colleagues and managers, and rewarding pay.

Stuck – Basically involuntary. Workers are not able to leave their job positions because of insufficient economic support or a risk of social isolation, especially among singles.

Source: Goul Andersen, J. and P.H. Jensen (2011), *Withdrawal from the Labour Market – Determinants and Effects*, Frydenlund Academic, Fredriksberg.

Key policy recommendations

Denmark has implemented several reforms over the past decade to reduce early retirement and increase the statutory pension age, in its broad strategy to protect against poverty and exclusion. However, effective marginal taxes on work can be high for older people. As larger groups of workers acquire higher pensions from occupational schemes, the disincentives of high marginal taxes could become an increasing barrier to longer working lives. Work incentives could be strengthened as follows:

- *Enhance work incentives for persons approaching and beyond retirement age.* Steps should be taken to improve transparency of the pension system and reduce effective marginal tax rates for full-time workers close to retirement age and for those who continue working beyond retirement age. The choice of reform path and how measures are designed should be based on a thorough analysis of impacts on income distribution, work incentives and public expenditures.
- *Provide information to form the basis for well-informed choices between work and retirement.* Reforms to improve transparency and increase incentives to work should be accompanied by forcefully cogent information campaigns to make people aware of the gains from working longer, as well as efforts to improve financial literacy.
- *Ensure that transitory “bridging” benefits are not used as alternative pathways to early exit from the labour market.* The impacts of these temporary unemployment benefits should be closely monitored and evaluated to prevent having a return to work replaced by “tunnelling” from unemployment to retirement. Long-term recipients of social benefits who have reached an age where the permanent earnings loss is likely to be significant could be granted an in-work tax credit if they return to work over a certain minimum number of hours per year.
- *Closely monitor and evaluate the 2013 reform of rehabilitation and disability schemes and the coming 2016 reform of reimbursements to municipalities.* This should include efforts on the part of municipalities to help older people in need of assistance to find regular jobs; steps should be taken with the shortest possible delay. The selection, design and fine-tuning of suitable measures should be adapted to the remaining period in work, to make them attractive to municipalities, employers and employees.

Notes

1. From 2008, DKK 30 000 were exempted from the means-testing of old age pensions, and the required number of hours worked to defer take-up was reduced from 1 500 to 1 000.
2. www.forsikringogpension.dk/presse/Statistik_og_Analyse/statistik/pension/branchetal/Sider/Selskaberipensionsbranchen_Antal.aspx.
3. www.skm.dk/aktuelt/presse/pressemeddelelser/2014/maj/regeringen-nedsaetter-pensionskommission/.
4. See note on Sweden at www.oecd.org/els/employment/olderworkers.
5. The figures are from the OECD tax benefit models – see www.oecd.org/els/social/workincentives.
6. www.bm.dk/da/Beskaeftigelsesomraadet/Ydelser/Dagpenge/Hvordan-er-du-stillet-hvis-du-opbruger-din-ret-til-dagpenge/Du-opbruger-din-ret-til-dagpenge-efter-1-januar-2014.aspx.
7. <http://bm.dk/Aktuelt/Nyheder/Arkiv/2015/02/Lovforslag-om-kontantydelse-vedtaget>.
8. <http://bm.dk/da/Beskaeftigelsesomraadet/Flere%20i%20arbejde/Dagpengekommision/Kommissorium-for-dagpengekommisionen.aspx>
9. The survey Activating Senior Potential in Ageing Europe (ASPA) was financed by the Seventh Framework Programme of the European Union (www.aspa-eu.com). According to the ASPA survey, 59% of Swedish employers find it hard or very hard to dismiss people, compared with 26.5% in Denmark.

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Chapter 4

Encouraging employers in Denmark to hire and retain older workers

This chapter analyses the extent to which there are employment barriers in firms for older workers. Efforts to manage age diversity in the work setting are examined, such as tackling age discrimination; limiting mandatory retirement ages; and reaching collective labour agreements that establish frameworks aimed at the retention of older workers. Provisions such as “senior days” in regions and municipalities are enumerated, and the relationship between wages and older workers’ productivity – as perceived and as documented – is discussed. The importance of flexible wage setting is highlighted, as is the value of (as yet rare) senior entrepreneurship.

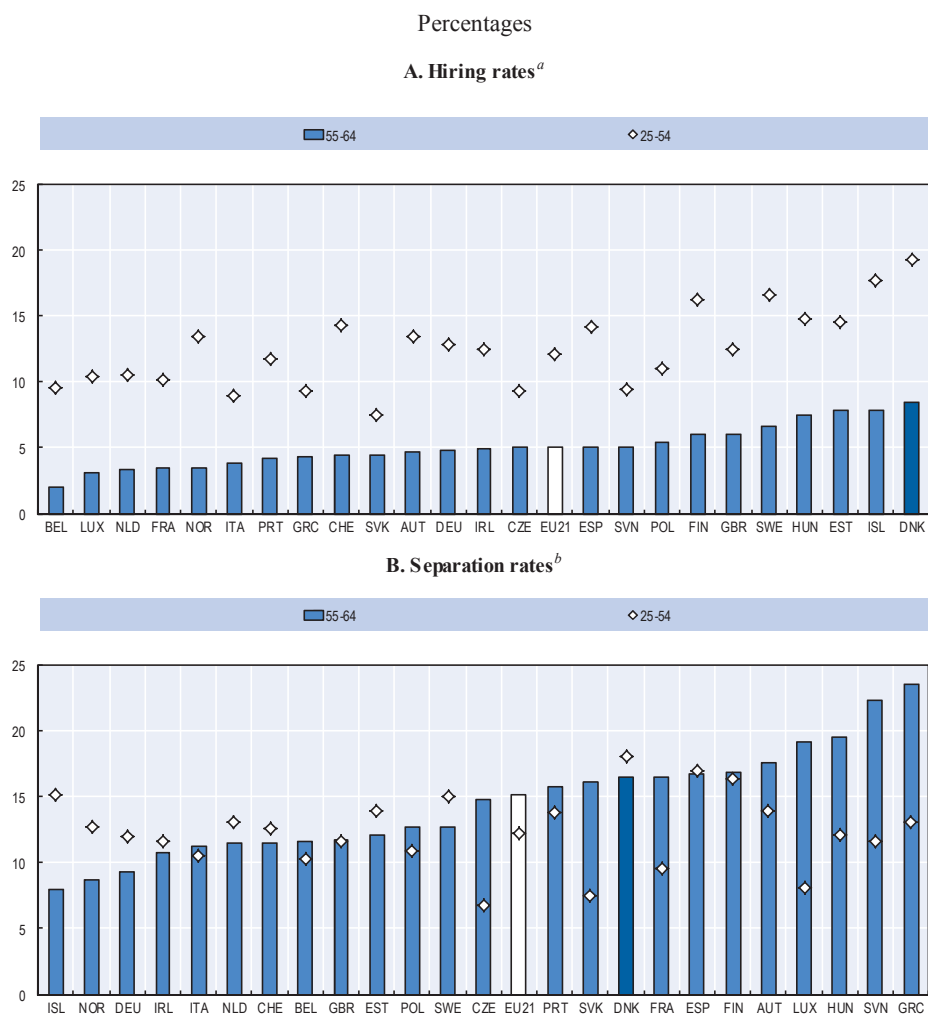
Introduction: A labour market that performs less well for older workers

In Denmark as in many OECD countries, the top priority in terms of policy action has been to strengthen financial incentives to work. But it is important for more inclusive ageing and employment policies to move beyond pure economic incentives on the supply side, and to identify on the demand side the barriers faced by older workers wishing to keep their job or to change jobs (Sonnet et al., 2014).

As analysed in Chapter 2, the labour market of older workers in Denmark includes high job turnover compared with many other OECD countries. In fact, Denmark is the champion in hiring but unsurprisingly, hiring rates are much lower for older workers than for prime-age workers who have a greater tendency to change jobs (Figure 4.1, Panel A). Workers aged 25-54 were 2.3 times more likely to be hired than workers aged 55-64 in Denmark in 2013, a figure very close to the EU21 average (2.4). In addition, age differences in separation rates vary considerably across European countries. Denmark has a separation rate for workers aged 55-64 slightly below that for the age group 25-54 (Figure 4.1, Panel B). Given both turnover indicators, there is a strong risk of long-term unemployment for the older unemployed: 1.4 times higher than the incidence for unemployed persons aged 25-54 in Denmark, compared with 1.3 in the EU21 area (Figure 4.2).

The issue of older workers' low mobility is currently being studied by Nordic researchers. Ilmakunnas and Ilmakunnas (2014) are particularly concerned by the fact that in Finland the share of employees aged 50 and over in separations is similar to their employment share, while they are underrepresented in hiring. For those authors (2015), the hiring side of the older workers' labour market has received too little attention because the exit side is the predominant form of mobility. By examining the effects of restrictions regarding early retirement options in Finland on the incentives of firms to hire older employees, they found a positive impact on the probability of hiring older employees. More generally, Andersen, Määttä and Valkonen (2014) suggest that there is a problem of older workers reaching an "end point" that is difficult to avoid. This end point phenomenon can be attributed to both the demand side (employers are hesitant to hire workers close to retirement) and the supply side (workers are not searching as actively or are raising their threshold for acceptable wages and working conditions).

Figure 4.1. Hiring and separation rates by age group, specific European countries, 2013



a) The hiring rate is the ratio of all employees aged 55-64 with tenure of less than one year to the total number of employees aged 54-63 the year before.

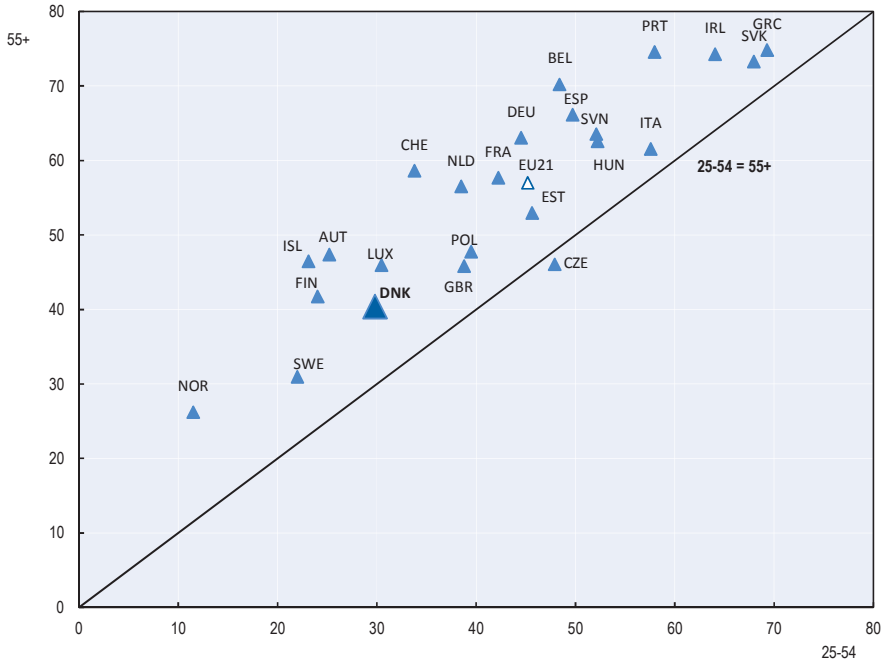
b) The separation rate is the difference between the net employment change rate and the hiring rate. (The net employment change in year $t =$ hiring in year $t -$ separations in year t .)

Source: Authors' own calculations, based on the European Union Labour Force Survey (EU-LFS).

StatLink  <http://dx.doi.org/10.1787/888933216012>

Figure 4.2. **Incidence of long-term unemployment^a by age group, specific European countries, 2013**

As a percentage of the unemployed in each age group



a) Unemployed for one year or more.

Source: Authors' own calculations, based on the European Union Labour Force Survey (EU-LFS).

StatLink  <http://dx.doi.org/10.1787/888933216021>

Managing age diversity

Denmark has actively tried to combat discrimination, insecurity and prejudice associated with older workers over the past decade, through legislation, information campaigns and awareness-raising actions. Most collective labour agreements (CLAs) include a framework for specific schemes dealing with older workers, and some contain measures promoting age diversity embedded in a life course perspective.

Age discrimination

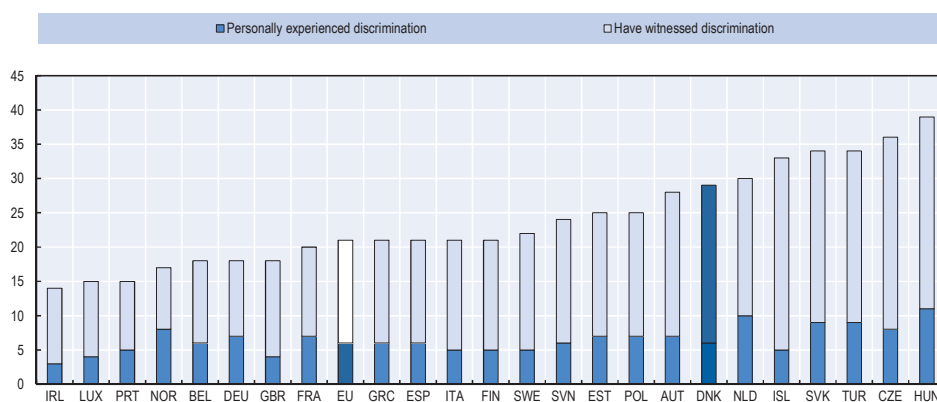
In 2004 Denmark introduced an amendment to its existing Anti-Discrimination Act, spurred by the 2000 EU Directive on equal treatment

in employment and occupations. Employers are prohibited from direct as well as indirect age discrimination with regard to recruitment, employment and dismissal, but employer and employee organisations are free to include age provisions in CLAs as long as they do not prejudice employees' rights under the directive. They may agree on stronger protections than exist under the Anti-Discrimination Act, but cannot opt out of the basic protections it provides.

Nevertheless, there is still a perception of age discrimination in the Danish labour market. Results from a Eurobarometer survey on active ageing suggest that the proportion of people who reported that they had been victims of age discrimination at the workplace has been moderate in Denmark in 2011, as in most European countries (Figure 4.3). If people who report that they have witnessed such discrimination are added, the shares are increasing considerably: 29% of respondents in Denmark reported to have been age discriminated at the workplace in 2011, or had witnessed such discrimination. This is somewhat above the EU21 average of 21%.

Figure 4.3. **Age discrimination in the workplace, European countries, 2011**

Percentages^a



a) Percentage of respondents answering in the affirmative to this question: “Age discrimination can affect people of all ages. However, for this question I would like you to think only about those situations where people have been discriminated against because they are perceived to be too old. In the last two years, have you either been a victim of such discrimination because of your age yourself or have you witnessed age age discrimination at the workplace?”

Source: Eurobarometer (2012), “Active Ageing”, *TNS Opinion & Social*, Special Issue No. 378, Brussels.

StatLink  <http://dx.doi.org/10.1787/888933216037>

The special issue on discrimination in another Eurobarometer survey in 2012 indicates that being over 55 years old tops the list of factors that could put job applicants at a disadvantage in Denmark (58%), as in the large majority of EU27 countries (Eurobarometer, 2012b).¹ To foster diversity in

the workplace, an absolute majority of Europeans (81% in Denmark) is in favour of monitoring recruitment procedures to ensure that candidates from groups at risk of discrimination have the same opportunities as other candidates with similar skills and qualifications. But at the same time, Denmark (63%) and Sweden (61%) emerge as the countries where workers are most likely to feel that enough is being done in the workplace to promote older workers.

