OECD

LAUNCH VERSION

OECD Economic Surveys: Denmark 2026

January 2026
Volume 2026/2

OECD Economic Surveys: Denmark 2026

This work was approved and declassified by the Economic and Development Review Committee on 04/12/2025.

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Note by the Republic of Türkiye
The information in this document with reference to "Cyprus" relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Türkiye recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Türkiye shall preserve its position concerning the "Cyprus issue".

Note by all the European Union Member States of the OECD and the European Union
The Republic of Cyprus is recognised by all members of the United Nations with the exception of Türkiye. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

Please cite this publication as:
OECD (2026), *OECD Economic Surveys: Denmark 2026*, OECD Publishing, Paris, https://doi.org/10.1787/3d6cb4b8-en.

ISBN 978-92-64-32097-0 (print)
ISBN 978-92-64-77641-8 (PDF)
ISBN 978-92-64-88467-0 (HTML)

OECD Economic Surveys
ISSN 0376-6438 (print)
ISSN 1609-7513 (online)

OECD Economic Surveys: Denmark
ISSN 1995-3151 (print)
ISSN 1999-0219 (online)

Photo credits: Cover © William Perugini/Shutterstock.com. Chapter 1 © Kamil Zajaczkowski/Shutterstock.com. Chapter 2 © P. Qvist/Shutterstock.com. Chapter 3 © spass/Shutterstock.com. Chapter 4 © Sergiy Vovk/Shutterstock.com.

Corrigenda to OECD publications may be found at: https://www.oecd.org/en/publications/support/corrigenda.html.

Foreword

This Economic Survey was prepared by Caroline Klein, Jarmila Botev, Peter Hoeller, Jonathan Smith, and Eun Jung Kim under the supervision of Sebastian Barnes. Research and editorial support were provided by Jean-Rémi Bertrand, and communication assistance provided by François Iglesias.

This Survey is published under the responsibility of the Economic and Development Review Committee of the OECD. The Committee discussed the draft Survey on 4 November 2025. The cut-off date for data used in the Survey is 9 January 2026.

Information about this and previous Surveys and more information about how Surveys are prepared is available at https://www.oecd.org/en/topics/economic-surveys.html .

Table of contents

FIGURES

TABLES

BOXES

Basic Statistics of Denmark, 2024

(Numbers in parentheses refer to the OECD average)

LAND, PEOPLE AND ELECTORAL CYCLE					
Population (million)	6.0		Population density per km²	149.4	(39.6)
Under 15 (%)	15.7	(16.7)	Life expectancy at birth (years, 2023)	81.8	(81.2)
Over 65 (%)	20.9	(18.6)	Men (2023)	79.9	(78.6)
International migrant stock (% of population)	14.2	(15.7)	Women (2023)	83.7	(83.8)
Latest 5-year average growth (%)	0.6	(0.5)	Latest general election	November-2022	
ECONOMY					
Gross domestic product (GDP)			Value added shares (%)		
In current prices (billion USD)	424.5		Agriculture, forestry and fishing	0.8	(2.5)
In current prices (billion DKK)	2 926.9		Industry including construction	27.0	(25.3)
Latest 5-year average real growth (%)	1.8	(1.7)	Services	72.1	(72.2)
Per capita (thousand USD PPP, OECD: 2023)[2]	78.6	(59.0)			
GENERAL GOVERNMENT (Per cent of GDP)					
Expenditure	47.3	(43.7)	Gross financial debt (OECD: 2023)	38.5	(110.4)
Revenue	51.8	(38.7)	Net financial debt (OECD: 2023)	-23.5	(67.1)
EXTERNAL ACCOUNTS					
Exchange rate (DKK per USD)	6.89		Main exports (% of total merchandise exports)		
PPP exchange rate (USA = 1)	6.23		Chemicals	24.5	
In per cent of GDP			Machinery and electronics	20.1	
Exports of goods and services	71.0	(30.4)	Animal	9.8	
Imports of goods and services	60.8	(30.0)	Main imports (% of total merchandise imports)		
Current account balance	12.2	(-0.4)	Machinery and electronics	20.6	
Net international investment position	66.6		Transportation	13.4	
			Chemicals	11.5	
LABOUR MARKET, SKILLS AND INNOVATION					
Employment rate (aged 15 and over, %)	61.2	(58.0)	Unemployment rate, Labour Force Survey (aged 15 and over, %)	6.1	(4.9)
Men	65.6	(65.4)	Youth (aged 15-24, %)	14.6	(11.1)
Women	56.9	(51.0)	Long-term unemployed (1 year and over, %)	0.5	(1.0)
Participation rate (aged 15 and over, %)	65.2	(61.0)	Tertiary educational attainment (aged 25-64, %)	45.1	(41.2)
Average hours worked per year	1 379	(1 736)	Gross domestic expenditure on R&D (% of GDP, 2022)	2.9	(3.0)
ENVIRONMENT					
Total primary energy supply per capita (toe, 2023)	2.5	(3.7)	CO_2 emissions from fuel combustion per capita (tonnes)	4.0	(7.5)
Renewables (%)	47.3	(13.1)	Water abstractions per capita (1 000 m³, 2023)	0.2	
Exposure to air pollution (more than 10 µg/m³ of PM 2.5, % of population, 2020)	6.4	(56.5)	Municipal waste per capita (tonnes, 2022, OECD: 2023)	0.8	(0.6)
SOCIETY					
Income inequality (Gini coefficient, 2022, OECD: latest available)	0.276	(0.317)	Education outcomes (PISA 2022 score)		
Relative poverty rate (%, 2022)	6.3	(11.5)	Reading	489	(476)
Median disposable household income (thousand USD PPP, 2022)	38.5	(31.7)	Mathematics	489	(472)
Public and private spending (% of GDP)			Science	494	(485)
Health care	9.4	(9.3)	Share of women in parliament (%)	45.3	(33.3)
Pensions (2021)	10.9	(9.9)	Net official development assistance (% of GNI)	0.7	(0.4)
Education (total spending, 2020)	5.8	(5.1)			

Note: The year is indicated in parenthesis if it deviates from the year in the main title of this table. Where the OECD aggregate is not provided in the source database, a simple OECD average of latest available data is calculated where data exist for at least 80% of member countries.

1. OECD aggregate refers to weighted average.

Source: Calculations based on data extracted from databases of the following organisations: OECD, International Energy Agency, International Labour Organisation, International Monetary Fund, United Nations, World Bank.

Executive summary

Key messages

The Danish economy has been supported by the outstanding performance of large exporting firms operating abroad. Despite strong labour market outcomes, activity in the domestic economy has been weak. Denmark has high productivity and living standards with low inequality but still faces challenges, including raising productivity growth. Rising defence spending and growing demand for public services create long-term fiscal pressures.

- The planned medium-term reduction in the budget balance should be implemented within the fiscal framework. In the longer term, achieving efficiency gains and prioritising spending would help to preserve the Danish social model while maintaining low public debt.
- Ambitious policies are helping to reduce greenhouse gas emissions with strong reliance on pricing, but climate adaption policies need to be stepped up, including higher investment in risk-prevention measures.
- Denmark offers a family-friendly environment but improving public services to families, including the quality of childcare could contribute to reducing barriers to people having children.
- Housing efficiency, supply and affordability could be improved by further reforming property taxation, easing rent control and building regulations, and making better use of social housing.

Denmark's economic outlook is strong but clouded by uncertainty

With a good business environment, a strong labour market and sound public finances, Denmark achieves high living standards and low inequality. However, the economy has run at two speeds since 2022, the domestic economy has only partly recovered from past economic shocks and rising trade tensions have clouded economic prospects.

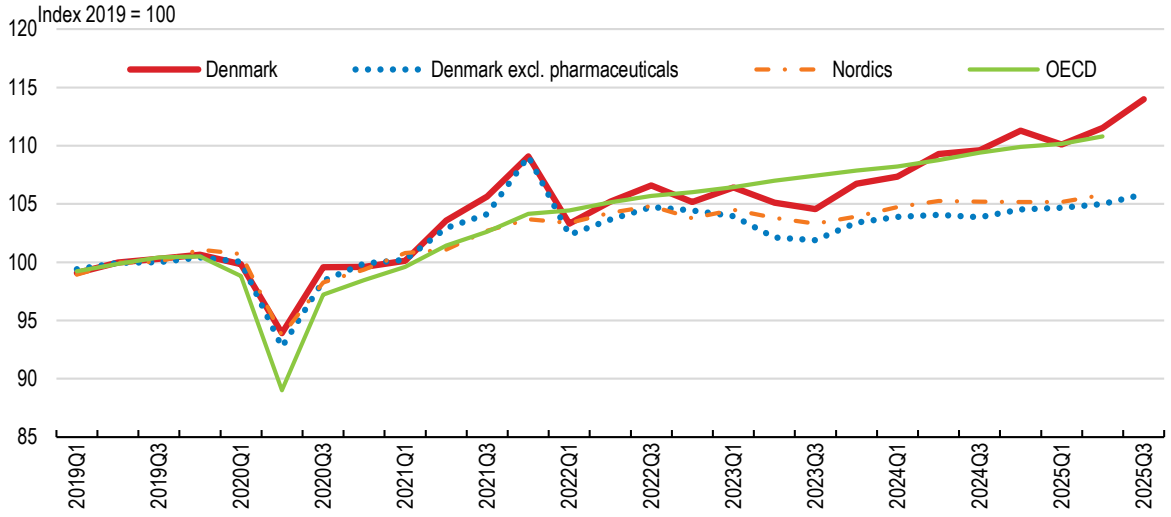
The Danish economy has been resilient over the past five years, supported by robust export growth from a few large internationally active firms. Employment has reached record levels with improved participation of vulnerable groups in the labour market. The public finances have remained sound with low debt and a structural surplus. Policy efforts have focused on fostering labour supply further, meeting ambitious climate targets and reinforcing defence capacity.

However, the Danish economy has run at two speeds. Excluding the buoyant pharmaceutical industry, GDP declined in both 2022 and 2023 before slowly recovering in 2024 and in the first half of 2025 (Figure 1). Despite recovering real wages and strong employment growth, domestic demand has remained subdued amid higher interest rates, significant price corrections in the housing market and low households' confidence. Business investment has weakened, reflecting higher borrowing costs, weak demand and uncertain economic prospects. After falling to 1.4% in 2024, inflation has modestly accelerated over 2025 to around 2%.

GDP growth is set to decelerate from 3.5% in 2024 to 2.4% in 2025 and 2% in 2026, but domestic demand will strengthen (Table 1). A resilient labour market, lower interest rates and tax cuts will sustain household demand, while high tariffs and trade policy uncertainty will weigh on exports and business investment. Shocks to core sectors such as pharmaceuticals and shipping could significantly weaken the economic outlook, while demand would be boosted if consumers were to reduce high savings rates.

Figure 1. The Danish economy has run at two speeds

Real GDP growth



Note: "Nordics" include Iceland, Finland, Norway, and Sweden. Real GDP excluding pharmaceutical sectors are based on value-added data provided by Statistics Denmark.
Source: OECD (2026), OECD Economic Outlook: Statistics and Projections (database); and Statistics Denmark.

StatLink https://stat.link/hni62c

Table 1. Real GDP growth will decelerate, returning to potential

Annual % change unless specified	2023	2024	Projections		
			2025	2026	2027
Gross domestic product (GDP)	0.6	3.5	2.4	2.0	1.8
Consumer price index	3.3	1.4	1.9	1.1	1.7
Core consumer price index	4.3	1.4	1.6	1.6	1.7
Unemployment rate (% of the labour force)	5.2	6.3	6.5	6.4	6.0
General government fiscal balance (% of GDP)	3.4	4.5	2.9	1.6	1.2

Source: OECD (2026), OECD Economic Outlook: Statistics and Projections (database).

Macroeconomic policies will support activity but need to manage rising spending pressures

Monetary and fiscal easing will sustain domestic demand recovery. Over the long term, improving spending efficiency and prioritising spending would help to manage population ageing, address climate change and meet national security requirements.

Monetary policy has eased in line with that in the euro area, consistent with the currency peg arrangement. The financial sector has remained resilient, despite higher interest rates, and credit growth has recovered at a moderate pace. Nevertheless, risks related to high household gross debt and high exposure to the commercial real estate sector warrant close monitoring.

Fiscal policy will bolster economic activity with cuts to the personal income tax, the electricity tax and additional spending on key areas, such as health, childcare and climate. The impact of planned large increases in defence spending on the economy will depend on its composition but will likely be limited, reducing the risk of public spending exerting excessive pressure on productive capacities. The large government surplus is projected to gradually narrow to the government medium-term target by 2030, but uncertainty on future tax revenue, notably the contribution of large multinational firms, remains high.

In the longer term, the government's intention to increase spending on defence and security to 5% of GDP - in line with NATO commitments – combined with ageing and climate-related costs will place significant pressure on the public finances. While the fiscal room of manoeuvre is relatively large in the short term and public debt is low, long-term fiscal sustainability relies on future increases in old age employment and the containment of care and climate costs. While the fiscal framework is strong, an updated and strengthened long-term strategy should help to manage spending pressures and to ensure the debt-to-GDP ratio remains stable in the longer term.

There is room to achieve efficiency gains in public services. Savings can be achieved in healthcare, long-term care and public employment services, while maintaining strong safeguards on quality and accessibility. Digitalisation in the public sector is well advanced and holds potential for productivity gains, but barriers to the adoption of new technologies, including skills shortages, should be addressed.

The level of satisfaction of citizens vis-à-vis public institutions is relatively high and indicators point to low perceived corruption. However, the strategic framework for anti-corruption and public integrity could be improved and preventive measures against corruption risks need strengthening. Rules that ensure transparency and accountability in lobbying activities, regulate pre- and post-public employment and political finance should be made stricter to prevent conflicts of interest.

Efforts to reduce greenhouse gas emissions and raise climate resilience should continue

Denmark is on track to meet its 2030 climate target. At the forefront of climate mitigation policies, it is the first country to introduce carbon pricing in agriculture. By contrast, despite its vulnerability to flooding, storm surges and coastal erosion, it has yet to make adequate policy investments in climate resilience.

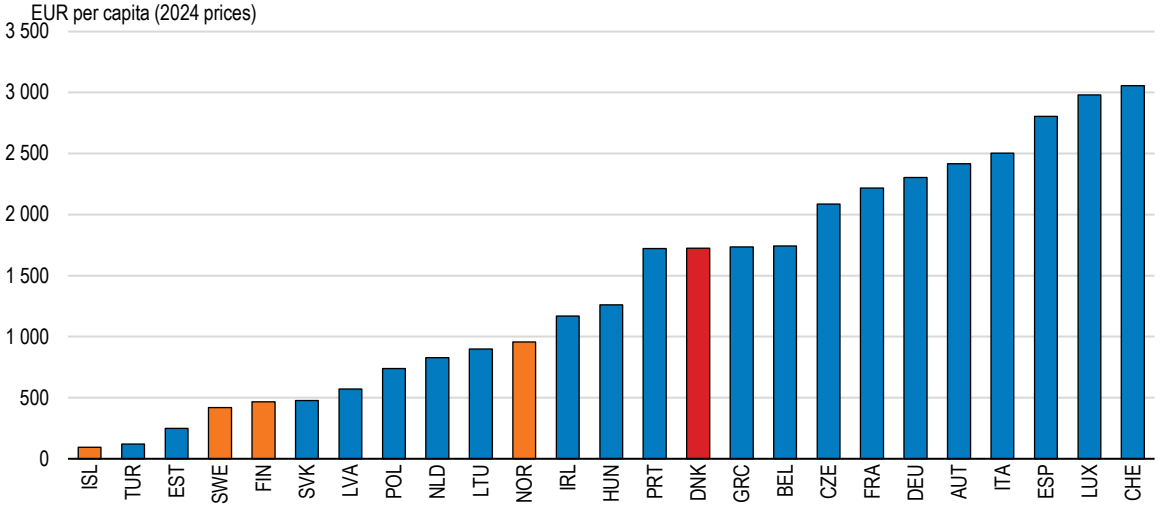
Continued policy efforts have put Denmark on track to meet its climate targets for 2030. Implementing carbon pricing in agriculture, continuing to develop carbon capture and storage capacity, and promoting electrification as planned will contribute to reaching climate neutrality by 2045. However, further efforts will be needed in the longer run, calling for further expanding emission pricing while maintaining a balanced policy mix with regulation and support to green innovation.

By contrast, Denmark lacks an updated and comprehensive strategy for climate change adaptation. Adaptation policy is largely decentralised to municipalities, with gaps and coordination challenges. The cost of climate-related damages, the effectiveness of existing risk prevention measures and the need for additional action have not or partially been evaluated at the national level, which impedes adequate prioritisation and planning. Reinforcing the framework for climate adaptation policy with identified priorities and targets, clear assignment of responsibilities and stronger oversight can help accelerate risk-prevention and reduce large damage costs (Figure 2).

Investment in climate change adaptation has been insufficient, despite high potential returns. While municipalities have plans to protect the population against climate risks, they face difficulties in funding and implementing necessary measures. State support has been ad hoc and caps on municipal investment spending and borrowing have slowed projects with high up-front costs. National schemes should be established for large-scale projects and predictable long-term funding for smaller local projects should be provided. Measures easing regulatory barriers to municipal investment in risk prevention should be accompanied by incentives for efficient implementation of adaptation plans.

Figure 2. Economic losses due to climate-related extreme events have been significant

Economic losses per capita due to weather- and climate-related extreme events, 1980 to 2024



Source: European Environment Agency (www.eea.europa.eu/en/analysis/indicators/economic-losses-from-climate-related).

StatLink https://stat.link/wued8v

Better childcare could improve conditions for family formation

Like in other OECD countries, fertility has declined substantially in Denmark. Conditions for families are already relatively favourable, but many factors are at play in pushing down fertility. Improving the quality of childcare and reducing the motherhood penalty could reduce some of the barriers for people to realise their family plans.

Having long remained above the European average, fertility rates have significantly declined over the two past decades. While it reflects societal changes and shifts in preferences, a more pronounced decline in fertility in lower income households and persistent gaps between the actual and desired number of children suggest barriers to family formation.

Work life balance is good with a high share of working parents by international comparison, but penalties in pay and career progression linked to motherhood can discourage having children although this is less pronounced than in other countries. A more balanced sharing of care responsibilities within the family could help reshape gender norms and contribute to reducing the motherhood penalty. The length and the take up of parental leave for fathers have increased since 2023, after a reform, but still lag most other OECD countries.

There is room to improve family conditions by addressing remaining gaps in the family support system and services. The replacement rate of statutory parental benefits is relatively low, and the leave is shorter than in many OECD countries, but most parents are covered by more generous conditions under collective bargaining. Despite the extensive provision and take up of childcare services, the quality of services remains uneven across municipalities and staff turnover is relatively high, calling for strengthening monitoring of services and targeted improvement measures. Childcare can also be hard to access for some parents during non-standard working hours or on closure days. More flexibility in childcare provision could help parents balance family and working lives

.

Tax and regulatory reforms can raise housing efficiency, supply and affordability

Danish housing policy aims at providing quality and affordable accommodation to all in an egalitarian way. Access to quality housing is good overall, but affordability in major cities has deteriorated and residential mobility has been low. This calls for a broad reform over time covering housing taxation, land use planning, rental regulation and social housing.

Housing affordability has become a growing issue in major Danish cities. People are less concerned about finding adequate housing than in most other OECD countries, but the share of housing-related spending in household consumption is high (Figure 3). Residential mobility has been relatively low, potentially reducing matching quality in the housing and labour markets.

Tax reform can help to lower land prices and reduce distortions in the tax system. Taxation of property dedicated to tax imputed rents should be gradually raised as its current low level is regressive, inflates house and land prices by unduly stimulating demand and can distort the allocation of housing. Alternatively, the tax deduction of interest expenses could be reduced.

