



LABOUR MARKET REPORT 2013

Employment in Denmark

English Summary



Labour Market Report 2013, English Summary
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The Confederation of Danish Employers (DA) is the central organisation of 13 employers organisations on the private labour market within industry, commerce, transport, service and construction.

The main task of DA is to maintain the interest of the member organisations vis-à-vis the political system, and to coordinate the employers' mutual interests in the area of collective agreements.

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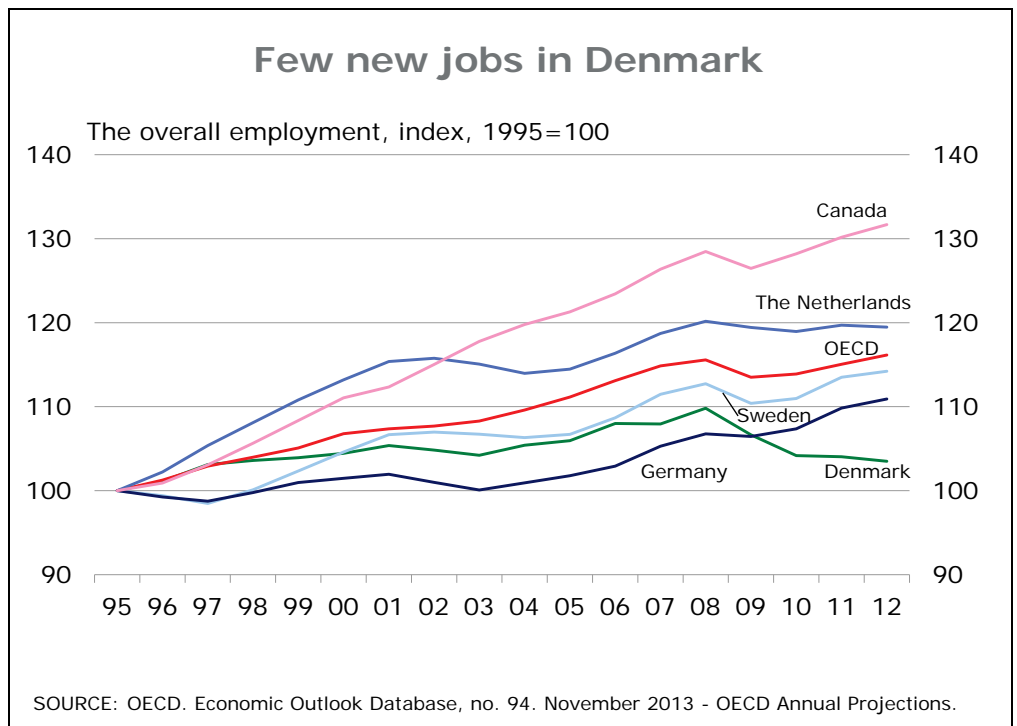


Denmark in job crisis

Sweden and Germany have created 2-4 times more jobs than DK

In Denmark, the number of persons in employment has only grown by 3.5 percent since 1996. In our neighbouring countries, Sweden and Germany, the situation is altogether different – there has been created 2-4 times as many new jobs. Denmark is in a job crisis where the up-swung in employment from the latest boom, which ended abruptly in 2008, is now completely lost again, see figure 1.

Figure 1



Denmark lost 200,000 jobs in the private sector

The number of jobs in the private sector is currently almost 200,000 below the level from 2008. Denmark clearly distinguishes itself as the country where the loss of workplaces since 2008 has been the biggest and most protracted. Germany has been able to maintain the number of employed over the crisis and in Sweden, the drop was quickly turned to progress.

Sweden has improved competitiveness, Denmark has worsened it

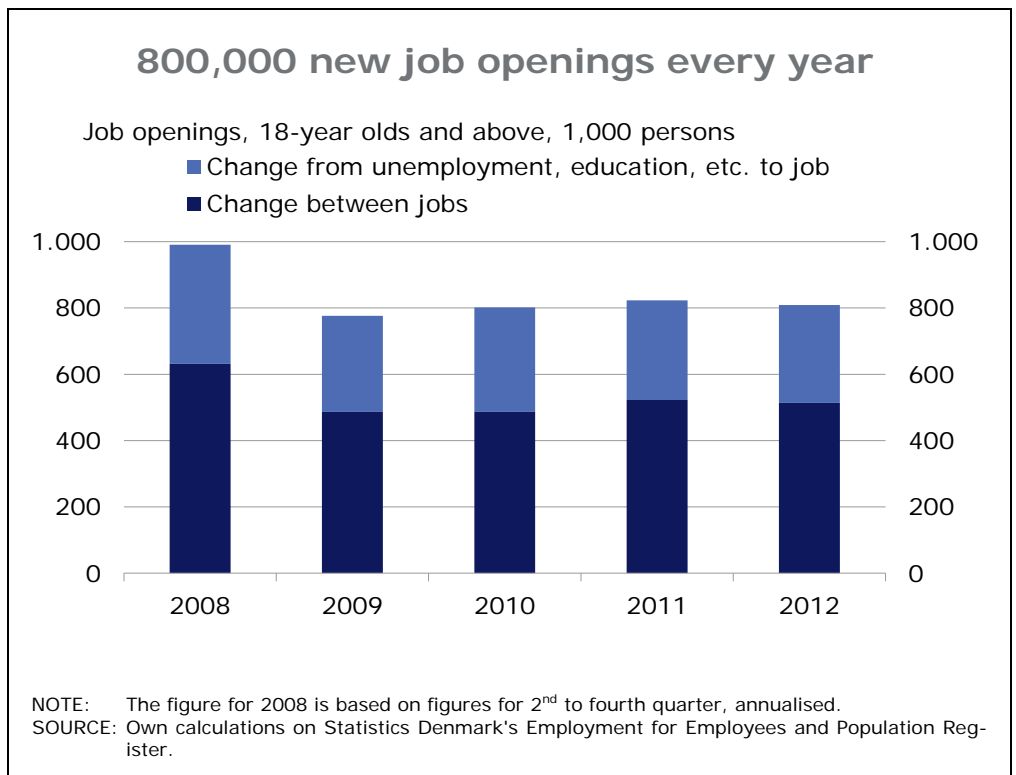
During the period, Denmark has had a very different wage development in comparison to Sweden and Germany. Denmark's wage competitiveness has worsened by more than 10 percent since 1995 while, for example, Sweden has been able to improve their competitiveness by 5 percent over the same period. Among other things, this is connected to the Swedish productivity development having been higher than the Danish productivity, see the Danish Ministry of Economic and Interior Affairs (2013).

Even though the overall employment has not increased, the Danish labour market is characterised by a large job turnover with many job openings. This helps to create a flexible labour market in which companies and employees with new or other needs and requirements can be matched better.

800,000 job openings annually

Denmark is one of the countries with the highest job mobility in OECD and even though the job mobility was higher in 2008 just before the crisis, there still continues to be around 800,000 job openings annually, see figure 2.

Figure 2



Larger proportion of job openings are filled by unemployed persons in the private sector

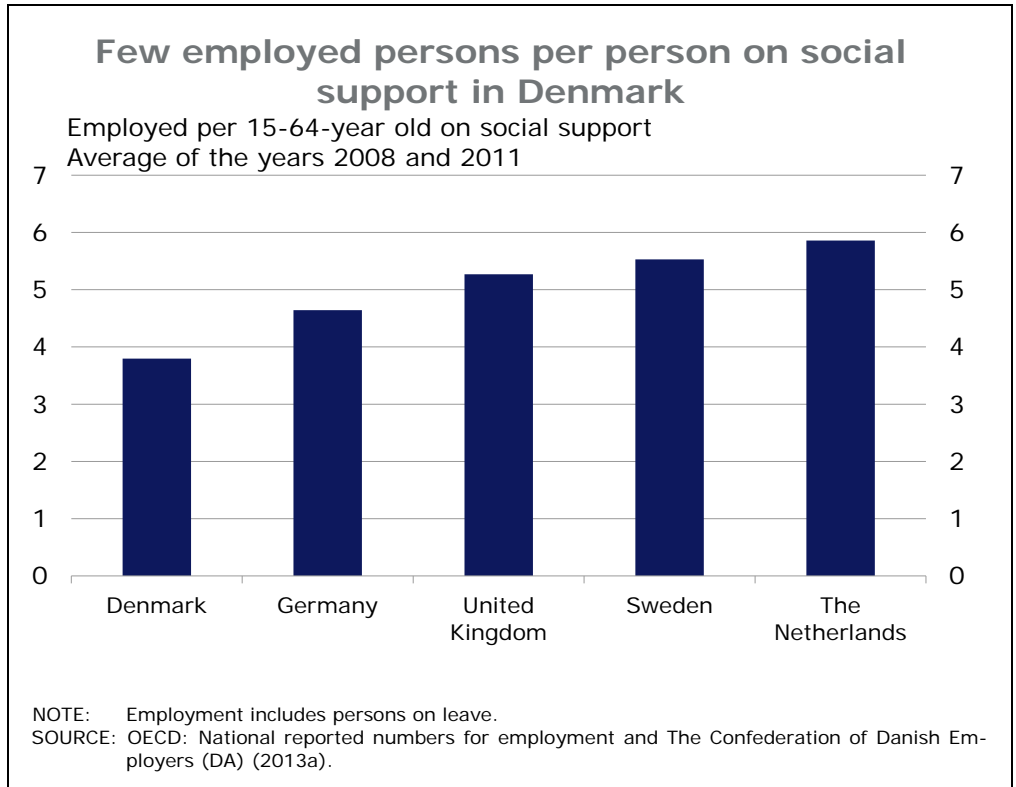
Many job openings get occupied by unemployed persons and newly qualified persons. This is more common in the private sector than in the public sector. In the private sector, four out of ten job openings are filled by unemployed people, while the corresponding figure in the public sector is three out of ten job openings.