According to a poll carried out by the DaneAge Association in 2013, a dedicated senior citizens' lobby group,² more than a quarter of people over 60 who retired did so unwillingly. Only one-third said they stopped working due to health reasons. In addition, only 12% of people aged 65-70 declared that they were employed; 26% of the same age group were interested in finding a job but had stopped looking. In fact, there are an increasing number of complaints concerning age discrimination, but currently only a few court cases. Those cases are filed by an umbrella organisation of labour unions for people with academic education and are pending in the labour court system. The Prime Minister mentioned in her 2013 New Year's speech that it is unacceptable to fire workers because of their age.³

Mandatory retirement ages

The mandatory retirement age of 70 for civil servants was abolished in 2008, with administrative registers already reporting positive trends. In particular, as every fifth employee in Denmark is a municipal employee, it is interesting that five years after the abolition there has been an increase of more than 50% in the number of municipal employees aged 70 and over: 1 547 employees in December 2013 compared with 1 009 employees in December 2008.

Nonetheless, the mandatory retirement age still exists in the private sector. CLAs and individual labour contracts can include a requirement to leave at the age of 70, and legislation still makes it possible for companies to automatically terminate employees as soon as they reach that age. Moreover, there are still some public service positions that enforce the mandatory retirement age rule – examples include persons in the military (at 62), priests and judges (at 70), and those occupations with security concerns, such as piloting aircraft. DaneAge is promoting abolition of any mandatory retirement age for the few professions that still have it, as a signal that individuals can work longer. The Ministry of Employment has currently sent for consultation a proposal to make it illegal for 70-year rules to be written into employment agreements, but this proposal does not include the Civil Servants Act covering public service positions.

An age limit (currently 65) moreover applies to unemployment insurance funds (UIFs) membership. DaneAge recently challenged the age limit to UIFs in the Supreme Court, claiming that those older than the pension age who continue working should be allowed to continue being insured against job loss. The Supreme Court in Denmark concluded in January 2015 that termination of membership in UIFs when the person reaches the pension age is not age discrimination.⁴ Finally, DaneAge as an employer already employed ten persons aged over 70 in 2014; the association is hoping these senior colleagues will serve as role models, positive examples to incentivise other colleagues not to retire too early.

Still, there is a trend of working beyond pensionable ages in Denmark. There was a 40% increase in the number of persons in employment in the age group 67 and over between 2009 and 2013, in both the public and private sectors. Yet in 2013 they represented only a tiny proportion of the workforce: 1.5% of the total number of employees in the public sector and 1.8% in the private sector. Larsen, Bjerregaard Bach and Liversage (2012) find that reaching the pension age represented a barrier to continue working for one out of ten in the age group 65-76 – but much more, one out of four, for people who wanted to stay on working after retirement age. According to a report from Deloitte (2012), the topical issue is the fact that employers are not sufficiently aware of the labour potential represented by early retirees and pensioners.

Provisions for older workers in CLAs

The Danish model regulating the labour market builds on a strong dialogue with the social partners. As stressed in Chapter 3, almost all workers are covered by a collective labour agreement (CLA). Remuneration, and sometimes training (see Chapter 5) and other working conditions, are negotiated every two to three years by workers' unions⁵ and employers' organisations. In the private sector, collective bargaining sets framework conditions, but negotiations to implement them take place at firm level and thus require local agreement. By contrast, in public sector CLAs, provisions are more extensive, and in many cases there is a built-in entitlement to them. By consequence, the nature of older worker provisions differs considerably in CLAs in the public and private sectors.

It is also important to stress that the ageing demographic is reflected more in the public sector than in the private sector. The share of workers aged 50-64 was higher in 2012 in the public sector (35%) than in the private sector (23%) (DA, 2013). And some occupations in the public sector, such as nurses and teachers, have a higher likelihood of withdrawing early from work than members of private pension funds. Jakobsen et al. (2014) find that older workers are in general well appreciated, but that there is a slight tendency for

workers above the age of 60 to be somewhat less welcome in the public sector. This could indicate that the public sector is particularly challenged by structural reforms to boost the employability of older workers, to motivate more people to work at least until the normal retirement age, and to prolong working lives.

According to Denmark's Convergence Programme 2014, the reform efforts of the government are directed mainly towards improving the framework conditions for the private sector and private job creation, including through increased educational attainment (Government of Denmark, 2014). Nonetheless, modernisation of the public sector is one of the three reform tracks in the government's Growth Plan DK: i) strengthen competition, dynamism and internationalisation; ii) improve the quality of education and add value to the labour market; and iii) create a sound framework for new solutions and efficiency in public sector. Modernisation of the public sector is intended to ensure effective use of resources and continued high quality of public welfare services.

There have been two linked messages for older workers in most CLAs over the past decades. First, there is the individual "development dialogue" in which the manager/director/daily supervisor and the older worker try to identify together a high-quality end-of-career pathway. Second, particularly in the private sector, it is important to establish flexible and proactive practices for older workers at the firm level. The focus should be to increase awareness of the usefulness of working longer and, to this end, to offer different solutions to make it more attractive to delay retirement. In practice, special arrangements regarding older workers' job functions can be settled through development dialogue at firm level – for instance work tasks, flexible hours, reduced working time, change to another job within the company, and teleworking. Consequently, it has been possible from a certain age, typically over 60, to use parts of the pension to get reduced working hours for many decades and well before the financial crisis (Eurofound, 2013).

As indicated in Chapter 3, Danish employees can start withdrawing their occupational pension five years before the statutory pension age. Since the occupational schemes are actuarially calculated, early withdrawal will result in lower pensions at a higher age. A measure included in many CLAs is so-called "senior freedom". When an employee has five years or less left until the official retirement age, employers and employees can draw up a written agreement regarding shorter working hours or more days off (so-called "senior days"). Part of the employer's contribution to the occupational scheme can be used to finance the extra time off. The remaining pension premium must be at least 6%. The employee's part of the contribution cannot be converted, but can be included in the 6% limit. The agreed time off must be

used in the current year and cannot be transferred, for example to retire some months before the formal pension age.

Since a large share of older workers have a high amount of pension savings, and their loss of public benefits can be substantial because of income testing (see Table 3.1), this measure can be attractive and thus risk reducing the total labour supply of older workers. There are no statistics showing use of the measure, but such conversion of pension contributions is said to be common practice. Since lower occupational pensions for many workers reduce the impacts of income testing, “senior freedom” is a sort of subsidised free time. The measure should therefore be tightly monitored to ensure that public subsidies are used in the most efficient manner to increase net labour supply from older age groups.

In parallel, since 1995, more and more CLAs also have included initiatives aiming to improve employment possibilities for persons with reduced work capacity, the so-called “social chapters”. These chapters recommend employment on special conditions (working time, wage, etc.) for persons with handicaps, regardless of age. Just like other workers with reduced work capacity, older workers have the opportunity to make use of these social chapters mainly to be retained in their job, according to Madsen (2012). One particular national measure involving wage subsidies is the “light duty job scheme”, targeting persons with a very low work capacity who have already been granted disability pension. In addition to this, there are initiatives pertaining to social enterprises that provide marginalised persons with the opportunity to enter the labour market, particularly with an emphasis on improving their skills.

Some CLAs in the private sector

Most private-sector CLAs, such as the trend-setting Industry Agreement 2012-14,⁶ require local company-level agreements in which the parties determine the design of the reduced working hours based on the individual’s wishes and the company’s operational needs. The employee who makes use of the “senior scheme” may choose to have the current pension payment paid as a supplement to the salary. But the evidence shows that only a few private employers have granted this opportunity as a right. The last CLA concluded in Spring 2014 between the trade unions and the Danish Chamber of Commerce is a good illustration of potential challenges in implementing these measures at the firm level, particularly in SMEs (Box 4.1).

Box 4.1. The 2014 CLA between the trade unions and the Danish Chamber of Commerce

The CLA states that the social partners have agreed to keep older people in the labour market longer. It includes several measures that their members, particularly the employers, could implement in their firm.

- Reduction of working hours (less than 37 hours a week) could be agreed if both the individual (aged 60 or over) and the firm allow it. This measure is not costly, as money from the pension scheme partially finances the reduction.
- Early retirement could be an attractive option as wages in the trade sector are not very high and the VERP pension could be higher. Measures should be in place to de-incentivise early retirement.
- Additional measures could be redeployment, flexjobs, retirement jobs, flexible working hours and consultancy.
- Older workers' employment should be part of the general human resource development of the firm and discussed at general staff appraisal interviews (and at any time necessary).

Source: OECD mission to Denmark in May 2014.

Some CLAs in the public sector

Unlike the private sector CLAs, the public-sector CLAs contain specific schemes for older workers as well as extended social chapters. As an example, in the largest CLAs in the municipalities, provisions for older workers include the right to reduced working time and wage compensation, particularly extra holidays or “senior days” (Box 4.2). The three largest CLAs in the state sector and at the regional level, however, do not contain these specific provisions. Here, the framework agreement applies instead.

To illustrate the slow change of culture, the “senior days” practice has been criticised by local employers for being too expensive for the municipalities in the long run, especially given that the public pension age is to be gradually postponed over the next decade. On the other hand, similar “senior days” in the state sector have been made more generous by the social partners in the latest bargaining round in 2011. The agreed practice in the state sector now offers a possibility for employees aged 62 and over to have an extra day off every month, i.e. 12 days a year for which they receive full pay.

Box 4.2. Provisions for older workers in regions and municipalities

Since the 1990s, the social partners have come to a collective agreement on policies for older workers. The aim is the retention of older workers as part of the workforce. The agreement establishes a framework for negotiating a different organisation of working conditions for older workers at each level.

Regions

Agreements could for instance include working part time or changes in job content, to some extent compensated in pensions and wages. Every region has – and some workplaces in the region have – a policy on older workers that specifies how the framework agreement will be implemented, often as part of a general life-cycle policy

As part of the 2013 CLA, the social partners agreed on new possibilities for partial pensions for older employees. The majority of CLAs now offer the possibility of partly compensating the reduced income via their occupational pension if older employees work part time. An employee is eligible for a partial pension if they have reached the pension age as laid down by law; if they have a part-time agreement; and if their pension fund offers the service.

Municipalities

Most municipalities have a general policy on older workers that specifies how the framework agreement will be put to use at the local level. As mentioned above under “Regions”, the social partners agreed on new possibilities for partial pension for older employees as part of the 2013 CLA. The agreement contains a number of initiatives to improve work opportunities:

- Changed employment conditions*: It is possible for employees aged 52 or above, in cooperation with their employer, to make changes in their working conditions until retirement. The change could be either reduced working hours, or a change in the current work description to a less demanding position.
- Generational agreements*: Generational agreements are primarily used in situations where there is a need for an experienced worker aged 54 or more to stay in the same position for up to six years in order to ensure the continuation of a work assignment. A generational agreement opens up the opportunity for additional payment, retirement benefits and extra pension.
- Severance packages*: Severance is used both for maintaining an employee for a known period and for voluntary resignation. In both cases, it is an agreement between employee and employer, and it opens up the opportunity for additional payment, retirement benefits and extra pension.
- Extra “holidays” or “senior days”*: Each year older workers have the right to extra days of holiday with full pay (from two to five days each year). Employees aged 60 are entitled to two days each year, employees aged 61 are entitled for three days, and employees aged 62 or older are entitled to four days. Some groups obtain the right when they reach 58, and some groups have the right to five days each year.
- Development review for older workers*: Older workers have the right to a special development review each year. The aim is to focus on the employee's wishes and expectations with regard to working life and discuss the above-mentioned possibilities.

Source: Danish answers to the OECD 2014 questionnaire.

Thus far there are seemingly no studies evaluating the effects of senior days on older workers' retirement behaviour in Denmark. Offering additional leave to older workers is currently a widespread retention measure in Norwegian companies, and has affected the retirement timing of older workers according to recent research. Hermansen (2014) investigates whether working in a company offering additional leave affects the relative risk of workers aged 61 and 62 in the period 2000-08 retiring on the contractual pension in the two years that follow. This intervention group was compared with a control group that included workers aged 61 and 62 employed in companies that did not introduce additional leave during the period under consideration. The analysis shows an overall average increase in the relative risk of a 61- or 62-year-old worker retiring on the contractual pension; however, among older workers employed in companies offering additional leave, there has been a decrease in the relative risk.

For Hermansen (2014), additional leave could thus reduce the effect of “push factors” by helping workers aged 60 and 61 to reconcile work and leisure, but retention efforts may prove more efficient if adequately targeted in line with the heterogeneity in needs, problems and challenges faced by different industries and groups of employees. It is important to emphasise that the data consisted exclusively of workers above the age of 60, a group healthier than the population of older workers as a whole since a large proportion of workers retire on disability pension before they turn 60.

More broadly, Jakobsen et al. (2014) highlight a tendency for workers to remain until a higher age in firms that make efforts to encourage longer careers. But the researchers cannot conclude if workers stay on working longer because of special measures, or if they would have stayed on in any case. Midtsundstad and Bogen (2014) find that, based on Norwegian case studies, bonuses and reduction of working hours without proportionate wage reductions for older employees often overshadow use of active measures to improve the work environment and work ability. More should therefore be done to evaluate the impacts and efficiency of different senior measures. Evaluations with a life-cycle perspective could provide useful information. The question is: are measures at the end of working life efficient in prolonging careers, or could a better-targeted approach independent of age have more impacts?

Interestingly, as a supplement to public sector CLAs, there is now a “senior policy framework agreement” concluded between KL (employers' association of the municipalities) and KTO (an umbrella organisation for several unions) that provides additional rights to older employees. The CFU (another umbrella organisation for several unions in the state sector) and the Ministry of Finance have concluded a similar framework for the state sector. Their agreement includes possibilities for adapting wages, pension

contributions and working hours/days off as instruments to stimulate people and enable them to work longer. This framework agreement provides a unique opportunity to reward older employees who opt not to work reduced hours, since the “senior days” can be converted into pay or pension contributions. Older workers are in fact unprepared to consider all the options possible around the age of 60; they should, of course, be better informed. Nonetheless, as Chapter 3 clearly showed how the retirement decision is complex in Denmark, one proposal could be to simplify this process, going for fewer but more efficient measures. For Barslund (2015), there is still a stereotypical view of retirement in Denmark that it is “the best thing that can happen because of all the freedom one gets”. The two-day workshop organised by the city of Aarhus is therefore an interesting initiative.⁷ It targets workers around the age of 58-59, allowing them to discuss their options with a coach and to share their experience with other participants. A positive result of this workshop is that around 40% of the participants decided to stay longer in the labour market than otherwise planned.

CLA negotiations in the public sector are under way early in 2015 over working conditions, training and pay, including some measures for older workers. In the municipal sector, employers want to adjust the senior days in accordance with pension reform, and increase the age of entitlement in parallel with pension ages. Unions, on the other hand, request more rights to senior days and reduced working hours for older workers. In the state sector, for employers, there should be a revision of tenure-based wage setting given that unions expect to improve special measures for older workers such as appraisals for those above the age of 55 and reversing the burden of proof upon dismissal of people above the age of 55 (or 60).

Benefits to older health care personnel following social dialogue

Thanks to fruitful European social dialogue in the hospital and health care sector since 2006, the social partners in that sector, the European Hospital and Healthcare Employers’ Association (HOSPEEM) and the European Federation of Public Service Unions (EPSU) recognised in a common document agreed in December 2013 that investment in health care personnel and occupational safety and health pays off in addressing the challenges of an ageing workforce (HOSPEEM-EPSU, 2013). A step in this direction is the action implemented in Aalborg University Hospital in Denmark (Box 4.3).

Box 4.3. Flexible work brings benefits to both worker and employer in the Aalborg University Hospital’s Department of Occupational Therapy and Physiotherapy

Around 135 people work in the hospital’s Department of Occupational Therapy and Physiotherapy, of which 85% are women. The majority of employees are in their 40s or 50s, and only very few are aged over 60.