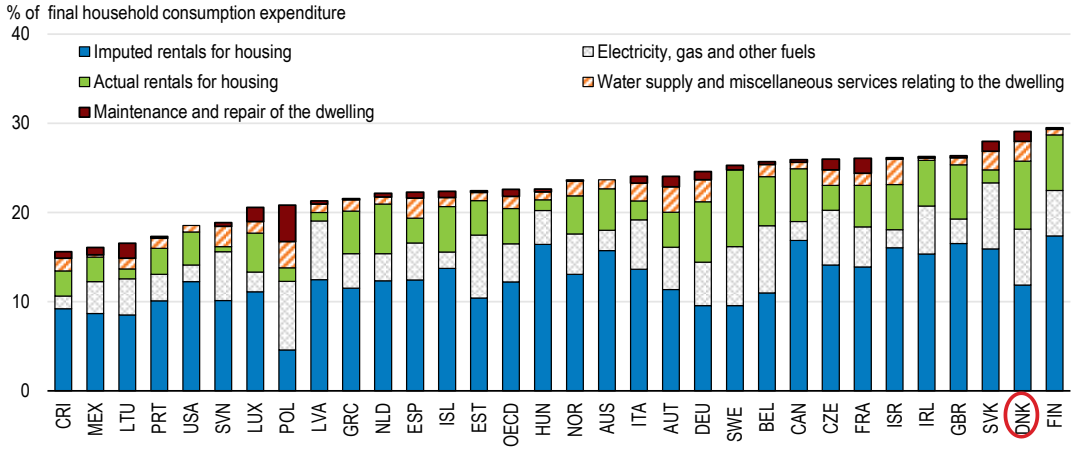
Housing construction has not kept pace with population growth in some areas, especially in the capital municipalities, creating shortages and reducing affordability. Fragmentation of land use planning has impeded development projects and building restrictions lead to relatively low urban density. Relaxing regulations on floor area or building height, in areas where shortages are high and close to public transport, could foster housing supply by enabling greater densification.

Combined with reforms allowing for more responsive supply, easing rental regulation would improve the housing market. Strict rent control in housing built up to 1991 (around three quarters of private rental housing) discourages residential mobility. Indexing rent increases on wages would improve housing market efficiency by gradually reducing gaps between regulated and market rents. Further measures should be considered to speed up the transition of regulated rents to market levels. To limit affordability issues, rental allowances could be partly redirected to affected low-income households.

Despite accounting for more than 20% of the housing stock, access to social housing is characterised by long waiting times. Social housing is of good quality and aims at ensuring social diversity and mixed neighbourhoods by being open to all. Although they represent a small proportion of residents, higher-income households still have access to social housing at below-market rates. Currently, social tenants on higher incomes or whose circumstances improve continue to enjoy the same conditions as those on lower incomes, providing few incentives to ensure that social housing is available for those with greater needs. The government plans to relax cost cap legislation on social housing construction to give more room to expand capacity.

Figure 3. The share of housing-related spending in household consumption is high

Decomposition of housing-related spending, 2024 or latest available year



Note: OECD calculations based on OECD National Accounts Database. The OECD average only includes countries with available data for each category.
Source: OECD Affordable Housing Database, HC1.1 Housing related expenditure of households.

StatLink https://stat.link/0l1h5c

MAIN FINDINGS	KEY RECOMMENDATIONS
Addressing key risks to macroeconomic stability, fiscal sustainability and public integrity	
GDP growth is projected to slow and domestic activity to strengthen gradually. Fiscal policy will ease, remaining in line with fiscal rules.	Implement existing fiscal plans for 2026, reducing government surpluses within fiscal rules.
The government budget balance is in surplus, public debt is relatively low and the fiscal framework is strong, but there are fiscal pressures from ageing, defence, climate change and social spending.	Maintain and consider strengthening the long-term fiscal strategy to manage future spending pressures accounting for defence needs, climate costs and demand for welfare services.
Spending on healthcare and long-term care is high and will rise fast with population ageing. The 2024 reforms aim at strengthening prevention and reducing administrative costs.	Achieve efficiency gains and cost savings in health and long-term care by strengthening prevention and reducing administrative costs as planned, and by managing the level and targeting of provision.
Denmark is lagging other Nordic countries in developing prevention against public integrity risks. There are few safeguards against undue influence on policy making.	Establish a risk-based public integrity framework with stronger safeguards against conflict-of-interest and undue influence in lobbying and political finance.
Reaching climate neutrality and strengthening climate resilience	
Denmark is on track to achieve its 2030 climate target, but further efforts are needed to reach climate neutrality by 2045. It has made substantial progress to increase the scale and scope of carbon pricing, but discrepancies across sectors persist.	Maintain a balanced climate policy mix, combining taxation with regulation and green innovation support. Phase out rebates in carbon pricing based on regular re-assessment of leakage risks and available abatement technologies.
Denmark lacks a comprehensive and updated national strategy for climate change adaptation. Adaptation policy is decentralised creating inefficiencies and gaps.	Develop a more ambitious Climate Change Adaptation Strategy and actions plans, defining priorities for policy actions, measurable targets, and assigning responsibilities.
Local adaptation plans are not well coordinated, and monitoring of risk prevention measures has been uneven.	Establish a coordination, oversight and monitoring unit for local adaptation plans at the national level.
The lack of financial resources and regulatory restrictions on municipal investments have impeded the implementation of local adaptation plans.	Increase the availability of finance for adaptation measures by further increasing central government financial support and easing investment and borrowing constraints of municipalities for these projects.
Addressing barriers to family formation	
Quality of early childhood education and care varies widely across institutions. The 2026 budget allocates funds to increase childcare staffing and envisages to introduce regular 4-year quality monitoring.	Improve the quality monitoring system for childcare services and ensure that identified issues are addressed through targeted improvement measures.
Improving housing efficiency, supply and affordability	
Tax incentives for home buyers through low taxation of property values and generous mortgage interest relief unduly increase housing demand and prices.	Gradually raise the taxation of property values to a more appropriate level. If this cannot be achieved, consider reducing interest relief including on mortgages .
Widespread rent controls lead to rationing, mismatch and lock-in effects, which reduce geographic mobility.	Index rent increases on aggregate wage growth to help narrow the differential with market rents. Consider a deeper reform to align regulated rents more closely to market levels accompanied by targeted increases in housing allowances.
Housing supply is restrained, especially in cities. Building restrictions in city areas undercut the densification of neighbourhoods well-served with public transport.	Relax building restrictions in priority areas close to transport links to increase density.


FEM HUNDREDE
KRONER
7994J
500
FEM HUNDREDE
KRONER

1 Sustaining growth in Denmark's two-speed economy

Caroline KLEIN

Jarmila BOTEV

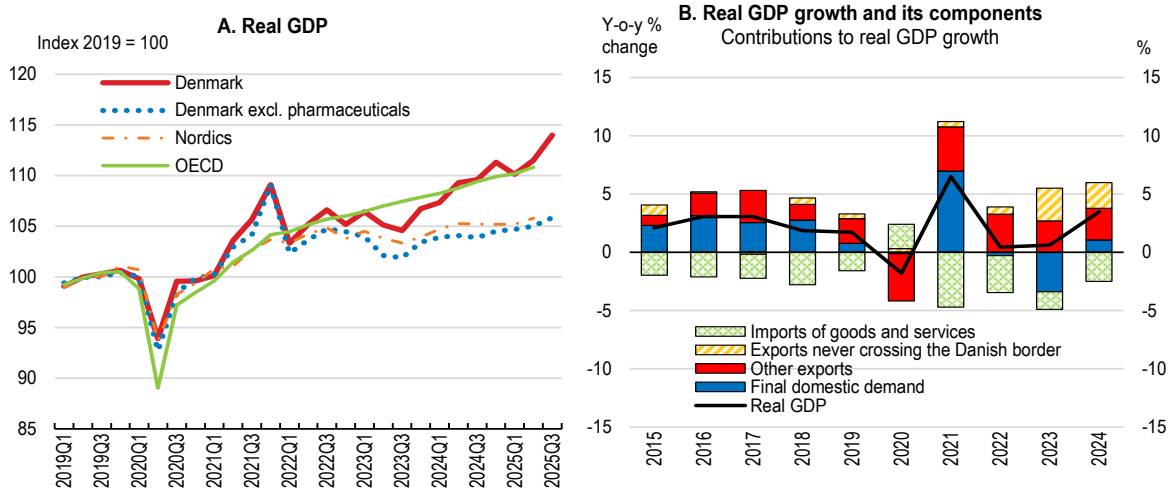
Denmark's economy has run at two speeds since 2022, with GDP growth mainly driven by large exporting firms, primarily in the pharmaceutical sector. Growth in domestic demand has been subdued but is expected to gradually strengthen as the effects of past shocks recede and fiscal policy eases. Geopolitical tensions and rising trade barriers have clouded trade prospects and exposure to sector-specific shocks poses macroeconomic risks. Denmark is in a good position to weather turbulences and structural transitions thanks to a sound fiscal position, a resilient labour market and a supportive business environment. Structural reforms can help successfully adapt to changing trade patterns and boost productivity growth in the domestic economy. In the medium to long term, population ageing, climate change, and rising spending on defence will increase pressures on the public finances. Prioritising spending and achieving efficiency gains would help to preserve the Danish welfare model while maintaining low public debt.

1.1. The Danish economy has run at two speeds

1.1.1. Economic growth has been driven by a few large exporting firms with sluggish growth of domestic demand

Denmark's real GDP growth has been broadly in line with the OECD since the 2020 pandemic, with a substantial difference between the strong growth of very large multinational firms and a prolonged period of weakness in domestic demand. Exports and buoyant activity in the pharmaceutical industry have been the main drivers of GDP growth (Figure 1.1). Output in the pharmaceutical industry has more than doubled since 2020 following the global commercialisation of new anti-obesity medicines and the sector accounted for more than half of the 3.5% GDP growth in 2024. However, domestic demand has been sluggish since 2022 due to higher prices, interest rates, and a correction of the housing market. A modest recovery in domestic demand has been underway since 2024. After a drop in the first quarter of this year, GDP growth has rebounded in the following two quarters, reflecting export volatility, while weakness in investment and consumption persisted.

Figure 1.1. The Danish economy has run at two speeds

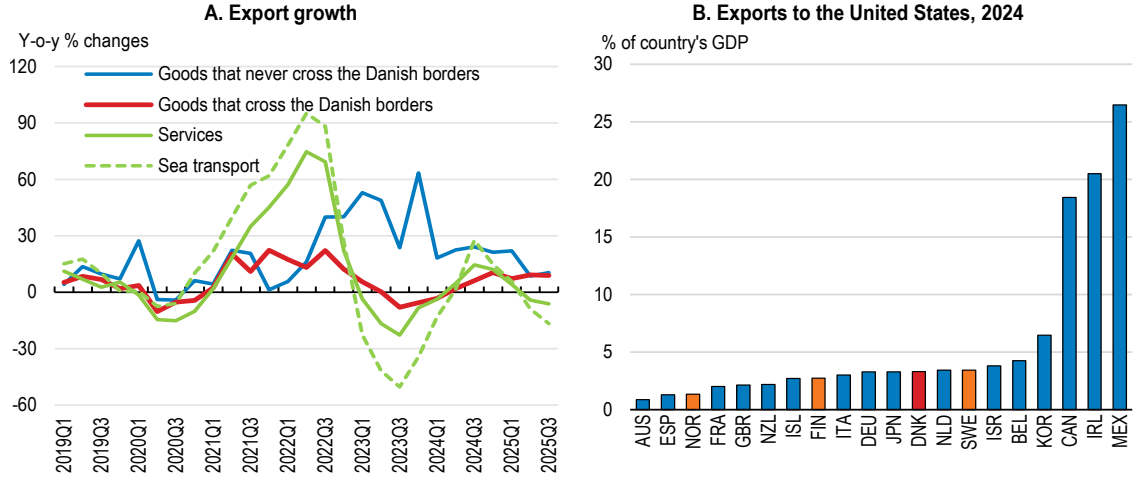


Note: In Panel A, "Nordics" include Iceland, Finland, Norway, and Sweden. Real GDP excluding pharmaceutical sectors are based on value-added data provided by Statistics Denmark. In Panel B, OECD calculations based on Eurostat and Statistics Denmark. Data on exports never crossing the Danish border in volume at 2020 prices are estimated. Contributions of other exports including exports of goods crossing the Danish border and services are calculated as residuals from the contributions of total exports of goods and services to real GDP growth.
Source: OECD (2026), OECD Economic Outlook: Statistics and Projections (database); and Statistics Denmark.

StatLink https://stat.link/hni62c

Trade growth has been sustained by strong exports produced outside of Danish borders and recorded in the Danish national accounts (Figure 1.2). By contrast, growth of exports produced within Denmark has been subdued, broadly aligned with other European countries. Gas fields in the North Sea resumed operation in 2024 after maintenance, leading to a gradual increase of energy exports as production capacity recovered. However, in the first half of 2025, exports declined amid high volatility in the pharmaceutical sector, while exports in other sectors proved resilient to rising trade barriers. Exports to the United States, Denmark's second largest export market, have been volatile and dropped by around 20% in the first half of 2025, mostly driven by exports produced abroad. New US tariffs on EU goods are expected to have a limited direct impact on Danish exports overall. The United States account for around 20% of goods exports, but about two thirds are produced outside of Danish borders. At the same time, some sectors, notably machinery, textile, food, and electronic equipment, have been affected. Lower foreign demand and rising costs transmitted via supply value chains have worsened export prospects.

Figure 1.2. Export growth has been strong with the US as a key trading partner



Note: In Panel B, trade shares based on exports from the OECD Balanced International Merchandise Trade dataset (2025 November edition).
Source: Statistics Denmark; and OECD calculations.

StatLink https://stat.link/95za8q

The growing dependence on a limited number of sectors and dominant firms has heightened the economy's vulnerability to sector-specific shocks. The largest Danish companies have accounted for an increasing share of the output, investment, and R&D spending (Box 1.1). The failure, worsening performance or relocation of any of them would have major repercussions on Denmark's economic outlook, notably on value added, intangible investment, and corporate tax revenues. At the same time, due to their relatively high capital intensity and significant operations abroad, the largest firms are less integrated into domestic production structures, which tends to mitigate their impact on the business cycle (Hviid et al., 2025).

Many of the large exporting firms engage in contract manufacturing, often located in or near the export markets they serve: while the foreign sales under these arrangements is recorded as exports in the Danish national accounts, the actual production activity takes place overseas. Thus, despite strong output growth, large firms—particularly in the pharmaceutical sector—have not generated proportional domestic spillovers in terms of employment or wage growth. The industry's limited integration with domestic suppliers and other firms contributes to relatively low production and employment multipliers. Another important feature is that most of these largest firms, including in the pharmaceutical sector, are owned by industrial foundations (Box 1.1). With their long-term focus in making pay-outs, they smooth the flow of spending entering the Danish economy from foreign activities, likely reducing pressures on domestic demand.

Box 1.1. The economic role of multinational firms and industrial foundations in Denmark

Large multinational firms

The five largest Danish companies account on average for around 2% of GDP each. Nearly half of investment between 2020 and 2022, along with 35% of total intangible assets, came from the 25 largest firms, whose share in GDP increased from 9% in 2019 to 13% in 2023 (Hviid et al., 2025). The share of the pharmaceutical industry – whose output and employment are concentrated in a single firm - in Denmark's GDP increased by 5 percentage points to 9%, accounting for approximately 40% of total GDP growth since 2019. Spending on R&D from this sector reached DKK 13.2 bn in 2023, around 25% of Danish firms' R&D expenses. Between 2019 and 2024, pharmaceutical employment rose by 71%, the sector accounted for 8% of total employment growth (25% from 2022 to 2024), and average employee's earnings increased less than in manufacturing overall.

Industrial foundations

Industrial foundations are non-profit entities holding controlling stakes in business corporations. They have typically been established by entrepreneurs seeking to ensure long-term corporate oversight and provide philanthropic support. Foundations are governed by a self-appointing board whose members' compensation is disconnected from company profits and that cannot be replaced by outsiders. The foundation ownership model can offer advantages, such as protection against hostile takeovers, retention of productive assets within the national territory, and reinvestment of profits into the enterprise or public interest causes.

While international comparison is limited by data availability, estimates suggest foundations play a much greater economic role in Denmark compared to most other OECD countries (Feldthusen, 2023). In 2022, the 1291 foundation-owned companies accounted for around a quarter of total value added and one in ten private employees. They partly own and control the largest multinational firms in the pharmaceutical, shipping, brewing, toy and machinery sectors. The 20% of largest foundation-owned companies account for around 90% of total value added of this group of firms. Foundation-owned companies spent almost DKK 38 billion on R&D in 2022 (1.3% of GDP).

Foundations draw down on their income and assets based on their long-term prospects to support research and philanthropic activities. This serves to smooth the rate at which fluctuations in profits and valuations are spent. The amounts of grants from industrial foundations almost tripled from 2016 to 2023 to reach DKK 15 billion (0.5% of GDP). Foundations benefit from tax deductions on charitable activities and reserves for public-benefit purposes from their taxable income.

Source: Sanders and Thomsen (2023) https://fondenesvidenscenter.dk/viden/fondes-erhvervsaktivitet-i-danmark-2022/

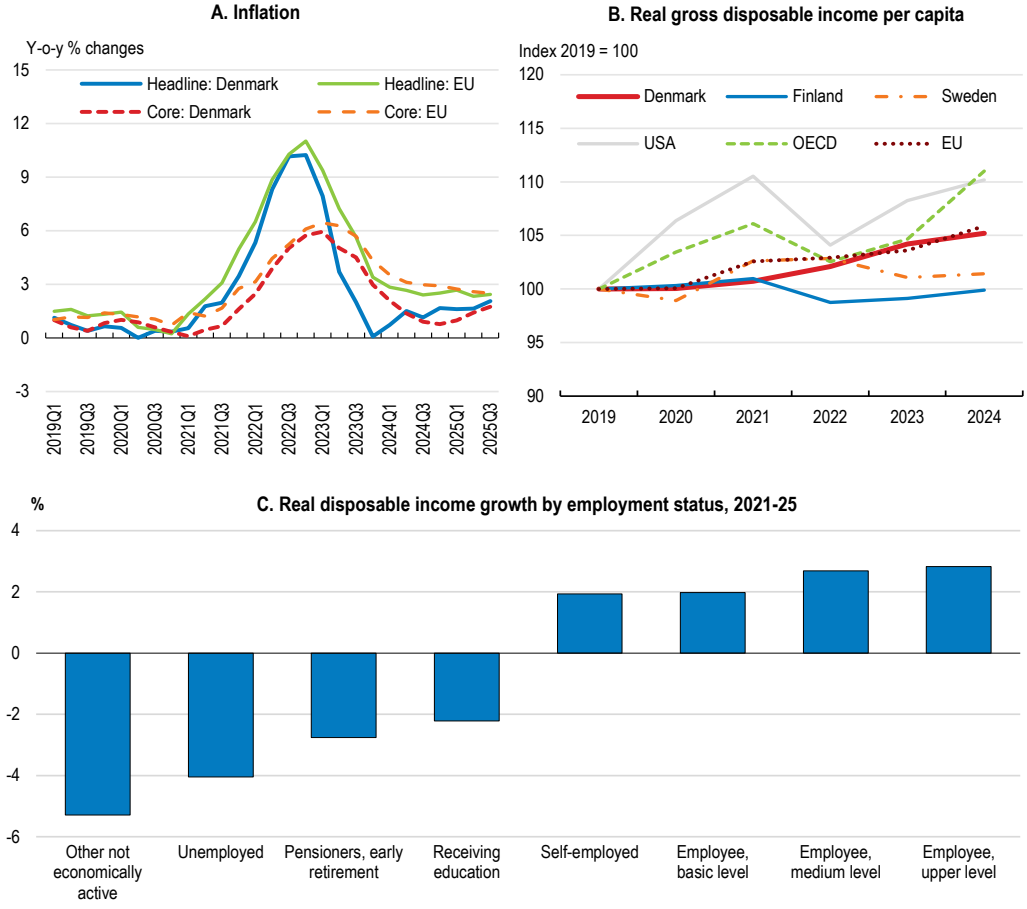
1.1.2. Domestic demand has been weak

Despite robust international sector performance, domestic demand has been weak (Figure 1.1). Like in other European countries, high inflation and subsequent increases in interest rates dampened domestic activity in 2022-23. Inflation rose sharply from 2021 as global supply shocks drove up energy, food, and import prices, then spilling over in core inflation. Inflationary pressures eased at the end of 2022 as supply conditions and energy prices normalised and restrictive monetary policy contributed to curbing demand further. After peaking at 10% in October 2022, inflation fell faster than in the euro area (Figure 1.3, Panel A). Energy and food account for a relatively low share of the consumption basket and pass-through from energy commodity prices to consumer prices has been relatively rapid. Evidence also suggests that international competition puts downward pressure on Denmark's relatively high prices (Jensen, 2025). After falling below 1%, inflation stabilised through 2024 and in the first half of 2025 at around 1.5% on the back of fading negative contributions from energy prices and sticky service-sector inflation. Core inflation was around 1.7% in the first half of 2025, above the pre-pandemic average of 0.8% (2018-19), reflecting stronger real wage growth. Inflation has strengthened to over 2% since July partly due to rising food prices.

