

**EXECUTIVE
BOARD
MEETING**

SM/22/115

Correction 1

June 6, 2022

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Denmark—Staff Report for the 2022 Article IV Consultation**

Board Action: The attached correction to SM/22/115 (5/27/22) has been provided by the staff:

Factual Errors Not Affecting the Presentation of Staff's Analysis or Views

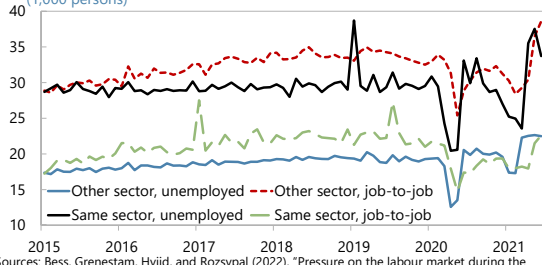
Page 26

Questions: Mr. Segoviano, EUR (ext. 38558)
Ms. Bricco, EUR (ext. 34206)
Mr. Huidrom, EUR (ext. 37221)
Mr. Tudyka, EUR (ext. 34767)

Cross-sectoral mobility of unemployed persons has been elevated during most of the pandemic suggesting a high degree of reallocation.

Cross-sectoral Mobility of Unemployed

(1,000 persons)

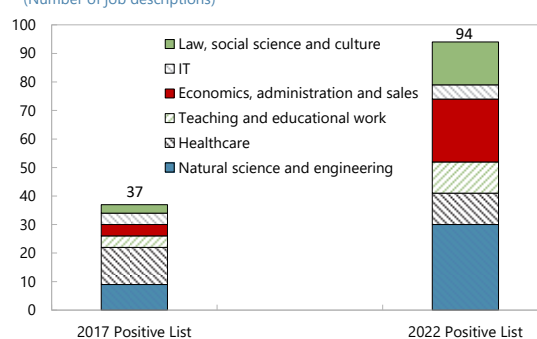


Sources: Bess, Grenestam, Hviid, and Rozsypal (2022), "Pressure on the labour market during the pandemic", Danmarks Nationalbank, Economic Memo.
Note: This chart separates the workers who find new jobs in two dimensions; whether they spent at least one month not working (unemployed-to-job) or transitioned directly to a new job (job-to-job transition) and whether the new job is in the same or different sector as the previous job (only workers with a previous job considered). It shows that all four channels were negatively affected in early 2020. The sectoral transitions are computed based on 15 sectors.

The positive list—that guides education and upskilling courses as well as work visa—has changed over the years (Annex VIII).

Changes in the Positive List

(Number of job descriptions)



Sources: www.nyidanmark.dk; www.akkam.in; and IMF staff calculations.

37. Initiatives that improve employment prospects for the young, low-skilled, and foreign-born appear to be working and should continue. Although unemployment of the young, low-skilled, and foreign-born increased disproportionately at the onset of the pandemic, several initiatives are bearing fruit, as unemployment rates recently went down to pre-pandemic levels. During the pandemic, the authorities expanded incentives for education by increasing unemployment benefits from 100 to 110 percent if the unemployed began vocational education of in-demand skills (VET).⁶⁴ They also provided more funds for upskilling and training to include COVID-19 courses such as delivering medicine or elderly care as well as green economy jobs.⁶⁵ To further promote labour market participation of refugees, the government agreed to expand the basic integration education (IGU) program in 2020 to include migrants that have been in Denmark for up to 10 years (from five years previously) and extended it to 2023.⁶⁶ These efforts are welcome and should continue.

38. The long-term sustainability of the Danish economy relies on maintaining adequate labor supply. The current pension reform that defines the indexation of the statutory retirement age (SRA) to life-expectancy is key to maintain labor supply and underpins long-term fiscal sustainability. Any changes to indexation that might result from the ongoing review should ensure that long-term fiscal sustainability is kept.⁶⁷ Additional policies to boost labor supply over the medium and long-term—along with those that raise investment— would help bolster potential growth.

⁶⁴ VET is a program aimed at the young to incentivize and increase enrollment in vocational training.

⁶⁵ About DKK 1.1 bn in one-off funds was appropriated for upskilling and education during the pandemic.

⁶⁶ The [IGU program](#) was launched in 2016 and was supposed to run till June 2022. It aims to improve the chances of refugees to find permanent jobs in Denmark. It is a two-year course where wages are subsidized. After finishing the program, the employee receives a training certificate while the company receives a bonus of DKK 20,000 after the first six months of the course and again once the IGU has been completed.

⁶⁷ Under the current pension reform, retirement age is planned to increase from 65½ years in 2021 to 67 years in 2022 and to 68 in 2030. However, a [Pension Commission is assessing recently recommended](#)—among other things—options for a slower pace of the link between the SRA and life expectancy [as well as freezing the SRA at 70 from 2040 2045](#) onward.