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LAPSE OF TIME

SM/23/139
Correction 1

June 12, 2023

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Denmark—Selected Issues**

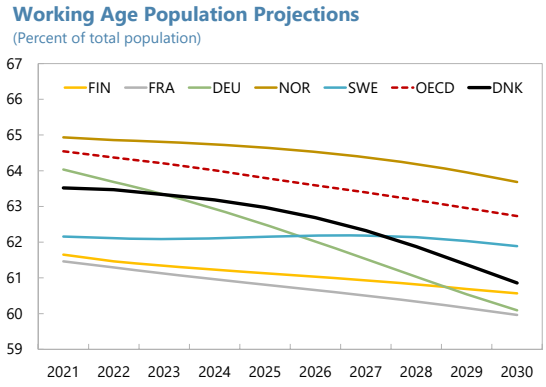
Board Action:	The attached correction to SM/23/139 (6/2/23) has been provided by the staff:
Factual Errors Not Affecting the Presentation of Staff's Analysis or Views	**Page 14**
Questions:	Mr. Ishi, EUR (ext. 38034) Mr. Huidrom, EUR (ext. 37221) Ms. Minasyan, EUR (ext. 37465)

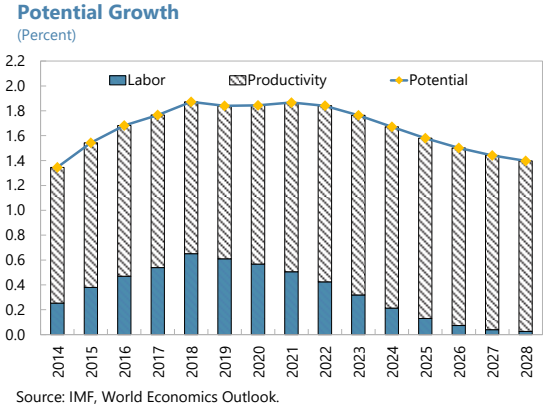
CANCELLATION OF A PUBLIC HOLIDAY IN DENMARK[1]

Denmark cancelled a public holiday to increase labor supply, GDP, and fiscal revenues. This chapter discusses the expected labor supply impact of this change and compares it to alternative options for increasing labor supply.

A. Introduction

1. Like many other advanced economies, Denmark is facing demographic headwinds, which pose a challenge to maintaining high rates of growth over the long term. To tackle this challenge, increasing labor supply is seen as a policy goal.[2] In general, potential policies to increase labor supply could cover, on the extensive margin, higher labor force participation and lower structural unemployment, and on the intensive margin, increasing the retirement age and trying to tilt the labor-leisure balance in terms of overall hours worked, including annual holidays and personal leave days. On many of these dimensions Denmark has achieved very good results, in large part thanks to its successful flexicurity model. This, however, makes further gains difficult, forcing policymakers to look beyond conventional measures.





2. The Danish government decided to cancel Store Bededag (Great Prayer Day) as a public holiday. The decision was approved by parliament in February 2023 and will become effective in 2024. Store Bededag is celebrated on the third Friday after Easter, i.e. always on a weekday; therefore, it's cancellation implies an increase in annual statutory working hours by 0.45 percent[3]. The tripartite agreement among the government, the employers, and the unions stipulates that employees with monthly salary contracts will get a 0.45 percent increase in their annual salary, while those with hourly contracts (accounting for about 20 percent of employment ~~in the private sector~~) will be compensated according to hours worked on the new working day.

[1] Prepared by Gohar Minasyan with support from Fuda Jiang (all EUR).

[2] The Danish Government, Denmark's National Reform Programme, May 2023.

[3] Annual working days after deducting statutory annual leave and other public holidays will increase from 222 to 223.