

APRIL 2017



REGERINGEN

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# Report on Growth and Competitiveness 2017 – Summary

**Complete report (only in Danish) and data  
available at [www.em.dk](http://www.em.dk)**

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### Denmark – Going for Growth

Denmark has succeeded in creating one of the most prosperous countries in the world with a high degree of cohesion. The Danish economy has experienced progress since 2009 and Denmark has come out of the economic crisis. Employment has increased the last four years and unemployment is low.

In order for also future generations in Denmark to benefit from a prosperous and safe society, Danish companies must be competitive and the employment rate high.

This requires a persistent focus on good growth and competition conditions, which are to be adjusted to technological and global trends on an ongoing basis.

Digitisation and new technology will create new business models and will constitute a significant driver for productivity growth. The level of digitisation in Danish companies is high but an accelerating spread of new technologies makes demands on Danish companies' capacity for change. This development is driven by the rapid development in the volume of available data and the increase in computer power as well as by new technologies such as intelligent robots, Internet of Things and Big Data. It is therefore important that there is a focus on providing good framework conditions to ensure that Danish companies can continue to exploit all the opportunities of digitisation and new technologies.

Denmark's growth opportunities are also affected by global economic and political developments. Asia is experiencing continued relatively high growth rates whilst also seeing a considerable increase in the population and the middle class. At the same time, Brexit has given rise to uncertainty and an emerging trend towards increased protectionism while instability in the Middle East and Africa has resulted in major migration towards Europe.

Furthermore, there is a trend towards rapid population growth, increased urbanisation, and increased differences between town and countryside. At the same time, a green transition is taking place to counter global warming and resource scarcity.

Denmark has a good point of departure as one of the most prosperous countries in the world. Denmark is one of the world's most digitised societies and a frontrunner in a number of areas. This provides a good basis for creating new business and growth opportunities.

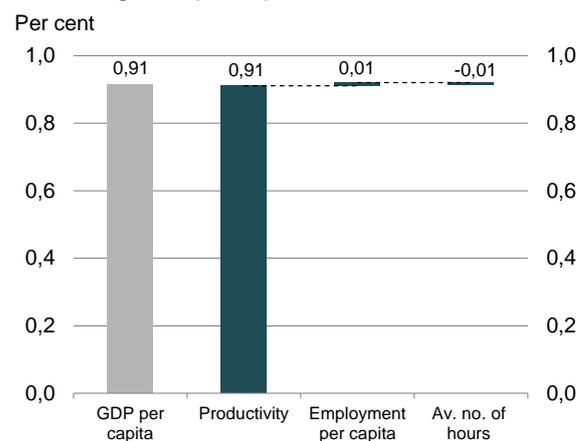
*The Report on Growth and Competitiveness 2017* takes stock of how the general framework conditions for growth and competitiveness have developed and it identifies a number of challenges that need to be addressed today as they will impact on Danish prosperity in future.

The Report also shows the development for a number of key growth and competitiveness indicators. It appears from this that Denmark over the last ten years has improved its competitive position on a number of indicators, including for example research efforts, whereas other indicators have developed less favourably, including the supply of labour.

### Low productivity growth in Denmark and the OECD

Productivity growth is the primary driver for increasing prosperity and better standards of living over time. Productivity growth has contributed the entire increase in wealth for the last 20 years, see Figure 1.

➔ **Figure 1** Contribution to average annual real GDP growth per capita in Denmark, 1997-2016



Note: Economic growth is measured as average annual GDP growth per capita in real terms.

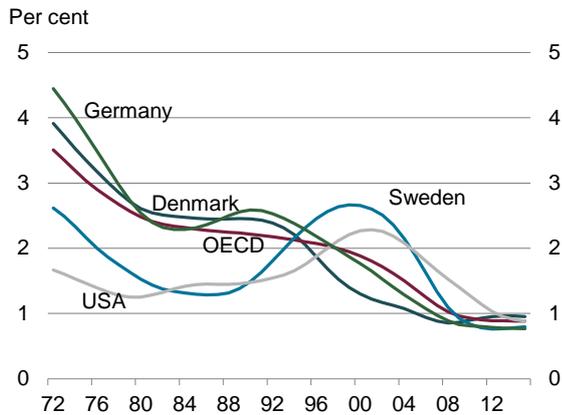
Source: Statistics Denmark and own calculations.

Figure data: [https://doi.org/10.23758/RVK\\_SAMMENFATNING](https://doi.org/10.23758/RVK_SAMMENFATNING)

Productivity growth in Denmark, Germany and all of the OECD has been decreasing since the mid-1990s. Sweden and the USA, however, experienced increasing productivity growth in the 1990s following lower productivity growth in the previous years. In other words, these countries have experienced very different developments in productivity, but all the countries have seen relatively low productivity growth in recent years, see Figure 2.

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➔ **Figure 2** Trends in real productivity growth, 1971-2015



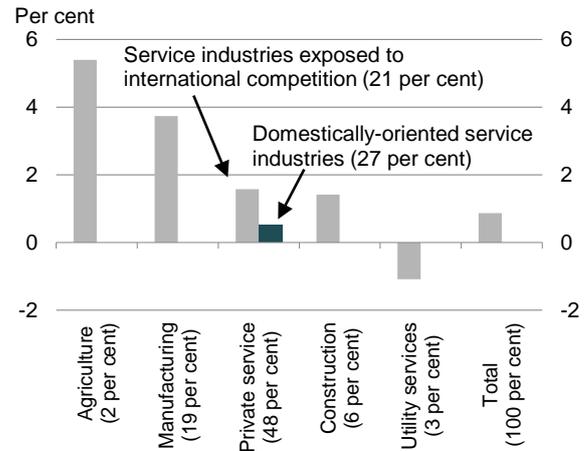
Note: Productivity is measured as GDP per working hour in real terms. The trend is calculated with a Hodrick-Prescott filter (parameter = 100). Source: OECD and own calculations. Figure data: [https://doi.org/10.23758/RVK\\_SAMMENFATNING](https://doi.org/10.23758/RVK_SAMMENFATNING)

Denmark experienced particularly low productivity growth up to the crisis in 2008 relative to the OECD and a number of the countries with which Denmark normally compares itself. In the years after the economic crisis, productivity growth decreased considerably in the other countries, which means that productivity growth in Denmark has been in line with the OECD average in recent years. In a historical perspective, growth remains low

The development in productivity should be seen among other things in light of a changed industrial composition from industrial societies to service societies in the OECD countries. Total productivity growth depends on the development in the individual industries. Relative to other Danish industries, Denmark has a special challenge regarding productivity growth in the domestically-oriented service industries. The most recent figures from Statistics Denmark present a slightly more positive picture than last year's report, see Appendix A.2.

