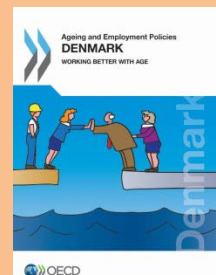


# Working Better with Age in Denmark

## Assessment and key recommendations



October 2015

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### 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 EU21<sup>1</sup> 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 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 cope 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 benefit***

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](http://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 coordination 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 ematching, 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. Senior jobs 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.

**Contacts**

Anne Sonnet [anne.sonnet@oecd.org](mailto:anne.sonnet@oecd.org)

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