Despite lower inflation and a relatively robust recovery of household purchasing power (Figure 1.3, Panel A and B), private consumption growth has been modest. The adjustment of nominal wages to higher prices has taken time and Denmark's system of indexation of social benefits that consists in indexing benefits to private wage growth with a two-year lag, leads to a delayed passthrough. Real income growth has been unequal and significantly weaker for lower income groups who have a higher propensity to consume and are more sensitive to higher food and energy prices (Figure 1.3, Panel C). Low consumer confidence and relatively high perceived inflation also played a role. In the third quarter of 2025, food and heat energy prices were more than 30% higher than before the 2022 inflationary shock respectively. Social benefits' indexation and tax measures boosted households purchasing power in 2025 and should continue doing so in 2026, sustaining private consumption recovery.

The weakening of the housing market in 2022-23 has weighed on domestic demand, although it was much less pronounced than in other Nordic countries. Housing investment has recovered relatively fast with house sales broadly aligned with their pre-pandemic levels (Figure 1.4). House prices have increased in all regions, supported by falling interest rates and income growth, but the rise was significantly more pronounced in Copenhagen and in Zealand, again reducing affordability in main cities (see Chapter 4).

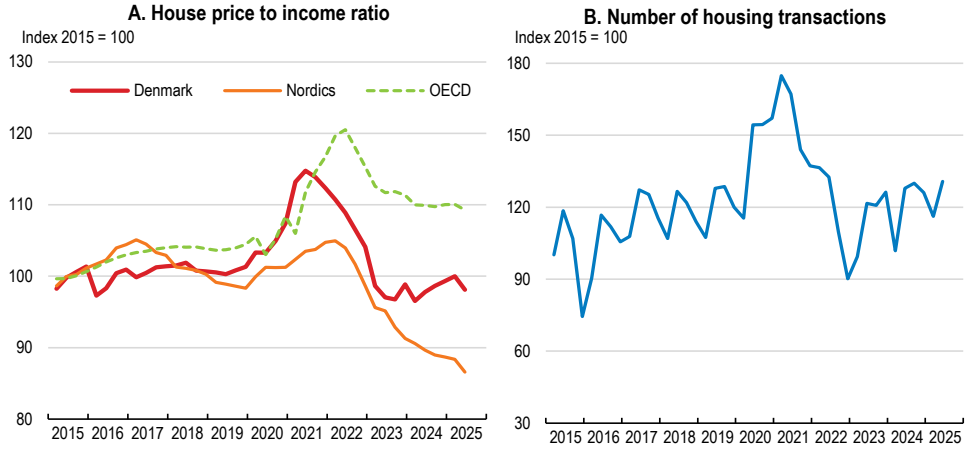
Figure 1.3. Household purchasing power is recovering due to lower inflation and wage growth



Note: In Panel A, data are based on harmonised consumer price index. Core inflation refers to all items excluding food, energy, tobacco, and alcohol. In Panel B, data refer to households and non-profit institutions serving households. In Panel C, OECD calculations based on estimates provided by the Danish Ministry of Finance. Estimates for 2025 are the monthly averages from January to August.
Source: OECD (2025), OECD Economic Outlook: Statistics and Projections (database); OECD Household indicators dashboard; Eurostat; Statistics Denmark; and Danish Ministry of Finance.

StatLink https://stat.link/z8ukhy

Figure 1.4. Denmark's housing market has recovered



Note: "Nordics" include Finland, Norway, and Sweden.
Source: OECD (2025), OECD Analytical house prices indicators; and OECD National and Regional House Price Indices.

StatLink https://stat.link/z4axn3

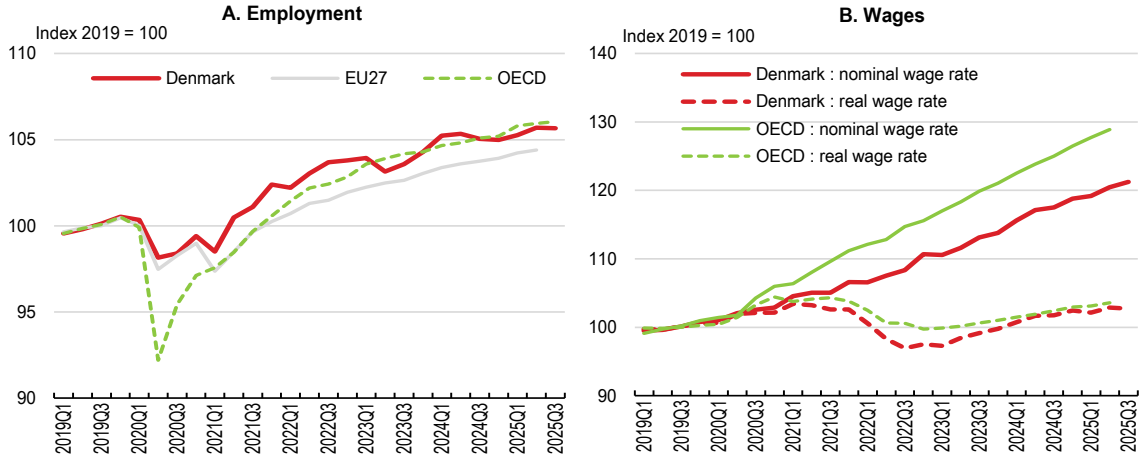
While relatively low cost of capital, favourable company valuations and firms' profitability have been supportive, other factors including heightened uncertainty, changing corporate behaviours and shifts in investment patterns weighed on business investment in 2024. High corporate savings in large firms have been increasingly used for dividend payments and buybacks of own shares, from less than 10% of gross value added in 2005 to more than 25% in 2023 (Andersen et al., 2024). In addition, relatively low growth in the domestic economy, tightening credit conditions and high debt servicing costs have reduced smaller firms' capacity to invest. Total interest expenses more than doubled for over half of companies between 2022 and 2024. Investment has been particularly weak in buildings and machinery, only partly compensated by patent purchases.

1.1.3. Pressures in the labour market have diminished

Employment has remained on a continuous increasing trend, in line with the OECD average (Figure 1.5, Panel A), the number of people in employment reached record levels, but labour market pressures have eased. Employment has increased in almost all sectors of the economy since 2022. Employment growth in the manufacturing sector has been mostly driven by the largest internationally focussed firms, with two firms almost entirely driving employment growth from 2022 to early 2025, while employment has remained broadly flat in the rest of the sector on average (DI, 2025). Recruitments in the public sector and support service activities sustained the positive employment trend, while job creation has been weaker in construction and other services, such as trade and real estate. Fewer firms report recruitment difficulties and plan to recruit. The unemployment rate increased only modestly to 6.5% in the first half of 2025, up from 5.9% a year earlier (ILO definition), reflecting the labour market has remained resilient.

Weak demand in the domestic economy, strong labour supply, due to increased participation of older and foreign-born workers, as well as large international recruitments, and constructive wage negotiations have limited upward pressures on wages. The wage bargaining system in the private sector is flexible, characterised by general sector-level agreements with substantial room for firm-level negotiations. Nevertheless, wage growth has been broadly in line with collective agreements and below the OECD average (Figure 1.5, Panel B). Real wages reached their 2021 level in 2024 in the private sector before slowing toward year-end. Public sector wages have accelerated since mid-2024 after lagging behind. The latest collective agreements in the private sector covering March 2025 to March 2028 foresee annual wage growth of around 3.5% and only moderate rises in unit labour costs.

Figure 1.5. Employment has increased and real wages have recovered



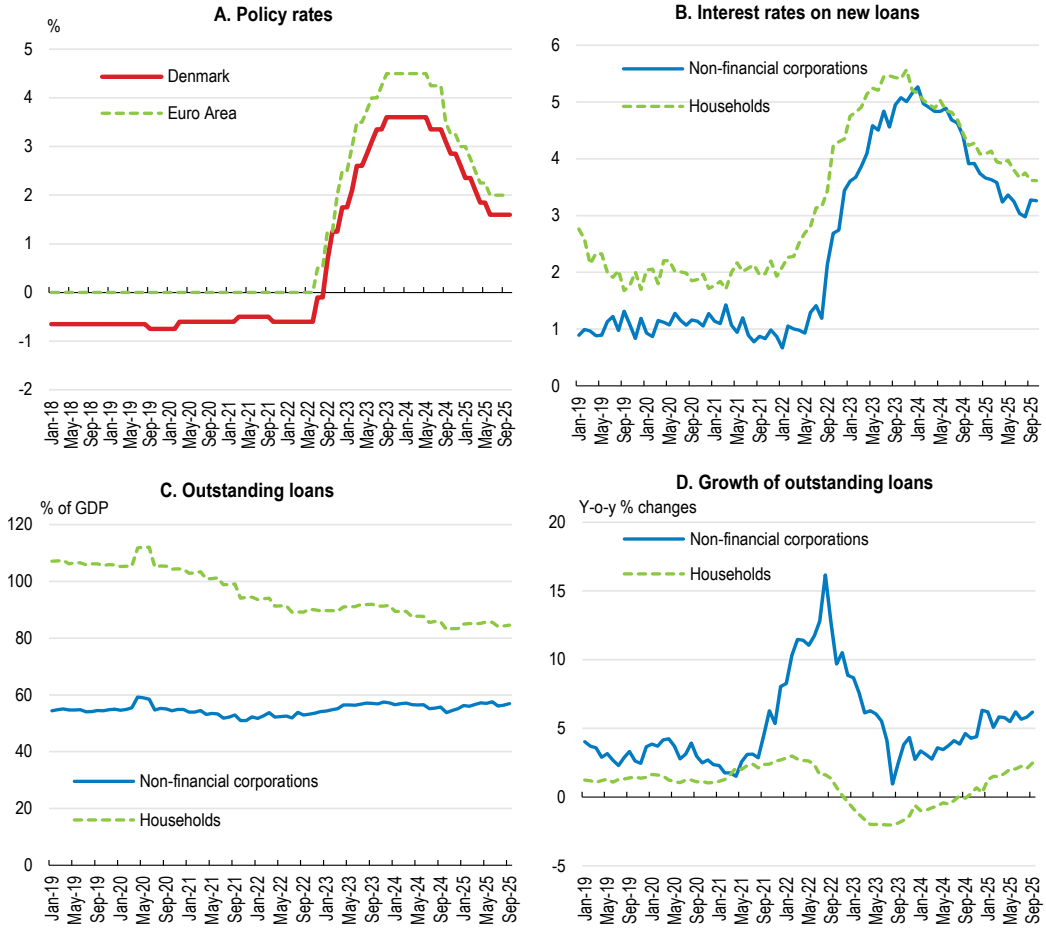
Note: In Panel B, the nominal and real wage rates refer to nominal and real wages (2021 PPP USD) divided by the number of dependent employments. The real wage is calculated by deflating the nominal wage using the consumer price index. The OECD aggregates are calculated based on 28 countries where data are available up to 2025Q2.
Source: OECD (2025), OECD Economic Outlook: Statistics and Projections (database).

StatLink https://stat.link/e36pt9

1.1.4. Monetary conditions have eased

Monetary policy has remained broadly in line with the euro area under Denmark's longstanding currency peg. Danmarks Nationalbank policy rate increased by 420 basis points from June 2022 to September 2024, reaching 3.6% at its peak (Figure 1.6, Panel A). Monetary policy has eased since, but financial conditions have remained tight relative to history, with interest rates more than 200 basis point above the pre-monetary tightening period. To maintain the peg, the central bank widened the spread to the ECB by 30 basis points in 2023, which is unusually wide. The persistent negative yield spread reflects underlying appreciation pressure on the krone due to the large current account surplus. Denmark's current account surplus, partly driven by the profits of a small number of internationally active firms and net foreign assets generates large capital inflows (Danmarks Nationalbank, 2025b). The fixed exchange rate regime has been in place since 1982, initially against the Deutsche Mark and from 1999 against the euro and was maintained after the 2000 referendum rejecting euro adoption. It has contributed to macroeconomic stability by avoiding exchange rate appreciation relative to the euro, limiting currency risk, and related hedging costs. Overall, monetary policy has been appropriate as business cycles in the Danish domestic economy and the euro area have been broadly aligned.

Figure 1.6. Monetary policy has eased, sustaining credit growth



Note: In Panel C, OECD calculations based on data on monthly outstanding loans and annualised quarterly GDP.
Source: Bank for International Settlements (2025), Monthly central bank policy rates; and Statistics Denmark.

StatLink https://stat.link/wpjcy3

Easing financing conditions have contributed to credit demand recovery. Following policy rate cuts, interest rates on new loans have dropped significantly (Figure 1.6, Panel B). Pass-through of policy rates to mortgage rates has been faster in Denmark than in the euro area due to shorter interest rate fixation periods and the mortgage loan system among others (Bovin et al., 2024). Loans to households have recovered and are growing above pre-pandemic levels (Figure 1.6, Panel C and D). Lower interest rates will offer refinancing opportunity, potentially supporting

consumption by DKK 8 bn (0.6% of private consumption, Danmarks Nationalbank, 2025a). Credit to businesses has been relatively robust over the past five years, mostly driven by large firms investing abroad (Figure 1.6, Panel C and D).

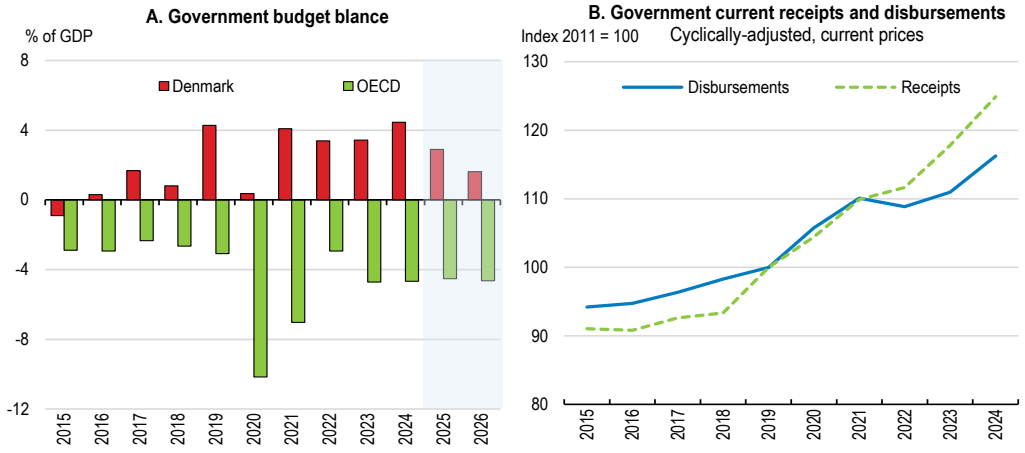
1.1.5. Fiscal policy is becoming more supportive

Fiscal policy has been prudent since the pandemic, with persistent government surpluses and a mildly restrictive stance from 2021 to 2024. Government balance improvements since 2021 have been mostly driven by strong tax revenues (Figure 1.7). Employment growth and rising profits of international firms boosted personal and corporate income taxes. Rising equity wealth also increased revenues from the taxation of shares and pension yields. Public expenditure growth has remained moderate, with public investment undershooting government targets. The government balance is projected to deteriorate sharply in 2025 and 2026 from strong surpluses (Figure 1.7), following policy changes and the expected decline in corporate and share tax revenues in percent of GDP. Plans to increase defence spending above 3% of GDP (including the "Acceleration Fund" of DKK 50 bn) and large increases in local governments' budget will lift public expenditure. The phase-in of the personal income tax reform in 2025-26, that comprises an increase in the deductible wage income ("employment allowance") and a split of the top tax bracket into three brackets with progressive tax rates, the reintroduction of tax deduction for home improvement services, significant cuts to the electricity tax and the abolishment of duties on chocolate, sugar and coffee will also boost household purchasing power.

With the planned easing in 2025 and 2026, fiscal policy remains consistent with the government objective to gradually move the fiscal balance from current surpluses to -0.5% of GDP by 2030. The fiscal impulse from defence spending will likely be limited due the high import content of defence equipment and of military support to Ukraine. It will nevertheless depend on the precise allocation of resources, which remains to be defined. Given that domestic demand has been subdued and is expected to recover only gradually over the next two years and that pressures on production capacities are projected to remain low, the fiscal stance is appropriate. Further tightening should be envisaged in the short term should domestic economic activity or fiscal stimulus from defence spending prove stronger than expected.

Recent decisions to increase State participation in Københavns Lufthavne A/S – the company operating Denmark's main international airport - and to participate in a rights issue by Ørsted – the largest Danish energy company and global offshore wind developer - by DKK 32 and DKK 30 billion respectively (around 2% of GDP in total) do not affect government balance nor public debt but entail some risks of future capital losses. State ownership can be justified for companies operating infrastructure that is critical for the functioning of the economy or that play an essential role to meet policy objectives, such as climate change mitigation or energy security. The rationale for State participation should nevertheless be subject to regular reviews and alternatives then considered.

Figure 1.7. Strong tax revenues contributed to fiscal surpluses



Note: The shaded area indicates OECD projections.
Source: OECD (2025), OECD Economic Outlook: Statistics and Projections (database).

StatLink https://stat.link/jduvyw

1.1.6. Growth is set to decelerate amidst heightened geopolitical tensions

GDP growth is projected to decelerate from 2.4% in 2025 to 2% in 2026 and 1.8% in 2027 close to potential (Table 1.1). The pharmaceutical sector will continue to drive GDP growth, but its contribution will fade over the next two years. Foreign demand for other sectors' exports will weaken at the end of 2025 and in the first half of 2026 due to the impact of rising global trade barriers. Despite some progress in trade agreements, high uncertainty will weigh on business investment and consumer confidence. Employment growth will slow further, and wage growth is expected to moderate in line with collective agreements. Fiscal policy will support the economy with tax cuts directed to households and private consumption will strengthen on the back of rising household purchasing power. Planned tax measures will reduce electricity, food and book prices. As a result, inflation will drop to 1.1% in 2026. Wage moderation will keep inflation below 2% across 2027.