Prior to the crisis, many extra jobs were created in Denmark, but the picture now is another. Therefore, there are fewer employed persons to pay the bill for the large group of 15-64-year olds who do not have jobs and who live on social support.

In 2012, there were 3.3 employed persons per person on social support in the age group 15-64 years while the figure was close to four in 2008. In the previous years, the number was around three employed persons per person on social support, while measured in relation to the private sector employment, the figure is down to around two employed persons per person on social support.

In a number of other countries, to which Denmark typically compares itself, there are a larger number of employed persons per person on social support. For example, in Sweden there are 5½ employed persons for each person on social support in the 15-64 year age group - as an average for 2008 and 2011, see figure 3.

Figure 3



¼ million from social support to employment in order to resemble Sweden

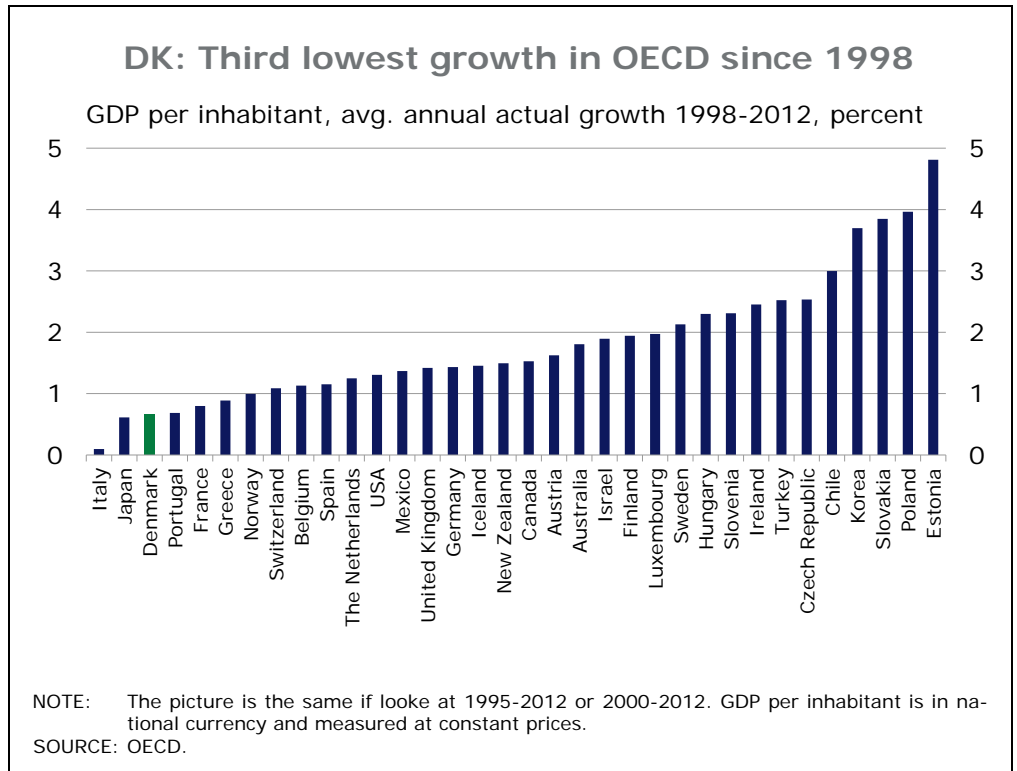
If Denmark were to have the same number of employed persons per person on social support like in the Netherlands or Sweden, this would require reforms that would get almost 250,000 people currently on social support into employment in the private sector.

Danish growth crisis

Danish growth in GDP third-lowest in OECD in the past 15 years

The mediocre Danish employment development is connected to growth essentially being at the bottom of OECD for many years. Over the past fifteen years, Danish GDP growth has been the third-lowest among the OECD countries. Only Italy and Japan have had lower growth rates, see figure 4.

Figure 4



Several conditions are the reason for the poor development. During the period, Denmark has experienced a worsening of competitiveness, only few reforms have been implemented that have expanded the labour supply and Denmark has had a poor productivity rate. When seen over a 10-15-year period, Denmark is lagging behind in comparison to other OECD countries, see Productivity Commission (2012).

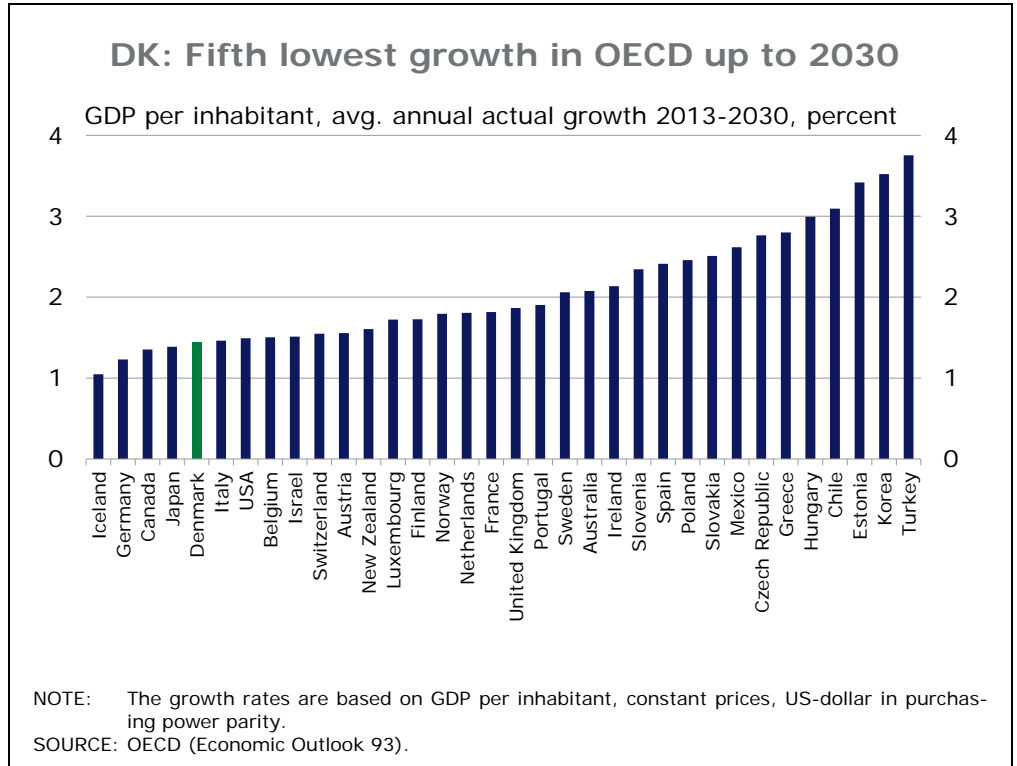
Growth in Sweden has been three times that of Denmark

The growth in GDP per Swede has been three times higher than per Dane. German growth has been double that of Denmark. If Denmark would have had the same growth as in Sweden, all Danes would have been significantly wealthier today than is the case. Swedish growth since 1998 would have meant that today, every Dane would have had DKK 70,000 more on average to spend.

Fifth lowest growth in OECD up towards 2030

The prospects for the coming decades are not bright either. This is despite the fact that the growth in the wake of the crisis will probably be higher than it has been in the last fifteen years. OECD estimates that in the period up to 2030, Denmark will have, on average, the fifth lowest growth among the OECD countries, see figure 5.

Figure 5



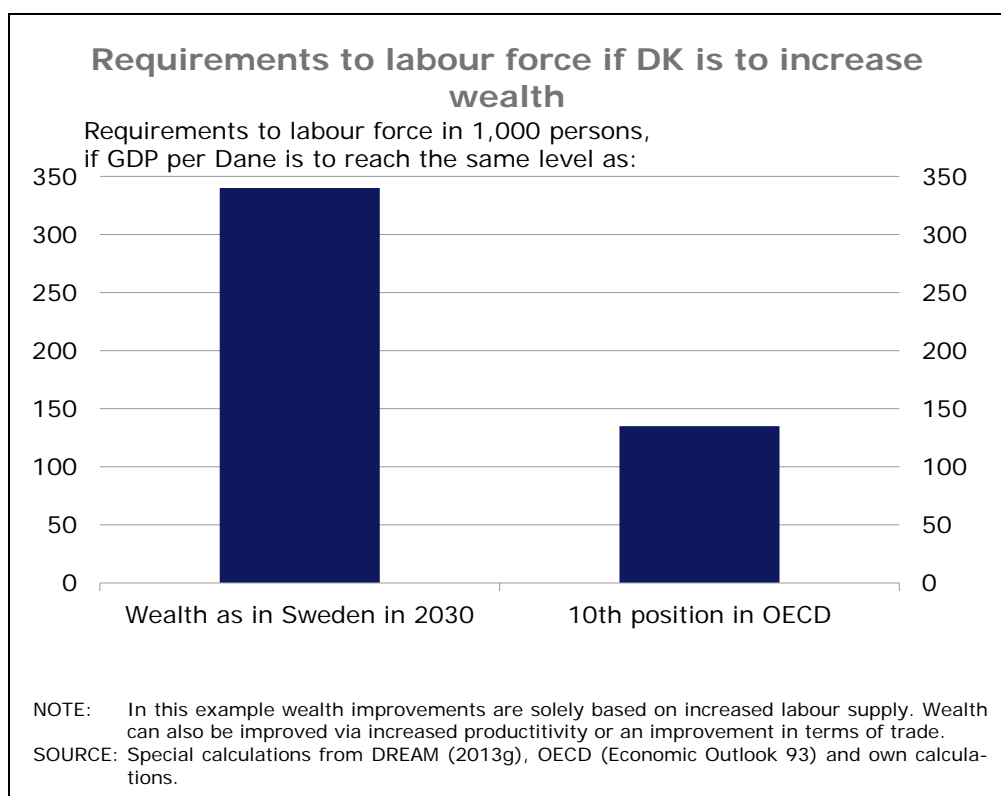
The forecast implies that the difference between Danish and Swedish wealth will become even more profound. Consequently, Danes' consumption possibilities will be more limited compared to our Swedish neighbours.

