Report on Growth and Competitiveness 2014

Summary

The Danish Government

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Denmark on track for growth

Denmark is on its way out of the crisis. This is apparent in the labour market where employment has increased.

The Danish Government's commitment to reform has improved the growth potential of the Danish economy. The growth packages of 2013 and 2014 contribute to GDP by an additional DKK 11½ billion by 2020 through improved framework conditions for private companies. At the same time, a number of reforms have been implemented which will increase labour supply, thereby boosting employment. In turn these reforms will contribute to increasing GDP by another DKK 19½ billion by 2020. In other words, important steps have been taken towards the fulfilment of the Danish Government's 2020 growth targets presented in *Growth Plan DK*, see figure 1.

The Government's business and growth policy strengthens the framework conditions for the private sector and thereby strengthens growth and competitiveness. The business and growth policy proactively strives to:

- *Improve the general framework conditions for growth.*
- *Remove barriers to growth to enable businesses to exploit market potentials efficiently and competitively.*
- *Develop markets through public-private collaboration in order to disseminate new technologies and solutions, including with respect to global societal challenges.*

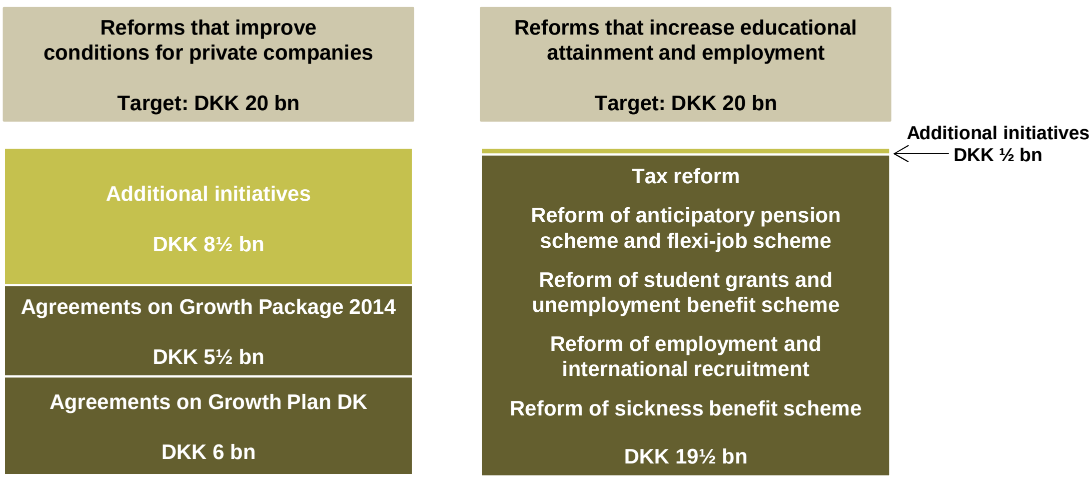
Over the past few years, general growth conditions have improved. The Government has enhanced companies' access to finance and highly qualified labour. More streamlined and simplified rules have been introduced for the private sector, and cost of doing business has been reduced. At the same time, the Government maintains the ambitious green transition of the economy, and measures to improve resource efficiency will continue.

Most recently, with the *Agreements on Growth Package 2014*, the Government has implemented the first follow-up on the recommendations of the Productivity Commission. The agreements also follow up on the recommendations presented by the Government's growth teams within business areas in which Denmark has international competitiveness as well as the proposals made by Business Forum for Simpler Rules.

The agreements contain a large number of specific initiatives to make it easier and less expensive for companies to operate, for example by reducing case processing times, reducing the administrative burdens and reducing energy taxes. The initiatives will also strengthen the opportunities for advanced production.

The Government's *Strategy for Denmark as a Production Country* is to contribute to ensuring that Denmark continues to be an attractive production country now and in 10 years. A country that exploits the opportunities of advanced production and where more new and small companies can develop and grow larger.

Figure 1 Status for the Danish Government's 2020 growth target



Source: The Danish Ministry of Finance.

Furthermore, initiatives have been taken to increase efficiency in the utilities sector by a total of DKK 3.3 billion. This will mean lower prices for both households and companies and, consequently, improved competitiveness as also highlighted in the Government's *Growth Plans for Energy and Climate* as well as the Government's *Growth Plan for Water, Bio and Environmental Solutions*.

The initiatives presented in the Government's growth plans support continued investment in growth and jobs. This applies to e.g. the Government's *Growth Plan for the Food Industry* where, among other things, the abolition of the ownership restrictions under Danish Agricultural Law will contribute to attracting new capital and new investors. The growth plan also places focus on reducing case processing times for environmental permits in order for new investments to create new jobs more rapidly.