Description of the action

Framework agreement for the older workforce

- Outline the rights of these workers in addition to policies or agreements on a regional or national level, via a committee of employee and management representatives.
- Put in writing the management’s wish to retain its skilled older workforce.
- Make it easier for older workers to remain actively employed in the department, while gradually preparing for the time following their retirement.

Measures implemented

At the beginning of 2008 the policy was implemented, and comprised the following provisions. Employees over the age of 58 have the possibility of reducing their working hours to part time while continuing to receive the same amount in pension contributions from the employer. Older workers can request a special job appraisal interview with management to discuss their future career plan. Older workers can apply to be relieved of weekend and extra holiday work. Fixed working hours can be arranged for older workers so as to facilitate the planning of leisure time activities. Older workers are offered the same possibilities as younger employees to attend training courses and further education programmes.

Chronic diseases

Older workers who suffer from chronic diseases can, where possible, be put on light duty in order to retain them in the labour market. The measure is a flexjob arrangement in line with social security legislation, which involves assigning these workers tasks that are mentally or physically less strenuous than those that come with an ordinary job.

General measures to promote well-being, job satisfaction and motivation among all employees

The hospital has set up a “welfare team”, with the aim of improving physical and mental conditions in the working environment, preventing absenteeism or exclusion from the labour market due to sickness, and avoiding occupational injuries of employees.

Source: HOSPEEM-EPSU (2013), *Guidelines and Examples of Good Practice to Address the Challenges of an Ageing Workforce*, Brussels. The document, as well as thematically related studies, reports and presentations, can be accessed on www.epsu.org.

Public policies and practices in firms

Maintaining a focus on older workers

A number of activities and campaigns have been launched since the late 1990s by the Ministry of Employment and the Ministry of Social Affairs in order to stimulate the employment of older workers. This development has been promoted by the social partners (Hendeliowitz, 2014; Madsen, 2012). In particular, Denmark has implemented in 2006 a campaign titled “A few extra years can make a big difference”, to raise awareness among older workers themselves, their colleagues and employers and to create a better image of older workers. The impacts of campaigns can be difficult to measure, but public campaigns in Poland have been assessed as having an important role to play in raising awareness of age discrimination and in creating a better image of older people (OECD, 2015).

In order to promote a better working life for older workers, a special “Senior Starter Kit” was introduced in 2013. The starter kit guides the way by highlighting health and safety at work for seniors and their health generally; qualifications and skills; and consideration of special needs and access to flexible working arrangements (Box 5.1).

A special website (www.seniorpraksis.dk) established by the Ministry of Employment in 2004 has regularly awarded prizes to firms with the most innovative/best practices to promote older workers. The site, currently managed by the Danish Agency for Labour Market and Recruitment (STAR),⁸ offers information and advice on “senior” policies at the company level for both employers and employees. A good point is that this website is part of a dynamic and inclusive network involving key stakeholders to promote a diverse workforce in Denmark and better employers – as illustrated by Cabi, the network for development of social responsibility (Box 4.4). Recently the website has been updated with information about the Senior Starter Kit. As yet there seems to be no publicly available evaluation of the use of the senior praksis website.

Box 4.4. Senior policy, an important issue in the network for development of social responsibility

Cabi is a web-based network for firms for development of social responsibility in the labour market. Senior policy is one of the themes covered by the network, which includes:

- information and awareness raising
- experience sharing among firms and dissemination of good practices
- advice and tools to help development of a company-specific senior policy or appraisals of senior employees, for example accessible at seniorpraksis.dk, the website of STAR
- overview of possible assistance from policy measures for seniors.

Source: www.cabiweb.dk/virksomheder/tema-fasthold-seniorer.

The Prevention Fund was established in 2007 as a result of the 2006 Welfare Agreement.⁹ The social partners are involved in the fund, which grants financial help to enterprises and organisations interested in initiating innovative measures to reduce attrition in the workforce and in improving occupational health and safety in the workplace (see more in Chapter 5). Finally, in April 2015 the Ministry of Employment in Denmark appointed a task force whose mandate is to present proposals aimed at improving the position of seniors in the labour market. The task force's 19 members include experts, managers and representatives from the municipalities and the social partners. They are scheduled to present their proposals in the second half of 2016.

Lack of commitment on the part of firms

In general, there is no recent statistical evidence to assess whether the measures to keep older workers in their jobs as long as possible have been used by Danish employers. According to Jensen and Møberg (2012), in 2009 Danish firms were considerably lacking in terms of recognition of the ageing problem at the macro level and practical action at the micro level. Over 70% of Danish employers declared in 2009 that population ageing represents an important challenge to society, but for only 47% of them this issue has played “some” or a “high” role in their human resource management (HRM) policies. This is one of the main findings of the Activating Senior Potential in Ageing Europe (ASPA) survey conducted between mid-2007 and mid-2009¹⁰ among a representative sample of Danish employers.¹¹ Overall, employers with older workers among their staff have a relatively positive view of these older employees, especially with regard to

their social skills, loyalty, and reliability. The measures more widely used to manage this group were flexible working time arrangements such as flexible working hours (52.5%), reduction of working time before retirement (34%) and more possibilities of extra leave for older workers (26%), as well as ergonomic measures (28%). Conversely, only 29% of Danish companies employing older workers have asked older staff members within the past two years to delay their retirement by one or more years.

Large companies with a human management strategy were more likely to make an effort to retain their older employees. The ASPA survey concluded that in 2008-09, Danish companies did not widely engage in active age-management – the best practices to maintain the employability and workability of individuals throughout working life. In particular, Jakobsen et al. (2014) find that small firms in the private sector are less likely to make any effort to retain workers above the age of 60. Barslund (2015) finds that the share of firms with an age-management policy does not seem to have changed in the recent years, and mentions the economic crisis as a possible explanation. Ilmarinen (2013) states that ageing societies need age-management on three levels: the individual, the enterprise, and society. The goal should be that managers and supervisors know the most important facts and are able to avoid the myths and stereotypes regarding older people in working life.

An example of a firm where older workers are perceived as more attractive than younger workers is a telemarketing firm that mainly employs and hires older workers. In 2007, KL Marketing decided to hire sales-oriented unemployed people older than 50 in a suburb of Copenhagen instead of focusing on young Danes or moving to a low-cost country. Older workers have the following advantages, according to the employer: they have specific skills (they sound more trustworthy on the phone, can do a better profiling of potential customers, and are better at building phone sales strategy); they are more reliable (they arrive to work on time, have fewer sick days and do not want to change jobs); and they can be low cost relative to their experience. In particular, KL Marketing – well aware that long-term unemployed older workers have lower reservation wages – maintains close contact with jobcentres, organises recruitment seminars when necessary and benefits from hiring subsidies¹² available for long-term unemployed. It also receives many spontaneous job applications from highly educated older workers claiming that they do not want to retire, for instance following profiles of the firm on television.

Self-employment among older people

The incidence of self-employment among people aged 55-64 in Denmark over the past decade has remained well below the OECD and

EU21 averages (Table 2.1). Only 11.2% in the age group 55-64 were self-employed in 2013, compared with 25.7% in the OECD area and 21.7% in the EU21 area. Moreover, this incidence has decreased by 3.7 percentage points since 2003. Consequently for Barslund (2015), the idea of “senior entrepreneur” does not currently pertain to the Danish context, even if there is a potential for enlarging the workforce. Specific steps do not seem to be taken by the Danish government or the social partners to promote and facilitate self-employment among older workers. Nonetheless, OECD/European Commission (2012) concluded that older people have the potential to provide economic and social benefits in that capacity. They added that there is nonetheless a group of successful, growth-oriented older entrepreneurs providing jobs for other people and able to offer mentoring, financing and other assistance – an aspect that could lead to improved networking and the renewal and updating of skills. In addition, for the older unemployed, self-employment is more likely to be successful if individuals are offered this option early in the unemployment period – that is to say, if self-employment is not seen as “the last chance” after a long period of unsuccessful job search (see Chapter 5).

Wages and productivity

Employers’ negative perceptions of older workers’ productivity

Obstacles to the employment of older workers in large part have to do with negative perceptions on the part of employers, based mainly on the idea that wages will be higher than productivity in late career. According to the ASPA survey, half of employers – but only 40% in Denmark – expect that an increase of five years in the average age of their workforce will be associated with a widening of the labour cost-productivity gap (Conen et al., 2012). Even if there is no clear evidence that age will have any direct impact on productivity, older ages are often equated with lower productivity. The conclusions of recent international empirical studies of older workers’ productivity are in fact rather mixed on this issue, although they do highlight the positive correlation between these workers’ gained experience and maintaining productivity (Sonnet et al., 2014; OECD, 2014b).

Concerning the situation in Denmark, the study of Parrotta, Pozzoli, and Pytlikova (2010) addresses the issue: do Danish firms benefit from labour diversity, including demographic diversity? The average total factor productivity is lower in firms where the proportion of workers aged 51-65 is higher than in firms with a larger proportion of workers aged 15-32, 33-41 or 42-50 year. This holds for all specifications and for different sectors as well. To study the more fundamental employment structures, they link employer and employee data for the period 1995-2005 in firms with more

than ten employees to estimate the average total factor productivity by two specific production functions. They find *inter alia* that labour diversity in education is positively associated with firm productivity whereas the demographic diversity seems not to matter, as it is never significantly correlated with firm productivity.

Productivity growth in an ageing workforce

Increasing or at least adapting the productivity of older workers in the context of population ageing is topical in Denmark, as the low level of total productivity growth is a challenge to the growth potential of the Danish economy (OECD, 2014a). In the period since 1995, productivity growth in Denmark has been significantly lower than historical levels and in comparable countries during the same period. Productivity growth has especially been low in domestically oriented sectors not subject to international competition. The Danish Government has taken a number of steps in 2013 with a view to increasing productivity as part of Growth Plan DK (see above), and the Productivity Commission has issued a number of recommendations that may form the basis for further initiatives (Government of Denmark, 2014). In particular, in the public sector there is a specific recommendation to “create better relationships between skills, performance and salary”.

Measuring individual productivity by age is extremely complex. One reason is the difficulty in distinguishing personal contributions to a firm’s output from a host of other factors; another is the lack of data. Available studies of the relationship between productivity and age show no clear results. For Andersen, Määttänen and Valkonen (2014), wage flexibility is particularly important for sustaining labour demand for older workers, though not sufficient. A particular aspect is that the wages of older workers should adjust when their productivity declines with age. Flexibility of relative wages requires that occupation- and firm-specific conditions influence wages. This can only happen if a significant part of any change in wages is agreed upon at the firm or plant level. Decentralisation of wage formation from the central and sector level to firm and plant would thus seem warranted from a microeconomic perspective. This is in fact the direction in which wage formation has evolved in the private sector in Denmark.

Flexible wage setting, mainly in the private sector

The OECD report *Live Longer, Work Longer* found some evidence of a negative impact of automatically linking wage and tenure/age on employment opportunities for older workers (OECD, 2006). In general, with the flexicurity model and its flexible wage setting, conditions are favourable in Denmark for promoting high job turnover and a relatively well-functioning “match” between vacancies and jobseekers (Box 2.1). Social partners highlight the importance of CLAs in promoting wage flexibility as a key element of the flexicurity model, as opposed to direct government intervention. Indeed, Denmark is one of just six EU countries (Austria, Cyprus, Finland, Italy and Sweden) that do not have a statutory minimum wage. Instead, a de facto standard for minimum wages is set by collective agreements at industry level.

Wage negotiations in the private sector take place at firm level for around 80% of employees, as a result of the decentralisation process that has taken place since the 1980s (Jamet and Koen, 2014). Even if a link between age and wages is included in the framework of most CLAs, wage-setting agreements linked to individual performance predominate at the firm level. By contrast, the wage-setting system in the public sector remains highly centralised and the performance pay element remains low. The OECD Economic Survey on Denmark therefore recommended that wages be more closely linked to individual performance in the public sector, to encourage productivity gains and to align financial incentives to work in the public and private sectors (OECD, 2014a).

Rather flat age-wage profiles

The relation between age and wage is rather complex. Selection and composition effects may have an impact on age-wage profiles when the latter are estimated based on transversal data, by using the average wage of various age groups in a given year. Differences in average wages are likely to reflect differences in education and skills between age groups, among other things. The impact could be particularly significant after the age of 55 in countries where early retirement of low-qualified workers is more prevalent. Longitudinal data that could yield better insight into individual wage changes throughout working life are rare. The OECD Survey of Adult Skills (PIAAC) provides fresh insight into skills in society, and how they are used at work and at home (OECD, 2013a). Even if PIAAC data are transversal, they may help in shedding more light on the seniority wages issue.

There are significant cross-country differences in age-wage profiles based on PIAAC data. The profile of hourly wages presented in Figure 4.4 for selected OECD countries first takes into account only age differences

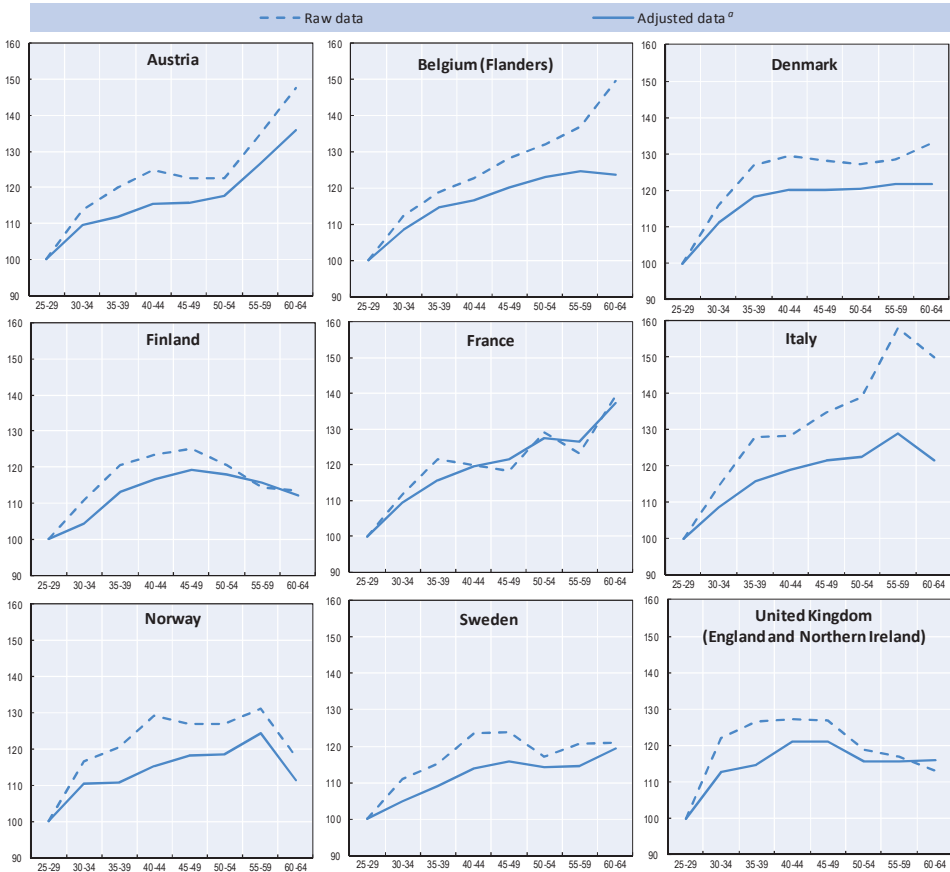
(raw data) and then is adjusted in order to control for potential composition effects (see more details and analysis in Manfredi and Saint-Martin, 2015). Raw and adjusted profiles have approximately the same pattern in each country, but raw profiles are in general above adjusted profiles. This means that part of the wage differences between age groups is explained by individual characteristics (e.g. education and skills proficiency) and job characteristics (e.g. industry, occupation and contract type). The profiles are close in only a few cases: France for workers between 25 and 64 years, and Finland and the United Kingdom for workers over the age of 55. Raw and adjusted profiles are steeper after the age group 50-54 in some countries, particularly in Austria, Belgium, France and Italy (until the age of 57). In Denmark, both profiles are steep at the beginning of the career between 25 and 34 years but are more stable for workers above 35.