Table 1.1. Macroeconomic indicators and projections

Annual percentage change, volume (2020 prices)

	2022	2023	2024	Projections		
	Current prices (DKK billion)			2025	2026	2027
Gross domestic product (GDP)	2 831.27	0.6	3.5	2.4	2.0	1.8
Private consumption	1 235.91	-2.5	1.0	1.9	1.8	2.0
Government consumption	624.47	0.2	1.0	-0.1	2.1	1.1
Gross fixed capital formation	653.73	-3.8	3.0	-2.6	2.4	2.4
Final domestic demand	2 514.11	-2.2	1.5	0.1	2.1	1.9
Stockbuilding[1]	47.78	-1.4	-0.3	0.1	-0.7	0.0
Total domestic demand	2 561.89	-3.9	1.3	0.4	1.3	1.9
Exports of goods and services	2 003.27	7.8	7.1	2.5	3.1	2.5
Imports of goods and services	1 733.89	2.5	4.1	-0.8	2.6	2.8
Net exports[1]	269.38	4.0	2.4	2.3	0.6	0.1
Memorandum items						
GDP deflator		-2.1	1.5	1.2	0.6	1.8
Consumer price index		3.3	1.4	1.9	1.1	1.7
Core inflation index[2]		4.3	1.4	1.6	1.6	1.7
Unemployment rate (% of labour force)		5.2	6.3	6.5	6.4	6.0
Household saving ratio, net (% of disposable income)		9.1	8.5	9.7	9.1	8.5
General government financial balance (% of GDP)		3.4	4.5	2.9	1.6	1.2
General government gross debt (% of GDP)		40.7	38.5	35.4	33.6	32.3
General government debt, Maastricht definition (% of GDP)		33.0	30.5	27.4	25.6	24.3
Current account balance (% of GDP)		11.0	12.2	12.1	11.9	11.6

1. Contributions to changes in real GDP, actual amount in the first column.
2. Consumer price index excluding food and energy.
Source: OECD (2026), OECD Economic Outlook : Statistics and Projections (database).

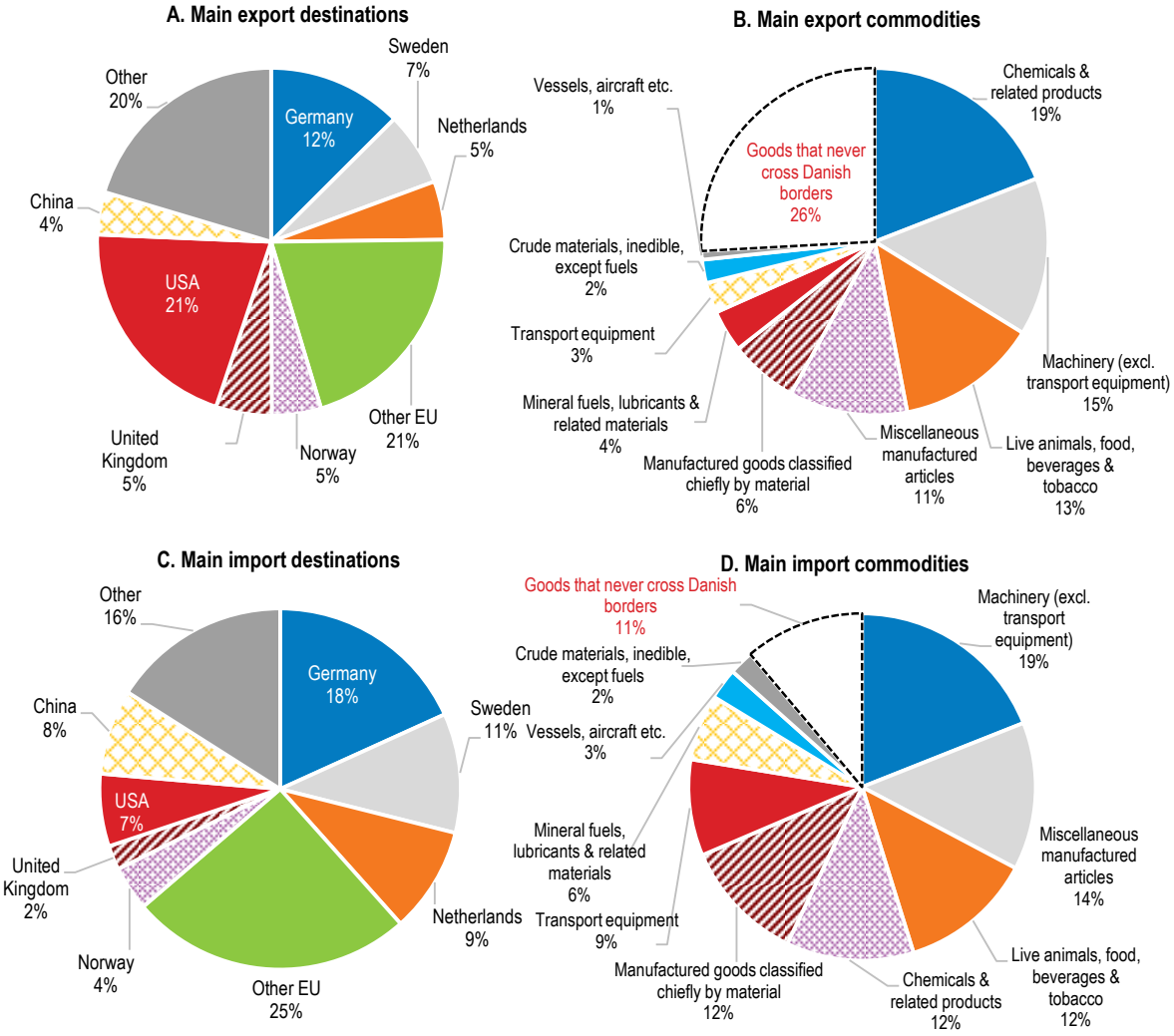
The main risks to the outlook stem from international developments. Denmark's strong integration in global value chains increases its exposure to rising trade barriers. The share of foreign value added in Denmark's exports is among the highest in the OECD, reaching almost 35% (25% in the EU). Further escalation of trade conflicts and increased trade fragmentation would affect Denmark more than the euro area average country, notably in the short run, as Denmark trades more with countries outside of the EU Single Market (Branner et al., 2024).

Despite having diversified trade partners and products (Figure 1.8), economic prospects significantly rely on a few large exporting firms that face business-specific risks. Growth in the pharmaceutical sector may exceed market expectations. At the same time, it is specialised in a relatively narrow range of drugs and increasing competition in the anti-obesity and diabetes medicines market, new tariffs on pharmaceuticals and price negotiations in the US make significant price and margins cuts a risk. Prospects in the international maritime sector are highly uncertain, depending on trade policy developments and geopolitical tensions that affect trade routes (Box 1.2). Uncertainty on future demand for renewable energy technologies and change in energy policy in the US, have also clouded

prospects in Denmark's wind industry. Trade fragmentation can boost business services and merchanting by creating price differentials and trade route opportunities that can be exploited through strategic sourcing and routing to bypass barriers.

Figure 1.8. Trade partners and products are diversified

2024



Source: Statistics Denmark.

StatLink https://stat.link/4m0lj2

Box 1.2. Risks to international maritime transport

Maritime transport accounted for around 19% of Denmark's total exports in 2024. Geopolitical tensions have contributed to higher volatility in activity and prices in the sector, which has a long history of price volatility due to the cyclicality of trade and cycles capacity. Armed conflict at the Red Sea in 2024 led to a spike in maritime freight rates as it increased delivery times and reduced competition. Going forward, lower trade from and between US and China would weigh on Danish companies' turnover as the two countries account for 13% and 16 % of Denmark's sea freight respectively.

A fragmentation of global trade could lengthen shipping routes and increase transportation costs through lost economies of scale. At the same time, this could increase demand for ships, reduce competition and help ease growing vessel overcapacity issue. The sector has a high reliance on fuel imports, port and terminal operations abroad, and leasing of foreign ships poses other risks. Fees that the US announced they will impose on ships built in China could increase costs for Danish shipping companies.

Source: UNCTAD (2024) Economist Impact, 2023, Ministry of Economic Affairs, 2025

Raising spending on defence is a positive risk to the outlook, should budgets be directed toward investments in national military infrastructure, increased defence staffing, and the domestic production of equipment, including naval vessels. Easing geopolitical tensions and stronger consumer confidence could prompt households to reduce savings and boost domestic demand, while labour market conditions might also be tighter than assumed in the baseline. Tail risks include a pronounced fragmentation of global trade, inducing major disruptions of supply chains (Table 1.2). Denmark is also exposed to cyberattacks, infrastructure sabotage, and coastal floodings that could substantially damage economic prospects if they materialise.

Table 1.2. Low probability events that could lead to major changes in the outlook

Vulnerability	Possible Impact
Critical intensification of global trade tensions and increased protectionism at the global level	Increases in trade barriers and restrictions that distort trade would reduce external demand and risk triggering supply bottlenecks. This would drag severely on output growth and undermine activity in industries highly integrated in international supply chains.
Severe climate-related events	Extreme weather events, including floods in key cities, could disrupt business operations and spark significant losses in the financial sector.
A deterioration in the regional security environment, including attacks on critical infrastructure	Cyberattacks on critical infrastructure or sabotage, such as the severing of data cables or fuel pipelines could disrupt telecommunications, energy supply, transportation systems, business operations and essential public services.

1.2. Improving conditions for broader-based growth

Denmark has become increasingly reliant on trade, investment, innovation and tax revenues on a small number of successful multinational companies. This complicates the conduct of macroeconomic policies, calling for better assessing their economic role. At the same time, productivity growth has slowed in the rest of the economy and the narrowing of growth drivers poses risks to long-term growth. Ensuring economic resilience requires maintaining a diversified growth base, notably by reducing red tape, improving public support directed to business and R&D, addressing barriers to the adoption of productivity-enhancing technologies, and maintaining low corruption levels.

1.2.1. Better accounting for rising reliance on a few large exporting firms

Because of the high concentration of value added in a small number of firms, sector-specific external market conditions can lead to large GDP fluctuations and higher volatility. The relative disconnection between firms' activity and domestic production capacities makes it more difficult to identify turning points in the business cycle. Developing analytical tools to measure the economic contribution of these firms would help to better assess

Denmark's position in the business cycle. A first approach consisting in excluding contract manufacturing from measures of economic activity could be complemented by alternative statistical adjustments, like done for instance in Ireland (Box 1.3), and using these to assess the position of the economy. The channels through which income from large multinational firms affects domestic demand require further examination. Assessing the spillover effects of these firms—particularly the role of their foundations within the innovation ecosystem—would help to improve understanding of productivity dynamics and uncover potential vulnerabilities.

Box 1.3. Adjusting for multinational companies' contribution: the case of Ireland

Ireland's approach to measuring GDP has undergone significant adjustments to account for the substantial influence of multinational corporations that engage in activities such as contract manufacturing and intellectual property licensing, which can significantly inflate GDP figures without corresponding benefits to the domestic economy. These adjustments aim to provide a more accurate representation of domestic economic activity and inform fiscal policy effectively. In particular, it can help identify turning points in the national business cycle and be used to measure the output gap of the domestic economy.

To address these distortions, the Irish Central Statistics Office (CSO) introduced Modified Gross National Income, an adjusted metric that excludes the depreciation of foreign-owned intellectual property assets and the net income of redomiciled companies that have limited real activity in Ireland, among others.

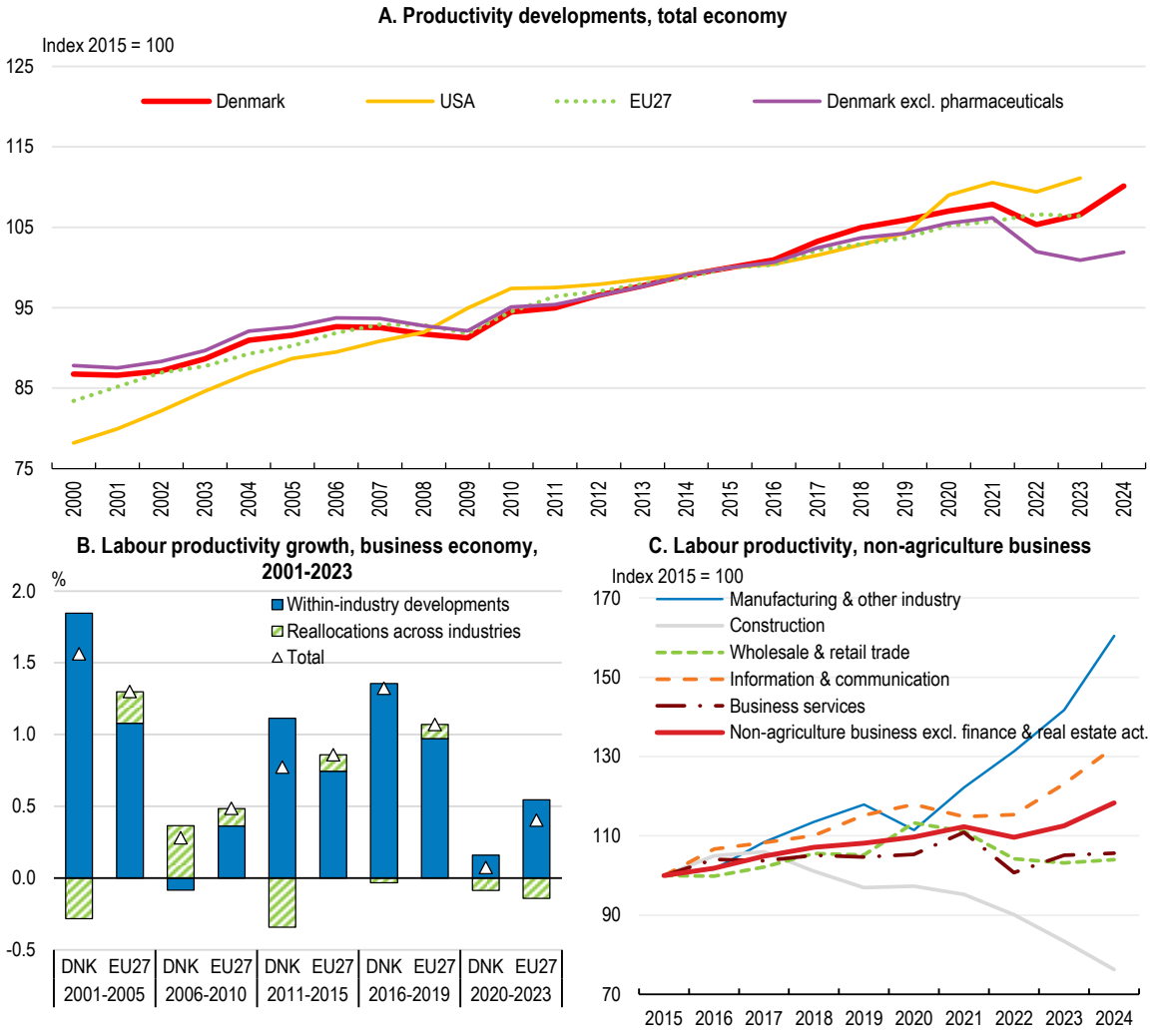
A range of similar approaches based on exclusion have also been used by the Department of Finance and other official bodies, drawing on disaggregated sectoral data published by the CSO. These exclusions-based measures present a trade-off between excluding activities with little domestic impact and completely ignoring the part that does contribute to domestic incomes and activity. This approach can be extended to a wide range of national accounts measures. The CSO now publishes official estimates of the modified current account, and it is possible to derive other measures such as investment by domestically focussed firms (Timoney, 2023)

1.2.2. Fostering productivity growth in the domestic economy

Sustaining productivity growth will be the key to maintain a growing economy in Denmark and to further raise living standards as the population ages in the coming years. The OECD's long-term baseline projections assume that productivity growth will remain between 1% and 1 ½% over the coming decades with GDP growth slowing due to declining workforce growth (OECD, 2025c). Danish productivity is among the highest in the OECD and has grown broadly in line with the EU over the past decades (Figure 1.9, Panel A and B). However, this good performance is mainly due to the international sector (Figure 1.9, Panel A). Outsourcing of multinationals' production process abroad mechanically increases productivity growth as the foreign workforce is not accounted in employment data but as imports of services in national accounts. At the same time, high value added growth stemmed from R&D investments and returns generated by patents of Danish large companies.

Like in other OECD countries, productivity growth has been uneven across sectors. Excluding the pharmaceutical sector, Denmark' productivity growth in manufacturing stands below the EU average and has declined since 2021. Labour productivity growth has also been weak in the construction sector, trade and business services (Figure 1.9, Panel C). This partly reflects cyclical factors, with strong employment increase and integration of lower-productivity workers into the labour market (Ministry of Economic Affairs, 2024). Nevertheless, like in other OECD countries, slower capital accumulation in the aftermath of the global financial crisis has also contributed to the productivity slowdown. The business investment to GDP ratio has recovered since and at 15% in 2024, was close to the average level in advanced OECD countries, including the United States. Investment gaps, estimated based on the relationship between business investment and output growth in real terms, have been larger in Denmark than in most other OECD countries, especially after the 2020 pandemic though, partly reflecting the growing contribution of merchanting and processing activities in output growth (OECD, 2025a). Sustaining capital intensity will remain key for future growth drivers, calling for further improving investment conditions in the domestic economy, as stressed in previous Surveys (Table 1.3).

Figure 1.9. Productivity growth has been mainly driven by the pharmaceutical sector in recent years



Note: OECD calculations based on sectoral data on gross value added and worked hours. In Panel A, productivity growth excluding pharmaceuticals is estimated based on data provided by Statistics Denmark. In Panel B, "business economy" excludes real estate activities. In Panel C, "Wholesale & retail trade" includes transport, accommodation and food service activities.
Source: OECD (2025), OECD National Accounts Database; STAN Database for Structural Analysis, 2025 edition; and Statistics Denmark.

StatLink https://stat.link/hgkrut

Creating better conditions for business and innovation

Public policies could help Denmark to diversify growth drivers, support broad-based productivity gains and limit risk of supply chains disruptions, thereby reducing macroeconomic risks attached to a dual and export-oriented economy. Denmark offers a favourable business environment, with competition-friendly regulation, skilled workforce and high-quality infrastructure, but recent evidence suggests large room for efficiency gains in public business support and for reducing administrative burdens, especially reporting requirements. The 2024 Entrepreneurship and Business Packages aim to address these issues (Table 1.3), but further measures could be considered.

Like in other OECD economies, regulatory compliance and reporting obligations impose substantial costs on Danish firms. Labour market administration costs are estimated at approximately DKK 7.5 billion annually, with around two-thirds originating from EU regulation (DA, 2025). Smaller enterprises are disproportionately affected: about four in ten Danish micro and small firms report that over 10% of their staff is employed in compliance and reporting

activities (EIB, 2025). Denmark should continue to support EU-level initiatives to streamline documentation and reporting requirements, while further engaging key stakeholders in regular consultations to minimise the cost of implementing EU legislation. Allowing for more self-declaration coupled with risk-based inspections, and lightening requirements for small and medium enterprises (SMEs) are other options to reduce administrative burdens.

Regulatory reform in Denmark has increasingly focused on fostering innovative, digital, and business-friendly rules (OECD, 2025d). Regulatory Impact Assessment (RIA) must be carried for new regulation and regulations with significant impact are regularly reviewed. This system could be improved by systematically informing stakeholders in advance that a consultation on a legislation is due to take place, including consultation views in assessments, and introducing a mechanism that would allow for returning proposed regulations for which impact assessments are considered inadequate. While it helped reduce administrative burden, Denmark discontinued its "one in, one out" rule that required that any new regulation imposing administrative costs on businesses be offset by removing or reducing existing rules with equivalent costs. It switched to a qualitative approach focusing on simplification and the promotion of digital-by-default and future-proof regulation. Re-introducing quantitative targets for reducing regulatory costs integrated in a broader evidence-based, transparent better-regulation system could help to maintain strong incentives across the administration.

Spending on business support has been relatively high, characterised by a greater reliance on tax expenditures and stronger emphasis on green objectives compared to peer countries (Box 1.4). However, the system is fragmented and has inefficiencies: a review of the almost 200 support measures showed that some forms of support are not well justified, with unclear objectives, overlaps and no systematic evaluations nor scheduled revisions (Expert Group on the Future of Business Support, 2024). OECD data on industrial policies also suggest support is insufficiently targeted, with around 40% of measures not meeting broad eligibility criteria (Box 1.4). A framework to design business support measures should be put in place to ensure future policies have well-identified objectives and are limited in time. The framework should incorporate transparent selection, evaluation and adaptation processes. In addition, the industrial strategy's net benefits should be evaluated, considering any potential distortions to competition.

