1. Introduction

Like other Member States, Denmark is facing the challenges of a changing demographic composition of the population over the coming decades. The OECD (2005) has pointed to the fact that in some respects, Denmark is better placed to meet the challenges of the ageing of the population than many other OECD countries: population ageing is less rapid and labour-market participation rates of older people are already among the highest in the OECD. However, like in other Member States, issues around the labour market situation of older workers and of their retirement patterns have risen to the top of the political agenda. A number of reforms have been initiated in order to cope with the need to increase the future labour supply.

As noted by the OECD, the employment situation of older workers in Denmark is rather encouraging. For the age group 55-59 years, the employment rate of 75.9 % in 2010 is the second highest in the EU. For the older age groups Denmark is however surpassed by a number of Members States as a reflection of the sharp decline seen in the labour force participation of workers aged 60 years and older. As discussed below, this is partly a reflection of a special retirement scheme for older workers, the Voluntary Early Retirement Pay (VERP) scheme, which has been in existence in Denmark since 1979. The decline is most pronounced for older women, who are also most likely to take up the scheme.

Due to the limited sample size of the European Labour Force Survey, the unemployment rates of older workers have to be taken from the statistics on registered unemployment. In 2010, the unemployment rate for the age group 55-59 years (6.2 %) was similar to the average for all age groups. Unemployment was somewhat higher for men (7.7 %) than for women (4.7 %) mainly as the result of the more severe labour market situation in the private sector than in the public sector, the latter being an important employer for women. For the 60+ age group, the unemployment rate is significantly lower (4.3 %). Again, this is mainly the outcome of the retirement pattern, where many older workers leave the labour market after becoming eligible to the VERP mentioned above.

At present, while the official retirement age, where one becomes eligible for public old age pension, is 65 years, the actual age for giving up work is only between 61 and 62 years. With an average retirement age of 61.7 years in 2009, men retire later than women, who in the same year had a retirement age of 61.2 years.¹ The overall average age for leaving work has since the beginning of the 1990s varied between 61 and 62 years. During the same period, life expectancy increased by two years thus implying an increase in the duration of life as a pensioner.

There is no single definition of older workers in Denmark. The age limits of 50 or 55 years are often used in the public debates on older workers. Policies for seniors at both the national and the local level are typically directed at persons aged 55 years and above. For example, municipalities are by law obliged to offer special ‘senior jobs’ to unemployed workers aged 55 to 59, who will become eligible for the VERP when they turn 60. On the other hand, the public employment service is obliged to offer early activation to the unemployed aged 60 years and above. In statistical descriptions, it is common to distinguish between the age group of older workers between those aged 55-59 and those aged 60+.

¹ See Beskæftigelsesministeriet (2011). The statistics presented are based on national register data.
The issue of the need to increase the average age of retirement is approached in several ways. On the one hand, a number of labour market and pension reforms are targeted at creating incentives for later retirement. On the other hand, policies for older workers are being advocated as important tools for making employers more aware of the capacities of older workers and the potential for keeping them in their jobs by adapting their working conditions.

2. Recent reforms relating to pensions and benefits for older workers

After years of debate on the need to respond to the challenges of an ageing workforce, a large scale ‘welfare reform’ was adopted by vast majority in Parliament in 2006. The reform package covered a wide range of issues. A prominent element of the reform was labelled as a ‘gradual and gentle’ reform of the VERP and State old age pension, which has since been the cornerstone of Danish policy with respect to age-related retirement.

The reform implied that, starting in 2019, the age limit for receiving the VERP would gradually be raised from the present 60 years to 62 years in 2022. Furthermore, the age limit for the public old age pension would from 2024 gradually be increased to 67 years in 2027. From 2025 and onwards, further changes in the age limits for the VERP and State old age pension would be implemented, if life expectancy increased further. The size of the VERP was unchanged, while the contribution period was increased from 25 years to 30 years and must start no later than at age 30; a special right to enter the scheme at a later age was introduced for people with a long attachment to the labour market.

With respect to older workers, the reform also had the following elements:

- the special rules for unemployment benefits and obligations with respect to taking part in ALM programmes, when it comes to older workers, were cancelled, thus removing the special ‘soft’ regime for this group, that had been developed over the years;
- a special high wage subsidy to employers recruiting older long-term unemployed persons was introduced;
- all unemployed people aged 55+, that exhaust their right to unemployment benefits, would get the right to a ‘senior job’ with normal pay in the public sector;
- the policy for older people in the public sector in general would be strengthened and the age limit in the law concerning age discrimination was increased from 65 to 70 years.

Following the economic crisis and the deterioration of public budgets since 2008, the debate on retirement reform was revived in January 2011 by the former Government. The outcome was an agreement in May 2011 between a majority of parties, but not including the Social Democrats and the Socialist People’s Party. The new reform mainly implied an acceleration of the implementation of the Welfare Agreement from 2006.