Furthermore, the foundations for growth will be strengthened by a reduction in the dividend tax for unlisted companies, as well as improved access to finance for companies with strong growth potential.

The most recent Government initiatives build upon the other aspects of the Government's growth policy, see figure 2.

The corporate tax rate will be reduced from 25 per cent in 2014 to 22 per cent in 2016, making it levels with the corporate tax rate in Sweden. At the same time, a number of targeted tax reductions have been implemented, including cuts in energy taxes for manufacturing businesses to the level of EU minimum rates. This will reduce the cost of doing business and make it more attractive to invest in Denmark.

Similarly, more and better education will contribute to boosting growth and is to ensure that companies have access to skilled employees. The Government has therefore implemented a primary and lower secondary school reform, a reform of the vocational education and training programmes, and opened up the possibility for more students to be admitted to higher education. The objective is to achieve the best educated generation in the history of Denmark. Furthermore, the standards of adult education and continuing upskilling have been raised significantly.

It is crucial for growth and job-creation that the labour supply increases. The Government has implemented several reforms for this purpose e.g. the tax reform of 2012, which increases the incentive to work. This also benefits companies as they will find it easier to recruit the labour they demand.

Figure 2 The Danish Government's action to strengthen growth and employment

Growth plans for business sectors with international competitiveness (2012-2014)

- Food industries
- Energy and climate
- Water, bio & environment
- Health and care solutions
- ICT and digital growth
- Maritime industries
- Creative industries
- Tourism

Growth Package 2014
& Strategy for Denmark as a Production Country

- Improved business regulation and simplified rules
- Highly skilled labour and advanced production
- Reduced energy tax
- Improved access to finance

Train Fund DK (2014)

Growth Plan DK (2013)

- Reduced corporate tax
- Reduced energy tax
- Improved access to finance
- HousingJobs scheme

Competition Policy Package (2012)

Improving education

- Reform of primary and lower secondary school system (2013)
- Reform of vocational education and training (2014)

Increasing employment

- Tax reform (2012)
- Reform of employment, anticipatory pension scheme, flexi-job scheme and unemployment scheme (2012-2014)
- Reform of student grants (2013)

In parallel with the Government's initiatives regarding business and education, it has been decided to invest heavily in public infrastructure e.g. *Train Fund DK*. An improved infrastructure will shorten travelling times and increase productivity.

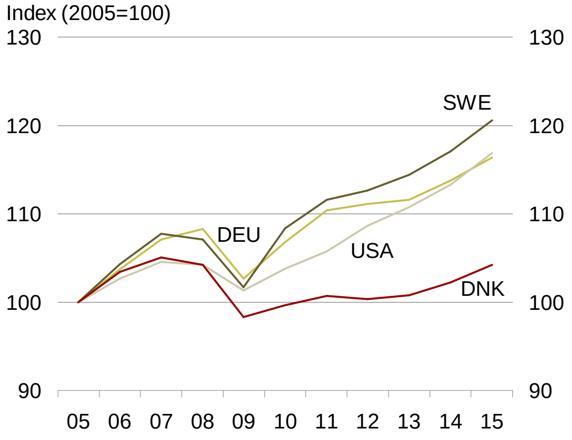
A more efficient use of resources is also supported by increased competition. Therefore, the Government presented the *Competition Policy Package* of 2012, and as a follow-up on this the Danish Competition Act has been modernised.

Growth and jobs

GDP growth is estimated to be 1½ per cent in 2014 and to increase to 2 per cent in 2015. Employment has grown by approx. 27,000 persons since the fourth quarter of 2012 when the employment trend reversed.

Denmark was badly affected by the crisis, and the recovery lags behind the countries with which we normally compare ourselves. Many of our important trading partners such as Sweden, Germany and the USA have already recovered from the loss of prosperity during the crisis, see figure 3. The relatively weak development in GDP after the downturn partly reflects the decline in production in the North Sea.

Figure 3 GDP development, 2005-2015



Source: OECD and the Danish Ministry of Economic Affairs and the Interior.

Another significant explanation as to why Denmark's recovery lags behind the progress seen in many other countries is the overheating of the Danish economy in the mid-2000s.