Preferential tax treatment to family-owned businesses and foundations should be reviewed as evidence on their positive impact remains scarce. For instance, the estate and gift tax rate for the transfers of commercial businesses within families was reduced from 15% to 10% to prevent potential liquidity problems. This preferential tax treatment may lead to inefficient capital allocation due to lower managerial quality in family businesses (DORS, 2024a). While family succession may ease knowledge transfer and foster long-term focus, it can also hinder the entry of more capable managers. Furthermore, the measure is regressive as 80% of unlisted share wealth is owned by the 1% wealthiest people in Denmark (AE, 2023). Given the lack of clear evidence supporting the socio-economic value of the reduced tax rate, an instalment-based payment option should be considered as a more effective alternative. As for foundations, establishing a digital platform that lists tax-exempted grants from foundations could help promote transparency and cooperation with public institutions. It could also be used for regularly evaluating their socio-economic impact.

Public support to business R&D could be improved, as its impact on knowledge production and diffusion, measured by the number of patent applications or citations, is found to be low (DORS, 2024b). Programmes overlap and access can be difficult due to burdensome administrative barriers (Expert Group on the Future of Business Support, 2024). Clarifying objectives of public R&D support and strengthening coordination mechanisms would help to improve the allocation of resources. Cooperation at the EU level in strategic fields, including the green transition (Power to X, carbon capture and storage) and artificial intelligence and with industrial foundations (see Box 1.1) should be promoted to mutualise costs and benefit from economies of scale. Collaboration between university and businesses could further improve by increasing the number of shared positions, streamlining grants procedures and easing intellectual property rights transfers. Test facilities enable to bridge the gap between theoretical research and real-world applications, reduce implementation risks and facilitate collaborative capacity building. The development of a public digital portal mapping existing test facilities is welcome as it should improve access, notably for SMEs. National test facilities are missing in key sectors (green and digital) though and should be further developed.

Box 1.4. Denmark's industrial strategy

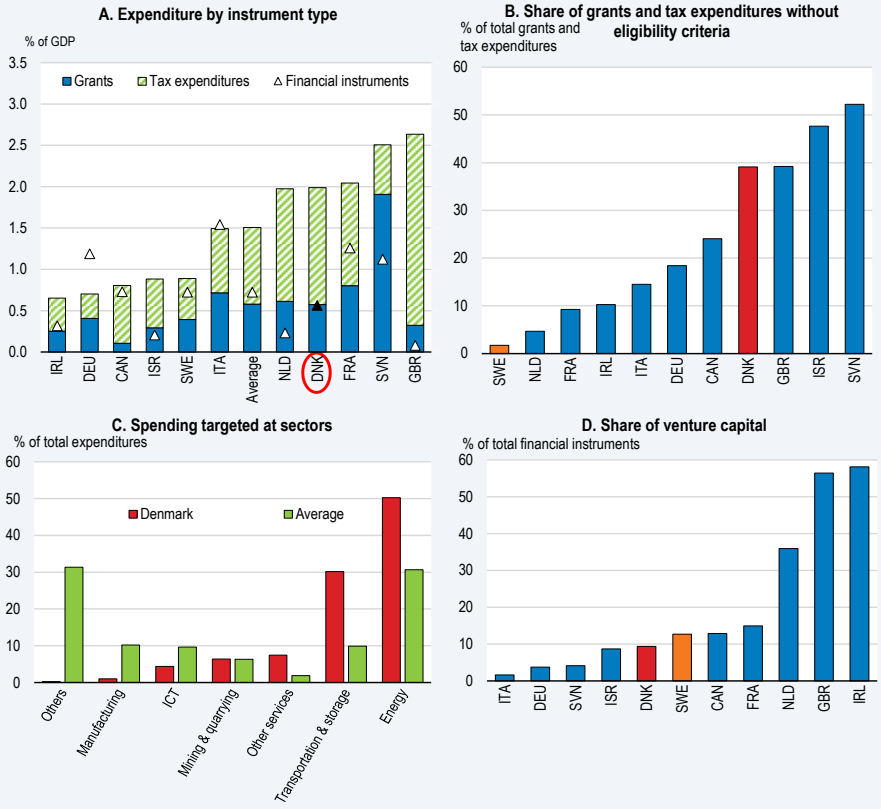
Denmark's public spending on industrial strategy has been relatively high, amounting to 2.6% of GDP on average between 2019 and 2022 (Figure 1.10, Panel A). Around 80% of spending consisted of grants and tax expenditures, while the use of financial instruments was relatively modest.

Eligibility criteria for support measures, which can overlap, include digital, green, sectoral, SMEs and young firms, R&D and jobs/skills components. About 40% of spending on grants and tax expenditures did not meet any of these criteria, suggesting a relatively low level of targeting (Figure 1.10, Panel B). Looking at each criterion, Denmark outperformed other countries in the share of spending directed to green policies and specific technologies. Only 24% of spending have been targeted at specific sectors though, with energy and transport accounting for around 50% and 30% of sectoral spending respectively, well above the sample average (Figure 1.10, Panel C). All measures directed to the energy sector had a green component, but none in the transport sector.

Financial instruments mostly consisted of export insurance and loans, but support to venture capital was relatively low, amounting to only 9% of the total, well below levels seen in the UK, Ireland or the Netherlands (Figure 1.10, Panel D). However, since 2022, measures have been taken to raise capital supply under Danmarks Grønne Fremtidsfond and the Entrepreneurship Package.

Figure 1.10. Industrial policy expenditures have been relatively large

Industrial policy expenditures, average over 2019-22



Note: Spending related to COVID emergency support is excluded. Data on export finance are excluded from financial instruments. In Panel B, eligibility criteria refer to the seven categories: Digital, Green, Sectoral, Technology-focused, SMEs and young firms, R&D and Jobs/skills policies. In Panel C, the "Energy" sector refers to electricity, gas, steam and air conditioning supply. "Average" refers to the unweighted average of eleven countries included in the QuIS database.

Source: OECD calculations based on the Quantifying Industrial Strategies (QuIS) database.

StatLink https://stat.link/irgptu

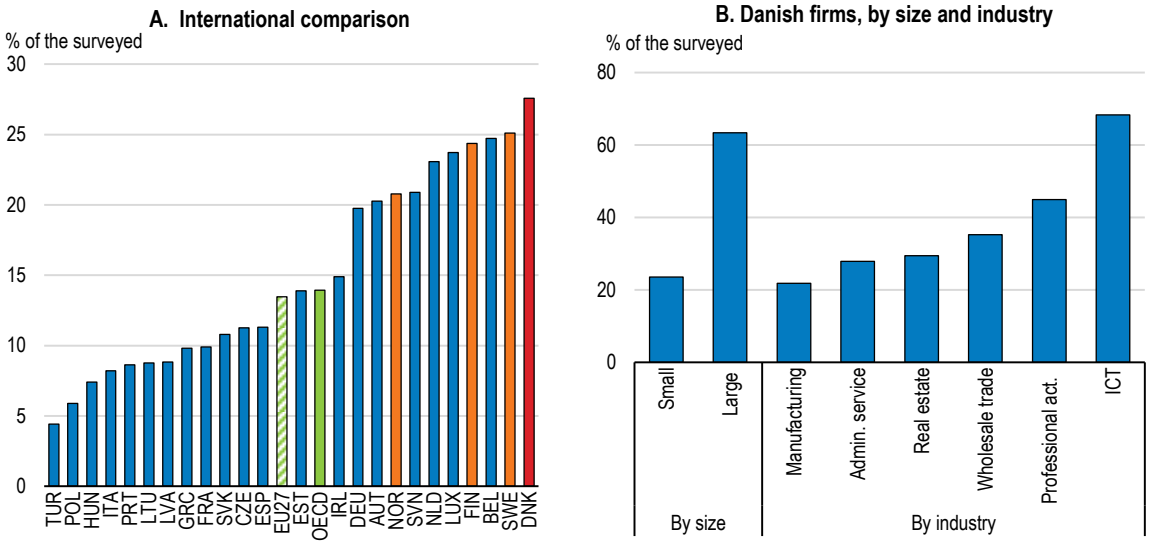
Policies can help reduce exposure to supply chain disruptions that is large in some industries including those exporting green technologies. For instance, Denmark's wind power industry has one of the highest import concentration rates of critical raw materials among OECD countries (Dechezleprêtre et al., 2024). Products with critical import dependency – meaning imported for a large part from risky countries - accounted for 21% of net imports of strategically important products in Denmark in 2021, with China being the main supplier (Branner et al., 2024). Denmark is implementing the EU Critical Raw Materials Act that aims to secure supply of critical raw materials. Among other measures, the Danish Mineral Intelligence Center has been founded to advise companies on how to decrease their dependencies on critical raw materials and diversify their supply chains. Denmark should also promote the use of circular material and research in recycling or substituting of critical raw materials as it is lagging OECD countries in these areas.

Addressing skills shortages to reap the benefits of artificial intelligence

The diffusion of digital technologies and artificial intelligence (AI) holds significant potential to raise productivity growth. Recent OECD research finds that under a number of conditions, including having framework conditions and policies that facilitate its adoption across the economy, AI can increase annual productivity growth by up to 0.9 percentage point over ten years (Filippucci et al., 2024). Denmark is among the OECD countries that are more advanced with the adoption of AI (Figure 1.11, Panel A). However, like in other OECD countries, indicators find relatively low take-up rates of AI in small firms and in conventional sectors (Figure 1.11, Panel B). Artificial intelligence has been high on Denmark's government agenda with the ambition to promote a responsible use of AI. A comprehensive set of measures has been implemented under Denmark's AI strategy.

Figure 1.11. Adoption of AI has been high, but there is scope to deepen adoption across the economy

Share of firms using AI, 2024



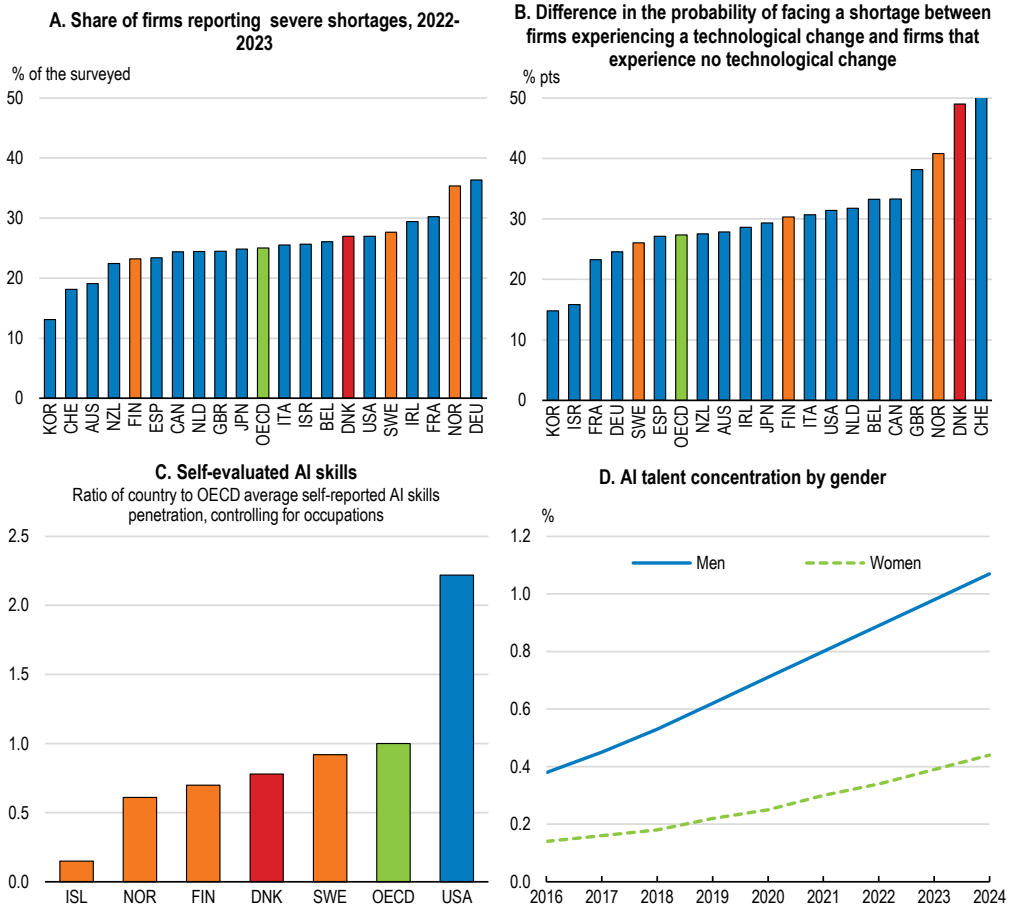
Note: Data covers firms having 10 employees at least. The number of employees is less than 50 for small firms and 250 and more for large firms. In Panel B, "Admin. service" refers to administrative & support service activities and "Professional act." refers to professional, scientific & technical activities. "Wholesale trade" excludes motor vehicles and motorcycles.
Source: OECD ICT Access and Usage by Businesses database, https://oe.cd/dx/ict-access-usage.

StatLink https://stat.link/gyk46o

The development of AI technologies relies on the availability of specialised advanced skills. Survey data suggest that in Denmark technological changes intensify existing recruitment challenges (Figure 1.12, Panel A). While the level of digital competences is high, only few people report having general AI skills essential for its widespread adoption and diffusion (Figure 1.12, Panel B). University places in mathematics, statistics and computer science should increase to respond to growing demand for qualified professionals in AI and very large gender imbalances in these fields should be addressed (OECD, 2024a). The estimated gender gap in concentration of AI expertise has widened

over the past years (Figure 1.12, Panel C). Incorporating a gender perspective into "technology understanding" courses in primary and lower secondary education and identifying schools with lower levels of gender bias in student orientation to share best practices, as done in the Netherlands should be considered. Other effective measures to promote greater take-up of AI-relevant subjects by female students include developing information about career and wage prospects by topic in middle and high-schools, showcasing female role models and developing mentoring programs (Encinas-Martín and Cherian, 2023).

Figure 1.12. Skills shortages could undermine the adoption of digital and AI technologies



Note: In Panel A and B, OECD calculations based on GFP Employer Survey data (details available in Filippucci, Laengle and Marcolin (2025), forthcoming). The OECD aggregate refers to the unweighted average of 35 countries. Panel C is based on self-reported data by LinkedIn members from 2016-2023. A country's AI skills penetration of 1.5 means that workers in that country are 1.5 times more likely to report AI skills than workers in the benchmark. Average from 2016 to 2023 for a selection of countries with 100 000 LinkedIn members or more. In Panel D, AI talent concentration refers to the share of LinkedIn members who are considered to have AI talent, i.e. if they have explicitly added AI skills to their profile, work or have worked in AI.

Source: OECD (2024), OECD Economic Outlook, Volume 2024 Issue 2; OECD AI Policy Observatory, accessed on 24/4/2025, www.oecd.ai; and Artificial Intelligence Index Report 2025.

StatLink https://stat.link/w6382m

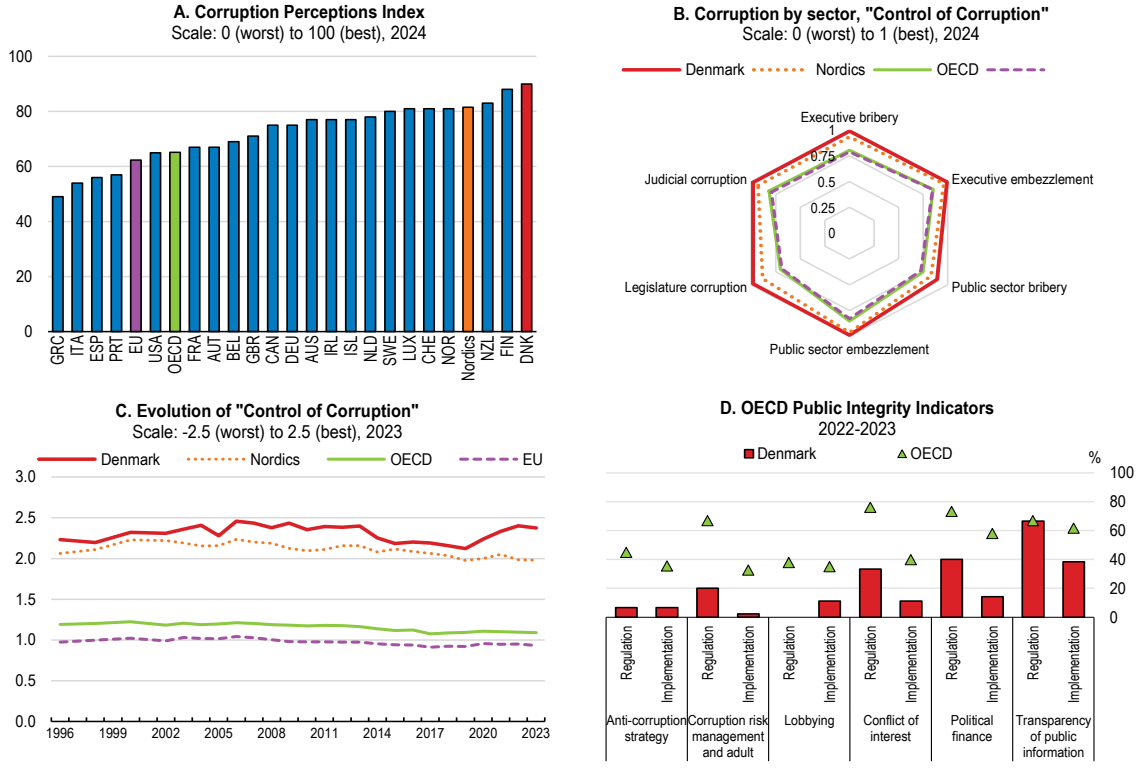
Difficulties to recruit experts and strategic management professionals have been identified as a major barrier to AI adoption in the public sector. As stressed in previous Surveys, the lack of flexibility of the wage setting mechanism makes it difficult to attract highly skilled professionals (OECD, 2019). Wages are negotiated by occupational group, so that the average wage growth in the public sector aligns with wage growth in the private sector. Only 8-10% of total compensation of employees is negotiated at the workplace and wage growth has been relatively homogenous across occupations and has not adjusted to market imbalances (Ejrnæs and Würtz Rasmussen, 2025). Raising flexibility by allowing more bargaining at the local level would help recruiters to offer higher wages to address shortages. In addition, AI training courses available to public sector employees do not fully integrate interdisciplinary AI competencies that combine technical understanding with insights into law, ethics, politics and

management they need. Training of public employees could be reinforced by establishing a digital training school that enables public-sector employees to train in big data management and AI deployment as done in Israel.

Maintaining low corruption by strengthening the framework for public integrity

Maintaining a favourable business environment requires ensuring corruption remains low. High levels of trust underpin the Danish social and political model. The level of satisfaction of citizens vis-à-vis public institutions is relatively high (2024 Transparency International's Corruption Perceptions Index), and indicators point to low perceived corruption and reported bribery in Denmark (Figure 1.13). However, survey data indicate that only around a third of people expects officials to reject corporate requests harmful to the public interest or refuse a job offered in exchange for favours (OECD, 2024d). As noted in OECD reports (OECD, 2024a, OECD, 2024c, Table 1.3), the strategic framework for anti-corruption and public integrity is weak and preventive measures against corruption risks need strengthening. By improving the competition environment and trust in institutions, these measures could bring significant economic benefits.

Figure 1.13. Denmark underinvested in corruption prevention as corruption risks are seen as low



Note: "Nordics" include Finland, Iceland, Norway, and Sweden. Panel B shows sector-based subcomponents of the "Control of Corruption" indicator by the Varieties of Democracy Project.

Source: Panel A: Transparency International; Panel B: Varieties of Democracy Project, V-Dem Dataset v12; Panel C: World Bank, Worldwide Governance Indicators; Panel D: Anti-Corruption and Integrity Outlook 2024.