After the general election in September 2011, a new Government was formed, which apart from the two last mentioned parties also included the Social Liberals, who took part in the agreement from

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2 The full text of the reform package can be read (in Danish) on the website of the Ministry of Finance: Agreement on future wealth and welfare and investments in the future (Aftale om fremtidens velstand og velfærd og investeringer i fremtiden), 23.06.2006.
May 2011. This made participation in the new Government conditioned on implementing the new retirement reform, which was therefore agreed by Parliament in December 2011. The new legislation mainly followed the political agreement made in May 2011. It gradually reduces the duration of the VERP to three years and has the following elements:

- the age for entering the VERP is gradually increased from 60 to 64 years;
- the duration of the VERP is gradually shortened from five to three years;
- deductions from the VERP for private pension schemes are sharpened so that it will no longer be beneficial for people with large private pensions to retire early.

The three-year retirement period is fully implemented in 2023, when a person can retire receiving the VERP as a 64-year-old and stay on the VERP for three years, before qualifying for the State old age pension at the age of 67. The principle of thereafter adjusting retirement age to increased life expectancy is intact.

Since early retirement rules will be changed significantly, all individuals aged below 60, who have contributed to the VERP, will have the option to get their contributions back in 2012. For instance, if someone has paid contributions to the VERP for all years since 1999, they will receive a refund of about EUR 9 000. A side effect of this is an expected rise in private consumption, even though it is difficult to estimate the size of this effect.

The overall effect of the reform is expected to be an increase in labour supply of about 80 000 persons by 2020.\(^3\) While there is little doubt about the direction of the effect, there is debate about the magnitude, which will among other things depend on the share of older workers who come to the labour market, when their right to use to the VERP is reduced.

One controversial issue here is related to a softening of the access to disability pension, which will be opened for older workers in parallel with the reform of the VERP. Under the heading ‘senior disability pension’, the new scheme is intended to assist those older workers, who can no longer benefit from the VERP. The new pension is open to older workers with an employment record of at least 20-25 years and with less than five years to enter the old age pension scheme. In principle, the criteria for qualifying for ‘senior disability pension’ are the same as for normal disability pension. But the procedure is simplified, because the applicant does not have to undergo the standard procedures with respect to testing the remaining capacity to work. The scheme has therefore been described as a ‘fast-track’ to disability pension.

The number of older workers, who will actually be able to substitute the VERP with a disability pension is however, hard to estimate. On the one hand, the new scheme can be criticised for being too restrictive and offering no real alternative to the VERP for older workers, who are worn down after a long working life. On the other hand, a ‘soft’ administration of the law may lead to a large inflow into the senior disability pension.

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3. Assessment of active ageing policies

It is commonly agreed that the employment of older workers is not just about economic incentives, but is also related to the environment for older workers provided by employers and to the risk of age discrimination. Thus the decision to retire is influenced by many different economic and non-economic factors (Jensen, 2005; Goul Andersen and Jensen, 2012). Danish policies in this area therefore try to combine the reform of economic incentives and other policies, which are often lumped together under the heading of ‘senior policies’.

Economic incentives for later retirement

The recent retirement reform described above will in itself gradually increase the age for entering the VERP and old age pension. In addition, economic incentives are already in place to support the labour force participation of older workers. The most prominent examples are:

- Under the heading of the ‘flexible VERP’ it is possible to combine work and the VERP. For each hour worked, a proportional deduction is made from the VERP. If weekly working hours exceed 29.6 hours, it is no longer possible to participate in the VERP.
- Older workers who are eligible for the VERP, but continue working until they turn 65 years, receive a tax-free premium of around EUR 20 000.
- Workers who postpone taking up the public old age pension will receive a higher pension, when they actually retire. The increase in the pension is calculated on an actuarial basis. The old age pension can be postponed for up to 10 years.

Training and lifelong-learning for older workers

The share of older workers aged 55-64 years with upper secondary or tertiary education attainment was 66 % in 2010, which was 10 percentage points below the average for all age groups (Eurostat, 2011, table 6.9).

Denmark has a long-standing tradition in adult education. Furthermore, there are no formal barriers to older workers participating in further education and training. On the other hand, based on the Adult Education Survey of Eurostat, in 2007, only 29 % of older workers had taken part in formal or non-formal education and training during the last 12 months. For all workers, the share was 45 %. Also, there is a clear relationship with the previous educational attainments of the older worker: more workers with previous vocational education will continue to participate in adult education when they get older.

A major barrier for adult education for older workers therefore seems to be their weak educational motivation. Also, one could suspect that the firms give a lower priority to further education for older workers, simply because the economic benefit will be smaller due to the shorter expected duration of their active working life.