Compared with the OECD average, raw data show a steeper rise in Denmark, likely due to students working in lower paid jobs until the early 30s and to a composition effect after the age of 60 reflecting the early retirement of many low skilled workers (Figure 4.5). By contrast, adjusted data show a rather flat profile in Denmark, with only a slight increasing trend after the age of 44. This still differs from the adjusted OECD age-wage profile, where wages increase less rapidly for younger workers and decrease slightly after the age of 44, therefore showing a rather hump-shaped profile.

The age-wage profile after the age of 35 in Denmark is in line with the “compact wage structure” story often referred to in Nordic countries. It can reduce cost disadvantages of older workers even if many workers, including those in their late career, do not have strong incentives to be internally promoted or to move to another job. Very often, measures for older workers included in CLAs such as senior days can be seen as substitutes to wage increases at the end of the career.

Figure 4.4. Age-wage profiles in selected OECD countries, 2012^a

Hourly wage at 25-29 = 100



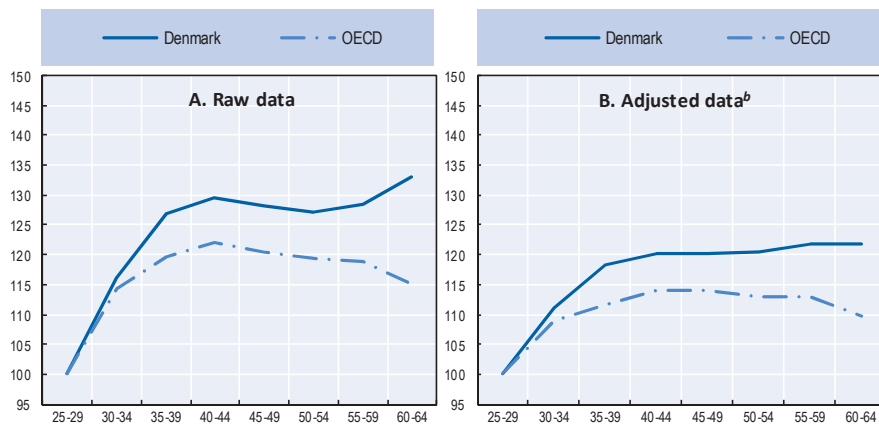
a) The figures show the relationship between age and hourly wages, controlling for gender, immigration status of parents, industry, occupation, permanence of the contract, part-time work, years of job tenure, years of education and two different measures of skills.

Source: Authors' own calculations based on PIAAC data; Manfredi, T. and A. Saint-Martin (2015), "Seniority Wages in OECD Countries: New Evidence Based on PIAAC", *OECD Social, Employment and Migration Working Papers*, forthcoming, OECD Publishing, Paris.

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Figure 4.5. Potential seniority wages, Denmark and the OECD area,^a 2012

Hourly wage at 25-29 = 100



a) The OECD average includes Austria, Belgium, Canada, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Ireland, Italy, Japan, Korea, the Netherlands, Norway, Poland, the Slovak Republic, Spain, Sweden, the United Kingdom and the United States.

b) The figures show the relationship between age and hourly wages, controlling for gender, immigration status of parents, industry, occupation, permanence of the contract, part-time work, years of job tenure, years of education and two different measures of skills.

Source: Authors' own calculations based on PIAAC data; Manfredi, T. and A. Saint-Martin (2015), "Seniority wages in OECD countries: New evidence based on PIAAC", *OECD Social, Employment and Migration Working Papers*, forthcoming, OECD Publishing, Paris.

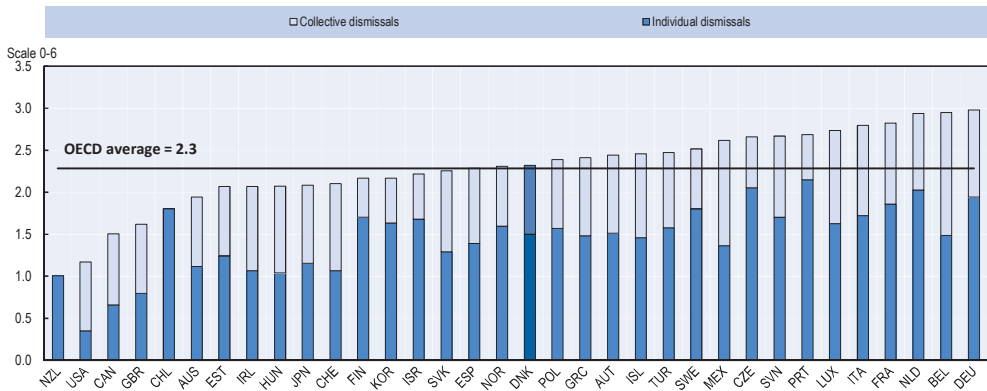
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Employment protection in Denmark, close to the OECD average

Employment protection legislation (EPL) must find an appropriate balance between the job protection needs of employees, and the needs of employers in terms of flexibility and room to adjust their workforces to changing economic conditions. As shown in Figure 4.6, the overall level of protection of permanent workers against individual and collective dismissal in Denmark approximates the OECD average (OECD, 2013b). The introduction in 2010 of minor elements of severance pay (severance pay for blue collar workers who had been employed for more than three years)¹³ is only a small step towards more restrictive employment protection (Box 2.1). In the CLAs conducted in the private sector in the spring of 2012, trade unions demanded these new elements to balance the decline in income security provided by the UI system due to the declining replacement rate since the early 1980s, the shortened duration of UI benefits, and tightening of access to regaining the right to UI benefits.

According to Jamet and Koen (2014), overall the legislation provides firms in Denmark with substantial flexibility to dismiss workers, and workers with time to prepare in case of dismissal. In addition, Denmark still appears as a country with almost no difference in the intensity of EPL between permanent and temporary contracts, which implies that the risk of labour market dualism is so far very limited. In particular, the share of temporary work among older workers is lower than the EU21 and OECD averages, 96% of them having a permanent contract compared with on average 93% in the EU21 area and 91% in the OECD area (Table 2.1).

Figure 4.6. **Protection of permanent workers against individual and collective dismissals,^a OECD countries, 2013**



a) The figure presents the contribution of employment protection for regular workers against individual dismissal and additional provisions for collective dismissal to the indicator of employment protection for regular workers against individual and collective dismissal. The height of the bar represents the value of the indicator.

Source: OECD (2013), *Employment Protection Database*, 2013 update, <http://dx.doi.org/10.1787/lfs-epl-data-en>.

StatLink  <http://dx.doi.org/10.1787/888933216063>

Key policy recommendations

In Denmark over the past decade, public policies have persistently focused on ageing and employment issues to encourage longer working lives. Nonetheless, for many experts there is not enough commitment on the part of employers to implement these measures in their own workplace. This is the case in both the private and public sectors, but the main employment barriers are different in each sector. CLAs in the private sector tend to establish flexible and active measures for older workers at firm level, but they still allow a mandatory age of retirement, generally at 70. By contrast,

the mandatory retirement age at 70 for civil servants was abolished in 2008, but in CLAs in the public sector provisions for older workers are more extensive and even protective (e.g. senior days) – and in many cases, there is built-in entitlement to them. What is challenging is that the ageing process is more acute in the public sector, its modernisation being one of the three reform tracks in the government’s Growth Plan DK. In addition, the Danish Productivity Commission has issued a specific recommendation for the public sector to “create better relationships between skills, performance and salary” in order to focus less on age and tenure in wage-setting procedures.

In some sectors facing labour shortages, employers should be made more aware of opportunities to enlarge their workforce by hiring older workers, even those already retired. They should also sustain the employability of all workers (see Chapter 5), and opt for a more age-diverse staff. The potential of entrepreneurship could be enhanced for older workers and retired people. Older entrepreneurs could provide jobs for other people and offer mentoring, financing and other help based on their experience to enhance labour productivity.

Public policies should continue to combat age discrimination perceptions through information campaigns and awareness-raising actions, particularly among line managers. An important step is to ascertain the best practices already implemented to hire and retain older workers, particularly in SMEs. An evaluation of the use of the senior praksis website could be helpful in this. As a result of the reform of ALMPs from 2015 (Chapter 5), funding amounting to DKK 10 million is allocated to initiatives and projects to improve job matching for older unemployed people. How the funds are to be used is not yet decided.

Labour market prospects for older workers have been challenged in Denmark since the crisis. Even if the flexicurity model is implemented for all age groups, the labour market performs less well for older workers than for workers aged 25-54; older workers are likely to experience slightly fewer separations, significantly less hiring, and a higher incidence of long-term unemployment. Danish employers are still reluctant to hire workers close to retirement, but it is crucial that Denmark is able to reconcile flexibility with security for an ageing labour force.

The following measures could be considered:

- *Ensure greater age-neutrality in the functioning of the labour market to face the ageing of the workforce.* One stress test is to prevent marginalisation of certain groups, such as hiring discrimination based solely on the fact that applicants are close to retirement.

- *Move ahead with abolishing the mandatory retirement age.* Any mandatory retirement age in the private sector should be removed, as should any in the few occupations that still have it. This is particularly crucial in the sectors and occupations facing labour shortages.
- *Focus wage-setting procedures more on performance and skills and less on age and tenure, particularly in the public sector.* CLAs negotiations under way in the public sector in 2015 should promote a more flexible age profile based on skills. Financial incentives to work in the public and private sectors should be aligned.
- *Ascertain which measures work best to promote longer working lives, and create networks for sharing experience among employers.* An evaluation of the use of the senior praksis website could be a first step. Impacts of the senior freedom measure in CLAs on net labour supply should be closely monitored. The potential of senior entrepreneurship among older people, even those already retired, should also be assessed.

Notes

1. Percentage of those surveyed who singled out one or more of the following criteria in response to this question: “When a company wants to hire someone and has the choice between two candidates with equal skills and qualifications, which of the following criteria may, in your opinion, put one candidate at a disadvantage? The candidate’s name; the candidate’s address; the candidate’s way of speaking, his or her accent; the candidate’s skin colour or ethnic origin; the candidate’s gender (male or female); the candidate’s gender identity (being transgender or transsexual); the candidate’s sexual orientation (being gay, lesbian or bisexual); the candidate’s age, if he/she is over 55 years old; the candidate’s age, if he/she is under 30 years old; a disability; the expression of a religious belief (for example, wearing a visible religious symbol); the candidate’s look (manner of dress or presentation); the candidate’s physical appearance (size, weight, face, etc.).
2. See www.aeldresagen.dk/aeldresagen-mener/dokumentation/arbejdsliv-og-oekonomi/Documents/Arbejdsmarkedetsunders%C3%B8gelse%202013.pdf.
3. In her speech she said, “I find it offensive when I hear a 60-year-old person referred to as old at a workplace. Actually, it may even be said of somebody who is 50 years old. For many years, we have talked about the importance of everybody staying longer in the labour market. Naturally, we must take that seriously. It is not fair that people should fear for their jobs just because they have reached the age of 50. It is not wise either if there are workplaces where they automatically get rid of their experienced staff. A long life provides a broader perspective on many things. And an extra capacity to help train others. Many employers are aware of this. But I wish to urge many more to stop believing in the myth that youth is always best. That is why, tonight, I want to say to both private and public employers: Give experienced jobseekers a fair chance.”
4. See <http://bm.dk/da/Aktuelt/Nyheder/Arkiv/2015/01/Hojesteret%20Ikke%20aldersdiskrimination%20at%20medlemskab%20af%20akasse%20ophorer%20ved%20folkepensionsalderen.aspx>.
5. Traditionally, a high degree of trade union membership is connected with the unemployment funds. Nonetheless, the number of trade union

members has been declining steadily since 1996, except in the public sector and in academic areas. In particular, highly educated groups (economists, lawyers, finance) are increasing their membership in the Confederation of Professional Associations.

6. In the private sector, negotiations in the industry generally set the trend for the other negotiations at this level. This gives the trade union federation, the Central Organisation of Industrial Employees, and the largest employer organisation, the Confederation of Danish Industry, an important role in the Danish industrial relations system.
7. This initiative received the EU social innovation prize in 2012.
8. STAR was established in January 2014 as a result of the merger of the National Labour Market Authority and the Danish Agency for Labour Retention and International Recruitment; it forms part of the Ministry of Employment.
9. The name of the fund changed in 2013; it is now the Fund for Better Working Environment and Labour Retention.
10. For Barslund (2015), the problem in this period was unfortunately twofold: mid-2007 many firms had in general problems in recruiting, whereas from 2008 to mid-2009 with the crisis, many firms were not reluctant to let their older workers go.
11. The ASPA project was financed by the EU's Seventh Framework Programme (www.aspa-eu.com), in which older workers were defined as workers aged 50 and over. In the period April-June 2009, 2 912 HR department managers in and CEOs and owners of Danish companies with ten or more employees were invited to participate in the survey; of these, 609 completed the survey. About 95% of the companies had one or more older workers as employee(s).
12. The individual amount of the subsidy is granted for a limited period and can only be implemented with jobcentre supervision. The amount differs according to the CLA in play.
13. The actual amount of the severance pay for blue collar workers who had been employed for more than three years is rather modest, and is calculated as the difference between one month's actual wage and unemployment benefits with a deduction of 15%. After six years of employment the amount is doubled, and after eight years three times this amount. The actual severance pay after three years of employment will be between DKK 7 000 and DKK 10 000 (EUR 930 to EUR 400).

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Chapter 5

Strengthening the employability of older workers in Denmark

This chapter examines the skills and health factors as well as the working conditions that need to be met with regard to older people in order to make longer working careers a reality. The relationship between skills proficiency and age in what is now a technology-rich environment is scrutinised, as well as perceptions of and motivations for work-related training. The discussion then turns to the importance of health and safety, attention to special needs, and access to flexible working arrangements in preventing attrition of older workers – all reflected in the Senior Starter Kit guide for employers. The roles of unemployment insurance funds (UIFs) and jobcentres are reviewed, and “seniorjobs” and “flexjobs” defined. Main elements of the Koch Commission’s proposed reforms of activation policies to strengthen the focus on enterprises’ labour needs are enumerated. The chapter concludes with an innovation in Denmark that engages the older unemployed themselves in job search: senior networks.

Introduction: The choice between work and retirement in Denmark

Transitions from work to retirement can be motivated by various factors, as illustrated by survey data from the DaneAge Association (2011). The data show that presenting opportunities to work shorter or flexible working hours is the most effective initiative to get older workers to stay on. In addition, relatively high proportions of the respondents say that reduced work pressure, less physical workload and encouragement and recognition from the employer will have positive impacts on delaying retirement.

These results are well in line with the conclusions of the report of the Danish Confederation of Trade Unions (LO, 2014). Around 30% of all wage earners report that there are no barriers to remaining in their present job until retirement age. On the other hand, in 2014 29% report a high level of work pressure, 24% physically demanding work, and 22% attrition as barriers.¹ Men are more likely than women to report that there are no barriers to staying on until retirement age (respectively, 36% and 23%). Physically demanding work, attrition, and gradual loss of work capacity were mentioned as obstacles much more often among women. The high share of women in the health and care sectors could be part of the explanation.