Denmark shoots down the wealth ladder, Sweden shoots up

In the period up to 2030, Denmark will move from being the tenth richest country in OECD measured as GDP per inhabitant to twelfth position. Sweden will move from ninth to seventh position.

A change in this predicted development can be achieved in various ways - through a larger labour force, longer working hours, increased productivity or improved terms of trade. If Denmark is to have the same GDP per inhabitant in 2030 as Sweden via a larger labour force, this requires the participation of 350,000 extra persons on the labour market, see figure 6.

Figure 6



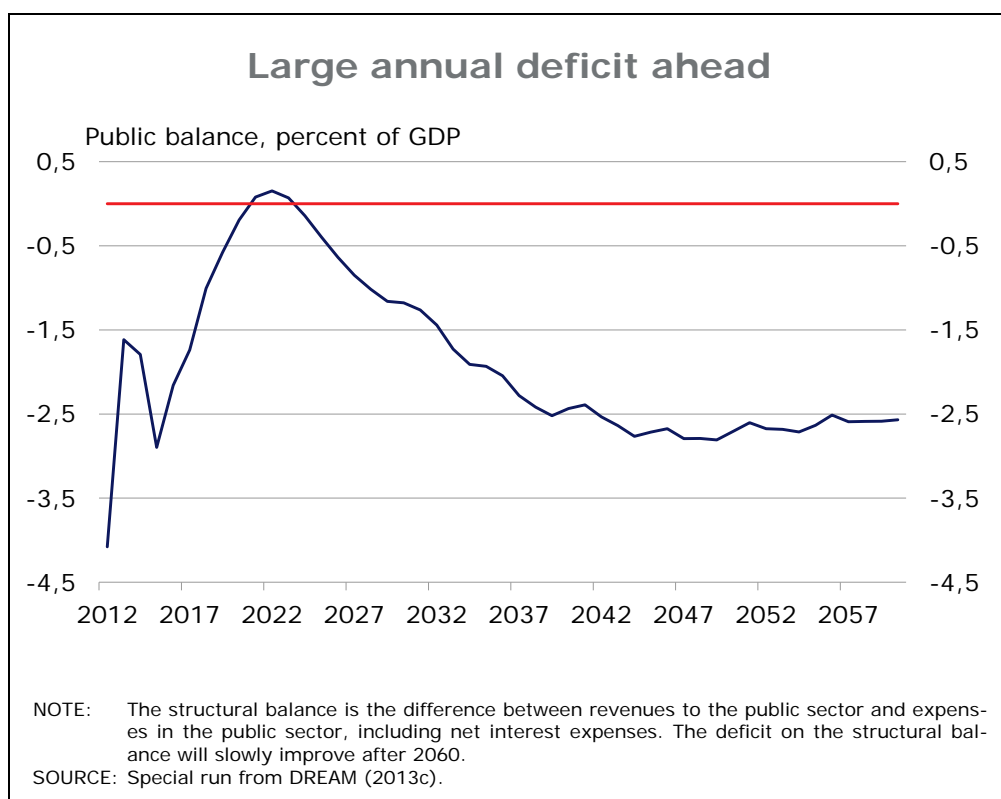
A continued position among the ten richest OECD countries requires 135,000 extra persons in the labour force.

Budget deficit threatens ahead

Downward slide for the public balance - exceeds the national budget act

In the coming years there is the prospect of slightly higher growth and consequently, the budget deficits in the public sector will also improve up to 2020. But shortly afterwards, a downward slide will begin for the public finances. From 2026 and onwards, the deficit in the public sector will be so large that it will no longer fulfil the government's national budget act, which implies that the annual structural deficit on public finances may not exceed 0.5 percent of GDP, see figure 7.

Figure 7



Longer working hours has greatest effect on GDP

Higher employment and longer working hours will increase the revenues for the public sector and reduce the expenses. The effect on the national economy depends on where the increased employment comes from. If the employment rises by 10,000 more full-time persons due to an increase in working hours among employed, the GDP increases by 0.4 percent or DKK 7½ billion in the long term. The effect is half if the employment comes from fewer people on cash benefits instead. This is due to an expected lower productivity among persons on public support compared to people already employed, see table 1.

Table 1

Effect of different solution models			
Long-term effect, 2030, percent	GDP per Dane	Private spending	Debt in percent of GDP
10,000 more full-time employees as a result of:			
Fewer unemployment benefit recipients	0.3	0.3	-0.2
Fewer cash benefit recipients	0.2	0.3	-0.1
Longer working hours	0.4	0.4	-0.2
NOTE: It is assumed that unemployment benefit recipients and cash benefit recipients, who get employed, will earn 72 percent or 60 percent compared to the wage of an average full time employed.			
SOURCE: Special run from DREAM (2013f).			

The new labour market

Other countries have caught up with DK

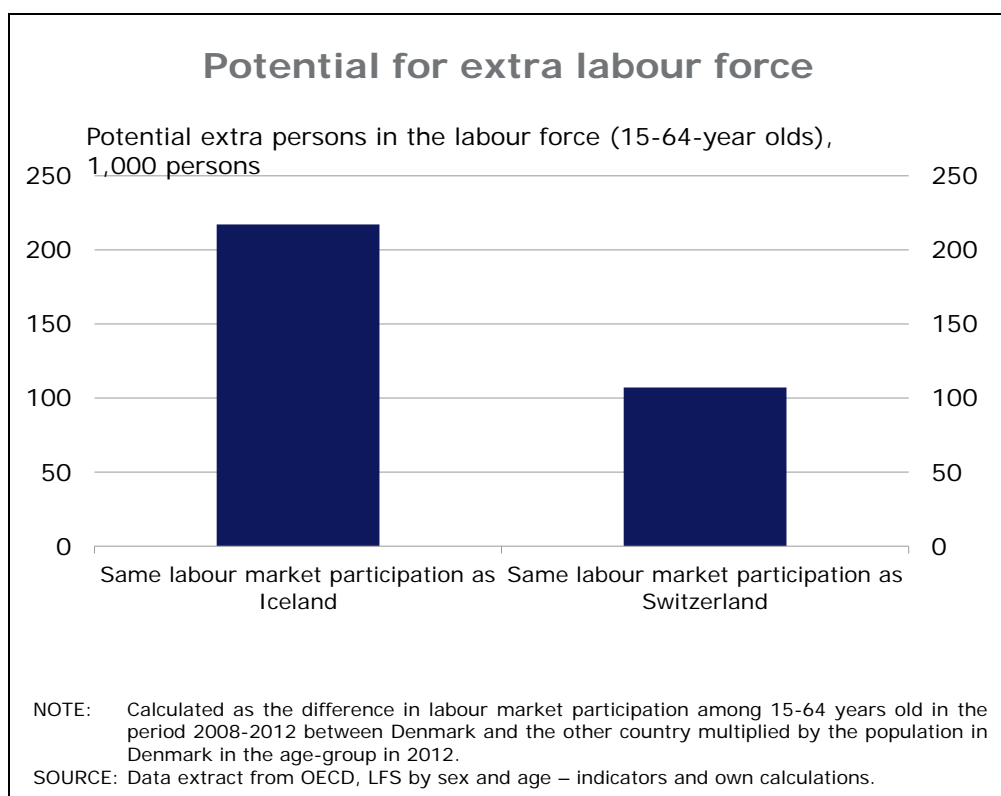
While the development in the overall Danish labour market participation has basically remained unchanged since 1983, the majority of other countries have been able to expand their labour market participation. Countries that were in a considerably lower position 30 years ago, like the Netherlands, Germany and Australia, have by and large caught up with Denmark.

Labour market participation and employment go hand-in-hand. Higher labour market participation will also mean higher employment in the longer run, which again provides higher growth. A high labour market participation is therefore crucial to creating growth and prosperity in a country.

Potential for 220,000 more people in the labour force

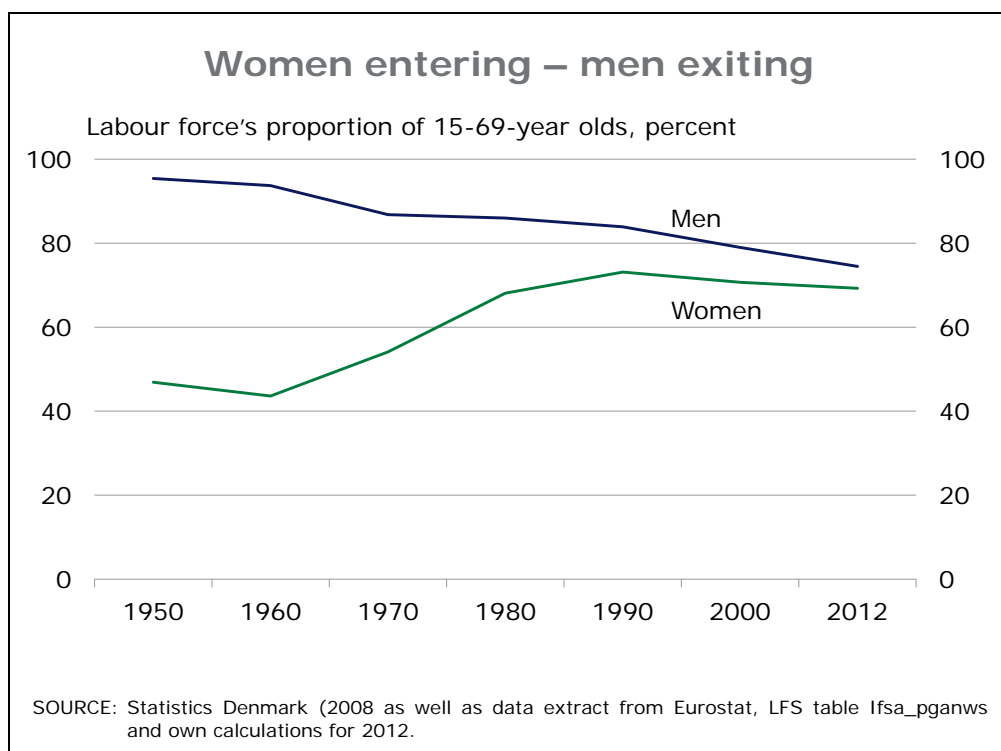
If Denmark were able to expand the labour force to the same level as those countries that have higher labour market participation rates in 2012, it would correspond to an expansion of the labour force of up to 220,000 persons, see figure 8.