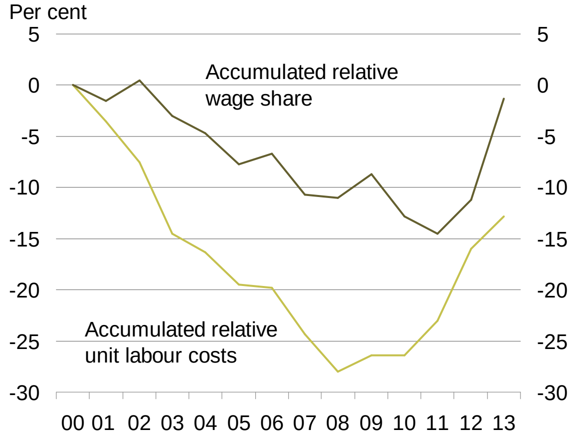
During the years leading up to the crisis, wage inflation in Denmark was higher than abroad while Danish productivity growth was relatively weak. Wage competitiveness has, however, improved since 2008, and wage inflation in Denmark remains more subdued than abroad. Furthermore, the spring 2014 collective bargaining agreements in the labour market resulted in limited wage increases.

Wage competitiveness (measured by the change in relative unit labour costs that take into account developments in wages, productivity and exchange rates) shows that approximately half of the loss in wage competitiveness in the period 2000-2008 has been regained in the previous years. Thus, measured by the change in relative unit labour costs an adjustment remains to be made to offset the weakening of wage competitiveness since 2000.

The change in relative wage share is another way to measure wage competitiveness, this measure also takes into account changes in prices of goods. The relative wage share was almost at the same level in 2013 as in 2000, see figure 4. This is particularly due to a drop in the wage share in Denmark in 2013.

Altogether, the assessment is that Danish wage competitiveness continues to be challenged. An adjustment remains to be made to offset the weakening of wage competitiveness during the years leading up to the crisis, including in particular Danish wage inflation that has been higher than in the countries with which we usually compare ourselves.

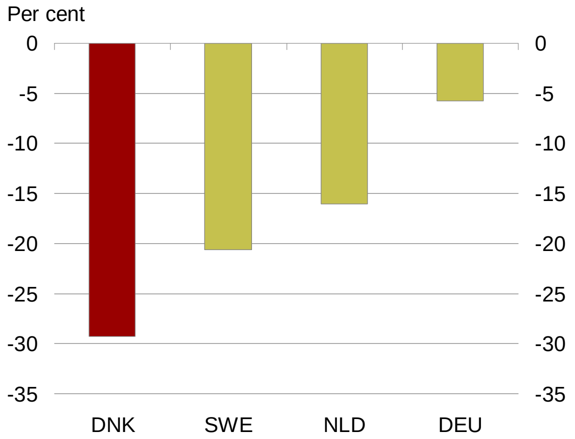
Figure 4 Denmark's wage competitiveness, 2000-2013



Note: The figure illustrates wage competitiveness in the manufacturing sector excl. utilities sector. Unit labour costs are calculated as the ratio of total labour costs to real gross value added. The wage share is calculated as the ratio of total labour costs to nominal gross value added.
Source: The Danish Ministry of Economic Affairs and the Interior.

Employment in the manufacturing sector has generally fallen in all Western countries over many years. A gradual shift towards the service sector is to be expected and reflects e.g. increasing international division of labour. Since 2000, the fall in manufacturing employment has been more pronounced in Denmark than in our neighbouring countries, see figure 5.

Figure 5 Development in manufacturing employment, 2000-2013



Source: OECD, Eurostat and own calculations.

The strengthening of wage competitiveness will increase the likelihood for a trend reversion to ensure that Denmark will not lose more manufacturing jobs in the future relative to our neighbouring countries.

Developments in advanced production and automation provides a further potential for boosting manufacturing in Denmark, among other things because other factors than labour costs will become increasingly significant.

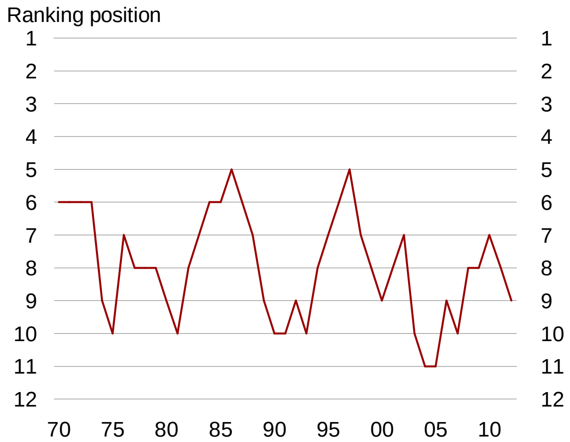
The manufacturing sector is a strong driver for growth and prosperity. The sector accounts for half of the business investments in R&D. Especially within more advanced production there is a close link between jobs in manufacturing and knowledge jobs.

The Government's *Strategy for Denmark as a Production Country* will contribute to ensuring that Denmark continues to be an attractive production country now and in 10 years, a country that exploits the opportunities of advanced production, and where more new and small companies can develop and grow larger.