Interestingly, LO (2014) gives an overview of working conditions for senior employees in the firm. Around 39% of the respondents indicate that most seniors continue in their jobs without any special adaptation of the workplace, while 20% report that many colleagues leave the firm before they reach retirement age because of work-related issues and 17% are offered alternative or adapted work if they need it. Women are more likely to leave their job before they reach retirement age because of poor working conditions.

In most OECD countries, women leave the labour market on average earlier than men. The effective labour force exit age for women in Denmark was 61.9 years in 2012, compared with 63.4 for men (Table 2.1; Figure 3.2). In a survey among early retired and old age pensioners, a majority told that negative changes in working conditions or the work environment explained their decision to retire (DaneAge, 2010). But also health issues, the family situation, wishes to do “something different” and job loss were major factors explaining why people had retired. Barslund (2015) proposes that firms could have a role in communicating that there is no such thing as a “normal” retirement age.

Eichhorst et al. (2014) highlight that a well-designed combination of vocational education and training, continuous training measures, ALMPs and appropriate systems for wage setting, labour market regulation, taxation and benefits is the approach most conducive to achieving a high level of

employment, for youth as well as for older people. Myck (2015) refers to the broad agreement that the process of extending working lives needs to involve all key stakeholders, combining labour market and retirement policies with tax policy and public health and welfare reforms.

Over the past decades Denmark has implemented innovative universal policies that involve most of these areas. As a consequence, a large share of older workers in Denmark does not see any problems in continuing in their jobs until retirement age. Even so, this share could be considerably increased if there is further progress along the avenues already sketched by the OECD in the 2005 report on ageing and employment policies in Denmark. Especially important here are measures targeting specific groups of disadvantaged older workers, but also more general interventions to encourage workers to extend their working lives.

Skills and training

Older workers in Denmark have a high level of education

Denmark is among the top OECD countries when it comes to promoting education and training for older workers, as indicated in Table 2.1. Almost 32% of the population aged 55-64 in Denmark had tertiary-level education in 2012; this is well above the OECD average of 27%. There is also a positive trend in the job-related training of older workers: 27% of them participated during the past month compared with averages of 8-10% for the EU21 and the OECD area. In addition, there is almost no difference between workers aged 25-54 and 55-64 and among different levels of education. Results from PIAAC, the new OECD Survey of Adult Skills measuring training over a twelve-month period, corroborate this high Danish performance. The country's workforce participates in job-related training more than in most other OECD countries during the past twelve months (Figure 5.1). Older workers participate less than prime-age workers, but the age gap is smaller than the OECD average.

PIAAC provides new insights into the levels of some of the key information-processing skills in society and how they are used at work and at home (OECD, 2013a). The survey assesses literacy, numeracy, and problem solving in the context of technology-rich environment.

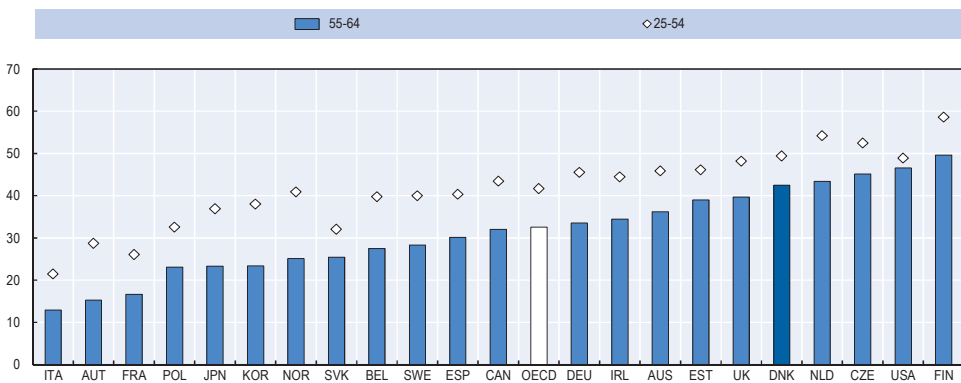
In Denmark, as in the OECD area on average, skills proficiency shows an inverse U shape: skills increase up to age 30 and decline afterwards. While the skills' pre-30 increase could be attributed to higher participation in education and training, the decline afterwards shows that other factors are at play when it comes to maintaining the skills (OECD, 2013a). After controlling for educational attainment, proficiency declines consistently with increasing age

(Figure 5.2). This reveals that the negative relationship between literacy and information-processing skills and age cannot be accounted for solely on the basis of generational differences in average levels of educational attainment. Since use of information and communication technology declines with age, the share of people taking the test on problem solving in a technology-rich environment is also declining. The age difference is smaller in Denmark than for the average of OECD countries. About 70% of 65-year-old people in Denmark received the score. This is approximately the same as the average OECD score for 35-year-old people.

Siren and Knudsen (2014) find in a survey of people in Denmark above the age of 58 that the majority have access to and regularly use information and communication technology (ICT). Still there are gaps, even in the age group 58-64. Use of ICT in this age group is related to demographic and socio-economic factors; even so, one of the results of the study is that experience and motivation have more impact than the demographic and socio-economic factors. Since a target for the Danish Government is digitalisation of 80% of all communication between the public sector and the citizens in 2015, closure of gaps in access to and use of ICT is important – not only for work participation, but also to be able to function in daily life.

Figure 5.1. Job-related training^a by age group in selected OECD countries,^b 2012

As a percentage of the employed in each group



a) Participation during the past twelve months.

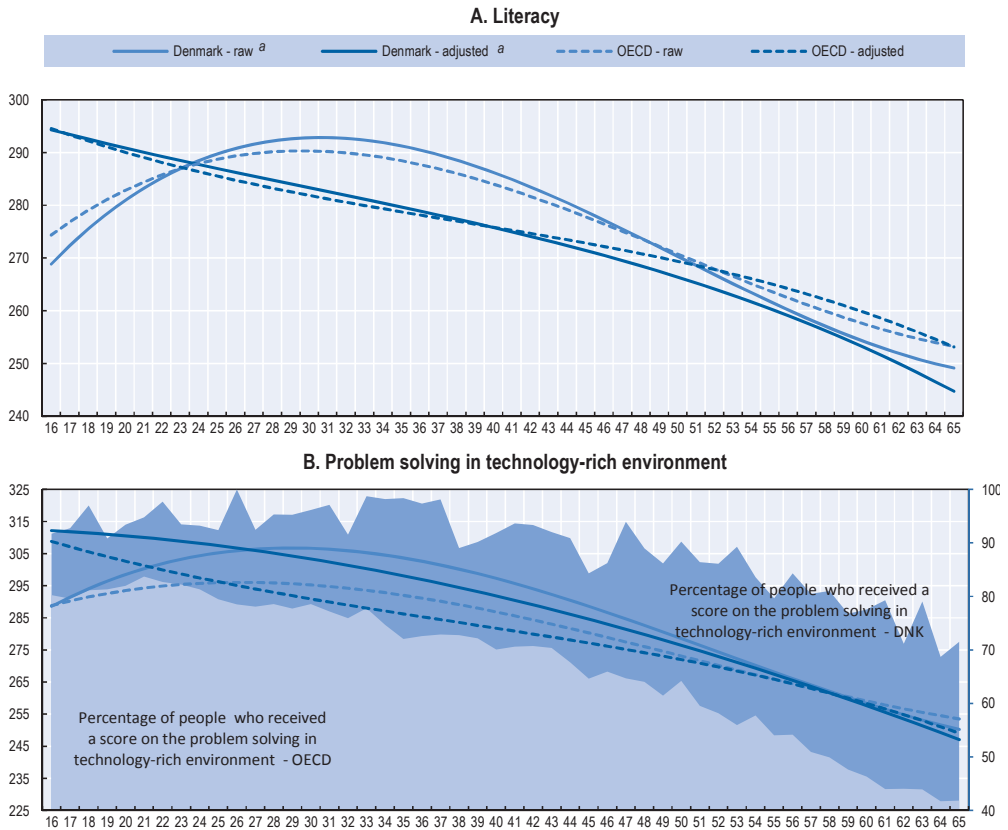
b) Unweighted average of the 22 OECD countries having participated in PIAAC. UK refers to England and Northern Ireland; Belgium refers to Flanders.

Source: Authors' own estimates based on PIAAC data.

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Figure 5.2. **Relationship between skills proficiency and age,^a Denmark and 21 other OECD countries,^{b,c} 2012**

Average trend scores by age, foreign-born adults excluded



a) Raw scores are unadjusted while adjusted scores account for educational attainment and language background differences. A cubic specification of the trend curves is found to be most accurate in reflecting the distribution of scores by age in most countries.

b) Unweighted average of the 22 OECD countries having participated in PIAAC shown in Figure 5.1.

c) After having answered the background questionnaire, the respondents completed the assessment either on a computer or by completing a paper version, depending on their computer skills.

Source: OECD (2013), *OECD Skills Outlook 2013: First Results from the Survey of Adult Skills*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264204256-en>.

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Skills proficiency is not a measure of productivity, but this indicator does create a basis for analysing employability and the ability to update and learn new skills. OECD (2013a) shows that the best way to develop skills is to actually use them, and that skills use and skills development are mutually reinforcing processes. Three areas are important: i) participation in adult education and training; ii) work-related practices that increase the use and development of skills; and iii) participation in social, cultural and daily activities.

OECD (2013a) refers to evidence suggesting that educational interventions in adulthood – whether as a complement to initial formal education or a substitute for it – can help to slow or reverse age-related declines in key information-processing skills. Beyond formal education and training, certain physical, social and, particularly, mental activities can help adults to maintain their skills. Work experience in particular can increase the use and the development of skills. Those workers who engage information-processing skills at work, such as reading, writing, numeracy and ICT, tend to have higher scores. Denmark scores well in that age differences in use of these skills at work are among the smallest in the OECD area (OECD, 2013d). According to Jamet and Koen (2014), both generic and specific skills are generally used in Denmark to a great extent, which should help workers maintain their skills, but could in addition bring greater job satisfaction.

Adult learning and training in Denmark

Denmark has a well-developed system for adult and continuous learning. The main elements in the system include adult education up to secondary level; vocational technical courses; vocational education and training (VET) for adults; and post-secondary education. VET of shorter duration primarily targets the needs of unskilled and skilled workers for new job-related skills. Persons who embark on adult education can be eligible for financial assistance in the form of grants.

Participation in general adult education and continuing training declined from the age of 50 in 2012, while workers in the age group 50-59 participate in adult vocational training programmes at the same rate as younger age groups (Table 5.1). About 26% of VET participants were in the age group 50-59 in 2011-12. Workers above the age of 60 participate, however, to a very limited extent in adult education and training.

Table 5.1. **Participants in adult education and training by age, Denmark, 2011-12**

	Education and continuing training		Vocational education and training	
	Numbers	% of the age group	Numbers	% of the age group
Less than 30 ^a	31 2027	25.7	109 307	16.6
30-39	273 603	22.5	150 859	22.9
40-49	285 120	23.5	193 992	29.4
50-59	218 310	18	174 811	26.5
60+	54 892	4.5	29 090	4.4

a) 20-29 for education and continuing training; 18-29 for vocational education and training.

Source: Danish Ministry of Education.

StatLink  <http://dx.doi.org/10.1787/888933216198>

Competence development and further training are not usually perceived as specific instruments for retaining older employees in Denmark (Eironline, 2013). For example, according to the Agency for the Modernisation of Public Administration in charge of issuing guidelines for state employees, there are no programmes specially designed for the training and competence development of older workers in the Danish public sector. They are being offered the same tools and means to develop their competences as all other employees in the sector. Many of these tools are e-learning courses in the online catalogue “Campus” that is administered by the Ministry of Finance and local HR professionals. Moreover, employees can be offered further education and training through the Secretariat for Competence Development, which is being run as a joint venture between the State Employer’s Authority and the State Employees’ Organisations. The Secretariat earmarks DKK 33 million a year for employee competence development. In addition, all public workplaces invest in their employees by offering them strategic competence development – in the fields of, for example, project management and the use of ICT – depending on the needs of the workplace and the employees.

The adult training system contains many programmes, is national, and is based on legislation, although the social partners are heavily involved in implementation. Pedersen and Andersen (2014) remark that better focus on training through working life could help prevent unemployment related to displacements and job shifts. Studies of the impact of adult education in Denmark have concluded that it has had mixed results (Kristensen and Skipper, 2009). PIAAC data show that of courses organised during the past 12 months, nearly 40% were organised at the work place, nearly 30% were

seminars and workshops, 20% other types of courses, and about 10% distance or web-based training (Rosdahl et al., 2013). However, Kristensen (2012) finds that formal lifelong learning appears to have only a marginal impact on postponing retirement, and indicates that a broader range of policies is required to induce people to work longer.

Motivation for training and education

When people are asked about what they perceive as impacts of training, the most frequent responses are: more responsibility and new tasks; better chances of keeping their job; and getting a new job (Rosdahl et al., 2013). Higher income is mentioned less often, but still by nearly 40% of the persons interviewed. The perceived positive impacts of training in the form of more responsibility or better possibilities of keeping one's job are declining with age. Furthermore, the share of people wanting more training is declining with age.

Based on data from PIAAC, Hanushek et al. (2013) find that returns to skills increase until age 35 and are reasonably flat from there on, becoming only slightly smaller beyond age 55. Prime-age workers (35-54) show consistently higher returns to skills than the age group 25-34. This highlights the value of training through working life. Fouarge and Schils (2009) find that older workers have a higher probability of participating in training in countries with flexibility as regards retirement age. This could indicate that older workers and employers are more willing to invest in training if they can expect a positive net return. Training measures for people approaching the end of their career must therefore have a very clear work focus and encourage a sufficient payback period to ensure positive return for both employers and employees.

A special measure in Denmark, "Jobrotation", encourages firms to train their employees through a public subsidy for hiring a replacement for the person on training. To obtain the subsidy, the replacement has to be a recipient of UIB or social assistance. From 2015, the waiting period as well as the maximum duration is six months. The aim is to combine up-skilling of workers with work practice and network building for the unemployed. In 2013, over 10 000 unemployed persons had work practice while the position's incumbent had training. The scheme does not specifically target older workers, but doing so could reduce the cost disadvantage because of shorter payback period.

It is particularly important to reach out to SMEs in terms of training. In 2012 about 83% of Danish firms – with about 21% of total employment – had between one and nine employees (Criscuolo et al., 2014). This is close to the average of the 18 OECD countries included in the study. Working in

an SME can have an advantage of more transparency and closer co-operation between the manager and workers. But on the other hand, SMEs often have fewer resources available for training. Moreover, keeping a balance between specific training tightly adapted to the needs of the firm and general training with a wider range of applications is more of a challenge in SMEs than in bigger firms.

In addition, the balance could change over the life cycle. This highlights the need of an efficient institutional framework to ensure access to training opportunities regardless of the size of the firm. Denmark has implemented the European framework for lifelong learning qualifications, establishing common ground to facilitate bridging different qualification systems. An evaluation study indicates that the programme is seen to be relatively positive by the main stakeholders, even if they refer to the potential for further development (EVA, 2013). For example, representatives from labour market organisations stress that coherence between the qualifications obtained and the needs of the firms should be strengthened through dialogue among the stakeholders.