Figure 8



Women's entry into the labour market made the Danish labour market participation the world's highest. But parallel with women entering the labour market, mens participation rates dropped and their labour market participation is currently significantly lower than 10, 20 and 30 years ago, see figure 9.

Figure 9



Danish women's labour market participation no longer unique

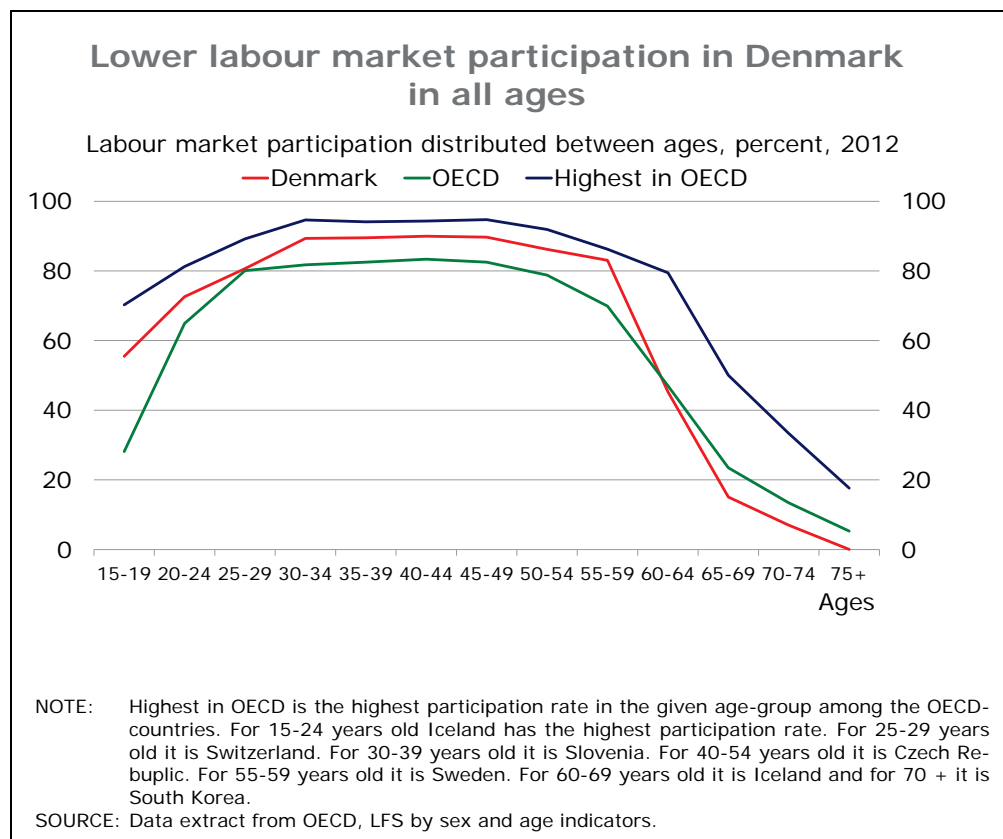
Danish women's labour market participation is no longer at the top but has been overtaken by countries such as Sweden and Switzerland, while women in Norway, the Netherlands and Canada participate in the labour market to almost the same extent as Danish women.

Political initiatives have drawn people out of the labour force

Men in other OECD-countries also have a higher labour market participation than Danish men - with the exception of Norway. Over time, many different political initiatives have impacted labour market participation in Denmark. For example, the early retirement scheme has permanently reduced the proportion of men and women who participate in the labour market after the age of 60. In the 1990s, the figures were also impacted by leave schemes, transition benefits etc. and later, illness, maternity leave and cash benefits have also experienced an increased intake.

There are no age groups where Denmark has a record in labour market participation. The difference in the best OECD countries is largest among young people and among the elderly, see figure 10.

Figure 10



For the older age groups, the retirement reform will mean an increased labour market participation, however, only in the years after 2019.

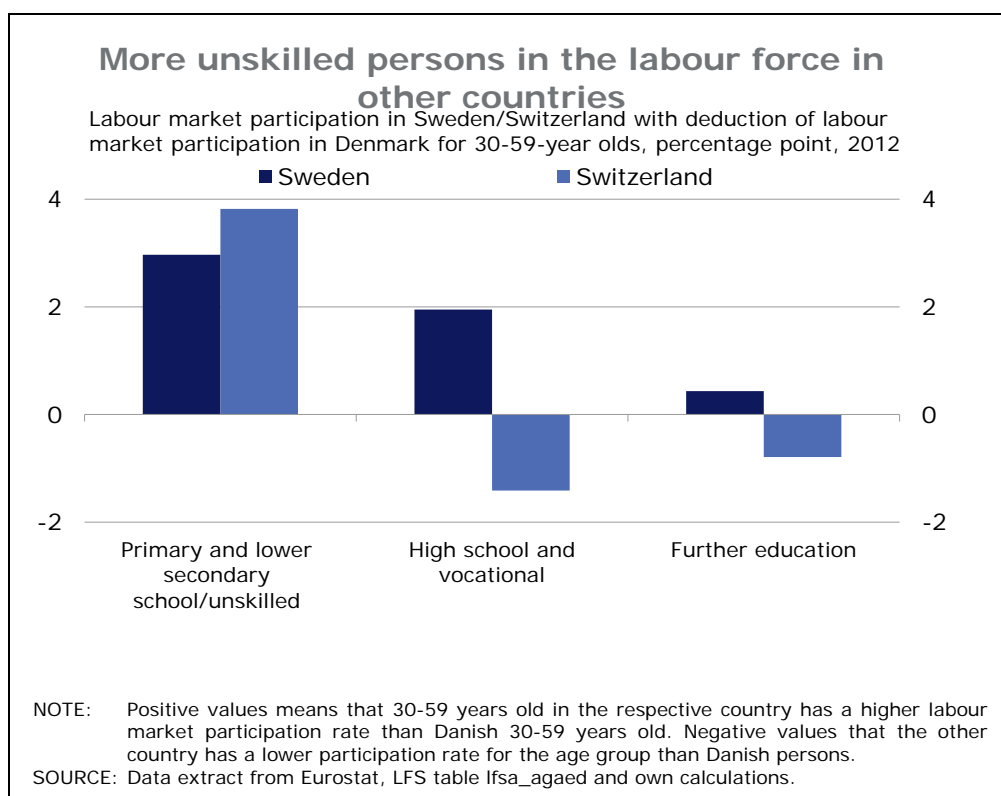
30-59-year old Swedes have higher labour market participation

Even in the age groups with the highest labour market participation traditionally - the 30-59-year olds - there is also potential to expand the labour supply compared to other countries. In Sweden, Iceland and Switzerland the labour market participation for these age-groups is between 1-3 percentage points higher than in Denmark.

Unskilled persons in particular have lower labour market participation in Denmark

This is especially due to a difference among persons without education. Among this group, 2-4 percentage points more Swedes and Swiss participate on the labour market than among Danes, see figure 11.

Figure 11

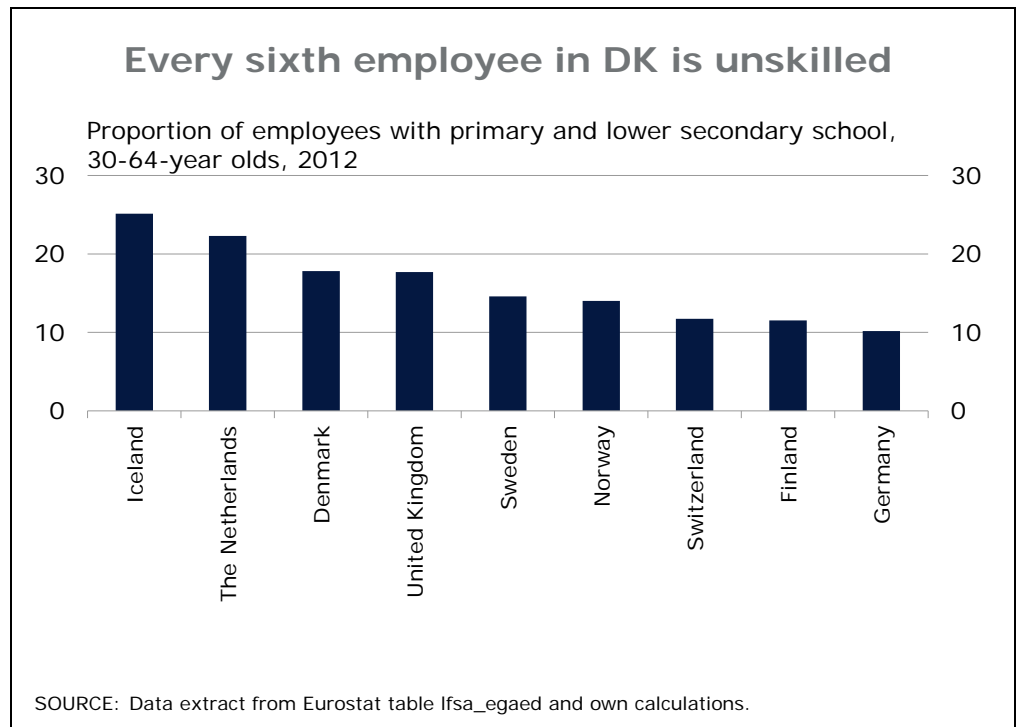


Still many unskilled jobs in Denmark

Every sixth job is filled by unskilled persons

Every sixth job in Denmark is performed by an unskilled person, i.e. a person who has primary and lower secondary school as the highest completed education. In Sweden and Norway this applies to approximately every seventh job while in Finland and Germany, the proportion is even lower. Here, this applies to every tenth job, see figure 12.