In the domestically-oriented service industries in Denmark, annual productivity growth has been approx. ½ per cent on average since 2006, whereas productivity growth in the international service industries has been about 1½ per cent and approx. 3¾ per cent in the manufacturing sector, see Figure 3.

➔ **Figure 3** Average annual real productivity growth in private industries, 2006-2015



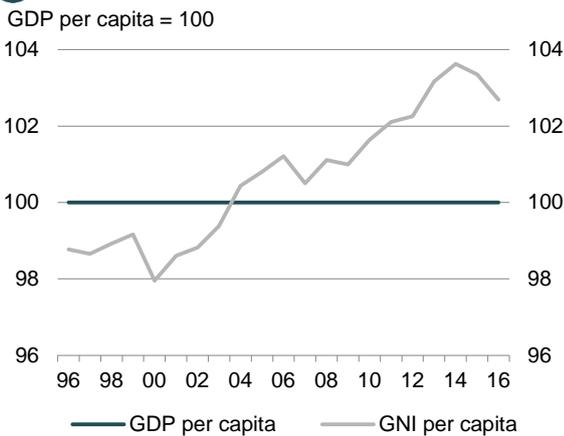
Note: Productivity is measured as gross value added (GVA) in real terms per working hour. The figure in parenthesis indicates the sector's share of total GVA for the entire economy. The productivity figures for construction are subject to considerable uncertainty, cf. the Productivity Commission. For "Private service", the industry groups financing and insurance, real estate, etc. and dwelling stock are not included. These account for approx. 15 per cent of total GVA. The public sector is not included in "Total". See also chapter 2. Source: Statistics Denmark and own calculations. Figure data: [https://doi.org/10.23758/RVK\\_SAMMENFATNING](https://doi.org/10.23758/RVK_SAMMENFATNING)

Prosperity is affected by productivity and employment and also by the return on net assets abroad as well as terms of trade (the ratio between export and import prices). Improved terms of trade imply that the same volume of exports can finance a larger volume of imports, which will result in increased prosperity. Another more precise measurement of the level of economic prosperity that takes into account both the return on net assets and the development in terms of trade is terms-of-trade-adjusted gross national income (GNI) per capita, see chapter 1.

Danish prosperity has increased measured as GNI per capita through a higher return on net assets abroad. Since the beginning of the first decade of the 21st century, the return on net assets abroad and the terms of trade have implied that the Danish level of prosperity measured as GNI per capita has developed more favourably than the Danish level of prosperity measured as GDP per capita, see Figure 4.

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→ **Figure 4** GDP and GNI per capita, 1996-2016

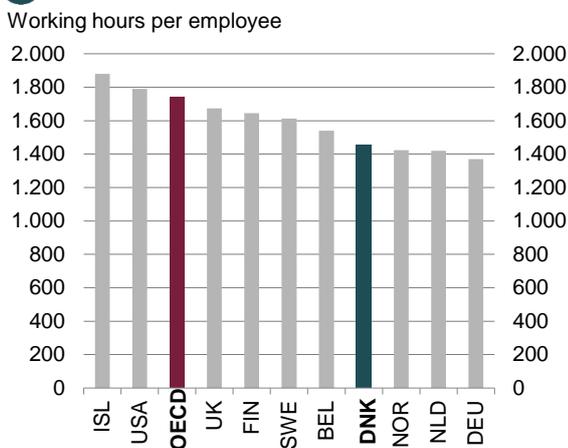


Note: In current prices.  
Source: Statistics Denmark.  
Figure data: [https://doi.org/10.23758/RVK\\_SAMMENFATNING](https://doi.org/10.23758/RVK_SAMMENFATNING)

## Labour supply and taxation

Total labour supply in Denmark measured by the number of working hours per capita of working age population is relatively low. The reason is in particular that Denmark according to the OECD has very low annual working hours per employee relative to other countries, see Figure 5.

→ **Figure 5** Working hours per employee, 2015



Note: Comparisons of the number of hours worked across OECD countries are subject to considerable uncertainty. Working hours are affected by the economic conditions in the individual countries.  
Source: OECD and own calculations.  
Figure data: [https://doi.org/10.23758/RVK\\_SAMMENFATNING](https://doi.org/10.23758/RVK_SAMMENFATNING)

Danish labour force participation is, by contrast, relatively high. The reason is among other things the high rate of women participation in the labour market.

Cross-country comparisons of working hours must be interpreted with caution. The reason is that countries use different methods and sources when calculating working hours, see chapter 3.

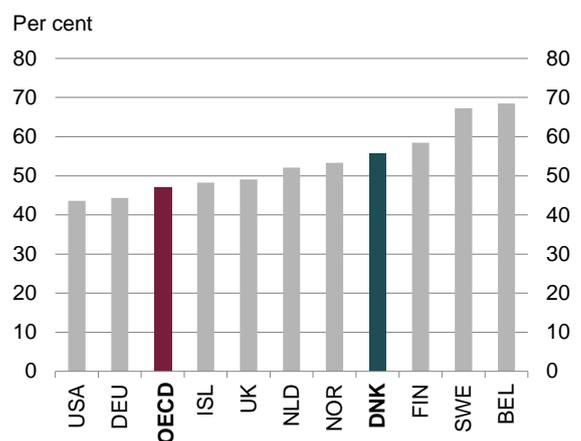
Alternative sources and methods will, however, not change the overall conclusion that working hours in Denmark are relatively low relative to other countries. The low working hours in Denmark should be seen in light of a relatively high part-time rate, relatively short collective agreement-based working weeks (working hours per week) and long holidays.

Direct and indirect taxes are generally high in Denmark relative to other countries in the OECD. Revenue from direct and indirect taxes is crucial for the financing of public welfare services but also affects the supply of labour and the willingness to invest.

*Marginal tax* on earned income is of importance to the economic incentive of people in employment to make an extra effort, for example by working overtime hours, improving their competencies or in terms of actively seeking a better-paid job. The marginal tax rate also plays a role regarding incentives to get training or education.

In 2015, the Danish marginal rate of taxation was approx. 56 per cent for high income groups. It is one of the highest in the OECD but under for example Sweden, which has a marginal tax rate of approx. 67 per cent, see Figure 6.