Denmark's productivity challenge

Denmark is one of the richest countries in the OECD. According to OECD rankings, Denmark's economic prosperity has generally been in the best third of the OECD. The position has, however, changed slightly year on year. Since 1970, Denmark's ranking position has varied between 5 and 11 in the OECD, see figure 6.

Figure 6 Denmark's ranking position of prosperity in the OECD, 1970-2012



Note: The ranking position of prosperity is measured as GDP per capita. The ranking excludes Luxembourg.
Source: OECD.

Box 1 Productivity growth creates opportunities

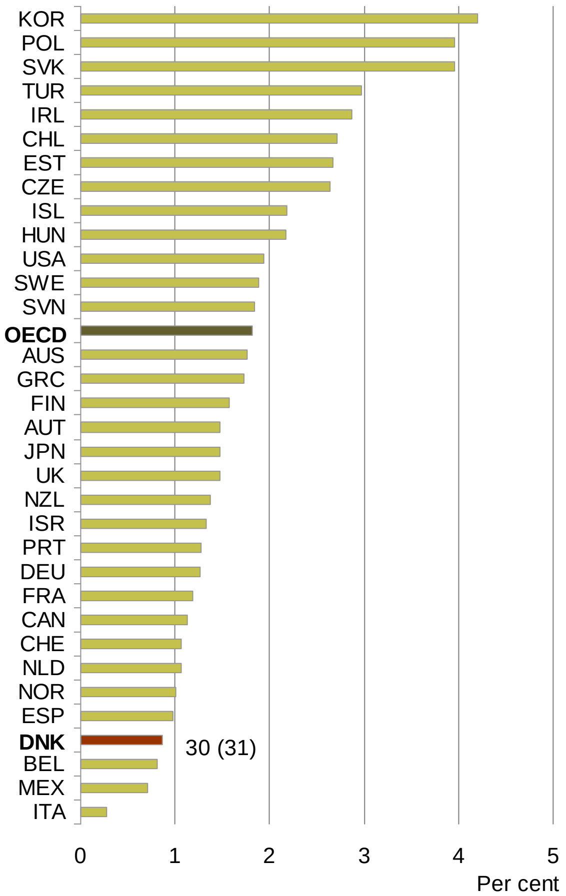
Productivity growth increases a society's opportunities along several paths:

- **Wage increases:** Historically, wages have followed productivity, which reflects that productivity growth in the long run drives growth in wages.
- **Lower prices:** If for example the service sector improves its resource efficiency, it may result in lower prices. At the same time, resources from the service sector will be made available for other sectors.
- **Increased purchasing power for all social groups:** Wage increases in the private sector will impact on public wages and through the Danish Rate Adjustment Pool it will also raise the purchasing power of persons on income transfer. Increased productivity in the private sector contributes to increasing wealth in society.
- **Welfare:** A rich (and highly productive) society is a necessary prerequisite for a modern public sector providing high-quality services.
- **Less resource consumption:** More value is created with the same amount of resources, and increased standards of living are made possible with less energy and resource consumption.

For Denmark to continue to be among the richest countries, it is important that the economy can achieve sustainable growth on a par with the countries with which we normally compare ourselves. Furthermore, economic growth is crucial for example developing the welfare society, creating productive and well-paid jobs and for increasing society's options, see box 1.

Productivity growth is the primary driver for sustained economic growth. However, Denmark faces the challenge that Danish economic growth has been low since 1995 as a result of relatively low productivity growth. In the OECD, Denmark is ranked among the countries that have seen the lowest productivity growth since 1995, see figure 7.

Figure 7 Productivity growth rate, 1995-2013

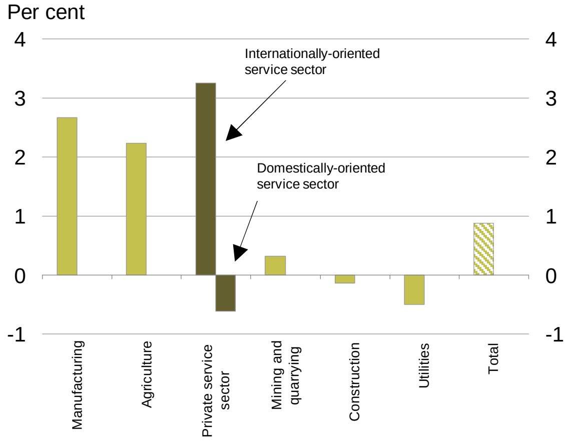


Note: Average annual real growth rate in productivity.
Source: OECD.