Figure 12

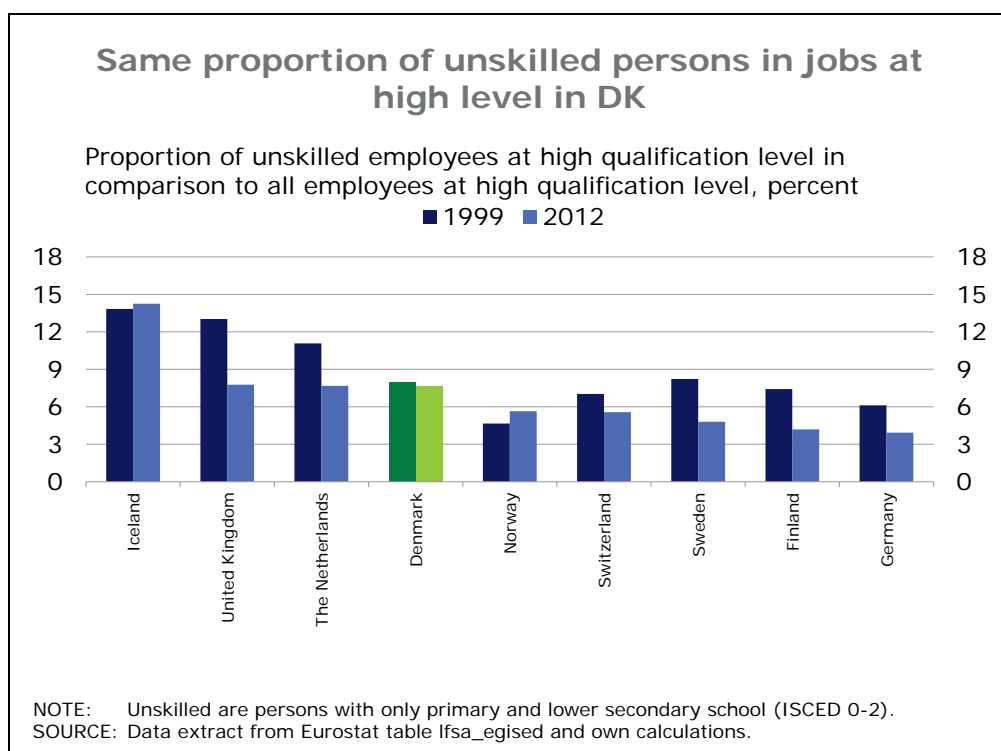


Denmark has the most jobs at low qualification level

A large proportion of the unskilled persons perform jobs at the lowest qualification level, such as cleaning, kitchen assistance or driver jobs.

Every third unskilled person is employed in a job at the medium level, while 8 percent are employed in jobs at the highest qualification levels such as freight forwarding work, IT operation, etc. Denmark is among those countries with the highest number of unskilled persons who work at a high qualification level, see figure 13.

Figure 13



Same proportion of unskilled persons in jobs at high level in DK

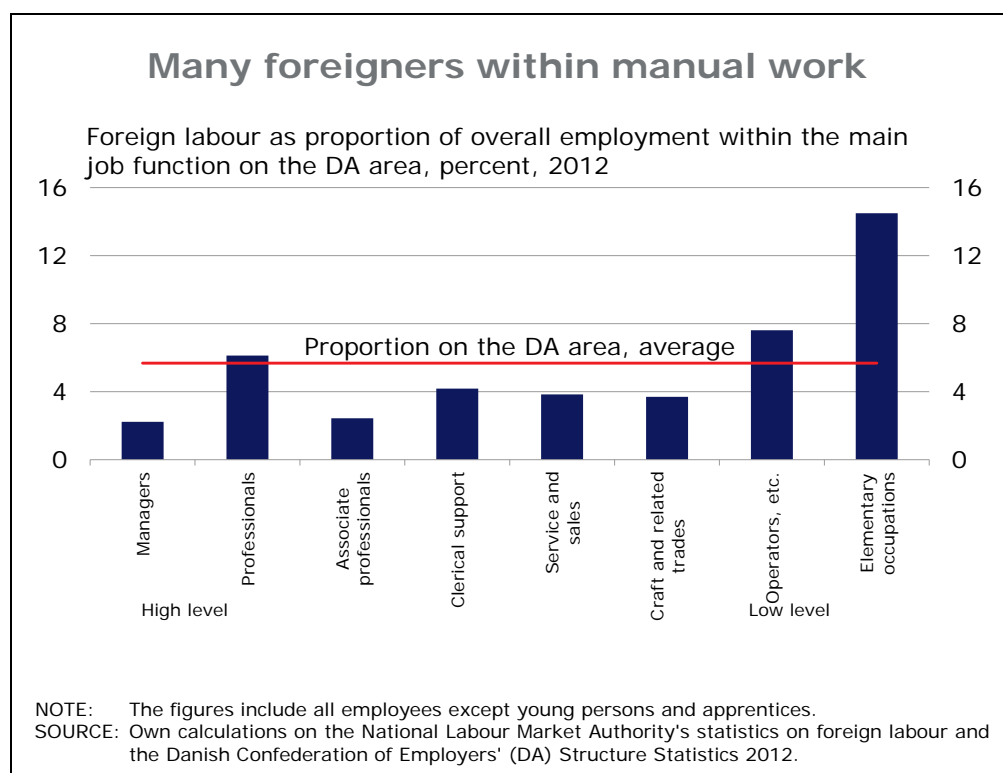
The tendency across countries is that fewer unskilled persons (with only primary and lower secondary school education) have jobs at high qualification level. In the United Kingdom, the proportion has dropped by 5 percentage points from 1999-2012 so in 2012, 8 percent of employed persons at a high qualification level are unskilled. The same tendency has not been the case in Denmark. Here, more or less the same proportion of unskilled persons have jobs at a high qualification level in 2012 as in 1999.

Foreign labour works at low and high level

15 percent within manual work are foreigners

There are many foreign workers in Denmark. Of the overall employment, approx. 5 percent have a foreign citizenship. In companies covered by the Danish Confederation of Employers (DA), foreign labour particularly performs jobs at a low qualification level, mainly in the form of manual work where they comprise of almost 15 percent of the employment, see figure 14.

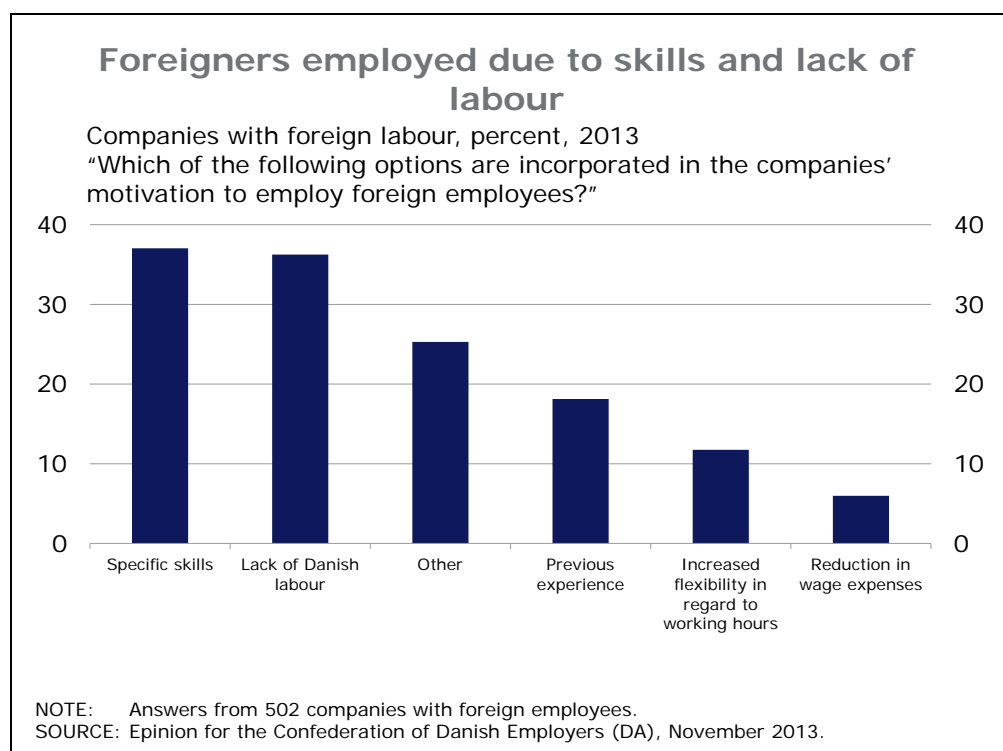
Figure 14



At high qualification levels there are also relatively many foreigners who work - as engineers in particular. Conversely, less than 2 percent of all jobs at the medium-high qualification level and among managers are performed by foreign employees.

Many of the companies who have foreign employees, have employed them due to lack of Danish employees or due to a lack of persons with specific skills. However, according to the companies, the wages only play a minor role, see figure 15.