StatLink https://stat.link/j2pt57

Unlike most Nordic countries, Denmark lacks a proper assessment of public integrity risks and a risk-based strategic framework (OECD, 2024c). Existing regulation, such as the Executive Order no. 116/2018, the Public Administration Act, and the Act on Openness in Administration, only partially addresses integrity issues. Anti-corruption efforts are not coordinated nor centrally supervised, as several institutions share fragmented responsibilities for promoting integrity in the public sector. In addition, risk management is not consistently applied across public bodies in practice, suggesting a potential need for a more harmonised integrity risk management framework as exists in Sweden and Finland.

Denmark still does not have strong rules that ensure transparency and accountability in lobbying activities (OECD, 2024c). Lenient regulation may allow influential interest groups to shape policies in ways that favour their own interest rather than public interest and distort competition. The concentration of value creation in a small number of firms and sectors in Denmark increases risks. In line with OECD recommendations (OECD, 2024e), Denmark should regulate lobbying activities, especially by establishing a clear legal definition of lobbying activities and a supervisory function in central government that oversees transparency of lobbying activities. Making the public aware of the interactions between policymakers and interest groups as well as their impact can strengthen public trust and integrity safeguards. This could be done by requiring policymakers to make their agendas public and mandating a publicly accessible register that discloses detailed information on lobbying activities.

While it would limit the risk of "revolving doors" abuses, pre- and post-public employment is largely unregulated. Tracking the movement of high-level officials between the public and private sectors in practice would help identify and respond to integrity risks. A mandatory cooling-off period for public officials should also be introduced as in most OECD countries. For the prevention of conflict of interest, Denmark mandates interest declarations for parliamentarians but equivalent requirements for high-level judiciary, executive officials, and high-risk public employees, which is relatively standard in the OECD, are missing. The system of political finance reporting and oversight could be strengthened. Separate reporting requirements for financing of electoral campaigns are missing and reporting requirements from some political parties have been met with delays. The Audit General Office in charge of auditing political parties' financial reports does not publish information on investigations and sanctions and its independence could be improved by defining criteria for the appointment and removal of its members. Denmark could take inspiration from Norway, Finland, Portugal or Canada for improved supervision and auditing of political finance.

Creating safe environments for whistleblowers is fundamental to ensure a culture of openness and accountability in the public and private sectors. The mandate of Denmark's National Whistleblower Scheme established in 2021 was broadened in 2023 and its use has increased since, but there is room for further improvements (Transparency International, 2024; Terracol, 2023). Obstruction, retaliation, or vexatious actions against whistleblowers should be penalised. Providing access to confidential, individual advice or free legal support and mandating the processing of anonymous reports by both public and private entities as done for instance in Belgium and France would further strengthen whistleblowers' protection.

Denmark has not given adequate priority to the prevention, detection, and sanctioning of foreign bribery, as evidenced by the underutilisation of detection sources, the limited number of investigations and sanctions imposed, despite credible allegations involving major Danish companies (OECD, 2023a). These challenges are exacerbated by resource constraints and regulatory hurdles as stressed in recent OECD reports on "Implementing the OECD Anti-Bribery Convention" (OECD, 2023a and 2025e).

Table 1.3. Past recommendations and actions on fostering long-term growth

Recommendations in past Surveys	Actions taken since 2024
Give the Competition Authority more flexibility to investigate competition infringements in the digital markets, by revising the merger control regime and allowing for market investigations.	Since 2024, the Competition Authority can require notification of mergers that fall below the turnover threshold if there is a significant risk to competition and has more powers to conduct investigations.
Expand existing support measures to provide more equity finance and access to capital in the scale-up phase.	A capital increase of DKK 2 billion will fund scale-ups, high-growth-potential companies and green investment.
Streamline business support further and improve coordination across programs, including with integrated data-based monitoring.	Recent measures changed depreciation rules, patent rights and the Danish Business Promotion Board. Under the "Red Carpet" initiative, the length of the permitting process for new facilities was capped, a single point of contact and five new industrial parks are being established.
Further increase public support to research and development by raising the R&D tax subsidy and making it incremental.	The R&D tax allowance will rise from 114% in 2026 to 120% by 2028 for R&D spending up to DKK 1 bn (110% above the cap). The patent voucher scheme partly funding patent applications of SMEs (up to 75% of costs) was reintroduced in 2025.
Strengthen regulatory safeguards in line with the OECD Recommendation on Public Integrity, including by establishing a lobby register.	No action.

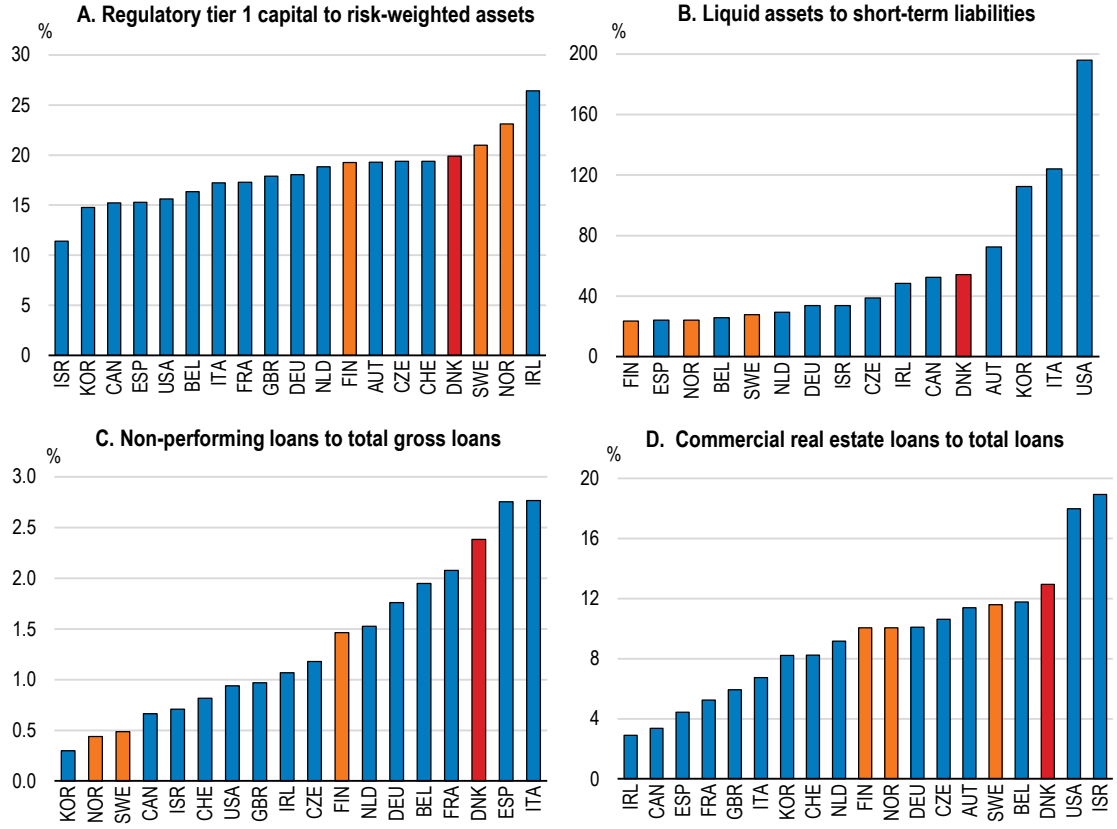
1.3. Maintaining financial stability

1.3.1. The financial sector has remained resilient

The financial sector has remained resilient, despite relatively high debt levels, the increase in interest rates in 2022-23, and volatility in global financial markets. Banks' capitalisation has remained well above regulatory requirements (Figure 1.14) and profitability has been supported by high net interest margins and historically low impairment charges. Danmarks Nationalbank's stress tests conclude that major financial institutions would meet regulatory capital requirements in a severe recession scenario after releasing the countercyclical capital buffer (Danmarks Nationalbank, 2025b). Relatively high dependence on market funding exposes some banks to sudden liquidity shortfalls and can undermine financial stability during stress periods. Systemically important banks have maintained a strong liquidity position and remained well equipped to withstand episodes of severe liquidity stress (Figure 1.14).

Figure 1.14. Banks are well capitalised but exposed to commercial real estate

2025Q1/Q2 or latest available quarter



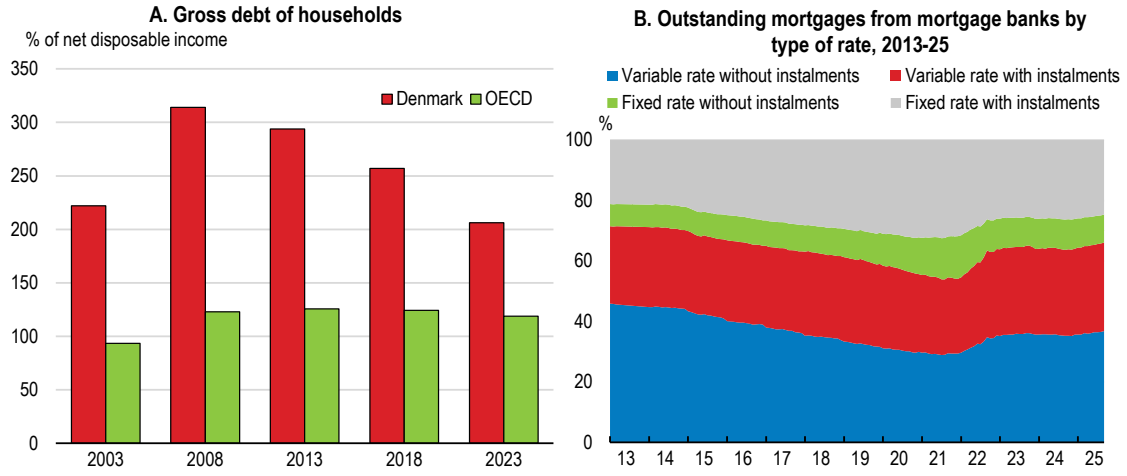
Note: Unweighted average of the two most recent quarters for which data are available, or of the latest quarter if two consecutive quarters are not available.
Source: IMF Financial Soundness Indicators (FSI) database.

StatLink https://stat.link/otazbm

Pressures on mortgages have increased due to higher interest rates, but overdue or delinquent loans have remained at low levels. Household gross debt has declined significantly since the 2020 pandemic with the buybacks of fixed rate mortgages, given falls in market values when interest rates increased in 2022-23 (Figure 1.15). Gross debt is offset by large amount of assets and is mostly held by households with high repayment capacity. Falling interest rates increase incentives to refinance, which could improve households' financial resilience. However, household gross debt remains among the highest in the OECD and started to increase again in early 2025. The growing share of borrowers opting for variable rate mortgages (accounting for around half of mortgage loans, Figure 1.15),

eventually with deferred amortisation, increases housing sector risks. In addition, lower credit costs combined with fast increases in house prices in Copenhagen can boost credit demand and encourage excessive borrowing. Nearly a fifth of new mortgage loans are issued to borrowers with a loan-to-value ratio above 90%, raising their exposure to negative equity should house prices decline. Debt-service-to-income ratio has increased substantially for home buyers, reaching 30% in 2024 from 17% in 2020 in Copenhagen (Danmarks Nationalbank, 2025b). Such high debt servicing costs put pressure on households' debt repayment capacity, and raise default risks, especially amid a softening labour market and economic slowdown.

Figure 1.15. Household gross debt and the share of variable rate loans remain high



Note: In Panel A, the OECD aggregate refers to the unweighted average of 30 countries.
Source: OECD National Account at a Glance; and Danmarks NationalBank.

StatLink https://stat.link/1om78i

The corporate sector has remained resilient to rising borrowing costs, with bankruptcies back to their historical average and only moderate increases in underperforming loans. Despite a doubling of interest expenses for many firms following the 2022–2023 rate hikes, most Danish companies have managed the higher financing costs, with arrears remaining low. Risks remain elevated in the commercial real estate sector, despite some signs of recovery since early 2025. Commercial real estate companies account for 40% of lending by Denmark's credit institutions to non-financial companies and exposures are higher for some smaller banks. As in other countries, this sector is heavily exposed to higher interest rates and to shifts in demand for office space since the 2020 pandemic. In 2022-23 returns in the sector fell as sharp increases in interest rates pushed property values down. Non-residential property values in Copenhagen are estimated to have fallen by 20% since 2022 and vacancy rates have increased, reducing debt servicing capacity in the sector (Danmarks Nationalbank, 2025b).

The growing size and interconnectedness of insurance companies, pension and investment funds have heightened systemic financial risks. While their role in direct credit intermediation is limited, these non-bank financial institutions (NBFIs) play a pivotal role in promoting financial diversification and act as major investors in Denmark's large mortgage bond market. They have more than tripled in size since 2007 to almost 300% of GDP and Denmark's banks' exposure to these entities is one of the highest in the EU. Exposures of insurers and pension funds to investment funds are sizeable and interconnectedness with domestic banks is significant through relatively large holding of covered bonds compared with other euro area countries (IMF, 2024). Investment funds, insurers and pension companies have increased borrowing in the repo market substantially. As mortgage bonds account for around 90% of collateral in the repo market, shocks to mortgage bond prices or reduced repo market liquidity can trigger selling pressure, pushing bond prices down and mortgage interest rates up (Danmarks Nationalbank, 2025b). The non-banking financial sector recovered from profitability losses in 2022 and around half of its liabilities have non-guaranteed market returns, which mitigates market risks but exposes investors, including future pensioners, to turbulences in foreign stock markets, notably in North America.

Denmark's systemic risk monitoring framework is largely focused on banks and mortgage credit institutions. The Danish Financial Stability Authority has developed a stress testing framework for pensions and insurance funds and

NFBIs are included in Danmarks Nationalbank financial stability assessment. Nevertheless, Danmarks Nationalbank has emphasised the need to improve monitoring of NBFI exposures calling for better data collecting and stress-testing (Danmarks Nationalbank, 2024c). Against this background, supervision of non-banking financial institutions should be strengthened, notably by better including them in the systemic risk assessment framework and by establishing system-wide stress testing exercises, covering both NFBIs and banks, as done for instance by the Bank of England and as envisaged by the Danish Financial Stability Authority. Denmark should also support EU on-going initiatives to develop macroprudential tools for NBFIs at the EU level.

1.3.2. Addressing pockets of vulnerabilities and structural risks

Macroprudential tools can reduce financial vulnerabilities by curbing risk build-up and strengthening system resilience. To manage systemic risks, tight macroprudential requirements, a 2.5% countercyclical capital buffer, a 7% sector-specific systemic risk buffer for exposures to real estate companies and supervisory guidelines on commercial real estate should remain in place. Internal rating-based models are being reviewed and an output floor for the risk-weighted assets that banks using internal models must report should be established in line with the EU banking package. This should help to safeguard against excessively low risk weights, ensuring a minimum level of capital adequacy across institutions and reduce possible inconsistencies between internal risk assessment models in the financial sector. Supervision of banks' credit risk modelling should be strengthened as provisioning expenses have been relatively low by EU standards.

Borrower-based tools have also been deployed to address high household debt in the form of non-binding guidelines to banks and credit institutions. Guidelines introduced in 2018 restrict the capacity of highly indebted households to take out variable interest rate loans without amortisation. Recommendations for granting owner-occupied mortgages in municipalities with high housing price growth, such as Copenhagen, have been in place since 2016: banks may issue variable-rate loans only if borrowers can afford payments at the fixed rate plus one percentage point or 4% minimum, and borrowers with high debt-to-income ratios must be able to sustain positive housing equity under a 10 or 25 percent fall in property prices. Nevertheless, the government has not taken up the Systemic Risk Council's recommendation to limit access to interest-only loans for borrowers with a loan-to-value ratio above 60% and the requirement of a 5% down payment is low relative to the other Nordic countries. Further restrictions on high-risk loans should be implemented over time, including lowering the maximum loan-to-value (LTV) ratio currently at 95%, further limiting access to interest-only and variable rate loans for borrowers with high LTV ratios, and introducing a debt-to-income limit as recommended in the previous Economic Survey (OECD, 2024a). An interest rate stress test for credit assessments of individual borrowers when they take out a new loan should also be mandated for variable interest rate loans as done in the UK and Canada in addition to existing affordability tests (Table 1.4). These measures would help to reduce excessive borrowing and speculative activities that unduly inflate housing demand and prices. Reducing mortgage interest relief would also help reduce pressures on house prices and debt levels. Structural reforms improving housing supply would mitigate potential negative impact of these reforms on the housing market and on credit-constrained buyers (see Chapter 4).

Risks to financial stability include those from cybersecurity, financial integrity, and climate change. Eurostat data on ICT Access and Usage by Businesses suggest Denmark has been among those countries with businesses reporting a large number of cyber security incidents, which could be due both to the high degree of digitalisation and awareness and the frequency of events. Initiatives to strengthen cyberresilience through the Financial Sector Forum for Operational Resilience "FSOR" include a protocol to communicate and coordinate actions should a large-scale operational incident occur, threat-based testing programs (TLPT, TIBER DK) and the development of stress test of operational resilience. Capacity in crisis management planning and contingency plans to maintain operations in the financial system in case severe cyber threats materialise should be expanded further as planned. Following the 2018 money laundering scandal involving Danske Bank's Estonian branch, Denmark has made substantial progress in reinforcing its anti-money laundering (AML) framework in line with Financial Action Task Force (FATF) recommendations. Continued efforts and regular updates to the national AML strategy are essential to address evolving risks and prevent financial integrity events. Climate change could impact asset values, particularly given the exposure of large cities to coastal flooding (see Chapter 2), calling for further improving risk assessment and adapting macroprudential policy to reflect unpriced systemic risks associated with climate change (Table 1.4).

Table 1.4. Past recommendations on financial stability

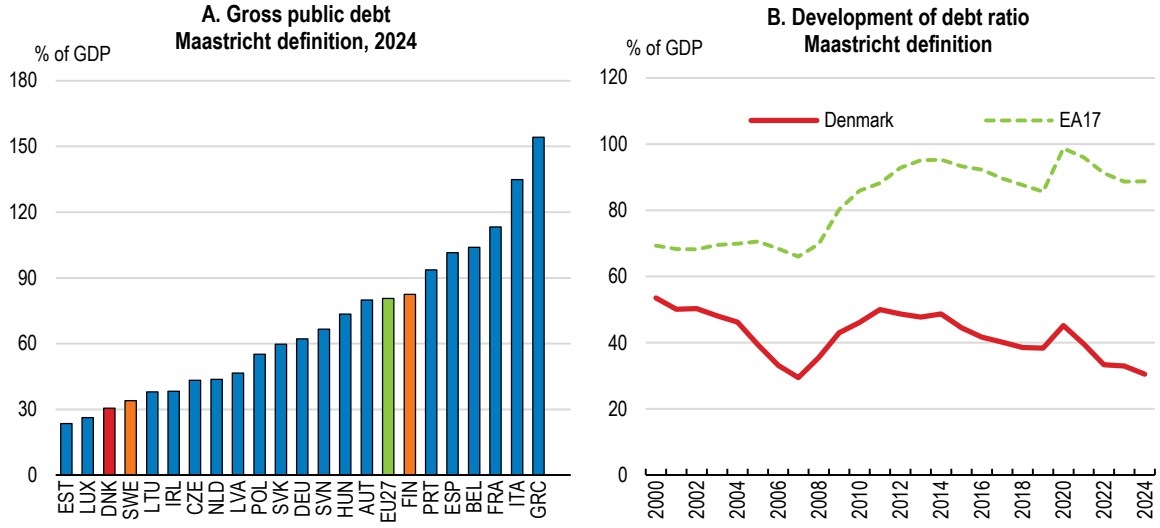
Recommendations in past Surveys	Actions taken since 2024
Strengthen macroprudential policies in the medium term to address structural vulnerabilities, including by limiting access to interest-only mortgages when the borrower has a loan-to-value ratio above 60%, introducing a debt-to-income limit and an interest rate stress test on loan applications.	A 7% sector-specific systemic risk buffer on commercial real estate exposures was introduced in June 2024.
Improve prudential supervision and international collaboration by joining the European Banking Union.	No action taken.
Develop a standardised mandatory disclosure regime of climate-related risks for financial institutions.	No action taken.