→ **Figure 6** Marginal tax on earned income for high income groups in selected OECD countries, 2015



Note: The marginal tax rate is the income tax on the last earned krone. High income groups are calculated for singles with no children whose salary is 167 per cent of average income. The marginal tax rate is calculated inclusive of social contributions, etc.  
Source: OECD.  
Figure data: [https://doi.org/10.23758/RVK\\_SAMMENFATNING](https://doi.org/10.23758/RVK_SAMMENFATNING)

At the same time, *average tax* on earned income is higher in Denmark than the average for OECD countries, see chapter 20. This applies to all income

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groups – including low income groups. The implication of high average tax for low income groups combined with the relatively high transfer incomes in Denmark is, other things being equal, that the incentive to seek a low-paid job rather than receiving transfer income is undermined.

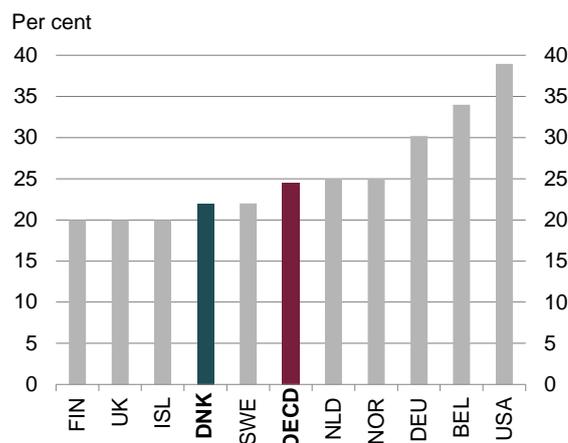
Next to earned income, investment income constitutes the other primary form of income. The design of tax on investment income has a number of socio-economic consequences for investments, savings, and income distribution. Taxes on investment income comprise among others corporate tax, pension return tax, property taxes, tax on equity income and the taxation of personal investment income.

*The corporate tax* is considered one of the most distortive taxes with regard to making new investments in companies, starting own business, and attracting foreign investment and, in turn, with regard to productivity and growth.

Since the end of the 1990s, there has been a trend towards falling corporate tax rates in the OECD countries as a result of increasing international tax competition. This has to some extent been countered by less favourable tax depreciation rules and other tax deduction rules, see chapter 20.

Denmark has reduced the official corporate tax rate several times to a present level of 22 per cent, which is slightly under the OECD average and at the same level as for example Sweden, see Figure 7. Several countries have announced that they will reduce the corporate tax rate, including the USA, the UK and Norway.

➔ **Figure 7** Official corporate tax rates in selected OECD countries, 2016



Note: The rates indicate the combined government and local corporate tax rate. In several countries, there are various corporate tax rates. For these countries, the rate presented is the highest. A fairer presentation of the tax burden than the official corporate tax rates is, in principle, the effective corporate tax rate which takes into account that the countries have different tax deduction possibilities, etc. There are no figures for the effective corporate tax rate for 2016 when Denmark's reduction of the corporate tax rate was fully phased in. See also chapter 20.

Source: OECD.

Figure data: [https://doi.org/10.23758/RVK\\_SAMMENFATNING](https://doi.org/10.23758/RVK_SAMMENFATNING)

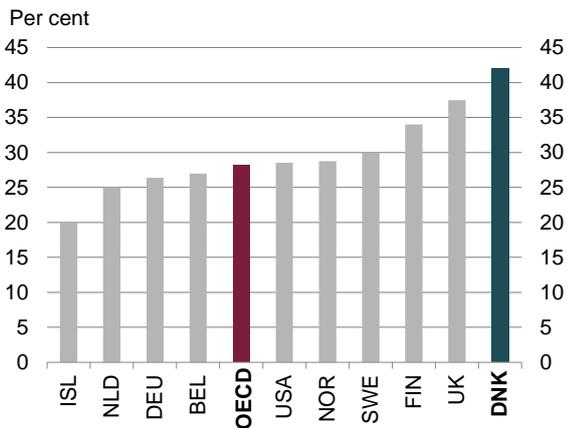
*The tax on equity income* comprises both realised capital gains and returns. For small and newly established companies which primarily obtain capital on domestic financial markets, the tax on equity income can affect access to risk capital and the willingness to invest.

The taxation of equity income is high in Denmark relative to other OECD countries and considerably higher than in the Nordic countries as well as Germany, see Figure 8.

The high tax rate on equity income should be seen in light of the Danish taxation system which seeks to establish parallelism between the highest marginal tax rate on earned income and the combined taxation of corporate and equity income. The objective is that total taxation should not be dependent on whether income is taken out as earned income or as equity income (the so-called principal shareholder problem).

For small and newly established companies which primarily obtain capital on internal markets, the personal tax rules for equity income may affect the company's access to risk capital. By contrast, for large companies with access to international capital markets, the Danish taxation of equity income will not be of any significance.

→ **Figure 8** Highest tax rates on equity income in selected OECD countries, 2016



Note: In Denmark, equity income is taxed progressively by a tax rate of 27 per cent for equity income under the progression threshold of DKK 51,700 in 2017. Equity income above the threshold is taxed by 42 per cent. See also chapter 20.

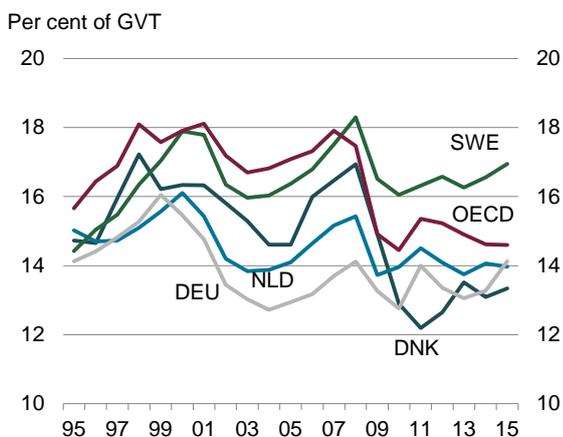
Source: OECD.

Figure data: [https://doi.org/10.23758/RVK\\_SAMMENFATNING](https://doi.org/10.23758/RVK_SAMMENFATNING)

## Business investments remain low

In a historical perspective, Danish business investments measured as a percentage of GDP have been at a low level in recent years. The reason is among other things that business investments dropped significantly in the years immediately following the economic crisis in 2008 – also relative to the OECD average and countries like Sweden and Germany. The weak investment development reflects among other things idle production potential and uncertainty regarding the strength of foreign demand, see Figure 9.