Figure 15



Foreigners on the DA area covered by the same rules as Danes

On the DA area, Danes and foreign employees have the same working conditions. Wages, pension, sickness payment and other working conditions are regulated in the collective agreements. On the DA area, foreign employees are covered by collective agreements to the same extent as Danish employees, see table 2.

Table 2

Danes and foreigners equally covered by collective agreements

Collective agreement coverage, 2012	Total employees		Foreign employees	
	1,000 full-time	Percent	1,000 full-time	Percent
Private sector	1,355	74	86	66
- DA	653	88	37	84
Financial sector	65	89	2	89
- Other/non-union	638	59	47	51
Public sector	788	100	25	100
Total	2,143	84	111	74

NOTE: Excluding persons working in a foreign company in Denmark – approximately 5,000 full-time employees.
SOURCE: Special run from Statistics Denmark, Special run from The National Labour Market Authority (Job efforts), DA, FA, Eurostat and own calculations.

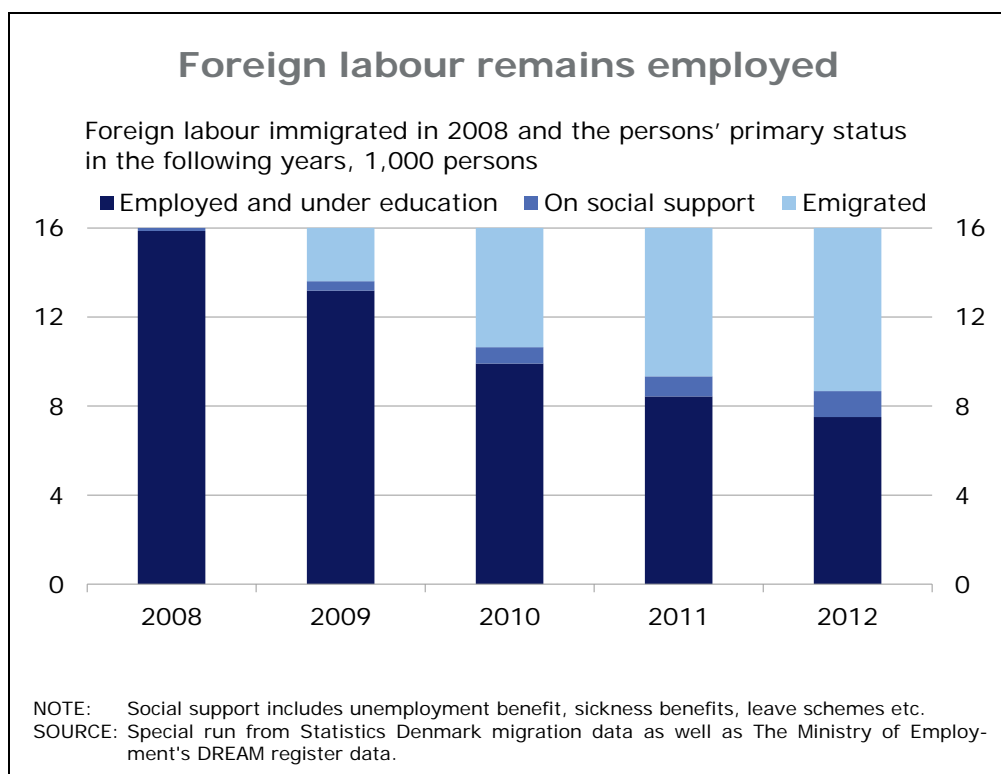
In general, 88 percent are covered by a collective agreement in the DA area and the same degree of coverage applies more or less among foreigners. In the rest of the private sector, it is difficult to assess the extent of collective agreement coverage. If foreigners work to the same extent as Danes in companies with a collective agreement, the overall collective agreement cover among foreigners on the Danish labour market is 74 percent against 84 percent among Danes.

Fewer foreign employees on social support

Half remain in Denmark five years after immigration

Among the 16,000 persons who immigrated to Denmark for employment in 2008, just half continued to remain in the country five years after and by far the majority were employed, see figure 16.

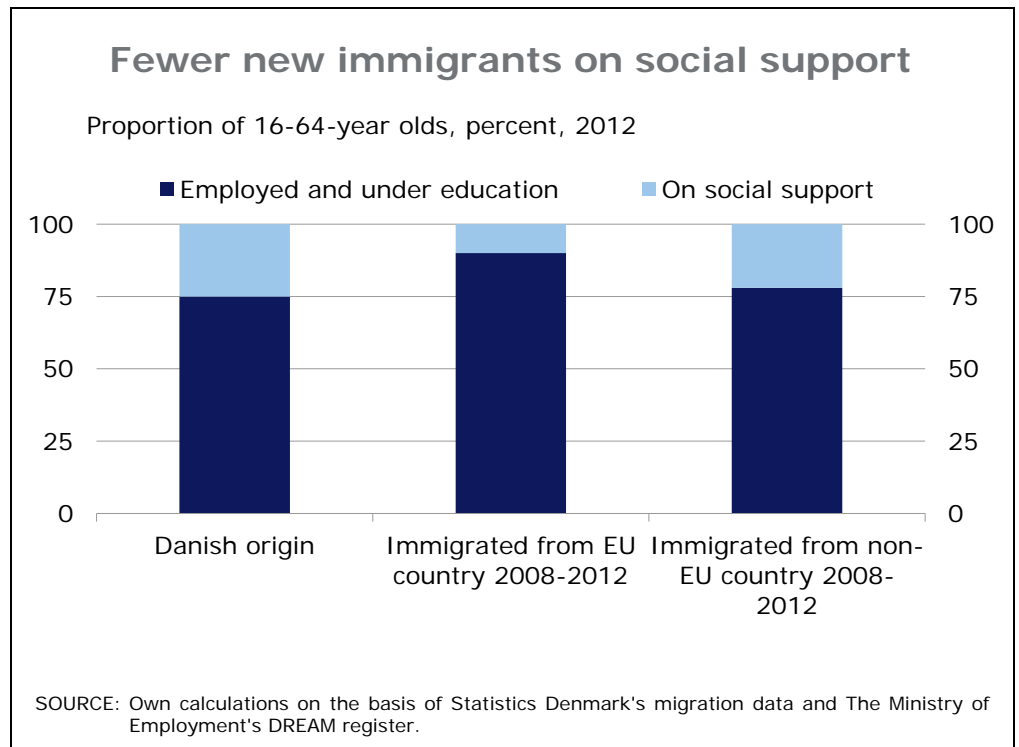
Figure 16



Nine out of ten foreigners support themselves

A smaller proportion of newly immigrated foreigners are on social support. Persons of Danish citizenship in the age group 16-64 years were employed, undergoing education or self-supported 75 percent of the year 2012. The corresponding figure was 89 percent for immigrants from EU countries who immigrated to Denmark in the period 2008 to 2012, see figure 17.

Figure 17

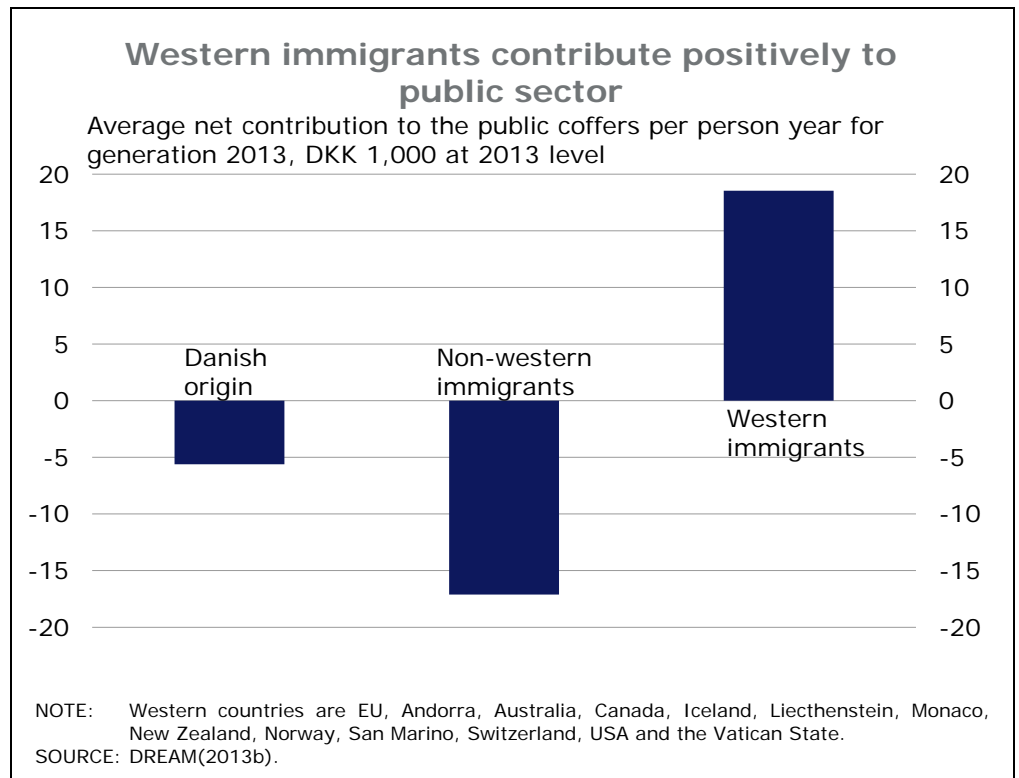


Among foreigners from non-EU countries who immigrated in the period 2008-2012, the time in employment or self-support was at the same level as Danes.

Western immigrants contribute positively to public finances

The high degree of employment for immigrants means that they contribute to the Danish economy and to the public finances. The group of immigrants from western countries are the only ones contributing positively to the public sector on average over a life time, see figure 18.