Increased productivity through competition

In the service sector – the biggest component of the private sector – there has been low productivity growth in the domestically-oriented companies that are relatively protected from foreign competition. However, companies in the service sector that are exposed to international competition have had slightly higher productivity growth than the manufacturing sector, which to a high degree also is exposed to international competition, see figure 8.

Figure 8 Productivity growth rates in the Danish private sector, 1995-2013



Note: Average annual real growth rate in productivity.
Source: The Danish Ministry of Finance.

Low Danish productivity growth must therefore be seen in light of the negative productivity growth rate within the domestically-oriented companies in the service sector.

Industries with strong international competition generally have high productivity growth, which underlines the close correlation between competition and productivity growth. At the same time, competition contributes both to lower prices for households – and, therefore, higher real wages and standards of living – and lower input prices for companies and, consequently, better competitiveness.

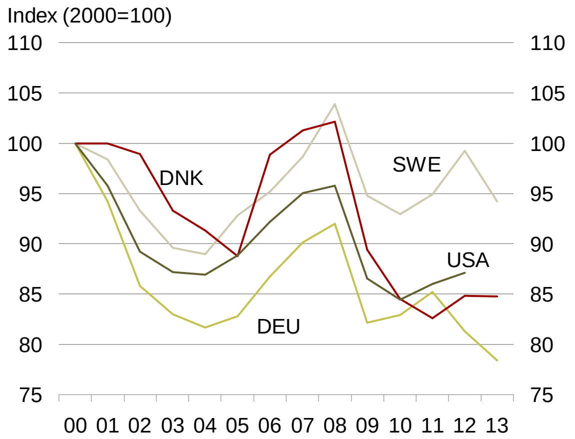
It is of great importance to internationally-oriented companies that the domestic market is exposed to competition as the former often uses input from the domestically-oriented companies. Increased globalisation with increased international division of labour has made it easier to move tasks and jobs between countries. This means that goods and services are produced where it is least expensive. This requires adjustment and restructuring, but it is at the same time a development that makes the world richer, and it is also of huge advantage to Denmark.

Investment and education

Investments in Denmark have fallen significantly during the international downturn after the financial crisis, see figure 9. The drop in investments is first and foremost due to the business cycle and the same trend is seen in many other countries. It is, however, important to increase the investment level both in order to aid the recovery of the Danish economy, and to improve the future productivity growth.

Increased investments in e.g. automation and advanced production that innovate and modernise the capital stock will strengthen productivity. At the same time, investments in new technology will make production more energy efficient, cost-cutting and environmentally friendly.

Figure 9 Investments in Denmark and selected OECD countries, 2000-2013



Note: Gross fixed capital formation excl. dwellings as a percentage of GDP.
Source: OECD, BEA, Statistics Denmark and own calculations.

Increased investments basically require that companies have competitive framework conditions making it attractive to invest in Denmark. With the Government's focus on making it easier and less expensive for companies to operate in Denmark, among other things by reducing the corporate tax and administrative burdens, there is a huge potential for increasing companies' structural investment level.

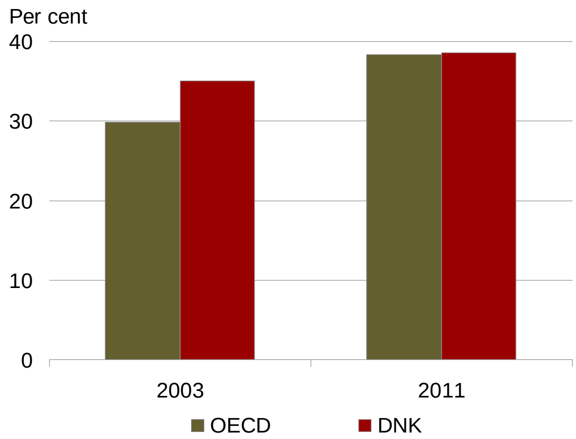
Also public investments in the form of both digital and transport infrastructure contribute to boosting productivity by reducing the costs of doing business and by ensuring more efficient resource allocation. At the same time, investments in infrastructure contribute to strengthening cohesion.

Investments in R&D are an important source of innovation, technological development and productivity. Danish companies' investments in R&D have increased from the early 2000s until today. Danish companies' investments in R&D measured as a percentage of GDP have increased by approx. ¼ percentage point. A similar trend is seen in the USA and Germany.

In addition to physical investments, investments in education and access to well-educated labour are an important source of increased productivity. For the individual, more education typically results in higher productivity and, consequently, higher wage. At the same time, education increases the individual's attachment to the labour market. Both increased productivity and better attachment to the labour market are advantageous to society.