→ **Figure 9** Business investments in selected OECD countries, 1995-2014



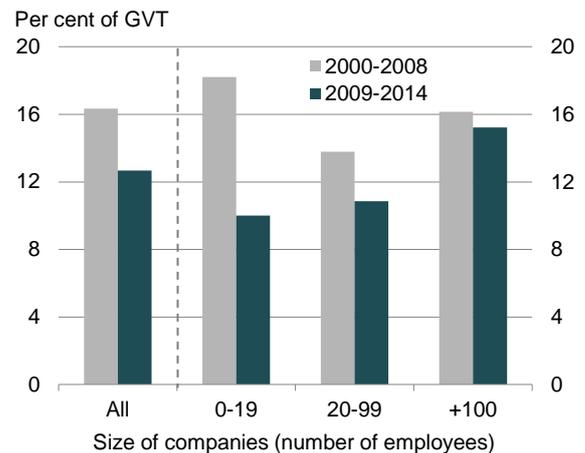
Note: Business investments are calculated in current prices and are as a percentage of GVA for the entire economy.

Source: OECD.

Figure data: [https://doi.org/10.23758/RVK\\_SAMMENFATNING](https://doi.org/10.23758/RVK_SAMMENFATNING)

It is primarily small and medium-sized enterprises (SMEs) that have experienced a fall in the investment ratio after the crisis. By contrast, companies with more than 100 employees have only experienced a minor fall in the investment ratio after the crisis, see Figure 10.

→ **Figure 10** Net investments broken down by company size, 2000-2008 and 2009-2014



Note: The Figure shows the investment ratio measured by net investment in percentage of GVA. The figures derive from the accounts statistics where the calculation of investments differs from the calculation in the national accounts. The figures are calculated for private urban industries with deduction for real estate, etc.

Source: Statistics Denmark, accounts statistics.

Figure data: [https://doi.org/10.23758/RVK\\_SAMMENFATNING](https://doi.org/10.23758/RVK_SAMMENFATNING)

## Digitisation offers companies new opportunities

Danish companies have a good point of departure for the application of digitisation and new technology. However, the digital development is very fast and other countries' digitisation rate is increasing more rapidly than the Danish one.

Digitisation can be a considerable driver for productivity growth. The use of new digital technology, including information and communication technology (ICT/IT) offers companies and the public sector opportunities for more effective use of capital stock, improved procedures and reduced operating costs.

This development is driven by the rapid development in the volume of available data and the increase in computer power as well as by new technologies such as intelligent robots, blockchain, Internet of Things and 3D print.

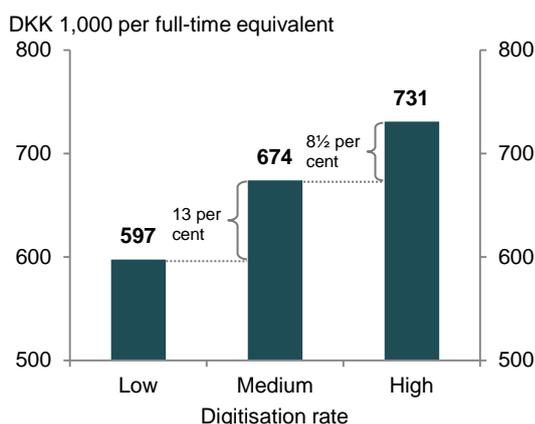
An analysis shows that there is a positive correlation between companies' digitisation rate and labour productivity. The most digital companies have approx. 20 per cent higher labour productivity on average than the least digital companies. The reason may be,

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however, that some of the most digitised companies are large companies within industries that generally have a higher productivity rate, see Figure 11.

The Figure is adjusted for company size, industry groups, capital intensity, etc.

→ **Figure 11** Labour productivity and digitisation rate in Denmark, 2014



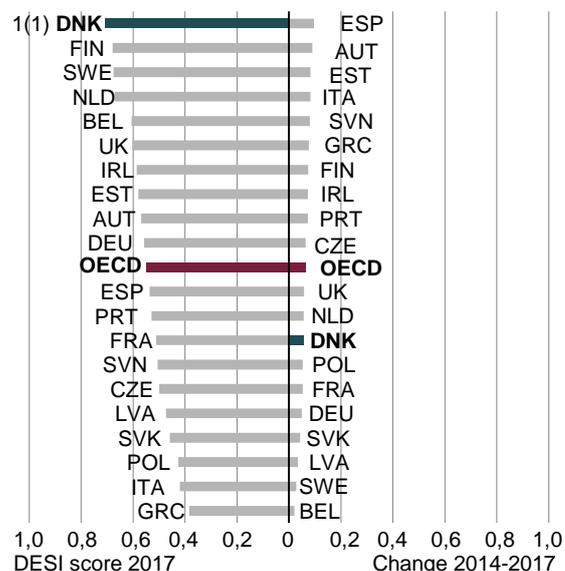
Note: Calculated as value added per full-time equivalent. The Figure shows private urban industries. Low, medium and high refer to companies' digitisation rate, see Redegørelsen for Danmarks Digitale Vækst (report on Denmark's digital growth) of 2016. In Denmark, the most digital companies have significantly higher labour productivity on average than the least digital companies.

Source: Statistics Denmark and own calculations based on business data  
Figure data: [https://doi.org/10.23758/RVK\\_SAMMENFATNING](https://doi.org/10.23758/RVK_SAMMENFATNING)

Denmark is one of the most digital societies in the EU followed by the other Northern European countries measured by 40 indicators in the EU Digital Economy and Society Index (DESI). The reason is among others that Denmark has a well-developed digital infrastructure (mobile networks, broadband, etc.). At the same time, the public sector has for many years improved digital service and the population has good basic IT knowledge.

However, the development these years is very fast and other countries are taking great steps forward in the digital transition – also countries outside the EU, see Figure 12.

→ **Figure 12** The EU Commission's DESI index of the digital economy, 2017



Note: The EU Commission's DESI index is an index based on five dimensions comprising a total of 40 indicators.  
Source: Eurostat.

Figure data: [https://doi.org/10.23758/RVK\\_SAMMENFATNING](https://doi.org/10.23758/RVK_SAMMENFATNING)

### Globalisation and increased risk of protectionism

Trade with other countries is crucial to continued increase in prosperity in Denmark.

In recent years in the wake of the economic crisis, there has been a trend towards stagnating global trade, which should be seen among other things in light of economic developments. At the same time, we see an increasing number of trade barriers and protectionist measures.<sup>1</sup> The effect of these measures is as yet uncertain.

Up to 2008, there was a long period of time characterised by increasing internationalisation, trade liberalisation, falling transport costs and new information technology. Global trade increased on average by twice the global GDP growth rate in the period 1986-2007. After the crisis, the ratio between global trade growth and global GDP growth fell to approx. 1.3 per cent in the period 2008-2015 against 2 per cent in the period 1986-2007. It means that when GDP increases by 1 per cent, trade increases by approx. 1.3 per cent.