Figure 18



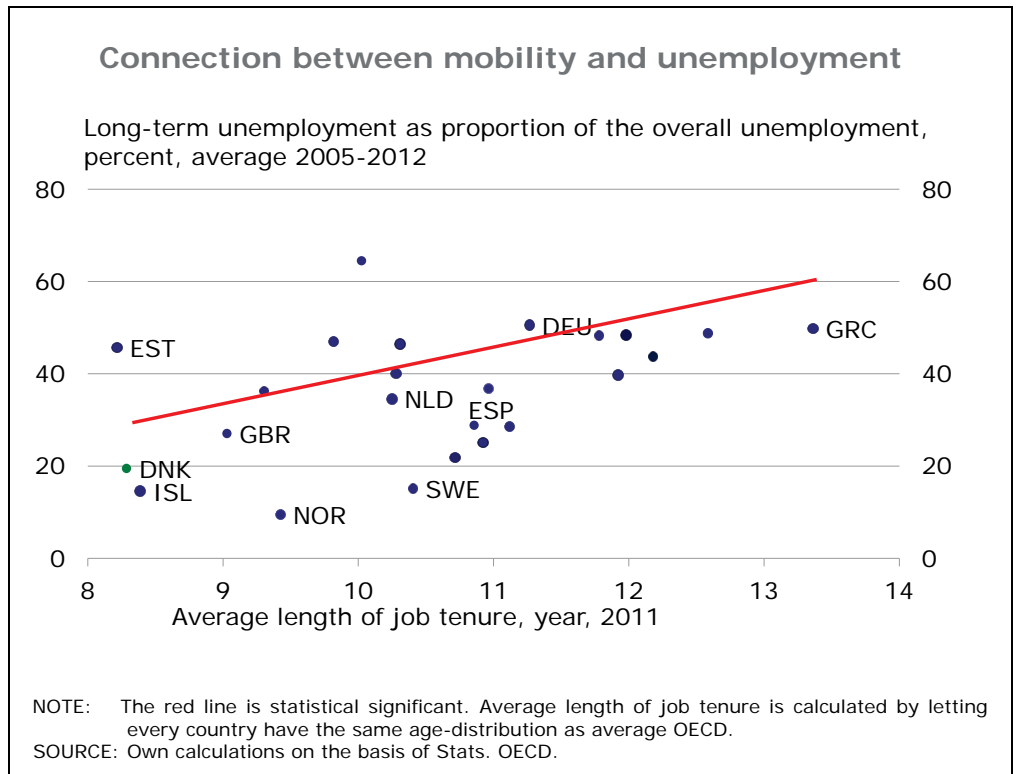
The positive contribution is due to the fact that the overall tax payments for this group exceed the public expenses for health, education, etc. which the group consumes over their lifetime. The opposite applies to Danes and immigrants from non-western countries.

High job mobility reduces unemployment

The high job mobility in Denmark helps to ensure that job openings constantly occur, which also makes it easier for unemployed to find jobs. Even though many persons become unemployed every month, there are also many unemployed persons who regain employment and consequently there are fewer unemployed persons for longer periods.

Denmark is among those countries with the lowest long-term unemployment and is at the same time among those countries with the highest job mobility. There is a clear relationship between long-term unemployment and job mobility, see figure 19.

Figure 19

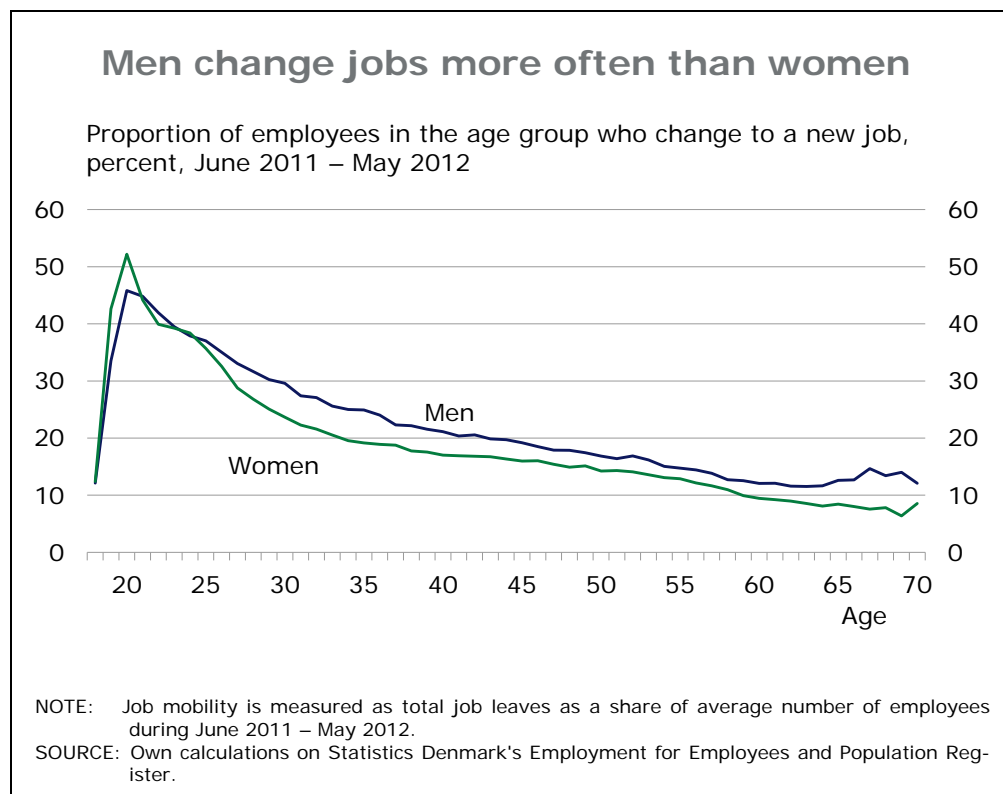


Men change jobs more often than women

Men change more than women

Men change jobs more frequently than women. Women are most mobile around the age of 18-20 years, while for 20-24-year olds, mobility for men and women is more or less the same. Around the age of 25 years, women's mobility drops significantly and the difference between men and women is only slightly equalised in line with their age, see figure 20.

Figure 20



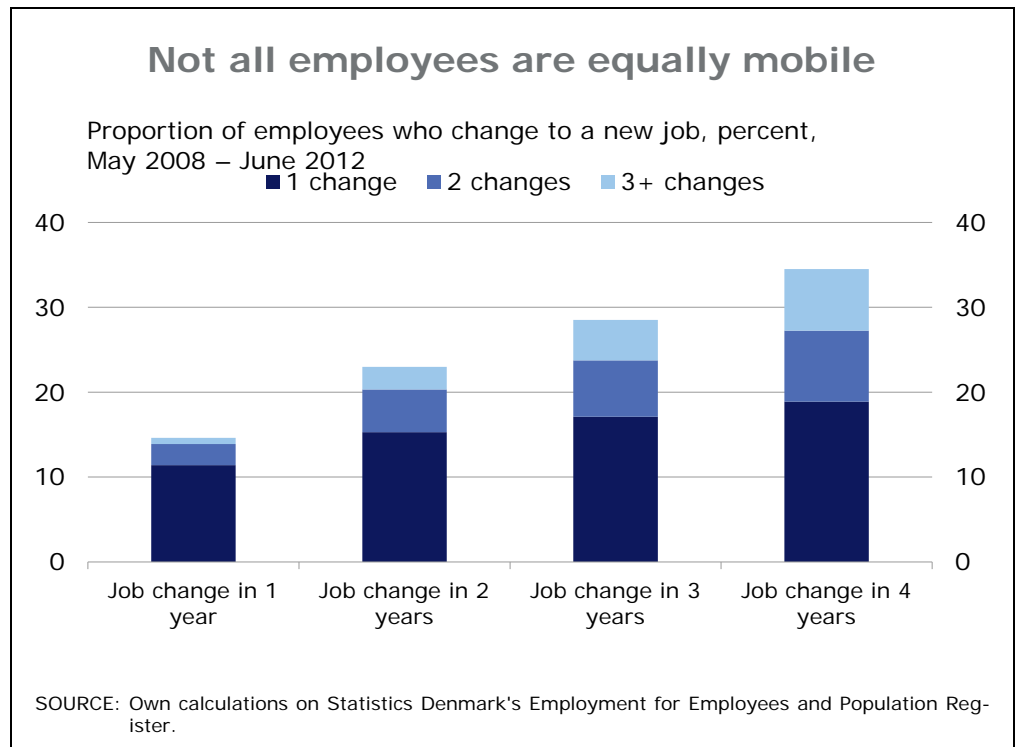
Drop in job mobility among women is probably due to motherhood

The lower job mobility for women aged 25-34 years is probably connected to many in this age group are having children. Naturally, this applies to both men and women, but women's mobility drops considerably more when they have younger children. This applies especially if the children are between 0-3-years old but the effect still exists with children between 4-6-years old.

Proportion of persons changing jobs increases over time

Measured in a single year, 14 percent of employees changed jobs. The proportion of employees who change their jobs obviously increases, over time and when seen over a four-year period, about every third employee has changed their job at least once, see figure 21.