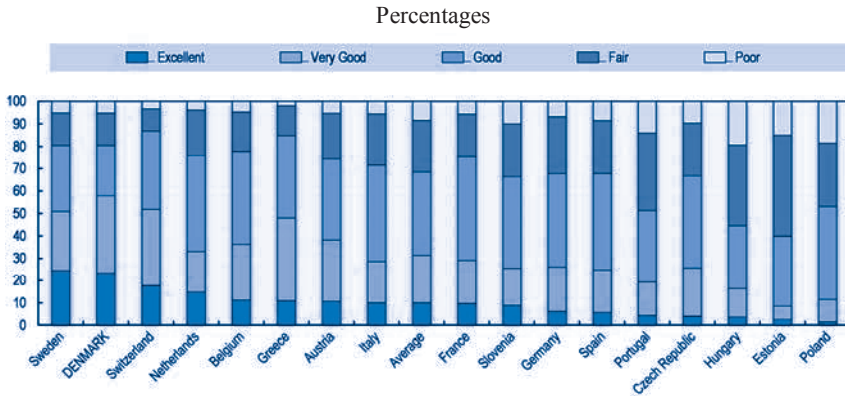
The Danish Government has embarked on initiatives to improve validation and recognition of prior learning, as well as the quality of programmes. Jamet and Koen (2014) recommend pushing these efforts further, and in addition that teachers in VET be given incentives to update their vocational skills. A framework that allows teachers to spend time regularly in a firm or an institution within their professional field could help establish more relevant courses for older students (Field et al., 2012). Dissemination of good practices could serve to inspire others. Training has to be perceived as attractive and useful for both employers and employees, and must have a very clear work focus (a win-win situation). Moreover, PIAAC results show that work organisation is important for development of skills. Good age-management at the workplace is therefore crucial to stimulate sufficient training and learning for all workers.

Health conditions

Older workers have good health in Denmark

Older workers in Denmark perceive their health to be among the best in Europe, according to the Survey of Health, Ageing and Retirement in Europe (SHARE): around 58% of people aged 50-64 declare they are in excellent or in very good health, compared with the average of 31% (Figure 5.3). The proportion of workers that have either mobility problems or chronic diseases is one of the lowest as well (Figure 5.4).

Figure 5.3. Self-perceived health conditions among people aged 50-64, selected European countries,^a 2004-11

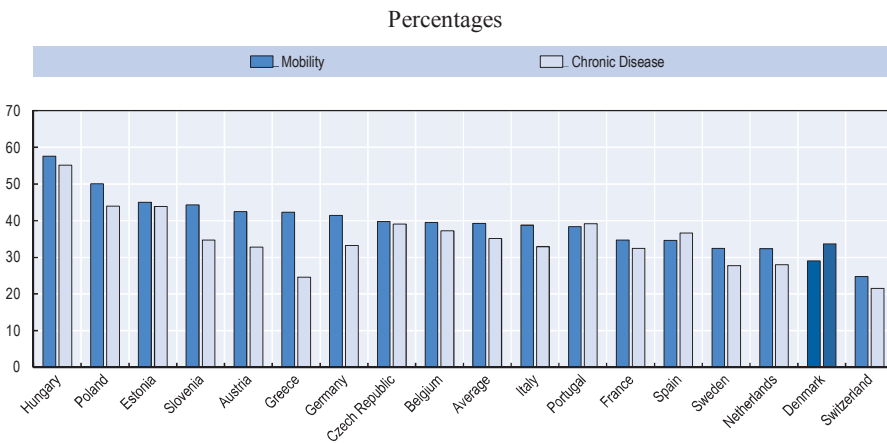


a) Austria, Belgium, Denmark, France, Germany, Greece, Italy, Netherlands, Spain, Sweden and Switzerland have participated since wave 1 of the survey (2004/05); the Czech Republic and Poland since wave 2 (2006/07); Estonia, Hungary, Portugal and Slovenia since wave 4 (2010/11).

Source: Authors' own estimates, based on Survey of Health, Ageing and Retirement in Europe (SHARE) data, waves 1, 2 and 4.

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Figure 5.4. Individuals aged 50-64 with health problems, selected European countries,^a 2004-11



a) Austria, Belgium, Denmark, France, Germany, Greece, Italy, Netherlands, Spain, Sweden and Switzerland have participated since wave 1 of the survey (2004/05); the Czech Republic and Poland since wave 2 (2006/07); Estonia, Hungary, Portugal and Slovenia since wave 4 (2010/11).

Source: Authors' own estimates, based on Survey of Health, Ageing and Retirement in Europe (SHARE) data, waves 1, 2 and 4.

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Active life expectancy at the age of 50 is above that of most western European countries (Figure 1.2). Surprisingly, life expectancy at birth – at 80.1 years in 2012 – is almost equal to the OECD average of 80.2 years (OECD, 2014a). This is, however, significantly lower than in most western European countries and other Nordic countries, and it indicates that health issues should still be on the policy agenda. Notably, socio-demographic differences in mortality in Denmark have increased over the past decades, compared with most other countries in western Europe (Sundhedsstyrelsen, 2011). This is a matter of concern, since the statutory pension age will increase gradually from 2019 while access to early retirement pension is restricted. The likelihood of keeping good health and employability until a higher retirement age greatly depends on social background.

The proportion of daily smokers among adults in Denmark has decreased sharply over the past decade, from 30.5% in 2000 to 20.9% in 2010 (OECD, 2014a). Smoking rates among adults in Denmark now roughly equal the OECD average (20.7% in 2012). As in most other OECD countries, obesity rates among adults have increased in Denmark over the past decade, reaching 13.4% in 2010, up from 9.5% in 2000 (based on self-reported height and weight). While the obesity rate in Denmark remains much lower than that in the United States (28.6% in 2012, also based on self-reported data), the growing prevalence of obesity foreshadows increases in the incidence of health problems (such as diabetes and cardiovascular diseases) for ageing workers, and higher health care costs in the future.

These results are in line with the study of Juel, Sørensen and Brønnum-Hansen (2008). They find that smoking, alcohol abuse, physical inactivity, obesity and psychosocial factors at work are important factors reducing life expectancy in Denmark. In addition, OECD (2013b) estimates that the total costs of mental health for the Danish economy are near the mid-range among the nine surveyed countries in the review of *Mental Health and Work*.² Sundhedsstyrelsen (2011) finds that diseases such as chronic lung diseases, heart diseases, lung cancer, dementia and depression accounted for about two-thirds of the social differences in mortality in Denmark.

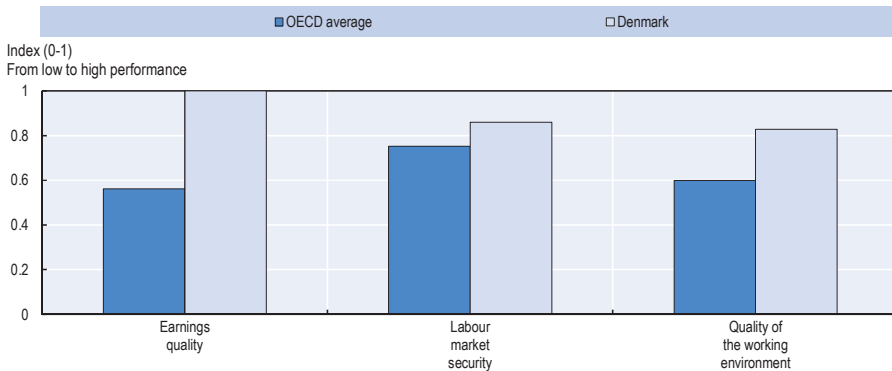
Sundhedsstyrelsen (2011) defined three broad areas of determinants of social differences in mortality: those related to the early phase of life, impacts of social position, and the roles of the health system and the labour market. Thus, policies to reduce disparities, and to improve possibilities for disadvantaged groups to stay on working as the statutory pension age is increasing, need to include a broad range of stakeholders. According to a review of *Health Care Quality*, primary care is a particular area of concern in Denmark (OECD, 2013c). There are few mechanisms to reward the quality and continuity of care that general practitioners provide. Thus, it is

recommended that specific quality initiatives in primary care focus on co-ordination between primary and secondary care, and on creating incentives for primary care professionals to assume a high level of responsibility for quality and outcomes across the whole patient pathway. This could in particular be important to prevent lifestyle and stress-related diseases. The often complex interrelation between health and work problems requires close co-operation between health and employment services. OECD (2013b) recommends testing different ways of integrating the two services.

Working conditions for older workers

Job quality and working conditions are in general very good in Denmark (OECD, 2014b; Eurofound, 2014). Denmark performs above the OECD average in the three dimensions that are considered essential aspects of quality jobs: earnings quality; labour market security; and quality of the working environment (Figure 5.5). The score is particularly high in terms of earnings quality and the quality of the working environment. Behind these averages there are, however, some groups working under poor physical or psychosocial conditions, which could reduce health or employability (NFA, 2013). Measured by indicators such as extreme noise, self-assessed work ability, harassments and threats and violence, working conditions remained relatively stable from 2010 to 2012.

Figure 5.5. Indicators of job quality,^a Denmark and OECD average, 2010



a) Earnings quality: level and distribution of earnings. Labour market security: risk of unemployment, and incomes available. Quality of working environment: work demands and conditions, and the available resources and support.

Source: OECD (2014), *OECD Employment Outlook 2014*, OECD Publishing, Paris, http://dx.doi.org/10.1787/empl_outlook-2014-en.

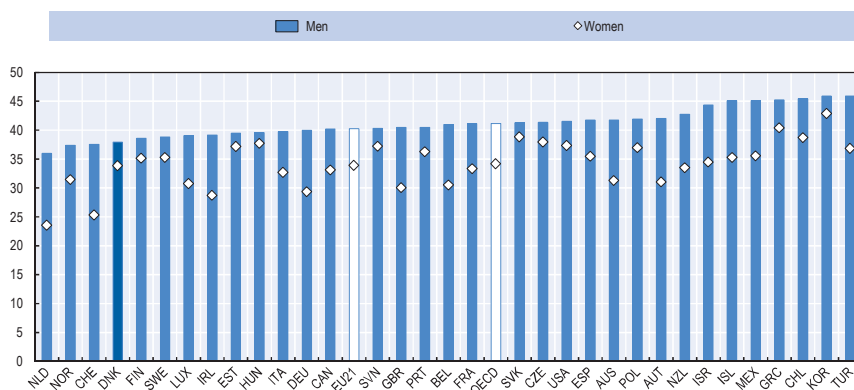
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Access to flexible work

In surveys, people often indicate that opportunities for shorter or flexible working hours could motivate them to stay on longer (see for example DaneAge, 2011). Nevertheless, empirical evidence of the impacts of reduced working hours as a measure to stimulate phased retirement from the labour market is mixed (Hermansen, 2015). Focusing on older women in Australia, Earl and Taylor (2015) find that access to flexible work arrangements is not sufficient. For example, part-time jobs can result in less training and less interesting job tasks.

Typical weekly hours worked by Danish workers are among the shortest within the OECD area, and this also holds for men in the age group 55-64 (Figure 5.6). The gender gap in usual weekly working hours is, however, relatively small in Denmark. Women’s working hours are at the EU21 average, and only slightly below the OECD average.

Figure 5.6. Usual weekly hours worked by those aged 55-64, by gender, OECD countries, 2013



Source: Authors’ own estimates, based on national labour force surveys.

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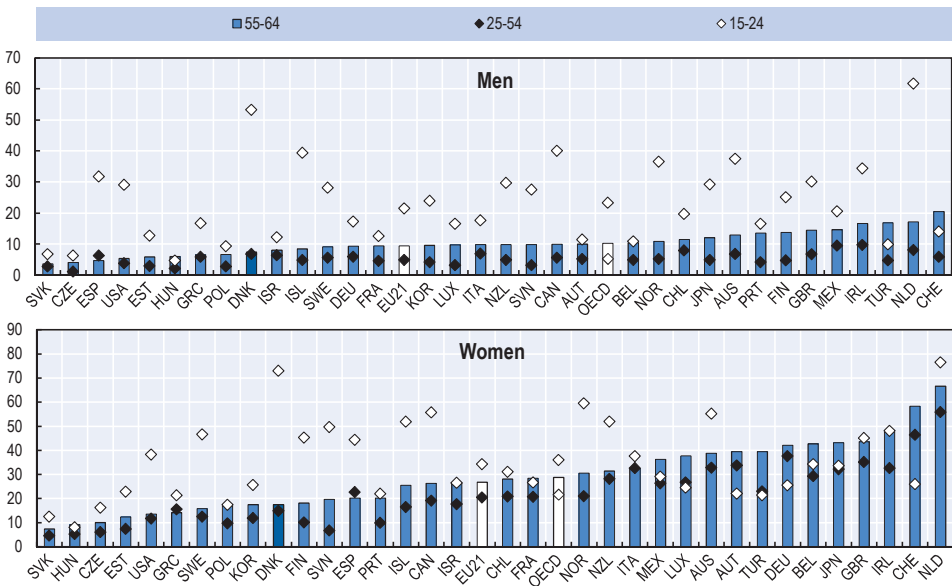
Part-time work on the other hand is less widespread in Denmark than in the majority of OECD countries, and well below the EU21 and OECD averages (Figure 5.7). In Denmark, the incidence of part-time work performed by older workers is not much higher than for younger workers, except for youth. About 12% of the age group 55-64 report that they want to reduce their working hours (Ministry of Employment, 2012). According to Statistics Denmark (2014), 17% of all employees work exclusively or part of the time from home, while one out of four has the possibility to manage

their own working time. Lack of flexibility is only mentioned by 7% of all wage earners, independent of age, as a barrier to staying on working until retirement age (LO, 2014).

The term “flexible work” covers a diversity of elements. Some sectors rely on fixed work schedules, but with rotating shifts or other non-standard working hours, as for example with public transport and health and care services. Other sectors allow more choice of working hours or working place. Demand for and impacts of different types of flexible work can therefore vary across sectors and occupations. It should furthermore be noted that older workers are not a homogenous group. For some of them, shorter working hours could have a positive impact on their labour participation. For others, working full time according to a flexible scheme, from home or in ad hoc jobs could be attractive options. But for those used to more traditional work arrangements, working without a well-defined working scheme could be a challenge.

Figure 5.7. Part-time work^a by gender and age group, OECD countries, 2013

As a percentage of the employed in each group



a) Part-time work refers to persons who usually work less than 30 hours per week in their main job.

Source: Authors’ own estimates based on national labour force surveys.

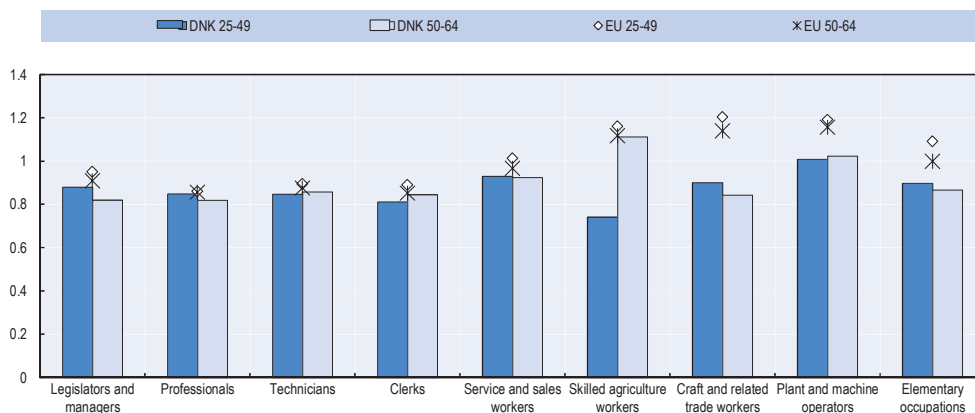
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Flexible work should be further developed to better adapt to different sectors and life phases. Many employers would be interested in keeping abreast of good practices of implementing flexible work. Less standard working hour arrangements could have implications for the organisation of work tasks. Less direct contact at the workplace could change the ways of communication and co-operation among employees and managers. Adequate technology support should provide new opportunities, but could require new knowledge and training. Denmark has extensive social dialogue; that could be a basis for further development of such models, which could be promoted in CLAs. Training and competence to adapt to changing working conditions and good personnel management will be central elements of such an approach.