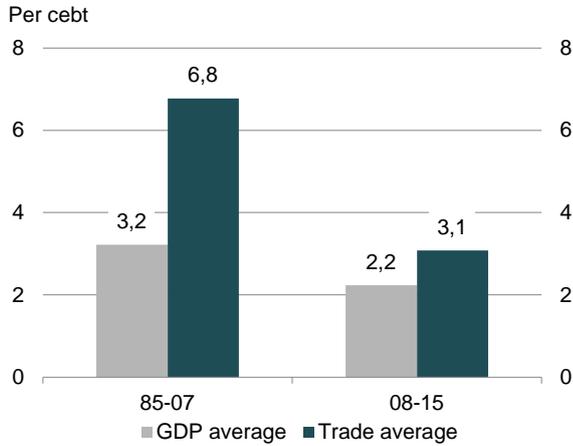
Declining growth in global trade should be seen among other things in light of both cyclical and structural conditions, including the economic crisis

<sup>1</sup> GTA, Global Trade Plateaus, the 19th Global Trade Alert Report, 2016, and WTO, Trade Policy Review, 2016.

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and increasing protectionism, see Figure 13 and chapter 14.

→ **Figure 13** Global GDP and trade, annual growth in the periods 1985-2007 and 2008-2015



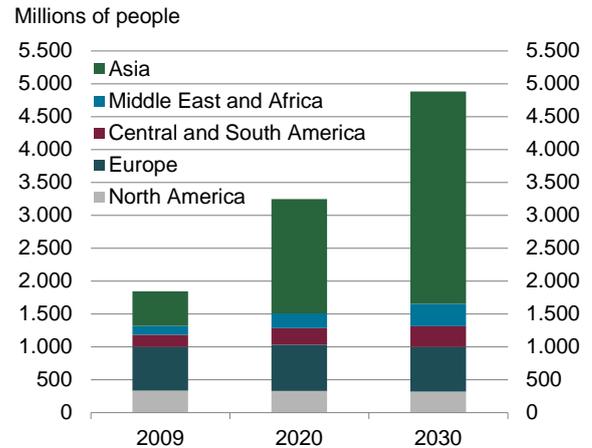
Note: calculated in real terms.  
Source: IMF.  
Figure data: [https://doi.org/10.23758/RVK\\_SAMMENFATNING](https://doi.org/10.23758/RVK_SAMMENFATNING)

The global economic centre of gravity is gradually moving eastward. For many years, China has had higher growth than the USA and is now the world's largest economy measured by GDP.

The global middle class which is crucial for global market pull is estimated to increase by approx. three billion people up to 2030. By far the largest increase will take place in Asia, see Figure 14.

The growing middle class especially in Asia provides new opportunities for Danish companies even if the neighbouring markets will remain important for many years to come.

→ **Figure 14** Global middle class, 2009, 2020 and 2030

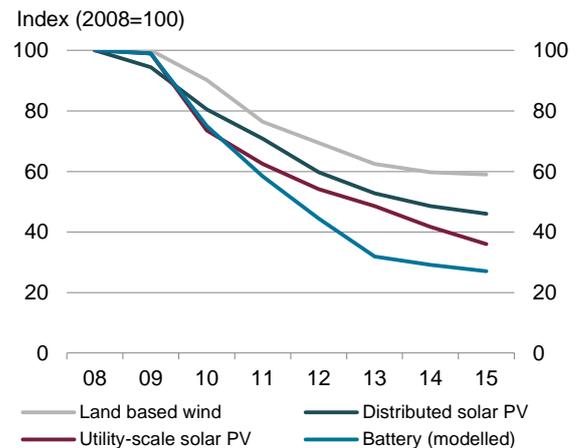


Note: The middle class comprises all households which, adjusted for purchasing power, have between USD 10 and USD 100 in daily income per capita.  
Source: OECD.  
Figure data: [https://doi.org/10.23758/RVK\\_SAMMENFATNING](https://doi.org/10.23758/RVK_SAMMENFATNING)

Trends of increasing population growth and an increasing global middle class exert pressure on resources, energy consumption, climate, etc.

These years, the rapid technological development implies a significant global drop in the price of renewable energy technologies such as sun and wind. This has improved the competitiveness of renewable energy technologies vis-à-vis fossil alternatives and resulted in a substantial development of renewable energy from sun and wind over the last decade. This offers good opportunities for global exports of Danish green technologies, see Figure 15.

→ **Figure 15** Energy technology prices, 2008-2015



Note: indexed technology prices.  
Source: US Energy Department and the Danish Energy Agency.  
Figure data: [https://doi.org/10.23758/RVK\\_SAMMENFATNING](https://doi.org/10.23758/RVK_SAMMENFATNING)

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### Key growth conditions

Prosperity in Denmark depends on how much we work and 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.

Figure 16 summarises how Denmark performs internationally on key growth conditions.

Relative to many other countries, Denmark is characterised by a relatively high **level of prosperity** combined with a high degree of **social balance**. Denmark is one of the OECD countries where income inequality is least pronounced. One reason is that Denmark has a relatively well-educated labour force and that many have a strong attachment to the labour market, which is of importance to individuals' ability to support themselves and their family.

An important framework condition for continued growth is that education programmes are of high standard and that companies have access to the competencies they demand.

Danish pupils' competencies in reading, mathematics, natural science and problem solving (**basic school**) improved from 2012 to 2015 according to the OECD's PISA survey. In Denmark, the number of people who complete an **upper secondary education** is higher than in for example Sweden but lower than in for example the Netherlands.

An increasing percentage of the Danish population completes a **higher education**. It is slightly above the OECD average. Relative to other countries, Denmark has a fairly low percentage of STEM graduates, see chapter 7.<sup>2</sup> In this field, Denmark is ranked below the OECD average and somewhat below countries such as Finland and Sweden.

Denmark has a high ranking within the area of government spending on **research**. Government investment in R&D in Denmark totalled 1.05 per cent of GDP in 2016, which is considerably above the OECD average. In addition, investment by Danish companies in R&D is relatively high.

Prices are generally high in Denmark relative to other EU Member States. This is also the case when adjusted for direct and indirect taxes as well as differences in levels of prosperity. This is an indication

of weak **competition**. It is in particular the prices of services that are higher in Denmark than in most other EU Member States.

Danish investors engage in more **direct investment abroad** than foreign investors do in Denmark. There is, however, a general tendency for wealthy countries to have a higher investment outflow than inflow.

Public finances in Denmark are fundamentally healthy. Denmark is one of the countries in the OECD with the lowest **public debt**, and the **structural budget deficit** is relatively low in an international context. Denmark is one of the OECD countries with the lowest **structural unemployment rate**.