This Government has invested more in education than any previous Danish government. A reform of primary and lower secondary school has been implemented, as well as a reform of vocational education and training programmes. The vocational education and training programmes are directly targeted at providing young people with the qualifications and skills required by the private sector. The reform will make the vocational education and training programmes more attractive by giving vocational colleges a quality boost. It will take time before the effects of the educational reforms are reflected in economic growth. This applies in particular to the primary and lower secondary school reform.

Figure 10 Proportion of 25-34-year-olds with higher education, 2003 and 2011



Note: For Denmark, the educational level is calculated on the basis of register data, whereas the level of education for the other countries is based on interview surveys. The calculations are therefore not fully comparable and the educational level for Denmark is probably underestimated in relation to other countries.
Source: OECD.

For many years the educational level in Denmark has been high compared with other OECD countries. However, in recent years, a number of countries have caught up with Denmark as they have raised the educational level considerably for the young generation, see figure 10.

In future, it is important to ensure that young people receive education of high-quality and of relevance to the private sector. The Government's reforms of primary and lower secondary school as well as the vocational education and training programmes are important steps in this direction.

Growth conditions

Prosperity basically depends on how much we work and on how productive we are at work. That is why economic growth depends on whether the supply of labour can be increased and on how rapidly productivity increases.

Historically, the largest contribution to growth in Denmark has come from productivity growth. Over the last almost 20 years, annual growth in GDP (adjusted for terms of trade changes) has been 1½ per cent on average. The contribution to GDP growth from increased productivity accounts for 0.9 per cent. The contributions from labour supply and improved terms of trade each account for 0.3 per cent respectively.

In future, it is also in productivity growth that the greatest potential for economic growth is to be found, as there are limits to how much the supply of labour can increase.

The contribution to growth from increased labour supply helps companies to recruit the manpower they demand. At the same time, it contributes to ensuring a foundation of healthy and sustainable public finances as well as the financing of the welfare state. The Government has implemented a number of reforms that will increase the supply of labour and boost GDP by approx. DKK 19½ billion by 2020.

Prosperity is also affected by the fields in which Danish companies have specialised. If specialisation leads to improved terms of trade, it will result in increased prosperity as the revenue from export can finance a larger volume of import.

Lastly, prosperity and purchasing power are affected by the return on net assets abroad. Since the mid-1980s, Denmark has had a balance-of-payments (current account) surplus. Also, Denmark's foreign debt has been paid and instead capital is invested abroad. Therefore, Denmark will receive interest income and returns from abroad, which will boost prosperity.

A sustained effort is required to strengthen Denmark's growth conditions in order to ensure that opportunities are seized. This report examines the growth conditions in Denmark within an international perspective and provides a basis for keeping track of developments.

Figure 11 presents an overview of where Denmark is placed internationally with regard to prosperity, productivity growth and growth conditions, see box 2 for more information. Denmark's main challenge is the low productivity growth.

In a number of areas, Danish growth conditions are among the best in the OECD.

Denmark has healthy public finances. Relative to the other OECD countries, Denmark has low public debt (EMU debt) and a small deficit on the structural budget balance. A **responsible economic policy** and healthy public finances support a stable economic development with low interest rates and low inflation. These are essential framework conditions for companies' planning and investment decisions. Public finances are supported by low **structural unemployment**.

Denmark also has a high ranking within the area of **government spending on research**. Research can generate a more effective use of technology and labour and contributes to boosting productivity within both the private and the public sector. The Danish private sector invests in R&D to a relatively high extent.

Furthermore, Denmark is one of the OECD countries in which **business regulation** from an overall point of view is seen as least harmful to competition. A business regulation which fosters competition can lower prices for companies and households as well as increase productivity. Demark is also one of the countries with the most effective **public administration**.

However, it is problematic that Denmark performs less well when considering e.g. regulation of the service sector and Danish environmental regulation. Denmark is one of the countries in the OECD where environmental regulation imposes the heaviest economic burdens.

Denmark is also one of the most **energy-efficient** countries. When resources are scarce and resource prices increase, a high degree of resource efficiency will enhance competitiveness as it will reduce the business operation costs. Danish companies are generally very advanced regarding resource-efficiency, sustainable production and green transition.

Compared with many other countries, Denmark is, furthermore, characterised by a relatively high level of prosperity combined with a high degree of **social balance**. Denmark is one of the countries in which income inequality is least pronounced. One reason is that many people have a high level of education and a strong attachment to the labour market, which is of great importance to individuals' ability to support themselves and their family. There are also indications that more immigrants and their descendants, especially from non-Western countries, are developing a stronger attachment to the labour market.

The proportion of **growth companies** in Denmark is not particularly low by international standards, but below countries such as Sweden, Germany and the UK. The proportion is level with the Netherlands, Finland and Norway. Denmark faces the challenge that few companies develop and grow larger.