1.4. Ensuring fiscal sustainability despite growing pressures

1.4.1. Denmark faces medium- and long-term spending pressures

With high government surpluses and low public debt, fiscal policy has remained prudent. Denmark has a sound fiscal framework, including four-year expenditure ceilings, automatic sanctions for local governments in case of overspending and a structural deficit limit (Box 1.5). Denmark's public debt-to-GDP ratio has continued to decline over the past decade, helped by continuous fiscal surpluses, including during the COVID-19 pandemic (Figure 1.16). Tax revenues from international activities, sustained employment growth, combined with a prudent spending strategy have contributed to putting Denmark in a strong position to meet future challenges. However, in the medium- and long-run, Denmark faces spending pressures from its commitment to raise defence spending, the implications of the climate transition, the ageing of the population, and the costs of maintaining a strong welfare model.

Figure 1.16. Gross public debt is low and on a declining trend



Note: EA17 refers to countries that are members of both the OECD and the euro area.
Source: OECD (2025a), OECD Economic Outlook: Statistics and Projections (database); and Eurostat.

StatLink https://stat.link/5xinaf

Box 1.5. Denmark's fiscal policy framework

Denmark's fiscal rules in effect since 2014 and defined in the 2012 Budget Act include a deficit limit for the structural public balance, binding and multiannual expenditure ceilings for central government, municipalities, and regions and economic sanctions in case of non-compliance. The deficit limit was increased to 1% of GDP in 2022 (from 0.5% of GDP) as part of an agreement on defence and national security, in line with EU rules and government's fiscal sustainability objective.

A key part of the national fiscal framework is medium-term fiscal plans designed by the government and aligned on a target for the structural balance in the end-year of the planning horizon, currently -0.5% of GDP in 2030. The "fiscal space" to increase expenditure or to change taxation within the planning horizon is defined relative to this target. The binding four-year expenditure ceilings are decided by the Parliament based on estimates of the available "fiscal space".

Each year, as part of the budget proposal, an assessment is made to determine whether the planned fiscal stance stays within the deficit limit. An automatic correction mechanism is activated in case of significant estimated deviations of the structural balance from the deficit limit (except if due to exceptional circumstances such as the COVID-19 pandemic). Any new discretionary decisions involving a deterioration of the government balance beyond the deficit limit or an increase in spending above expenditure ceilings should be compensated by offsetting measures when presented in Parliament.

The Danish Economic Council ensures the function of national fiscal council by assessing the long-term sustainability of public finances, the compliance with the expenditure ceilings and their alignment with the medium-term fiscal objectives as well as the credibility of fiscal projections.

Source: Torben Andersen (2024), Fiscal Stabilisers in Denmark, Nordic Economic Policy Review 2024

Fiscal space will be used to reach NATO targets on defence spending

Meeting the 2035 NATO commitments would imply to raise defence spending permanently to 3.5% of GDP, with potential additional security-related spending of 1.5% of GDP. Under current policies, defence spending is expected to increase to 3.5% of GDP by 2026 before returning to 2.4% of GDP by 2030. Projections from the Ministry of Finance indicate Denmark has sufficient fiscal room of manoeuvre to maintain defence spending at 3.5% of GDP after 2026. The room for increasing public spending while reaching the medium-term target of 0.5% deficit by 2030 – the so called "fiscal space" – is estimated at 2.6% of GDP (see Box 1.5). Furthermore, a more rapid expansion of defence expenditure resulting from unforeseen developments—potentially pushing the government deficit beyond the 1% of GDP ceiling established by national fiscal rules—could be accommodated under the flexibility clause of the national fiscal framework, which permits temporary deviations from balance requirements in exceptional circumstances.

Recent revisions underscore the uncertainty around fiscal projections

There is large uncertainty over Denmark's fiscal room of manoeuvre in the medium term, as it depends on uncertain economic developments, including the contribution of large successful firms and financial markets to the public finances. Projections for the period leading to 2030 that form the basis for setting the spending ceilings have been subject to frequent and major upward revisions over the past five years, enabling a possible upward adjustment of expenditure limits within the structural budget framework. In February and June 2025, updates reflected changes in demographic projections and methodology, with new estimates for structural employment, corporate and share tax levels. In June 2025 projections, the estimated "fiscal space" almost doubled. Considering new measures from the 2026 Budget Bill, public spending will be allowed to increase by 0.7% of GDP annually from 2027 to 2030. While revisions are needed to adjust policy to a changing macroeconomic environment, fiscal policy should account for the uncertainties surrounding estimates, and sufficient fiscal buffers should be maintained to mitigate potential risks.

Future tax revenues face significant risks. A substantial share of corporate income tax receipts is linked to the success of key multinational companies. Around a third of the corporate income tax revenue of 4% of GDP is

collected from the top 10 largest firms. Significant company or industry-specific difficulties may impact public finances, posing risks for revenue stability and the size of available fiscal space. Projections of the Danish Ministry of Finance suggest the structural primary balance would weaken by 0.2 per cent of GDP by 2030, should markups in the manufacturing sector return to their pre-pandemic level (Danish Ministry of Finance, 2025). Furthermore, there are risks of downward adjustments on the labour market and lower than expected effects of recent reforms, including of personal income tax, on labour supply. Should tax revenues disappoint, raising tax rates in response should be avoided, as the tax-revenue-to-GDP ratio is already relatively high, reaching 43% of GDP in 2023.

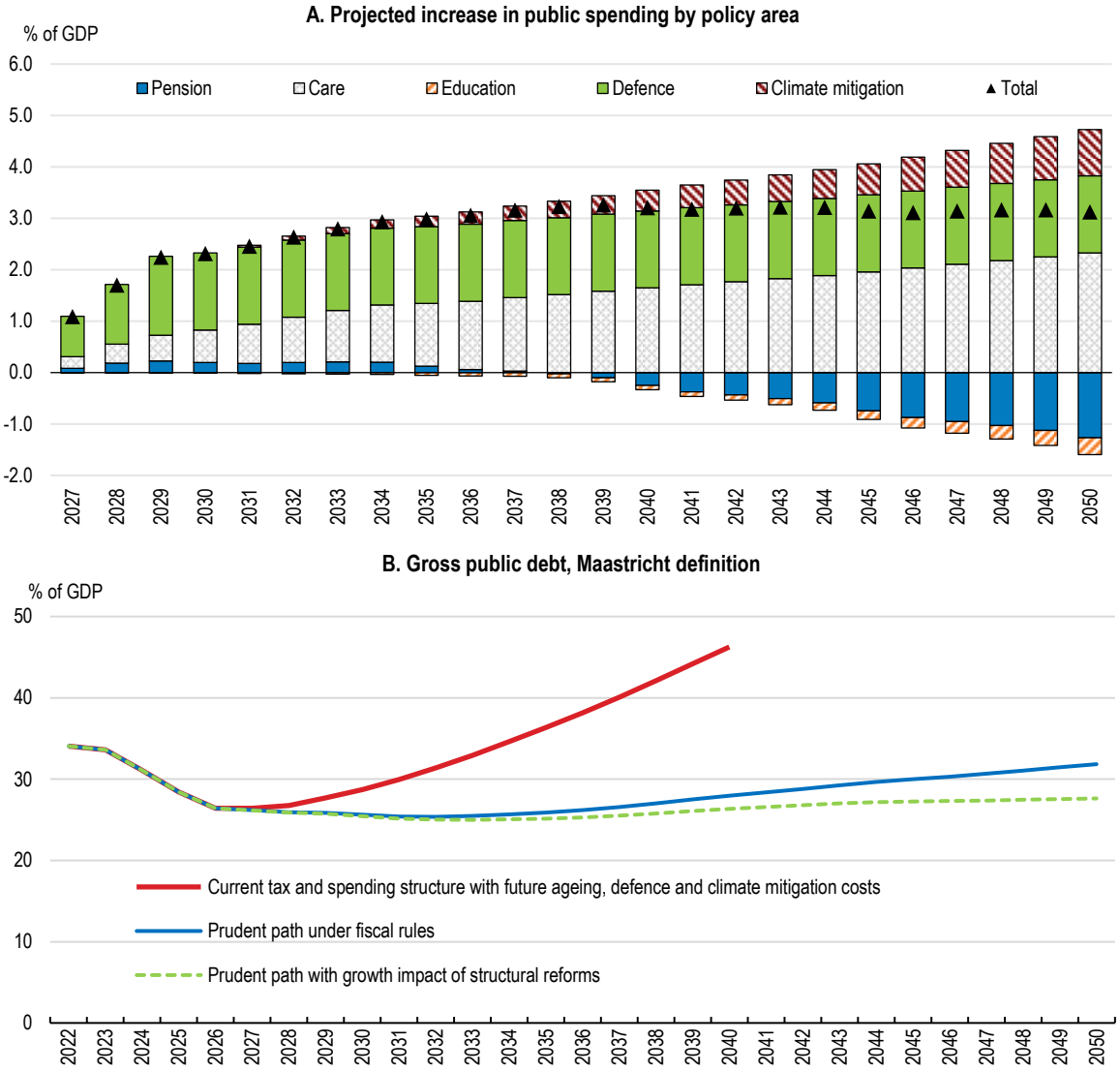
There are significant fiscal pressures further ahead

In the longer term, stronger pressures on the budget balance from ageing, defence and climate change than currently envisaged in national projections would require changes in tax and spending policies to maintain Denmark on a prudent path (Figure 1.17). The ageing challenge is less severe than in some other European countries, including as a result of past pension reforms. The maturing of private pension savings and the planned increases in the legal retirement age in line with life expectancy gains contribute to long-term fiscal sustainability by reducing public spending on pensions, while stimulating labour supply. Denmark's indexation of pension ages to life expectancy gains is among the strictest among OECD countries. In 2025, the retirement age was increased to 70 in 2040. After 2040, the one-for-one indexation of the legal retirement age would increase the retirement age well above existing and projected OECD norms, even when compared with countries that have already implemented pension reforms. Further increasing the pension age beyond the age of 70, as assumed in national fiscal projections, could prove politically challenging as it would shorten retirement for younger generations and exacerbate inequalities, as lower-income people typically enter the labour market earlier and have significantly shorter life expectancy. While this is partly included in national projections, the uptake of early retirement schemes may accelerate beyond expectations if deviations occur in the projected work capacity of older workers and large private pension wealth may allow people to leave the labour market earlier than the official age, dragging on revenues. In addition, spending on care is expected to rise significantly more than in other EU countries due to generous public support for older adults, although these projections are uncertain and assume an increase of relatively high spending per older person in care.

The climate transition will put pressure on the public finances. Denmark has developed analytical tools and models to assess the impact of climate change on economies and public finances and led the "Mainstream Climate in Economic Policies" workstream under the Coalition of Finance Ministers for Climate Action. A major fiscal cost will be the loss of revenue from excise duties as drivers shift from fossil fuels to electric vehicles, a process that is already underway in Denmark. The government planned to phase out tax advantages for zero-emission vehicles that also weigh on tax revenue (see Chapter 2), but the decision has been postponed. Furthermore, revenues of carbon taxation will decline as greenhouse gas emissions diminish. It would be sensible to introduce a system of distance-based taxation for all motor vehicles, even if set at an initially low rate, to provide a tax base for the future to compensate these effects in line with proposals in some OECD jurisdictions, such as Norway, New Zealand and the Netherlands. Nevertheless, implementation and administration costs of distance-based road taxation can be high and need to be considered, as well as the socio-economic impact of the tax, notably on people with few transport alternatives. Other fiscal costs related to climate change mitigation include subsidies to zero emissions technologies and compensation to sectors most affected by the green tax reforms (see Chapter 2).

The cost of mitigation policies for public finances are partly considered in the government's fiscal projections, to the extent that they are already in place or legislated and only until 2030 for some. Reaching climate neutrality by 2045 as planned requires the development of renewable energy and carbon capture technology whose success likely relies on further public support (see Chapter 2). The combined additional long-term costs associated with carbon capture and loss of revenue from fossil fuels and combustion engines taxation are estimated at around 1% of GDP (Pedersen, 2025). Adapting to climate change and implementing risk-prevention measures will also induce large costs for public finances (see Chapter 2).

Figure 1.17. New spending pressures call for prudent fiscal policy



Note: In Panel A, projections for public spending on pension, care (healthcare and long-term care) and education draw on the European Commission 2024 Ageing Report (+0.7% of GDP by 2050). Defence spending is projected to gradually increase by 1.5% of GDP by 2030. Projections for climate change mitigation assume losses of fossil fuel and carbon tax revenues as well as rising public subsidies for green technologies in line with the Danish Ministry of Finance medium projections (sensitivity scenario n°10). In Panel B, in the "current tax and spending structure with future ageing, defence and climate mitigation costs" scenario, the primary government balance is projected to gradually deteriorate in line with rising costs presented in Panel A. The "prudent path under fiscal rules" scenario assumes consolidation measures of 1.7% of GDP to stabilise the debt-to-GDP ratio when ageing, defence and green costs are included. The "prudent path with growth impact of structural reforms" scenario assumes in addition that GDP growth increases with the implementation of structural reforms as shown in Table 1.6.
Source: Adapted from OECD (2025c), OECD Economic Outlook 117 database; OECD (2025a), European Commission (2024); and Danish Ministry of Finance (2025).

StatLink https://stat.link/0jhgcf

Detailed projections from the Danish Ministry of Finance and the Danish Economic Council, that include the impact of ageing, defence and climate change mitigation on public finances, suggest fiscal sustainability can be maintained under unchanged fiscal policy. Using a different set of policy assumptions, illustrative OECD projections show that stronger spending pressures without compensation measures would put the debt-to-GDP ratio on an upward trend ("current tax and spending structure with future ageing, defence and ageing costs", Figure 1.17). In OECD projections, defence spending is projected to increase by 1.5% of GDP from 2027 to 2030. Growth of long-term care spending is stronger in the OECD projections than in national projections that assume constant real unit costs for public services. The fiscal cost associated in OECD projections with climate change mitigation consists in revenue

losses from carbon taxes and subsidies for carbon capture and storage to reach government emission 2045 targets, amounting to 0.6% and 0.9% of GDP by 2045 and 2050 respectively that are not in national projections. In absence of reliable estimates, the costs of climate change adaptation are not included. OECD projections implicitly assume stable tax revenues in GDP units, while national projections include an estimated impact of reforms, which imply that tax revenues increase in GDP units.

Overall, the pressures considered in OECD projections would require spending reallocation of around 1.5% of GDP, in addition to space that would be created by eliminating the existing headroom to the fiscal rules and reducing the budget balance by around 1% of GDP. This would stabilise debt at around 35% of GDP over the long run and keep structural deficit aligned with the fiscal rules ("prudent path under fiscal rules" in Figure 1.17). The difference between the projections shown in Figure 1.17 and the national projections highlights the risks to sustainability with a different set of assumptions about policies and hence the need to remain prudent in the management of the public finances. For instance, relaxing the indexation of pension ages to life expectancy gains after 2040 as currently discussed in Denmark would add to the ageing costs relative to these projections. An alternative longevity indexation mechanism, with a lower indexation rate and a different benchmark of life expectancy gains would reduce Denmark's room to increase the fiscal deficit while stabilising the debt ratio by around DKK 30 bn (0.9% of GDP, Danish Ministry of Finance, 2025).

Table 1.6 shows an illustrative policy package of spending reallocation and revenue-neutral changes consistent with stabilising the debt-to-GDP ratio in OECD projections and the measures recommended in this Survey. By fostering GDP growth (Table 1.5) the package of reforms recommended in this Survey would reduce fiscal pressures ("prudent path and growth impact of structural reforms" in Figure 1.17).

Box 1.6. Estimated impact of structural reforms recommended in the Economic Survey

This box summarises potential medium-term impacts of selected structural reforms included in this Survey on GDP (Table 1.5) and fiscal balance (Table 1.6). The quantification impacts and the packages of reforms are only illustrative. The estimated fiscal effects include only the direct impact and exclude potential behavioural responses that might occur due to a policy change. While recommended reforms in this Survey have budget and GDP implications, not all can be quantified due to model limitations.

Table 1.5. Illustrative impact of structural reforms on GDP level

Policy	Measure	10-year cumulative impact, %	25-year cumulative impact, %
Tax reform	Reducing the labour tax wedge by 2 ppts over 10 years (revenue neutral measure).	0.7	1.2
R&D business support	Increasing business R&D by 0.5 ppt of GDP, halving the gap to the OECD top 10 over 5 years, by improving efficiency of programmes.	0.1	0.6
Labour market reform	Increasing employment of older workers by 5 percentage points by 2050, including by strengthening health risk prevention and further delaying early retirement.	1.7	4.5
Childcare services	Raising spending on childcare by 0.2 ppt of GDP to halve the gap to the Nordic average over 5 years.	0.3	0.4

Source: OECD long-term model and OECD calculations

Table 1.6. Illustrative impact of structural reforms on the government balance

Measure	Scenario	Impact on the budget balance % of GDP
Total revenues of which		**0.0**
Tax-benefit reform	Reduce the labour tax wedge by 2 ppts over 10 years, compensated by increasing property and environmental taxes and removing ineffective tax expenditures.	0.0
GHG pricing	Expand GHG emissions and road pricing, use revenue to compensate emissions exposed to leakages, to support vulnerable households and green innovation.	0.0
Total spending of which		**+1.2**
Childcare services	Increase spending on childcare by 0.2 ppt of GDP to halve the gap to the Nordic average over 5 years.	-0.2
Climate change adaptation	Increase financial support for risk prevention measures at the national and local levels and to the most vulnerable.	-
Active labour market policies	Reduce spending on active labour market measures per participant to the average of OECD Nordic countries over 5 years.	0.3
Savings in public administration	Cut costs in public administration over 10 years.	+
Prioritisation in long term care[1]	Reduce public spending on long-term care to the Nordics' average over 10 years by prioritising public spending on essential services	0.5
Efficiency gains in healthcare[1]	Achieve savings on healthcare following improvements in prevention and coordination of care.	0.4
Higher employment of older workers[1]	Achieve savings on public pensions and long-term care through measures to delay early retirement.	0.2
Total impact		**+1.2**

Note: 1. Estimates based on the 2024 EU Ageing report (baseline, healthy ageing and higher old age employment scenarios respectively)
Source: OECD calculations

1.4.2. Efficiency gains in key public services and stronger labour market can help foster fiscal sustainability

Denmark's long-term fiscal sustainability can be reinforced through various combinations of expenditure and revenue policies, the specific mix should ultimately reflect Denmark's population preferences. Priority should be given to spending measures, the tax burden being already among the highest in the OECD. Denmark's government already committed to save on administrative costs in local and State services (around 0.2% of GDP by 2030) including through the use of productivity-enhancing digital technologies. This will require addressing barriers to technology adoption in the public sector (cf. above).

Denmark's welfare model provides good quality of public services and a large range of universal benefits. Fast-rising costs of welfare services, notably of specialised social services, have already put pressure on municipalities' finances, causing large ad hoc adjustments of State grants to municipalities. Meeting growing demand for welfare services will be more challenging as the fiscal space diminishes. Additional funding will be needed if the provision of public services continues to grow in line with private consumption opportunities, a trend that coincides with citizens' expectations (OECD, 2024a). Compared to peer economies, spending on social protection and hospitals has been relatively large, suggesting room for savings. Reforms improving labour market outcomes and efficiency in public employment services can also contribute to long-term fiscal sustainability, by raising tax revenues and reducing reliance on social benefits.