Denmark's position is approx. at the OECD average with respect to the proportion of total direct and indirect taxes relating to the **types of taxation** which the OECD considers **least harmful to economic growth** (property taxes and taxes on consumption). Corporate taxes and income taxes in particular are considered *most* harmful to economic growth.

Denmark's growth and competition conditions have improved on a number of key indicators for growth conditions, see Figure 17.

Especially government spending on research has increased significantly over the last ten years. In the same period, there has also been a substantial increase in the proportion of energy consumption from renewable sources. The development in resource productivity over the last ten years indicates that Denmark has strengthened its competitiveness also in this field.

The development on a number of other indicators suggests that Denmark's relative growth and competition conditions have developed less favourably in the course of the last decade. This applies among other things to the tax structure which has become less "growth-friendly" relative to the other OECD countries. Also the supply of labour has developed less favourably. In addition, attention should be drawn to the fact that direct investment from abroad is relatively lower than ten years ago.

<sup>2</sup> STEM refers to Science, Technology, Engineering & Mathematics. STEM is here defined as competencies in the areas of technology (including IT), engineering, mathematics and science.

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→ **Figure 16** Key indicators of growth conditions

## Prosperity, productivity and labour force

Prosperity (GDP per capita)

Productivity level

Productivity growth (2006-2015)

Working hours

Business investments

## Education and skills

Skills in primary and lower secondary school

Proportion with upper secondary education

Proportion with higher education

## Innovation, knowledge and infrastructure

Innovative companies

Government spending on research

Perceived quality of transport infrastructure

## Efficient markets in a global economy

Number of growth companies

Size of capital market

Low prices (wealth adjusted)\*

Foreign direct investment from abroad

## Sustainable growth

Renewable energy as proportion of energy consumption

Creation of value relative to materials costs for the manufacturing sector

Recycling of waste

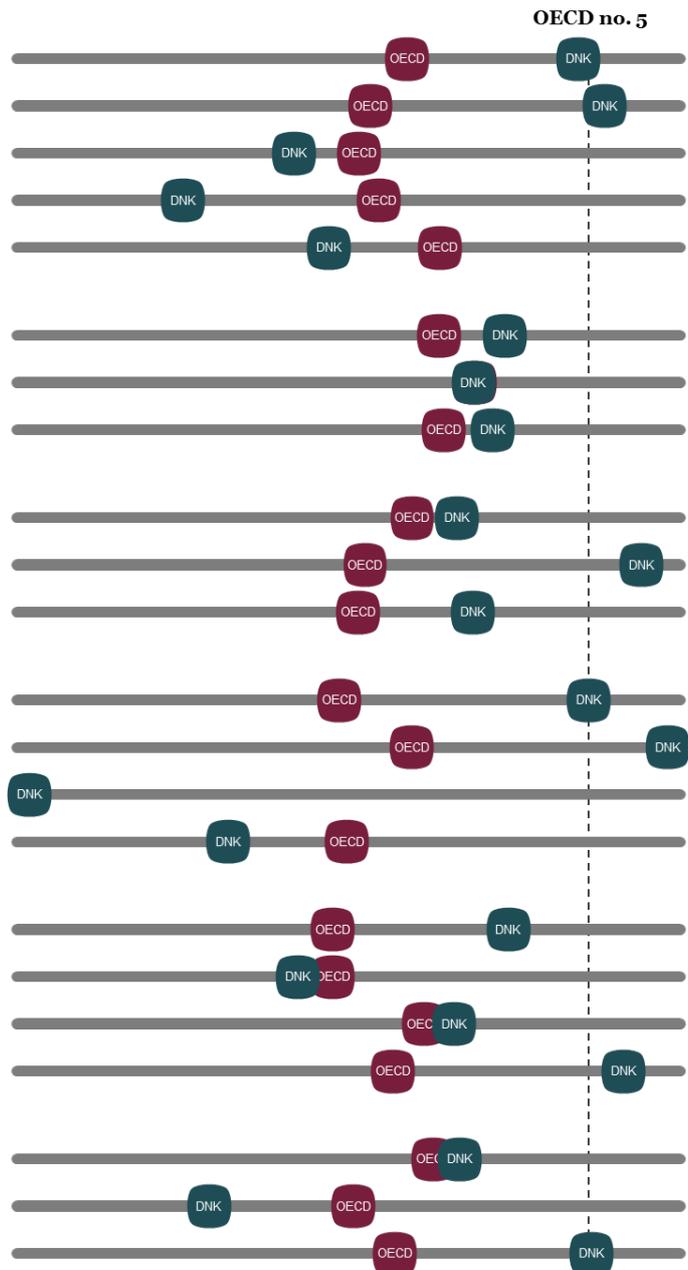
Low income inequality

## Public economy

Structural budget balance

Growth-friendly tax structure

Government effectiveness



Note: The indicator values for “DNK” and “OECD” are scaled relative to the fifth highest-ranked OECD country and the lowest-ranked OECD country so that the fifth highest-ranked OECD country is indexed at 100 and the lowest-ranked OECD country is indexed at 0. The indicator thereby presents the relative deviation from the fifth highest-ranked OECD country and lowest-ranked OECD country, respectively. The scale in the Figure goes from index 0 to index 110. For further description of method of measurement and database, see Appendix III. \*As there are data for fewer than 10 countries, no OECD average is presented.

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→ **Figure 17** Key indicators of growth conditions today and historically

## Prosperity, productivity and labour force

Prosperity (GDP per capita)

Productivity level

Productivity growth (2006-2015)