Improving working conditions for all

While people in manual occupations in most countries are more exposed to strenuous working conditions than people in white collar occupations, the differences across occupations are relatively small in Denmark (Figure 5.8). The exposure to such working conditions is highest for skilled agriculture workers in the age group 50-64.

Figure 5.8. **Index of strenuous working conditions by age group and occupation, Denmark and Europe, 2010^a**



a) The index can be read as the within-occupation, within-country variation compared to the strenuous working conditions across the whole sample's responses. The items range from physical to mental stress experienced at work.

Source: Authors' own estimates, based on the 5th European Survey of Working Conditions of Eurofound.

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Yet behind averages at or below the EU level, there are sectors or enterprises with less favourable working conditions. The Danish Working Environment Authority is responsible for carrying out inspections of companies as well as providing information on health and safety at work. The authority carries out about 27 000 inspections every year, based on a risk-based selection. Priorities are preventing work accidents, musculoskeletal diseases, and handling of psychosocial work problems.

In addition, as a result of the Danish Welfare Agreement in 2006, a specialised body – the Prevention Fund, mentioned in Chapter 4 – was established in 2007. The fund grants financial assistance to enterprises and organisations interested in initiating innovative measures to reduce attrition in working life and to improve occupational health and safety in the workplace. From 2012, the government’s initiative “A good and long working life for everybody” defines the fund’s work in ten measures. The main objective is to prevent burnout and attrition caused by poor safety and health conditions in the workplace, and to secure and retain the citizens’ foothold in the labour market. From 2013, the name of the fund changed to the Fund for Better Working Environment and Labour Retention.

Oxford Research (2014) found that the “prevention packages” subsidised by the Fund have positive impacts on the perceived physical and psychosocial work environment. SMEs, however, seem to be underrepresented. This Oxford Research evaluation highlights that reaching the SMEs should be one of the priorities. The Working Environment Authority could be more extensively utilised in advising firms how to use measures offered by the Fund to improve their work environment. Experience from the supervisory activities could be used by the Fund to design targeted and efficient preventive measures.

Good working conditions throughout the entire working life can prevent attrition based on physical and mental factors. Furthermore, surveys indicate that for many people, working conditions are one of the decisive factors in the choice between work and retirement. The National Research Centre for the Work Environment has launched a project to better understand which impacts the work environment has on the likelihood of remaining in work until a higher age. Sectors and industries with high outflows to disability pension and early retirement should be a special focus of attention.

The Senior Starter Kit

To encourage better working lives, the Fund for Better Working Environment and Labour Retention launched “prevention self-help kits” with financial assistance to enterprises in 2012. These provide step-by-step instructions for improving health and safety conditions and employees’ health

in industries with a high risk of early exit and burnout. These kits are very popular, and in 2014 offered subsidies to enterprises in 13 different industries. In order to promote a better working life for older workers, the “Senior Starter Kit” was added in 2013. The starter kit guides the way by highlighting health and safety at work for seniors and their health generally; qualifications and skills; and consideration of special needs and access to flexible working arrangements (Box 5.1).

Box 5.1. The Senior Starter Kit

The Senior Starter Kit is a step-by-step guidebook that steers the employer through four phases:

- Preparation:* “Diagnosis” of the senior situation in the firm.
- Planning and information:* Planning a clarification class and informing all employees about the initiative.
- A one-day clarification class for older workers:* Obtain knowledge about, and clarify expectations regarding, working life as a senior.
- Dialogue:* The older employees and their managers discuss expectations and options. The aim is to obtain a voluntary “senior agreement” about the future working life for the employee.

Source: OECD mission to Denmark, May 2014.

As a result of demographic changes and higher pension ages, the share of older workers in working life will be increasing. Even if many people will easily continue working a few years longer, others will struggle. Guidelines for employers to adapt working conditions to special needs of older workers can therefore be a useful tool. The Fund has planned a number of different initiatives to reach a larger number of firms in 2015.

The public employment service (PES)

In the flexicurity model, the PES is confronted with the challenging task of adequately managing the combined performance of two pillars: i) generous UIBs and ii) strong activation (Box 2.1). The PES therefore includes key stakeholders, working in co-operation at the national, regional and local levels.

At the national level, the Danish Agency for Labour Market and Recruitment (STAR) is in charge of many supervision tasks aimed at achieving the following objectives: increase labour supply; move people from public benefits into employment or education; ensure that Denmark

has a flexible, dynamic and efficient labour market; retain people in the Danish labour market; and promote efforts to attract and recruit highly qualified professionals from outside Denmark. Benchmarking of the jobcentres via the online Jobindsats database is one of the main tasks. In addition, OECD (2014c) highlights national “knowledge centres” in Denmark, Sweden, the United States and the United Kingdom that aim at larger-scale evaluations, piloting of projects in some areas, and then helping to disseminate information on what works.

At the regional level, the labour councils – with members from the social partners and other stakeholders – are responsible for co-ordination across regions and stakeholders. At the local level, the jobcentres help the unemployed access employment or education. In parallel, unemployment insurance funds (UIFs) managed by the unions are responsible for payment of UIBs (Box 5.2).

Box 5.2. Organisation of labour market measures in Denmark

Denmark has 91 municipal jobcentres and 26 unemployment UIFs. Job-search assistance and implementation of the ALMPs are the responsibility of jobcentres. All unemployed persons should register in the jobcentre. This is a decentralised system since 2007, and the jobcentres are integrated centres for all jobseekers (insured and uninsured) under the full supervision of the municipality. The municipalities receive reimbursements from the state budget to finance their activities. An aim of the reimbursement model is to give municipalities incentives to undertake measures to get people back to work.

While in the majority of European countries workers are automatically insured against unemployment, this is not the case in Denmark, where insurance is organised by trade unions and membership is voluntary for the workers. Unions are linked to an associated industry insurance fund, but an employee may be member of a UIF without being member of a union. The UIFs pay unemployment insurance benefit to unemployed members and pensions from the Voluntary Early Retirement Pension scheme (VERP). They also give advice to unemployed members, arranging courses on how to write CV, etc.

As a consequence, unemployed people who are members of a UIF usually need to stay in contact both with the jobcentre and with the fund.

Source: Koch Commission (2014), *Avenues into Work – Meaningful Activation*, Copenhagen and the Danish Ministry of Employment.

The jobcentres and UIFs are organised very differently. Each municipality has a jobcentre.³ The funds are heterogeneous in terms of size and geographical presence. Some of the funds are small, and do not have any local offices. Their assistance is based on their branch knowledge and close contact with employers, but results in an overlap with the jobcentres.

Co-operation between jobcentres and UIFs is often insufficient, lowering service quality and efficiency.⁴ Overall, the employment policy had been increasingly criticised over some time for “running around in circles”, resulting in controls and meaningless activation programmes rather than real skills improvement or returns to permanent work. The government therefore appointed a commission in 2013 to propose a reformed employment policy system (the Koch Commission).

The commission presented a proposal of reforms of ALMPs in 2014 (Koch Commission, 2014). Based on this proposal, the Parliament has amended regulation of these measures to simplify the activation procedures and increase the efficiency of ALMPs. Co-operation between the jobcentres and UIFs will be improved and sharing of information extended, and the jobseekers will have more choice (Box 5.3).⁵

Box 5.3. Reform of activation policies proposed by the Koch Commission and amended by the Parliament in 2014

The following are some main elements of the reform to improve efficiency of activation policies and to strengthen the focus on enterprises’ labour needs:

- Individual and early intervention:* Activation will start earlier than before, and contacts between the unemployed, jobcentres and UIFs will be better co-ordinated. For example, a digital job-log including all job-search activities will be accessible to both jobcentres and UIFs. The unemployed person will have more responsibility for managing the contact using digital tools.
- Strengthening of services for employers with more focus on job mediation:* Co-operation between jobcentres and enterprises relies on three elements; i) job matching, ii) training and education of the unemployed; iii) retention of employees on sick leave. Large nationwide enterprises will have one single contact point with the employment system.
- More focus on job-related training and education for unemployed people with low or obsolete skills:* Less-skilled unemployed persons above the age of 30 can receive validation of skills acquired at work. The unemployed can begin six-week job-related education without any waiting period. Budgets are increased to provide less-skilled people with better competence and for training in areas where vacancies are expected in the near future.
- All unemployed persons have right and obligation to participate in one active measure:* Unemployed persons above the age of 50 have right to activation after three months of unemployment, while the right enters into force after six months for the age group 30-49. For the group above the age of 50, jobcentres should focus on direct job matching and contact with enterprises.
- Increase the efficiency of activation measures by shorter duration, accompanied by simplification and better targeting:* Wage subsidies are simplified. The maximum duration of private wage subsidies is reduced to six months and to four months for public wage subsidies. The job-rotation scheme is better targeted to those who need jobs most, and maximum duration is reduced. Work-practice and trainee measures are extended.

Box 5.3. Reform of activation policies proposed by the Koch Commission and amended by the Parliament in 2014 (cont.)

- *Intensified assistance to the long-term unemployed:* After 16 months of unemployment, jobcentres and UIFs will together intensify advice, combined with work-related activities.
- *Better dialogue among stakeholders:* Eight regional labour market councils have as their task co-ordination of employment and activation activities across municipalities and between municipalities and UIFs. The councils are responsible for targeting of activities towards sectors with labour shortages and towards areas with high unemployment.
- *More efficient public employment services through reduced bureaucracy, digital services and better competence:* Job coaches will be better trained, and they will be helped by a new, nationwide guidance system to adapt advice and measures to individual needs. Administration of adult education will be digitalised and formal procedures simplified.

Source: Koch Commission (2014), *Avenues into Work – Meaningful Activation*, Copenhagen and Danish Ministry of Employment.

The aim of the reform is to reduce overlap and strengthen the individual's approach to job search and activation. The new regulation will enter into force in 2015, with the exception of a few measures (e.g. the job-log, the self-booking system and digitisation of adult education) that will enter into force in 2016 and 2017. The 2015 reform is mainly targeting unemployed persons close to the labour market. The Koch Commission (2015) has recently published additional proposals for reform targeting those unemployed with more complex problems and who often are far from the labour market. Today, activation of this latter group is not sufficiently work-focused. Consequently, the proposals have as aims to better integrate help and measures in the firms (work practices, mentoring, wage subsidies, less bureaucracy for employers etc.). Since the most vulnerable groups often have a nexus of different problems (health, housing, skills, etc.), the commission highlights the need for more interdisciplinary co-operation and teamwork in the support services. Better targeting of education attainment is among the proposals.

Activation policies in Denmark will change substantially over a few years. New proposals seem encouraging, but much depends on implementation; substantial evaluation and monitoring are therefore crucial. The new measures are not specially targeted towards older jobseekers, but then persons often have long careers behind them, and have acquired substantial work experience. Simplification and targeting of procedures and a more individual approach can therefore be welcome in their case. Activities to reduce or avoid inactive waiting periods could be of particular importance for people with relatively short remaining periods in working

life. For example, two cantons in Switzerland have found immediate up-front counselling for jobseekers an effective way to help older persons return to work (Arni, 2010; OECD, 2014d).

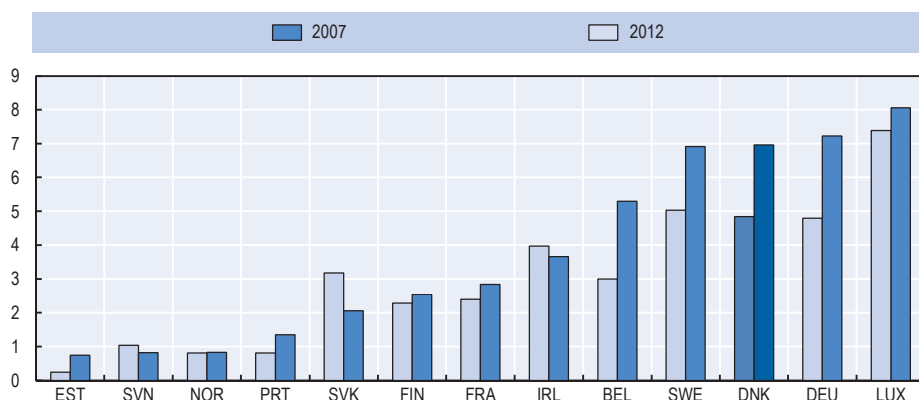
Active labour market measures for older jobseekers

Denmark spent 2.10% of GDP on active labour market programmes in 2012. This is more than any other OECD country, and substantially above the OECD average of 0.57% (OECD, 2014b). Excluding PES and administration, Denmark spent 1.74% in 2012 compared with the OECD average of 0.43%. Danish labour market policy is to a large extent “rule based”, in the sense that the law on active labour market policy specifies a number of rights and obligations for the unemployed and the jobcentres (Madsen, 2014). Danish labour market policy therefore has the character of an automatic stabiliser, where there is less need for discretionary actions to be taken under a downturn (ILO, 2009).

Denmark is among the countries where people in the age group 55-64 account for the highest share of participants in ALMPs: 7% in 2012, an increase from 5% in 2007 (Figure 5.9). Unfortunately, data by age group are available only in 13 countries, and the quality of the registered data on which the measures are based is mixed.

Figure 5.9. **Older participants^a in ALMPs, selected OECD countries, 2007 and 2012**

Participants in measures of categories 2 to 7^b as a percentage of the labour force aged 55-64



a) Data refer to groups of participants aged 50 and over or 55 and over.

b) The categories are as follows: 2 = Training; 4 = Employment incentives; 5 = Supported employment; 6 = Direct job creation; 7 = Start-up incentives.

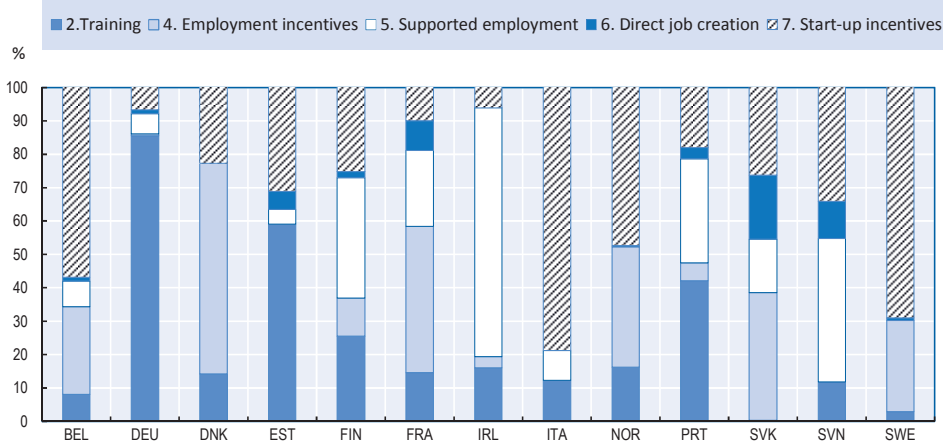
Source: Eurostat (2014), *Labour Market Policy*, 2013 Edition, Luxembourg.

StatLink  <http://dx.doi.org/10.1787/888933216152>

Except in the youth strategy, most activation measures in Denmark are universal for all age groups and are not targeted at specific groups; the exception is “seniorjobs”. Furthermore, while an unemployment period of six months is the general criterion to be eligible to a wage subsidy, unemployed persons over 50 can be granted the subsidy earlier. Older workers are most likely to receive some sort of employment incentives (Figure 5.10). Employment incentives in category 5 include seniorjobs, wage subsidies, and work training in enterprises. In no other country among the 13 where data are available do employment incentives account for a higher share of total expenditures to ALMPs targeted towards older workers.

Figure 5.10. **Older participants^a in ALMPs by programme category, selected OECD countries, 2012**

Percentage of total participants in ALMP measures for categories 2 to 7



a) Data refer to the groups of participants “aged 50 and over” or “55 and over”.