Figure 21



Some do not change jobs at all over a four year period

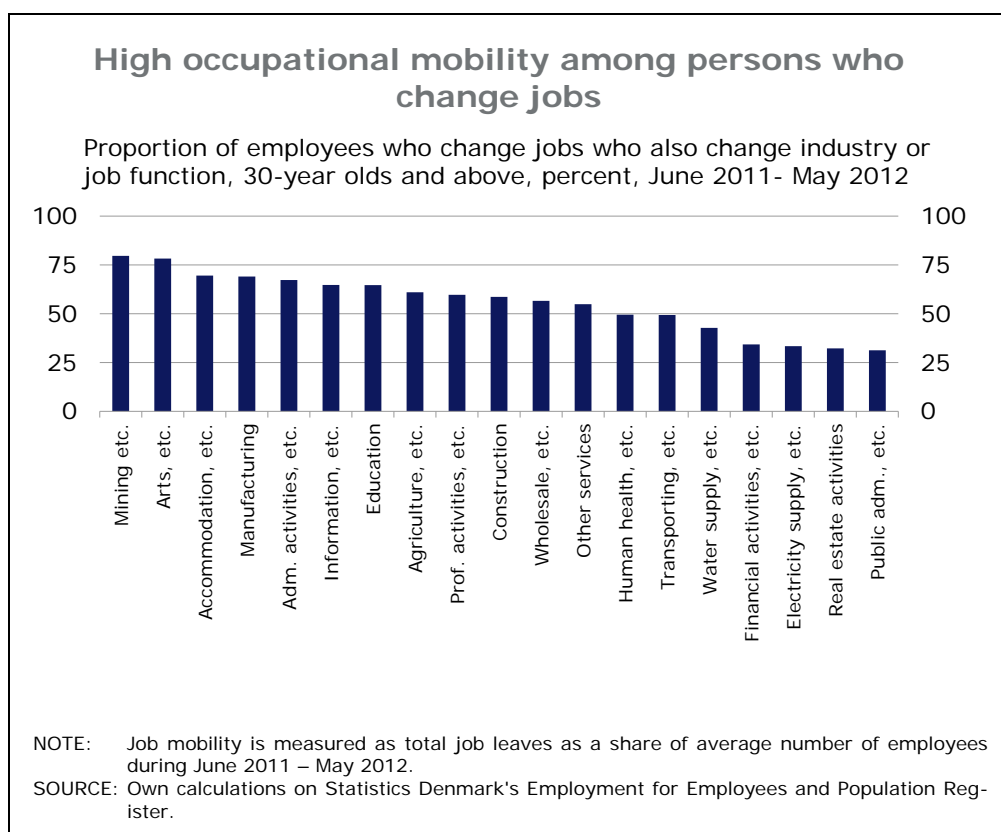
About 7 percent of employees have changed their jobs three or more times measured over a four-year period. A large part of the high Danish job mobility is driven by a group of employees with many job changes. Of the two-thirds of employees who have not changed jobs over a four-year period, there is probably a considerable proportion who only make a few job changes or do not change jobs at all in their working life.

High occupational mobility

Six out of ten change job to a job in another industry or job function

About half of the employees who change jobs also change industry. And if changes in job functions are included, then six out of ten are occupationally mobile. It is especially within the arts, entertainment and recreation industry that occupational mobility is high. Here, 84 percent change industry and/or job function. The other end of the spectre includes public administration where 31 percent change industry and/or job function, see figure 22.

Figure 22



Occupational mobility provides jobs - also for unemployed

The high occupational mobility among employees is an indicator of a flexible labour market. It is essential that the public job centres support this and guide unemployed persons to seek jobs within industries and job functions where job openings exist.

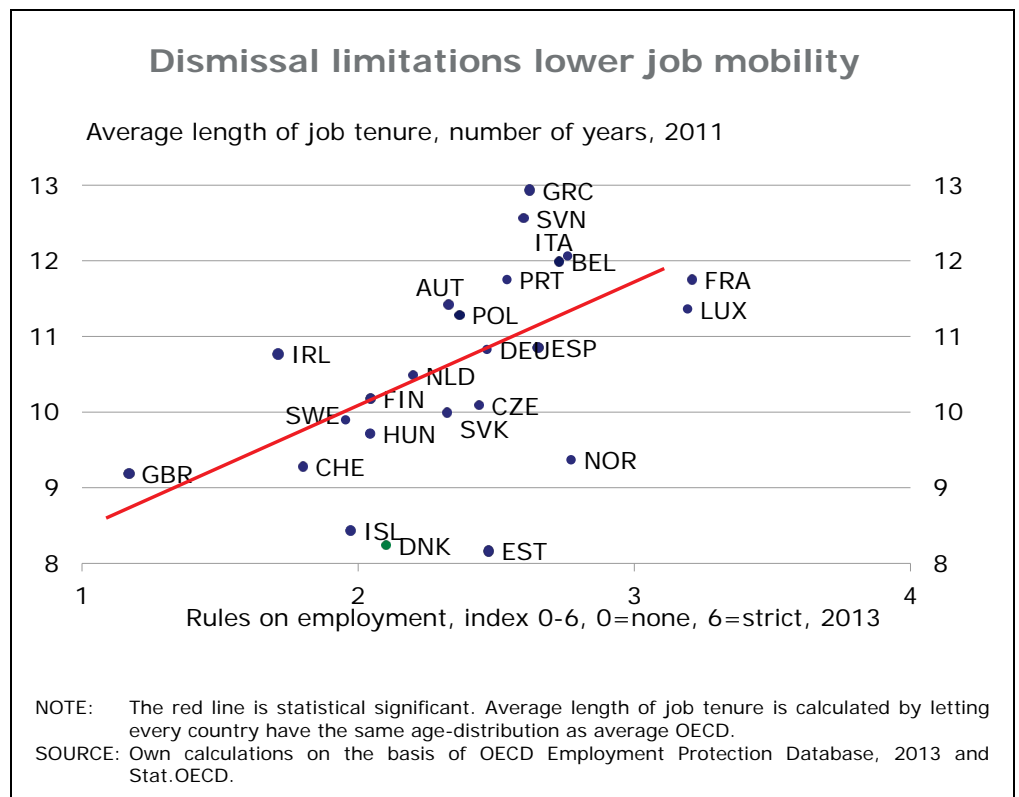
A stricter control of the labour market lowers job mobility

Job mobility affected by control

Job mobility is affected by many conditions. Tax on work and the support level in the event of unemployment are two factors that are of especially great importance. A strict regulation of the labour market also means lower job mobility. The more difficult it is to dismiss employees, the fewer job openings on the labour market and consequently a lower job mobility.

Job mobility in Denmark is very high while, for example, the employment protection regulations is at an average level, see figure 23.

Figure 23



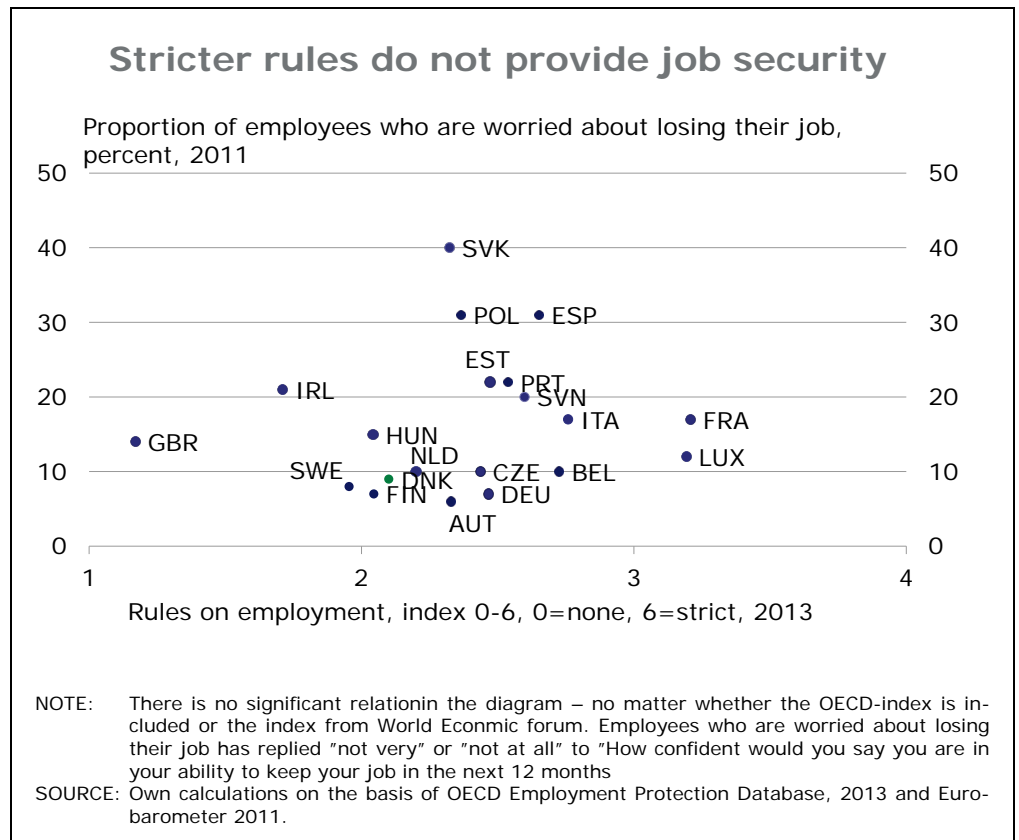
Strict rules can reduce young people's access to the labour market

When the demand for labour drops, as in the current crisis, it can be difficult for young people to find a foothold on the labour market in countries where the regulations of fixed term contracts are strict. Temporary employment contracts can otherwise be a stepping stone for young as well as unskilled persons towards a more stable connection to the labour market, see EU (2013).

Employment protection does not provide increased job security

Stricter rules on employment should increase job security among employed. However, there is no connection between how strict the rules on employment protection are and the perception of job security among employed. In Denmark, job security is particularly high, see figure 24.

Figure 24



There is even a general indication that employees have a perception of higher job security in countries with high degree of rules on employment protection.

Important to distinguish between job security and employment security

It is difficult to know whether the employees feel secure in their job (job security) or whether the employees think it is relatively easy to find a new job if fired easily (employment security). With 800,000 job openings in Denmark every year, there are consequently many opportunities to get a new job if one were to be fired. The situation in Denmark is also that employment rights such as pension savings, are not connected to specific employment relationship but rather the individual's association with employment. These rights do not consequently disappear with a change of job.