Working hours<sup>1</sup>

Business investments

## Education and skills

Skills in primary and lower secondary school

Proportion with upper secondary education<sup>2</sup>

Proportion with higher education<sup>2</sup>

## Innovation, knowledge and infrastructure

Innovative companies

Government spending on research

Perceived quality of transport infrastructure<sup>3</sup>

## Efficient markets in a global economy

Number of growth companies

Size of capital market

Low prices (wealth adjusted)\*

Foreign direct investment from abroad

## Sustainable growth

Renewable energy as proportion of energy consumption

Creation of value relative to materials costs for the manufacturing sector

Recycling of waste

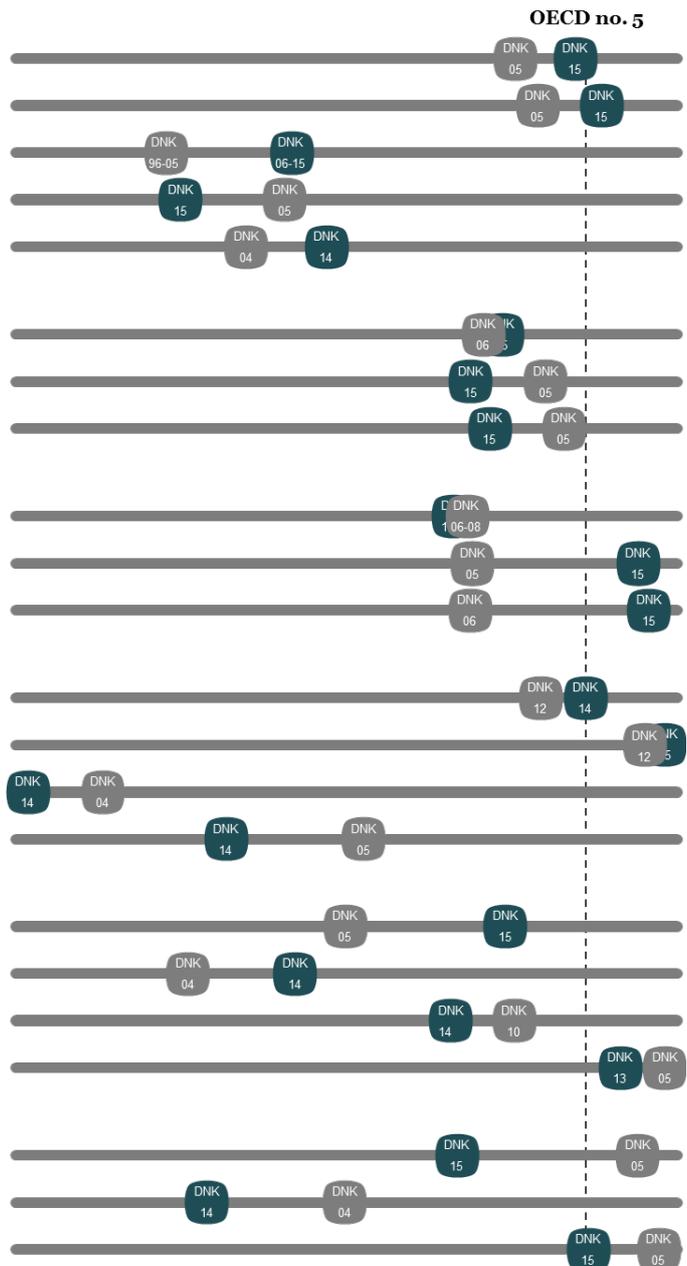
Low income inequality

## Public economy

Structural budget balance

Growth-friendly tax structure

Government effectiveness



Note: The Figure indicates Denmark's position for the given indicator relative to the OECD countries today and 10 years ago, respectively. Figures presented in the Figure refer to years in the decade. The indicator values for "DNK" are scaled relative to the fifth highest-ranked OECD country and the lowest-ranked OECD country so that the fifth highest-ranked OECD country is indexed at 100 and the lowest-ranked OECD country is indexed at 0. The indicator thereby presents the relative deviation from the fifth highest-ranked OECD country and lowest-ranked OECD country, respectively. The scale in the Figure is limited to only going from index 0 to index 110. For further description of method of measurement and database, see Appendix III. \*As there are data for fewer than 10 countries, no OECD average is presented.

1) Data for Turkey are from 2014

2) Data for France are from 2014

3) Data exist only for 2006-2015. In 2006, the category "quality of roads" did not exist. Therefore, 2006 data are the average of the remaining three categories

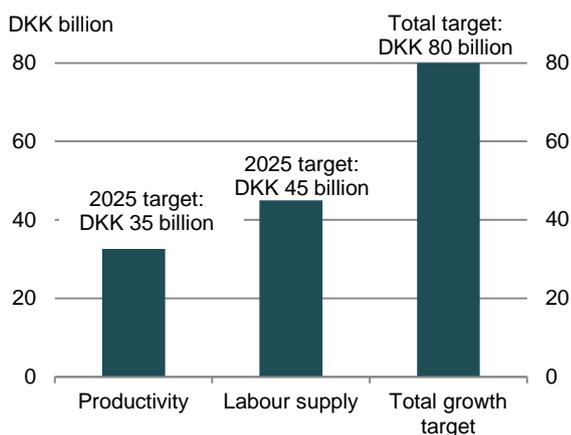
## Summary: Denmark – Going for Growth

### Proactive growth policy

The aim and objective of the Danish Government is to boost GDP by DKK 80 billion up to 2025 through increased productivity (DKK 35 billion) and increased labour supply (DKK 45 billion), see Figure 18.

Danish companies' framework conditions must be among the best in the world. It is crucial among other things for companies to have access to relevant skills and high effective labour supply. Companies must find it attractive to place investments in Denmark. The framework for research and innovation must be good and there must be a strong entrepreneurial environment, effective competition and strong capital markets. The Government focuses on ensuring that growth and development will benefit all of Denmark.

→ **Figure 18** The Government's growth targets up to 2025 broken down by productivity and employment



Note: The growth target is calculated with 2015 as the base year.  
Source: The Government Platform and own calculations.

The Government will therefore address the opportunities and challenges relating to jobs of the future in *The Disruption Council - partnership for Denmark's future*. The reason is among others that digital transition and globalisation make major demands on companies' efficiency and innovation.

For this purpose, the Government will provide good framework conditions to ensure that Danish companies will continue to reap the benefits of digitisation. Specifically, the Government will present a strategy for Denmark's digital growth. The strategy is to ensure that Denmark, also in future, remains at the cutting edge in terms of exploiting technological opportunities. The strategy will be based on the recommendations from *The Digital Growth Panel* (published in May 2017) among others.

The Government will make it more attractive to do business in Denmark so we will support investment and willingness to take risks. Furthermore, the Government has set up an *Entrepreneurship Panel*. The panel is to present recommendations on how Denmark can strengthen growth conditions for entrepreneurs with a focus on talent and capital and on how the new and small companies can become better at scaling up their business and creating growth.

Access to the right digital skills is one of the most important factors in the digital transition and it is a focal area for the Government. Therefore, there is a need to look at the interest in establishing a *Teknologipagt* (technology pact) where educational institutions, private actors and companies join forces in making an effort to ensure that more people choose technical and digital education programmes in order to match the private sector's demand for these competencies. The Government will implement a management reform of higher education programmes.

In 2017, the Government will present a strategy for growth through sharing economy which may be a driver for new business models, innovation and growth as well as contribute to improving resource efficiency.