Labour market programs for older workers

In general terms, older unemployed people have the same rights and obligations as other unemployed. Thus they have the right to unemployment benefits and to receive job-training and other offers according to the active labour market policy provisions. With the exception of the
The abovementioned ‘senior job’, there are no special activation instruments developed for the older unemployed. The view is that the instruments applicable to other age groups can also be combined and tailored to fulfil the needs of the older unemployed.

One should note that this is a general feature of Danish labour market policy and similar to the situation for ethnic minorities, who will also normally receive the same offers as other groups. This does not exclude the possibility that a certain project can be set up by the job centres combining the available instruments (training, wage-subsidies, etc.) to fit the needs of a particular target group, for instance among the older unemployed. But this will be done on an ad hoc basis, not as a separate programme. As described in the next section, a number of special financial instruments can support such initiatives.

There are however, a number of special rules that apply to older unemployed workers. Apart from the ‘senior jobs’, older unemployed aged 60+, who are members of an unemployment insurance fund, will have the right and duty to activation after six months and not after nine months as other unemployed aged 30 years and older. Furthermore, all unemployed aged 55+ have the right to make an agreement with an employer to be employed with a wage subsidy that is above the normal rate. The duration is up to six months and the instrument is seen as a special support for the older unemployed to return to employment.

Special initiatives with respect to seniors’ policy

As joint ventures of the Ministry of Employment and the Ministry of Social Affairs, a number of activities and campaigns have been launched since the late 1990s in order to stimulate the employment of older workers. This development has been supported by the social partners. In the collective agreements since 1995, so-called ‘social chapters’ have been included in most agreements implying that almost 90% of wage-earners are covered. These chapters recommend employment on special conditions (working time, wage, etc.) for persons with handicaps, including older workers.

Under the heading of ‘seniors’ policy’, a number of special initiatives by the Ministry of Employment are targeted achieving a better integration of older workers on the labour market and a special website available at internet (http://www.seniorpraksis.dk) gives access to information for both employers and employees concerning policy for seniors.

A special fund has been allocated to initiatives that support the employment of older workers. It may be in the form of influencing the hiring practices of firms, highlighting the qualifications of senior employees or general information campaigns disseminating examples of best practice. Almost EUR 1 million has been allocated to the fund in 2012.

Another activity, which is supported by the Ministry of Employment, is local and regional networks of unemployed older workers – the so-called senior networks. The first such networks were created by local initiatives. Under the label of ‘self-activation for older workers’, financial assistance has since 2000 been given by the National Labour Market Authority (NLMA) to groups of unemployed workers above 50 years of age, for them to create networks and activities to develop new areas of employment. In 2012, such funding amounts to almost EUR 1 million. About 25 such networks based on self-activation are now in operation all over Denmark. A national website has been
established, which gives an overview of the networks and their activities and provides links to the websites of the individual senior networks at internet (http://www.seniorerhvervdanmark.dk).

Many public and private organisations and firms have developed senior policies as a part of their overall HR-strategy. A study from the Danish National Institute for Social Research has summarised the results from four large-scale qualitative and quantitative studies on the ways in which firms recruit and retain older worker (Larsen, 2006), while Friis et al. (2008) has conducted several case studies. Almost half of private and public workplaces make a special effort to retain older workers aged 60 years and older. One out of four of those workplaces report that their effort is ‘to a high degree’. The most common tool for retaining older workers is further education and training. The next common methods consists of a group of tools consisting of individual dialogues with the senior worker, a shift to less demanding work tasks and more flexible working hours. In two out of three workplaces, the policy is implemented through individual solutions (thus following the concept of the senior agreement).

4. Conclusion

The motives behind early retirement from the labour market are complex and involve both economic and non-economic factors. While the focus in the Danish public debate is often on the economic incentives of different pension arrangements, there is no doubt that senior policies, which affect the attitudes and perceptions of both employers and older workers, can also play an important role in increasing the labour market participation of older workers. Danish policies to increase the employment of older workers therefore take a dual approach focusing both on economic incentives and on senior policies at the national and the local level. Given the demographic challenges ahead, there is no doubt that such a comprehensive approach is called for. The sign that it may also have some success is indicated by the fact that the Danish employment rate for older workers aged 60 years and older has actually increased continuously since 2004.

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4 Beskæftigelsesministeriet (2012)
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Relevant websites

• www.bm.dk (Ministry of Employment with special section on seniors’ policy)
• www.ams.dk (National Labour Market Authority with special section on seniors’ policy)
• www.seniorerhvervdanmark.dk (The national website for networks of older people)
• www.seniorpraksis.dk (The Ministry’s special website about seniors’ policy)