

Annex 2. Reporting table for the assessment of CSRs and key macro-structural reforms – Quantative assessment of selected reforms – DENMARK

CSR number	CSR sub-categories	Number and short title of the measure	Methodological elements		Quantitative elements						
			Relevant features of the model used/ estimation technique	Main macroeconomic/ simulation assumptions	Main outcome of macroeconomic simulations					Other impacts/ indicators	
					Description	Yearly and cumulated effect on GDP and other main macroeconomic variables ¹					
						Year t	Year t+1	Year t+2	Year t+3		Year t+n
CSR1: Public finances		Measure 3: Growth Plan DK	<p>The effect on GDP of the initiatives implemented are calculated by estimating the effect on the number of employees (participation effect) and number of hours worked per. employed (hour effect), which together form the interventions effect on labor supply.</p> <p>The contribution from a full-time employee is calculated on the basis of GVA per employed in the private sector. This corresponds to a contribution of approx. 0.6 million. DKK per full-time employee.</p> <p>The calculation of the effect on labor supply is fully documented in “Vækstplan DK – Teknisk baggrundsrapport”, March 2013, Ministry of Finance.²</p> <p>The overview of the Growth Plan includes the effects of the reforms of the cash benefit system and the Danish educational grant and student loan.</p> <p>The calculated effects in 2013 (t) and 2014(t+1) are demand driven due to a rise in private and public investments. In 2020 (t+n) the effect is entirely structural.</p>	<p>Short term effects: Calculated within the framework of the Annual Danish Aggregate Model (ADAM). ADAM is a traditional Keynesian model, which for example means that wages and prices in the model are sticky. Furthermore the model does not contain forward-looking expectations.</p> <p>The main assumptions are exogenously established outside the model. This for example the case for demographic developments and developments in the labour force, structural unemployment, persons on social benefits and productivity growth.</p> <p>Further information on the underlying assumptions used when calculating the effects on labour supply can be found in the note “Regneprincipper og modelanvendelse i Finansministeriet” by the Ministry of Finance, November 2012³</p>	GDP	N/A	N/A	N/A	N/A	0.5 (structural effect in 2020)	-
				Private Consumption	+	+	+	+	+		
				Gross capital formation	+	+	+	+	+		
				Net exports	N/A	N/A	N/A	N/A	N/A		
				Employment	N/A	N/A	N/A	N/A	11,000 (structural effect)		
				Contribution of production factors to potential GDP (labour capital, TFP)	Labour	Labour	Labour	Labour	Labour, capital and TFP		

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CSR2: Labour Supply		Measure 6: Tax reform 2012	<p>Short term effects: Calculated within the framework of the Annual Danish Aggregate Model (ADAM).</p> <p>Long run labour supply effects: Calculated outside the ADAM-model based on standard assumptions for labour supply elasticities.</p> <p>The estimated labor supply effects (following a change in individual taxes or transfers) are based on calculated marginal tax rates and the calculated income gap between public transfers and income from employment. The calculations are based on detail individual level data from a sample (up to 33.3 per cent) of the Danish population.</p>	<p>The underlying macroeconomic assumptions are the same as described under the Growth Plan Dk.</p> <p>Consistent with usual practice the labour supply effect are calculated based on an elasticity of substitution that averages 0.1 per cent (0.04 per cent for men and 0.13 per cent for women). The average income elasticity used in calculations is -0.03 per cent (assumed higher for women than men).</p> <p>As mentioned above the labor supply consists of a calculated effect on average working hours and a participation effect.</p>	GDP	+	+	+	+	0.35/ 0.5 (structural effect in 2020/ 2025)	-
					Private Consumption	N/A	N/A	N/A	N/A	N/A	N/A
					Gross capital formation	N/A	N/A	N/A	N/A	N/A	N/A
					Net exports	N/A	N/A	N/A	N/A	N/A	N/A
					Employment	+	+	+	+	11,000/ 16,000 (structural effect in 2020/ 2025)	
					Contribution of production factors to potential GDP (labour capital, TFP)	Labour	Labour	Labour	Labour	Labour	

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CSR2: Labour supply	a) Reform the disability pension and better target schemes towards people with reduced work capacity	Measure 7+8: Reforms of disability pension and flexi jobs	The contribution from a full-time employee is calculated on the basis of GVA per employed in the private sector. This corresponds to a contribution of approx. 0.4 million. DKK per full-time employee.	The underlying macroeconomic assumptions are the same as described under the Growth Plan DK.	GDP	+	+	+	+	0.1/0.25 (structural effect in 2020/2032)	-
					Private Consumption	N/A	N/A	N/A	N/A	N/A	
					Gross capital formation	N/A	N/A	N/A	N/A	N/A	
					Net exports	N/A	N/A	N/A	N/A	N/A	
					Employment	+	+	+	+	5,000/ 12,000 (structural effect in 2020/2032)	
					Contribution of production factors to potential GDP (labour capital, TFP)	Labour	Labour	Labour	Labour	Labour	

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CSR 2: Labour supply	-	Measure 10: Reform of the Cash Benefit System	The contribution from a full-time employee is calculated on the basis of GVA per employed in the private sector. This corresponds to a contribution of approx. 0.4 million. DKK per full-time employee.	See above	GDP	+	+	+	+	0.1	-
					Private Consumption	N/A	N/A	N/A	N/A	N/A	
					Gross capital formation	N/A	N/A	N/A	N/A	N/A	
					Net exports	N/A	N/A	N/A	N/A	N/A	
					Employment	+	+	+	+	4,500	
					Contribution of production factors to potential GDP (labour capital, TFP)	Labour	Labour	Labour	Labour	Labour	

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CSR 2b: Education	a) Improve the cost-effectiveness of the education system	Measure 20: Reform of the Danish educational grant system and framework for higher education programmes	See above	See above	GDP	+	+	+	+	0.2	-
					Private Consumption	N/A	N/A	N/A	N/A	N/A	
					Gross capital formation	N/A	N/A	N/A	N/A	N/A	
					Net exports	N/A	N/A	N/A	N/A	N/A	
					Employment	+	+	+	+	5,900	
					Contribution of production factors to potential GDP (labour capital, TFP)	Labour	Labour	Labour	Labour	Labour	

¹ “+” signifies that the effect is positive, but less than 0.1% of GDP

² http://www.fm.dk/publikationer/2013/vaekstplan-dk-staerke-virksomheder-flere-job/~media/Publikationer/Imported/2013/V%C3%A6kstplan%20DK/V%C3%A6kstplan%20DK_teknisk%20baggrundsrapport.pdf

³ <http://www.fm.dk/nyheder/pressemeddelelser/2012/11/oversigt-over-oekonomiske-regneprincipper>

⁴ “+” signifies that the effect is positive, but less than 0.1% of GDP