Danish labour supply is low in an international perspective. The Government's aim and objective is to reduce direct and indirect taxes in order to make life less expensive for Danes. The Government will among other things present a proposal for a "JobReform". The tax freeze will continue to constitute the framework for the Government's tax policy.

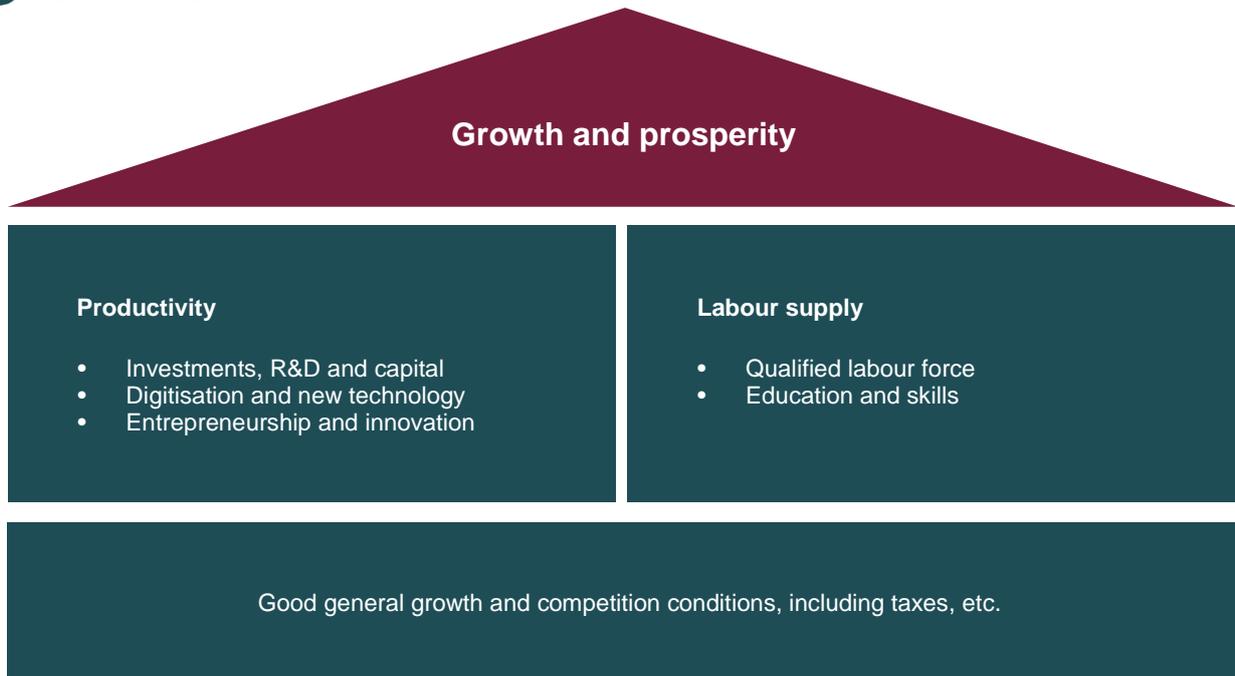
The Government has introduced a burden freeze, which means that no new economic burdens will be imposed on companies to the detriment of their competitiveness. At the same time, the Government will ease the private sector's regulatory burdens by DKK 4 billion from 2015 to 2020 and by a total of DKK 6 billion up to 2025.

## Summary: Denmark – Going for Growth

For the purpose of strengthening productivity, it is important that the framework for companies' digitisation and new technology, investments, R&D as well as entrepreneurship and innovation is on a par with international levels.

It is also important that there is access to a qualified labour force through a strong educational system and that personal taxes and indirect taxes support a high supply of labour, see Figure 19.

→ **Figure 19** Key growth determinants



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### Selected Government initiatives – implemented and planned

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**Agreement on the abolition of the PSO tariff.** The PSO tariff will be gradually phased out and the expenditures transferred to the Finance Act (The Budget). The PSO tariff will have been fully phased out by 2022. Expenditures on renewable energy will consequently be fully paid through the 2022 Finance Act, and fluctuations in expenditures on renewable energy will in future be handled in the general fiscal-policy prioritisation. During the phase-in period up to 2022, the PSO tariff will finance the other existing capacity.

**Tax freeze.** The tax freeze will continue to constitute the framework for the Government's tax policy.

**Lower taxes.** It is the Government's aim and objective to reduce direct and indirect taxes in order to make life less expensive for Danes and to make it less expensive to do business in Denmark.

**Burden freeze.** The Government has introduced a burden freeze which implies that no new legislation, etc. imposing economic burdens on businesses will be introduced unless for reasons of extreme urgency. The burden freeze may be departed from by EU regulation and other international legal obligations, rules that are necessary in order to safeguard urgent societal interests, and by agreements with the private sector. In addition to the burden freeze, the Government will ease the private sector's burdens by DKK 4 billion from 2015 to 2020 and by a total of DKK 6 billion up to 2025. Burdens resulting from EU regulation will be exempted from the additional easing up to 2025.

**Strategy for Denmark's digital growth.** The Government will draw up a strategy for Denmark's digital growth based on the recommendations of *The Digital Growth Panel* among others to the Government (published in May 2017). Access to the right digital skills is one of the most important factors in the digital transition and it is a focal area for the Government. Therefore, there is a need to look at the interest in establishing a *Technology Pact* where educational institutions, private actors and companies join forces in making an effort to ensure that more people choose technical and digital education programmes in order to match the private sector's demand for these competencies.

**Disruption Council – partnership for Denmark's future.** The Government have set up a *Disruption Council - partnership for Denmark's future*, which is to contribute to ensuring that all Danes are well prepared for the job market of the future. The partnership is to include the social partners, companies, experts and relevant Government Ministers.

**Council on good conditions of competition.** A Council on good conditions of competition will be established, which will be charged with the task of following and monitoring companies' business conditions in Denmark on an ongoing basis. The Council is to advise the Government by identifying specific problems and presenting recommendations. The discussions of the Council will among other things take their point of departure in this Report on Growth and Competitiveness 2017. The Council is to look ahead and take an international perspective on how growth conditions are affected by global trends over the coming ten years. The themes are, among others, globalisation, digitisation, tax conditions, etc.

**Entrepreneurship Panel.** The Government has have set up an *Entrepreneurship Panel* which is to present recommendations to the Government on how Denmark can strengthen the growth conditions for entrepreneurs with a focus on, among other things, talent, capital and growth. The panel is composed of entrepreneurs, experts and other representatives of the private sector.

**Strategy for sharing economy.** In 2017, the Government will present a strategy for sharing economy which may be a driver for new business models, innovation and growth as well as contribute to improving resource efficiency.

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