The labour supply calculated as hours worked is in Denmark somewhat below the OECD average, but above Germany, the Netherlands and Norway. Whilst average annual working hours in Denmark are among the lowest in the OECD, measured by the number of participants in the labour market (labour force participation) Denmark is one of the most highly-ranked OECD countries. A number of reforms aimed at boosting labour supply have already been implemented, but the effect is not yet fully reflected in the labour market.

Whilst the Danish competence level measured by skills in primary and lower secondary school and by the number of persons who complete an upper secondary education or higher education is approximately that of the OECD average, it is considerably below the top performers of the OECD.

Primary and lower secondary school's aim is to provide the pupils with good professional skills and give all pupils the opportunity to become as competent as possible. It is the precondition for further education. During the first decade of this century, the skills of the pupils in Danish primary and lower secondary school were close to the OECD average for reading, mathematics and natural science.

Considering the proportion of those who complete an **upper secondary education**, Denmark is also ranked below the OECD top performers. In the long run, the Government's reforms of primary and lower secondary school and the vocational education and training programmes will have a positive effect on productivity. It will, however, take time before the effects of these measures are reflected in productivity growth.

A high **price level** may be a result of inefficient **competition**. For a long period of time, Danish wealth-adjusted net prices have been higher than the average for OECD countries. In particular prices of services are higher in Denmark than in other countries. The reason may be that the service sector is exposed to less competitive pressure from abroad.

Denmark has a relatively low stock of **foreign direct investment (FDI)**. This may indicate that some of the Danish growth conditions are not sufficiently favourable to attract investments from abroad. There is, however, a general tendency for richer countries to have a higher investment outflow than inflow. With *Agreements on Growth Plan DK*, the Danish corporate tax will be reduced to a more competitive level. When the reduction has been fully phased in by 2016, the Danish **effective corporate tax** will level with the OECD average, provided corporate taxes remain unchanged in the other countries.

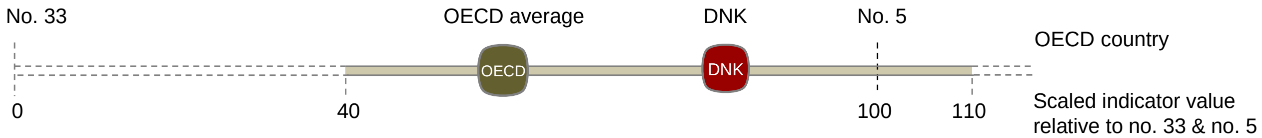
Figure 11 Indicators on growth conditions in Denmark and OECD

Note: "DNK" indicates Denmark's position, and "OECD" indicates the average for OECD countries for which data is available. Positions on the far left and the far right mean that the position is outside the scale. See box 2 for a more detailed description. * means that data is available for fewer than 10 countries and that the OECD average is therefore not shown.

Box 2 How to read figure 11

Figure 11 illustrates Denmark's performance on a number of key conditions for growth compared with the OECD countries. In order to compare these growth conditions, the values of the various indicators have been transformed into the same scale, with index 100 representing the indicator value for the fifth best-performing OECD country (no. 5), and where index 0 corresponds to the indicator value for the lowest-ranking OECD country (no. 33, if there are values for all OECD countries, excluding Luxembourg).

To better illustrate the gap between Denmark and the best performing OECD countries, and thus the countries with which Denmark is normally compared, the part of the scale that is lower than index 40 has been cut away in figure 11. At the upper end, the scale has been cut at index 110 to reflect that the ambition is to be among the best performing OECD countries and not necessarily to be *the* best performing OECD country.



For the indicator *low prices* data is available for so few countries that the fifth-best country does not reflect the best performing OECD countries. In this case, index 100 corresponds to a calculated indicator value for the 75th percentile.

Continued strengthening of the growth conditions

Efforts to achieve the Government's growth target will continue. With the agreements on the two growth packages of 2013 and 2014, initiatives have been adopted which, once fully implemented, will boost GDP in Denmark by DKK 11½ billion by 2020 through improved framework conditions for the business community.

Consequently, the Government is well on its way towards attaining the target of increasing GDP by DKK 20 billion by 2020 through improved framework conditions for the business community. However, further reforms and initiatives will be needed in order to achieve the last approx. DKK 8 billion. The Government's proactive business and growth policy will continue to support the improvement of the business community's framework conditions.

As part of the *Strategy for Denmark as a Production Country*, the focus will remain on the opportunities of advanced production. This will be within fields such as investments in increased automation, ways to ensure sufficiently qualified labour with specialised technical and craftsmanship skills as well as a greater focus on resource efficiency.