Source: Eurostat (2014), *Labour Market Policy*, 2013 Edition, Luxembourg.

StatLink  <http://dx.doi.org/10.1787/888933216161>

Seniorjobs: A stepping stone or a dead end in the labour market?

The seniorjob scheme was decided in the 2006 Welfare Agreement as part of a package to promote later retirement. Municipalities have to offer a seniorjob to all unemployed persons whose UIB has expired and who are entitled to the VERP scheme within the next five years (Box 5.4). Older unemployed people who are not members of a UIF with a VERP scheme are not eligible for a seniorjob, but could be offered universal ALMPs.

Box 5.4. Seniorjobs

Unemployed older people born in 1953 or later with a maximum of five years until they reach the VERP age are entitled to a seniorjob in the municipality where they live if they have exhausted all rights to unemployment benefits.

To be entitled to a seniorjob, the person must:

- be unemployed
- be member of a UIF
- be paying a premium to the VERP
- be entitled to a VERP when the person reaches the age of entitlement to this benefit
- have exhausted all rights to unemployment benefits later than five years before entitlement age for a VERP.

If the entitlement criteria are fulfilled, the municipality of residence has to offer a seniorjob. Normal wage and working conditions are applied for seniorjobs.

Source: Danish Ministry of Employment.

The seniorjob programme was implemented in 2008. The person must contact the municipality in order to obtain employment in a seniorjob, and can keep the job until they reach VERP age. The appointment is subject to contractual terms, and takes place in the municipality where the person lives. The municipality will receive an annual subsidy of about DKK 136 410 (2015 prices) per seniorjob. The average yearly wage per full-time position is approximately DKK 363 305. The minimum wage is determined by the CLAs. Seniorjobs are regarded as supported employment, and therefore cannot provide accrual of new unemployment benefits.

In the period 2010-12, the number of people in seniorjobs was fewer than 200 on average. Due to the difficult labour market situation and the abrupt decrease in maximum duration of UIBs, the inflow to the scheme increased exponentially however, and in 2014 4 872 people were granted a seniorjob. The Ministry of Employment forecasts this increase to be temporary. According to their forecasts, the inflow will decrease from 2016 when the shorter duration of UIB is fully phased in.

Access to a seniorjob has dampened the impact of a difficult labour market for the group of older unemployed who are eligible for a VERP. This is, however, an expensive measure accessible only to a selected group of registered unemployed. It would be preferable to improve perspectives for all older unemployed people to go back to the ordinary labour market. This

special scheme should be phased out, or at least reformed to give incentives to return to regular jobs – for example by reducing the duration and adjusting the wages of these sheltered jobs, to avoid a lock-in effect until retirement.

Flexjobs

The reform of the disability pension in June 2012 restricted access to disability pension only to individuals over 40, and introduced a rehabilitation programme stipulation prior to being able to receive any disability benefit. This rehabilitation programme focuses on assessing the individual's working capacity and offering support with regard to any health issues. The flexjob scheme introduced at the same time allows a reduction in working time or an adaptation of working conditions depending on the needs of individuals (Box 5.5). Since January 2014, no lower limit to the number of hours worked exists; the objective is to keep as many individuals as possible in the labour force. Employers pay salaries for the actual work performed and municipalities pay an extra wage subsidy. The flexjob scheme is not targeted at older people in particular, although more than half of the individuals in flexjobs in 2013 were above the age of 50 (Table 5.2).

Box 5.5. Flexjobs

Employment in flexjobs means that the work has to be adapted to the reduced work ability of the worker. Some people are only able to work at a slower pace. Others may need to have shorter working hours. The employers pay salary according to the effective work done. The employee receives an additional supplement from the municipalities, depending on the wage level.

Certain conditions must be met to be eligible:

- The person is below statutory retirement age.
- The municipality has assessed work ability as significantly and permanently reduced.
- All possibilities to continue working under regular conditions are assessed.

A flexjob is as a rule granted for a period of five years. At the end of this period, the municipality will reassess the case, in particular if the conditions for a flexjob are still fulfilled. People over the age of 40 can after the first period of flexjob be granted a permanent place in a flexjob.

Source: Danish Ministry of Employment.

Table 5.2. Full-time equivalents in flexjobs by age group, Denmark, 2013

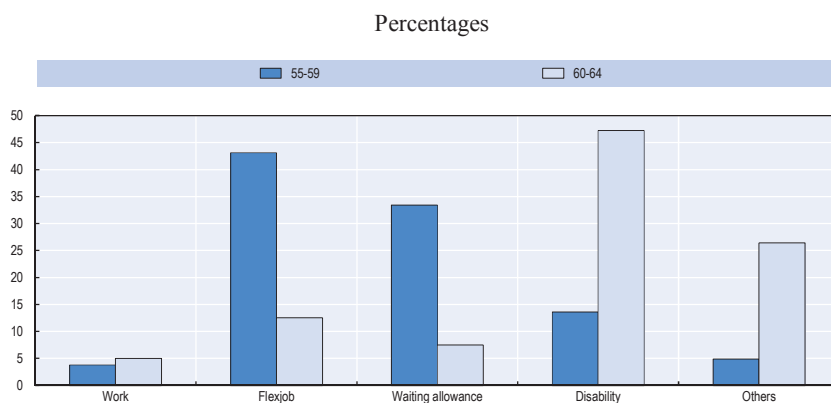
	Numbers	% of total
Total	52 690	100.0
16-19	2	0.0
20-24	277	0.5
25-29	1 090	2.0
30-34	2 278	4.3
35-39	4 442	8.3
40-44	6 608	12.5
45-49	9 301	17.5
50-54	10 251	19.4
55-59	11 248	21.2
60-64	6 918	13.7
65+	273	0.6

Source: Authors' own calculations based on www.jobindsats.dk. Data downloaded 6 May 2015.

StatLink  <http://dx.doi.org/10.1787/888933216207>

A feature of the flexjob scheme is the very low share of participants returning to regular jobs (Figure 5.11). Jamet and Koen (2014) conclude that the flexjob scheme failed to reduce the number of disability benefit claimants, but instead drove people from regular jobs into flexjobs.

Figure 5.11. Status^{a,b} 12 months after the end of a period on flexjob, by age group, Denmark, 2013



a) A waiting allowance is a special benefit for those waiting to be placed in a subsidised flexjob.

b) Others – includes old age pension.

Source: Authors' own calculations based on www.jobindsats.dk. Data downloaded 6 May 2015.

StatLink  <http://dx.doi.org/10.1787/888933216176>

The scheme was modified in 2013 to reduce the risk of flexjobs being used as a substitute for regular jobs. But the high share of people above the age of 50 holding flexjobs still raises two questions: i) are the criteria sufficiently targeted; ii) is the scheme often used to circumvent open labour market problems for disadvantaged older workers. The criteria for entitlement to a flexjob must therefore be very clear, and should be rigorously evaluated. Regular assessments, and putting a stop to granting people above the age of 40 a permanent place after the first five-year period, could be essential.

Potential for more job-to-job transitions

One of the prerequisites for the Danish flexicurity approach is efficient activation to get people back to work quickly. The Danish Economic Council (2012) finds that job creation in Denmark remained relatively high during the crisis. Efficient job-to-job transitions could therefore be particularly important in recessions, to prevent long-term unemployment. Regular contact with the unemployed is one of the elements of the activation strategy in Denmark.

The Danish Economic Council (2012) finds that conversations with and advice to unemployed people also had positive impacts during the recession. Similarly, Vikström, Rosholm and Svarer (2011) find that intensified job-search assistance and frequent meetings with jobseekers have a positive effect. Interestingly, based on data from Germany, according to Boockmann and Brändle (2015) the effect of job-search assistance programmes was significant compared with other ALMPs for the older unemployed. Job-search assistance and counselling could be implemented as relatively inexpensive measures. Rosholm and Svarer (2010) propose analysing the potential for further development in terms of timing, matching of the unemployed and their advisors, and better targeting of such job-search assistance.

Jobcentres and UIFs can have somewhat different advantages that could be utilised to achieve better outcomes, both through better co-operation and through targeting of conversations with unemployed people. The jobcentres are represented in all municipalities and have their expertise in the local labour market. The UIFs relate to specific occupations. They will moreover have close contact with employers within the same branches of activity. The funds will therefore have more specific branch expertise across regions.

Systematic co-operation and sharing of information across administrative units could make advice and information even more efficient. Particularly, if information about downsizing and closures could be rapidly merged with information about vacancies and demands for up-scaling, the

outcome could be more direct job-to-job transitions without any intervening period of unemployment. Elements in the new regulation from 2015 provide good opportunities for development in this direction. The social partners are supposed to have a central role in co-ordination and co-operation across municipalities, as are UIFs through participation in the regional labour market councils.

An issue to explore – and it is one where the social partners could play a key role – is developing an “early warning” system to help close vacancies and get unemployed people back to work as soon as possible; this could be included in mandates for the regional councils. Wilthagen et al. (2014) highlight that transparency and better information about the competences of the workers and those required by employers could be achieved by e-matching, e-portfolio systems and systems for accreditation of prior learning. Development of such a framework through co-operation between the PES and the UIFs, with active help from employers, could reduce overlap and fragmentation and ensure better and more comprehensive information for matching.

According to Madsen (2014), the specific stress factors for the main components of the Danish flexicurity model following the financial crisis are a falling share of unemployed persons taking part in counselling and training programmes, and problems for jobcentres in keeping deadlines with respect to activation of the unemployed (Box 2.1). Better co-operation and more efficient tools could improve services and the impacts of policies. Efficient assessments of skills and qualifications matched towards possible jobs could facilitate training choices. Knowledge about older workers’ needs and how best to match their qualifications and vacancies should be part of the training of jobcentre staff.

The great freedom Danish municipalities have in designing active measures and programmes represents a unique source of information that could be further exploited to find a good balance between the mainstreaming approach and special measures for older workers. Pilot implementation of ALMPs with experimental evaluation by age group could help in selecting the measures most likely to have a positive impact for the specific age group. STAR already operates a well-developed tool for knowledge sharing (the “knowledge centre”) which could be used to better inform jobcentres and municipalities about good practices.

Untapped potentials for activation: The senior networks

The potential from empowering people’s own resources should not be underestimated. Older jobseekers often have long careers and have obtained a great deal of valuable skills. But most of them have no recent experience in job search and they might lack appropriate networks. Senior networks are

helping unemployed older workers look directly for a job through networking (Box 5.6). This is an example of innovative practice: unemployed older workers are reaching out to employers directly through participation in teams, to find jobs for themselves or to promote older workers as a resource.

Box 5.6. Senior networks in Denmark

The “senior networks” consist of local, independent networks for seniors who are looking for jobs and other activities. The local networks are based on voluntary and active contributions from their members, and receive public financing. The Danish Government has allocated DKK 6.3 million per year for the period 2014-17. To be eligible for public support, the local network must have a co-operation agreement with at least one jobcentre, and at least 25 unemployed members over the age of 50. In some of the local networks a small fee is paid by the members to cover local social activities.

The primary aim is to find jobs for seniors. Members are unemployed, above the age of 50, and are searching for jobs. Early retired persons and pensioners are also included. “Help to self-help” is the basic concept of the network. Outreach activities to promote older workers are also among the priorities.

Source: <http://seniorerhvervdanmark.dk>.

In 2014 there were 24 sub-networks that provided jobs for 700 of their roughly 1 800 members. Even if the activity is on a relatively low scale, the initiative is one of the interesting and innovative practices observed across OECD countries that engage older unemployed themselves in job search. Many older unemployed persons have high levels of competence and interesting experience that could be better utilised. The senior networks are also involved in discussions with employers, with the aim of getting them interested in hiring older people.

Other OECD countries have similar measures to get the older unemployed to help each other as well as themselves in job search – for example, there are network groups in the Netherlands, facilitated by the PES (OECD, 2014e). Participants can share information, and previous jobseekers who have managed to find new jobs are invited to share their experience. The senior networks are a positive initiative that probably could be further explored. The local independent networks, relying on the efforts of their members, ensure a dynamic and enthusiastic approach to job search. In view of older peoples’ greater difficulties in finding new jobs, the target group could be extended to cover all older people searching new jobs. More potential candidates will increase knowledge about the networks and employers’ interests. More training of key members may help harvest scale effects. Contacts with the PES could be formalised and extended, as well as contacts with the social partners.

Key policy recommendations

Job quality and working conditions in Denmark are among the best in the OECD area. Older workers are relatively highly skilled, and they participate in training more frequently than most of their counterparts in other OECD countries. Even so, training participation is declining with age, and the average duration of joblessness is longer for older unemployed. Public expenditures on ALMPs in Denmark are high. But what is offered to older workers is often flexjobs or seniorjobs, with very low outflows to regular jobs.

Employment and continuous learning policies in Denmark are mainly based on universal principles. This is a positive approach wherein measures can be adapted to individual needs. Features of the labour market and of different phases of the life cycle must, however, be taken into account in designing implementation of measures and practices to achieve a good balance between universal and targeted measures. There are indications that the overall impacts of efforts restricted to one single policy area, as for example training and education, are limited. Concerted actions, covering a broader range of factors of importance for employability and incentives to work longer, should therefore be accorded priority.

The following measures could be considered to improve the employability of, as well as working conditions for, older workers:

- *Greater access to suitably flexible work arrangements should be encouraged.* The social partners could co-operate to better integrate working hour arrangements, the organisation of work tasks, and technologies as a broad approach for promoting flexible work in CLAs. Training in how to cope with less structured work schemes, as well as adaptation of personnel management, are essential elements in the approach.
- *Continuous learning should relate more closely to work and become an integrated part of age-management.* Training courses for older people should have a short or flexible payback period. Subsidies from the “Jobrotation” measure could help reduce the cost disadvantage experienced by older workers. Recognition of prior learning and validation of acquired experience could help in adapting training to individual needs. Teachers in vocational education and training should be given incentives to regularly spend time in a firm within their professional field. Work-related training, particularly in SMEs, should be better organised to increase efficiency, for example through programmes across branches or regions.

- *Co-ordination between health care and employment services could be improved.* Better incentives for primary care professionals to take more responsibility across the whole patient pathway could prevent lifestyle- and stress-related diseases. Better integrating health and employment services could increase the likelihood of return to work. The potential of the “Senior Starter Kit” to prevent early exit and burnout should be evaluated.

- *Encourage transitions back to regular jobs, and prevent inactive periods and early exit from the labour market.* Jobcentres, UIFs and employers could co-operate in developing e-matching systems to help such transitions through less fragmentation and better information matching. Pilot implementation of ALMPs with experimental evaluation by age group could help in selecting the measures most likely to have a positive impact for the specific age group. Regular re-employability assessment is essential, as is putting a stop to granting people above the age of 40 a permanent flexjob after the first five-year period. Seniorjobs should be progressively phased out, and incentives to seek regular jobs increased.

Notes

1. The survey was conducted in 2014 and included 1 013 respondents. The respondents could give several reasons, so the total exceeds 100%.
2. The reviewed countries included in the estimate are Austria, Belgium, Denmark, Netherlands, Norway, Sweden, Switzerland and the United Kingdom.
3. A few small municipalities co-operate with neighbourhood municipalities to run a joint jobcentre.
4. One exception is a joint office established by a jobcentre in Copenhagen and the UIF for tertiary graduates (*Akademikerne*), in an effort to reduce the experience of overlap for users of the services and to facilitate co-operation.
5. <http://bm.dk/da/Beskaeftigelsesomraadet/Flere%20i%20arbejde/Beskaeftigelsesindsats%20for%20ledige/Aftale-om-ny-beskaeftigelsesindsats.aspx>.

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DENMARK

WORKING BETTER WITH AGE

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