By the end of 2014, the Government will present a *Growth Plan for ICT and Digital Growth*. With that, a total of eight growth plans have been presented and work is in progress on implementing the many initiatives.

The Government's Business Forum for Simpler Rules is meant to ensure that the administrative burdens on companies are reduced. It has also been decided to strengthen impact assessments of new legislation and in that way quantify significant regulatory costs or burden reductions for companies. This will underpin the Government's target to reduce the burdens on the business community.

Looking ahead, the focus will remain on education. In continuation of the reforms of primary and lower secondary school and the vocational education and training programmes, the Government will introduce a proposal for the purpose of strengthening the quality and academic level of upper secondary education programmes.

With the establishment of the Expert Committee on Quality in Higher Education in 2013, the Government has placed focus on higher education. The Government will follow up on the committee's work, which is to be completed with an overall reporting by the end of 2014.

As part of the follow-up on the recommendations of the Productivity Commission, it has been decided on the basis of *Agreements on Growth Package 2014* to establish a Business Taxation Committee, which is for example to shed light on any inexpediency in the present business and capital income taxation system and present proposals for solutions.

Implemented initiatives and major planned initiatives

Implemented initiatives:

- **Agreements on Growth Package 2014.** With these agreements, the Government follows up on recommendations presented by for example the Productivity Commission and the Government's growth teams. The initiatives presented in the agreements will strengthen companies' competitiveness by reducing the cost of doing business and boosting productivity. Also, energy taxes will be reduced, business regulation will be improved, access to finance will be strengthened and the efficiency of the utilities sector will be enhanced.
- **Agreements on Growth Plan DK 2013.** The initiatives presented in the agreements will contribute to improving productivity and strengthening companies' competitiveness e.g. through corporate tax and energy tax reductions.
- **The agreement for "A Greener Denmark".** A green investment fund will be established with a lending capacity of DKK 2 billion to which companies may apply to obtain co-financing for green projects. At the same time, a green innovation pool of funds will be set up to strengthen small and medium-sized enterprises' innovation in green solutions, as well as a green innovation forum that will supply input to the Government's action to promote green transition.
- **Strategy for Denmark as a production country.** The objective of the strategy is that Denmark is to be an attractive production country now and in 10 years. Denmark must have good general framework conditions and utilise the opportunities of advanced production to make it attractive to create well-paid and modern production jobs in Denmark.
- **Growth teams and growth plans.** The Government's eight growth teams – that cover areas such as water, bio and environmental solutions, health and care solutions as well as the maritime industries – have presented recommendations for ways in which the growth conditions can be strengthened for business sectors with international competitiveness. Most recently, the Government has presented growth plans for energy and climate, the food industries and tourism. With the *Agreements on Growth Plan DK*, a total of DKK 150 million has been earmarked in 2014 and 2015, which is to contribute to the implementation of the Government's growth plans.
- **Reform of the employment action.** The employment action for insured unemployed persons will be reformed. The action is to a greater extent to focus on the individual unemployed person in order to find that person a better way to a job and a stronger attachment to the labour market. The action will also change focus from welfare-to-work programmes towards education, training and upgrading of qualifications. And **reform of international recruitment** will facilitate Danish companies' access to highly qualified labour from countries outside the EU.
- **Tax reform.** The agreement will lower tax on labour income and in that way increase the incentive to work.
- **Reform of vocational education and training programmes.** The reform will ensure that more young people choose and complete a vocational education and training programme. The reform will make vocational education and training programmes more attractive by giving the vocational colleges a quality boost.
- **Implementation of Train Fund DK.** A total of DKK 28½ billion has been earmarked to give Danish railways a boost. It is a matter of electrification of the main railway lines and reducing travelling time between the largest cities.

Major planned initiatives:

- **Proactive business and growth policy**. The Government will introduce its eighth growth plan – *Growth Plan for ICT and Digital Growth*. In addition, the focus will continue to be placed on Denmark as a production country. Furthermore, the Government has set a target of reducing the burdens on the business community by DKK 2 billion by 2020.
- **Strengthening the upper secondary education programmes.** The Government will present a proposal to strengthen the quality and academic level of upper secondary education programmes, and at the same time address the existing challenges in the field of upper secondary education.
- **Follow-up on the recommendations of the Expert Committee on Quality in Higher Education.** The Government has established the Expert Committee on Quality in Higher Education. A follow-up has already been initiated on a number of recommendations from the committee's first report from April 2014. The committee will present further recommendations in the course of 2014.
- **The Business Taxation Committee.** As part of Agreements on Growth Package 2014, the Government will establish a Business Taxation Committee to cast light on any inexpediency of the present business and capital income taxation system and present proposals for solutions. The committee will finalise its work in 2015.