Managing the cost of health and long-term care

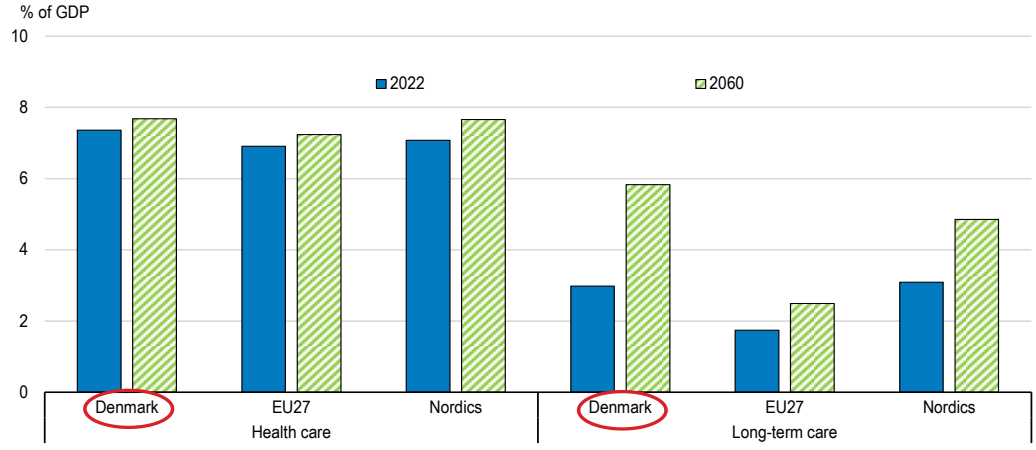
Denmark's social model provides high levels of care but involves relatively high social spending. Denmark's total health expenditure, at 9.4% of GDP in 2023, is close to the OECD average. However, spending on long-term care (LTC), including health components, is around 3% of GDP, among the highest in the OECD (OECD, 2023b). The

combined costs of these sectors are projected to rise fast, by almost 4% of GDP by 2070 (Figure 1.18, Panel A). The projected rise in LTC is the second highest increase in the EU, after Norway, driven by both generous in-kind benefits for older people and a growing number of recipients. In Denmark, LCT is universal and provided for free by municipalities. Healthcare is also largely publicly funded and provided by regions and municipalities. Long-term projections for care spending are sensitive to underlying assumptions. The Danish Ministry of Finance's projections include a "healthy ageing" assumption, whereby health improvements parallel rising life expectancy, thereby dampening the expected growth in care costs. Conversely, demand for care services could increase more rapidly than demographic trends suggest, driven by technological advances or higher public expectations.

Healthcare and long-term care are currently undergoing ambitious reforms to further improve the quality of services, address shortages and respond to growing demand (Box 1.7). The reforms also aim to achieve efficiency gains, via reduced bureaucracy and closer coordination between healthcare and long-term care. Strengthening primary care, easing access to mental health services and improving coordination between care segments, as envisaged by on-going reforms would support healthy ageing and could entail substantial savings. Fiscal projections indicate that increasing years in good health in line with life expectancy would save 0.7% GDP on care costs by 2070 (EU, 2024). Other estimates suggest that after controlling for per capita income, demographics and the general preference for government spending, Denmark has potential savings in hospitals, given its high level of spending relative to OECD norms (Barnes et al., forthcoming; Figure 1.18, Panel B). The 2024 reform is aiming to address the relatively high spending on hospitals relative to primary care (Box 1.7).

Figure 1.18. Denmark has room for savings in healthcare and long-term care

Projections of health and long-term care costs



Note: "Nordics" include Finland, Norway, and Sweden.
Source: EU Ageing report 2024, Economic and Budgetary Projections for the EU Member States (2022-2070).

StatLink https://stat.link/n2rxg4

Box 1.7. Denmark's healthcare and long-term care reforms

Recent reforms of healthcare and long-term care aim to improve co-ordination and to address labour shortages in the sectors. They will be phased in over 2025-2027 with a fiscal cost of about 0.25% of GDP from 2027 and additional 0.9% of GDP over 2026-2035 for investments.

Healthcare

The 2024 healthcare reform aims to improve care coordination across government levels by creating 17 health councils between four regions (responsible for hospitals, general practitioners (GPs), psychiatrists and other specialists) and 98 municipalities (responsible for prevention, rehabilitation, home care and social psychiatry). A new national framework of resource planning and a new remuneration scheme should help tackle unequal

regional distribution of GPs. The number of medical university places outside of the largest cities will be expanded and the number of specialists in university hospitals will be capped, to incentivise medical professionals' location in shortage areas. A new national framework for prevention will be set up and chronic disease treatment packages introduced to improve prevention and treatment quality across healthcare providers. Currently lacking psychiatric capacity will expand and be better integrated with other health services. New digital solutions and home treatment teams should bring care closer to the patient.

Long-term care

The 2024 elderly care reform aims to improve quality of care by reducing the high administrative burden, including by simplified supervision and lighter regulation of the sector. Care will become more holistic by assigning one provider to coordinate home nursing, rehabilitation and homecare for each client. To help address staff shortages, social and healthcare education has been expanded and made more accessible.

Long-term care expenditures have remained high, despite past efforts to raise efficiency, notably by prioritising home care and rehabilitation over institutionalisation. Growing demand for services, notably specialised social services, have increased pressures on municipalities' finances. State grants that compensate municipalities do not systematically adjust to rising needs and transfers to municipalities have increased substantially over the past years to reduce funding gaps. As ageing progresses and fiscal space diminishes, meeting growing demand for care will become increasingly challenging. Prioritisation of spending in long-term care – as done in the early 2000s by strengthening eligibility criteria for access to care – should be envisaged to keep the already growing costs in check. As stressed in past Surveys, another option would consist in diversifying funding sources by adjusting public support to the means of citizens for non-essential services as is done for instance in the Netherlands to avoid restricting the provision of public services. More targeting based on needs and a progressive means-testing would help savings on long-term care expenditures.

Labour shortages of some professions in healthcare and LTC are a key issue, particularly outside the major cities. By 2035, projections suggest there could be a shortage of 15,000 social and healthcare workers and assistants (Danish Ministry of Finance, 2023). Recent reforms aim to address recruitment and retention problems (Box 1.7). While working and training conditions are being improved, the relatively high reliance of Danish LTC on temporary work contracts still needs to be reduced, as recommended in the previous Survey (Table 1.7). Nation-wide health resource planning models are being put in place, but data improvements may be needed to allow for a more reliable assessment of recent trends and future outlook for supply and demand of health workers. Improved skills and capacities for effective management of workforce planning also need to be developed at regional and local levels (OECD/European Commission, 2024). In England, a Workforce Planning Hub provides resources, including basic data and best practices, for local and regional workforce planners in social care.

Denmark's healthcare is among the most advanced in the OECD in using digital solutions. An even greater use of digital tools in both healthcare and LTC, as envisaged, can further improve job satisfaction, aid reallocation of tasks to optimise skills use and help make further efficiency gains. All health and care workers and managers need support in developing a comprehensive set of digital and data literacy skills, via both life-long learning for existing professionals, as well as part of health training curricula (OECD/European Commission, 2024). In Netherlands, the collaborative initiative "Digitally literate in healthcare" has defined minimum digital skills standards for specific healthcare and LTC professions and provides targeted training via an online hub (Kaihlanen et al., 2024).

Denmark's use of foreign-born staff in healthcare and LTC is relatively low compared to the OECD average. Administrative barriers for recruiting non-EU workers exist, such as the administrative complexity and strict eligibility criteria for work permits. The 2025 initiative to hire workers from India and Philippines can provide useful experience on most pressing issues to attract and retain foreign workers, including language training provision or housing assistance. In the longer term, however, overreliance on migrant workers should be avoided because international competition for workers will intensify with adverse effects on countries of origin (OECD/European Commission, 2024).

Achieving savings in public employment services while adapting to changing needs

Denmark is undergoing a major reform of public employment services (PES). Denmark's active labour market policies have been well-regarded as a key aspect of the flexicurity model and spending in this policy area is among the highest in the OECD. However, spending has been relatively constant over time, despite a dramatic fall in the number of unemployed people. In April 2025, a political agreement was reached on the high-level institutional set-up of PES, with the objective to reduce spending by DKK 2.7 billion by 2030 (from DKK 11.3 billion in 2024) and address criticism over excessive rules, process requirements and complexity (Danish Ministry of Employment, 2024). Work is currently underway on how to implement the reform in detail. The reform could help to achieve substantial efficiency gains by reducing administrative burden and closing ineffective programmes, as recommended in past Surveys (Table 1.7).

Preserving the Danish flexicurity model in times of major transitions linked to digitalisation and climate change remains important and a major reform poses some risks. The reform rightly plans to ease regulation on PES services provided by municipalities. Municipalities will have higher degree of autonomy, but less resources to organise employment services to meet savings objectives. There are concerns that the reform could affect the quality of PES, generate disparities in the quality of services across municipalities and reduce incentives to support people whose reintegration in the labour market would induce large costs. While the abolition of ineffective programmes, such as "resource courses" for people with disabilities, is welcome, appropriate alternatives should be provided to avoid people moving to other benefits (early retirement, disability, social assistance) and reducing their chances to return to employment. While implementing the PES reform, Denmark will need to strengthen incentives to balance any potential negative effects of cutting costs and processes. This requires strong accountability frameworks and an appropriate performance management system (OECD, 2025b). Following the reform, municipalities will be held accountable for outcomes rather than compliance with procedural requirements. The existing mechanism whereby central government's reimbursements to municipalities decrease in proportion to the length of jobseekers' unemployment will also remain in place. The Central Public Employment Agency (STAR) will be in charge of monitoring outcomes of labour market policies and providing support to lagging municipalities. Efficient data exchange will be key for benchmarking and identifying best practices.

Particular attention should be put on young people detached from the education system and the labour market. While Denmark has a relatively high youth employment rate compared to the OECD and EU averages, about 10% of young people (around 45 000) are not in employment, education, or training (NEET), more than in most other Nordic countries. While job centres effectively support young people in finding jobs or education, almost half of the NEETs have been inactive for more than three years, mostly due to mental health challenges and lack of specialised support (OECD, 2024b). More worrying, the number of young people receiving long-term disability benefits has surged since the pandemic, reflecting a rise in mental health issues. In 2023, around 27% of disability pensions were granted to people under 40 (around 6000 people), despite the benefit being intended for older adults who fully lost work capacity. The "Youth Promise" programme will allocate DKK 1.3 billion up to 2035, to fund local initiatives for NEET with a focus on employment and mental health. This includes funding of Individual Placement Support (IPS) which proved effective in raising employment and education during a first trial. Integrated mental health and employment services and regular training of case workers should be further developed as priority.

Pilot programmes will assess the potential of expanding the role of private providers and unemployment insurance funds (UIF, "A-kasser") in employment services provision. Since 2024, the UIF have been responsible for providing employment services to insured jobseekers during the first three months of unemployment. Although UIF's labour market expertise is a valuable asset in supporting job search efforts, expanding their role further may hinder job mobility. While they could help jobseekers transition to new sectors or occupations, their expertise is typically confined in certain fields. They lack performance-based incentives aside from maintaining attractive services for their members. Moreover, pilot studies have yielded inconclusive evidence on the benefits of assigning employment services to the UIF. In parallel, to test the impact of opening PES to the private sector, a selection of jobseekers will be allowed to choose providers of employment services for the first four months in unemployment. Evidence on the capacity of the private sector to overperform the public administration in activation at a lower cost is mixed (Langenbucher and Vodopivec, 2022). In Sweden, moving to private suppliers has not triggered positive results, while being relatively costly (OECD, 2025b). The use of private providers in employment services carries potential drawbacks, including the risk of cream-skimming effects and limited incentives to engage less motivated jobseekers.

Furthermore, the proliferation of service providers may complicate the governance and oversight of active labour market policies, necessitating a clear strategy to ensure adequate provider capacity and the establishment of coordinated operational frameworks.

Further raising work incentives while maintaining adequate social protection

Strengthening labour supply would raise private incomes and support the public finances. It has long been a cornerstone of achieving fiscal sustainability in Denmark and remains high on the government agenda. A large number of structural reforms have been implemented since 2022 to increase work incentives (Box 1.8). Measures including cuts in the personal income tax and premiums to those prolonging working lives should contribute to reducing financial barriers to work. Nevertheless, as stressed in previous Surveys, while the average tax wedge is close to the OECD average, labour income taxation remains relatively high for upper-middle and high incomes and can discourage productive investment and longer working hours. Moving taxation further away from personal income to housing would bolster work incentives while improving efficiency of the tax system and limiting distortions in housing markets (Table 1.7, Chapter 4).

Box 1.8. Overview of Denmark's major reforms boosting labour supply since 2022

Tax reform: A major reform of the personal income tax was initiated in 2024. The reform raised the employment allowance in 2025. It will increase the top income taxation threshold, add a new tax bracket for middle-to-high income households and introduce an extra tax bracket at the very top of the income distribution in 2026. The reform is projected to cost around DKK 10.75 bn (0.4% of GDP) and raise labour supply by around 5000 persons.

Unemployment benefits: in 2023, a reform reduced the unemployment benefit period for recent graduates from two years to one year and their replacement rate after three months. The maximum unemployment benefit was increased for the first three months of unemployment. The provision allowing individuals over 30 years old to receive 110% of their unemployment benefits while pursuing vocational education in high-demand fields was permanently reintroduced on 1 July 2023.

Social assistance: in 2025, a reform simplified income-dependent benefits, making the system more transparent and reduced the benefit deduction when labour income rises. A work requirement of up to 37 hours per week was imposed to benefit recipients who do not meet residence and employment requirements.

Pension: In 2023, the deduction of households earned income from the basic amount of the old-age pension and pension supplement was abolished. Means-testing of a partner's earned income in social pension (including disability pension) was also abolished. In 2026, tax-free bonuses will increase for the first two years of work after the retirement age and seniors close to retirement will receive a new tax deduction. The Danish Parliament legislated to increase the state pension age from 68 in 2030 to 69 in 2035 and 70 by 2040.

Education- Working time: In 2024 and 2025, education reforms aim at speeding up entry of graduates in the labour market, including the shortening of the length of master's programmes or cuts in generous students grants. A public holiday was abolished in 2024.

The Danish Welfare model provides broad social protection based on universal rights. Almost one in five people of working age received public benefits in 2024 and a very large share of public spending is allocated to social protection (Barnes et al., forthcoming), notably on disability and social exclusion. The 2025 social assistance reform aims to increase work incentives by simplifying the system and ensure minimum financial gains of taking up a job (Box 1.8 and Chapter 3). At the same time, the work requirement of up to 37 hours per week targeted at recipients who do not meet residence and employment criteria may be relatively costly for municipalities to implement, risks locking-in people in unskilled jobs and further stigmatising people with a foreign background.

Population ageing and past reforms of public benefits, notably increases in retirement ages and the 2013 reform restricting access to disability benefits, have coincided with increasing flows into disability-based early retirement and flex jobs schemes. As noted in the previous Survey, the system of early retirement is complex, with four different schemes and could be streamlined. Reducing the early retirement age to 3 years before the legal

retirement age in all schemes and assessing work capacity vis-a-vis a broader range of jobs and on a more regular basis could help maintain people with reduced work capacity in employment (Table 1.7).

The flex job scheme that allows people with disability to work part time while receiving complementary financial support, covered almost 100 000 people (around 3.5% of the workforce) in 2024. While it has contributed to improving labour market integration of people with disability, a number of people eligible for the scheme are unemployed due to insufficient supply of flex jobs, notably for skilled positions. After the 2013 reform of disability benefits that increased the share of people with significantly reduced work capacity in the scheme, average weekly working hours of people on flex jobs almost halved (from 17 to 9). More than a quarter of them worked less than 6 hours per week in 2024. For some groups of recipients, increased working hours can result in little financial gains due to benefit withdrawal, calling for strengthening financial incentives to make additional work pay.

Table 1.7. Past recommendations and actions on fiscal and labour market policies

Recommendations in past Surveys	Actions taken since 2024
Strengthen conditions to access senior disability benefits to ensure people who can work are encouraged to stay in the labour market.	No action.
Reduce the duration of student allowances to the length of the course as planned. Consider introducing an income-contingent loan system for students in master's degrees. Target the tenth grade to students with greater learning needs.	The length of student allowances was reduced in 2024. A reform of the tenth grade is envisaged.
Give more flexibility to municipalities on how to provide welfare services as planned. Carefully monitor the impact of deregulation on the quality of services across municipalities and regions. Consider new funding sources for non-essential services, including co-payments in the longer term.	In June 2025, the government launched a work program involving administrative savings of at least DKK 5.5 billion by 2030.
Increase digitisation of public employment services and phase out ineffective programmes. Consider contracting out services to private providers, while ensuring high-quality support to job seekers.	The planned reform of public employment services includes the removal of ineffective programmes. Pilot programmes will be used to test contracting out to private providers.
Improve pay and working conditions for care workers, within the collective bargaining framework, including by providing standard employment contracts.	A budget of DKK 6.8 billion has been used to make welfare professions more attractive. The 2024 long-term care reform should reduce bureaucratic tasks and service fragmentation.
Streamline and reduce administrative burdens on work permit schemes and create assessments of non-formalised skills in shortage areas.	The wage threshold in the Pay Limit Scheme will be reduced for firms covered by collective agreements and for selected countries of origin.

Table 1.8. Recommendations to sustain growth in a two-speed economy

MAIN FINDINGS	RECOMMENDATIONS (key in bold)
Addressing key risks to macroeconomic stability	
GDP growth is projected to slow and domestic activity to strengthen gradually. Fiscal policy will ease, remaining in line with fiscal rules.	**Implement existing fiscal plans for 2026, reducing government surpluses within fiscal rules.**
The financial sector has been resilient to past shocks, but household gross debt is relatively high, with a significant share of mortgages with high loan-to-value ratios.	Strengthen macroprudential tools including by increasing the minimum downpayment, mandating amortisation requirements for high risk loans and reinforcing affordability tests for variable rate mortgages.
Insurance companies, pensions funds and investment funds are an important, growing and interconnected part of the Danish financial sector, requiring closer monitoring.	Strengthen supervision of non-banking financial institutions, notably by including them in systemic risk assessment and stress testing exercises.
Rising trade barriers, dependency on critical imports and the outsized role played by a few large firms create vulnerabilities.	Strengthen analysis of Denmark's strategic vulnerabilities and support research on critical products, coordinating with other EU countries. Develop alternative measures to GDP to assess the economy's cyclical position, controlling for the impact of contributions of merchanting and processing activities.
Improving conditions for broader-based growth	
Public support for businesses such as preferential tax treatments offered to foundations and family-owned businesses lacks a systematic justification, clear objectives, and regular evaluations.	Phase out ineffective schemes, including the preferential tax treatment of family-owned businesses.
There is room to improve public support to business R&D by reducing overlaps and promoting cooperation between researchers and firms.	Strengthen coordination of R&D public support by eliminating overlaps and increasing the number of shared positions between universities and businesses.
Digitalisation and artificial intelligence can bolster efficiency gains in the public sector, but skills shortages impede adoption.	Allow more flexibility in the public wage setting system to address skills shortages.
Denmark is lagging other Nordic countries in developing prevention against public integrity risks. There are few safeguards against undue influence on policy making.	**Establish a risk-based public integrity framework with stronger safeguards against conflict-of-interest and undue influence in lobbying and political finance.**
Ensuring fiscal sustainability despite growing pressures	
The government budget balance is in surplus, public debt is relatively low and the fiscal framework is strong, but there are fiscal pressures from ageing, defence, climate change and social spending.	**Maintain and consider strengthening the long-term fiscal strategy to manage future spending pressures accounting for defence needs, climate costs and demand for welfare services.**
Shift to a greener mobility will entail substantial losses of tax revenue.	Consider introducing distance-based taxation for all motor vehicles.
Increased working hours can result in little or no financial gains for people working on flex jobs due to benefit withdrawal.	Strengthen financial incentives to increase working hours for people on flex jobs.
A major reform aims to substantially cut spending and streamline active labour market policies and expand the role of the private sector in public employment services. There are concerns quality of activation policies will decline, especially for those directed to vulnerable groups.	Continue to implement the on-going reform of active labour market policies by reducing bureaucracy and removing ineffective programmes. Reinforce monitoring and accountability of public employment services providers to ensure reform does not negatively affect jobseekers with low employability.
Spending on healthcare and long-term care is high and will rise fast with population ageing. The 2024 reforms aim at strengthening prevention and reducing administrative costs.	**Achieve efficiency gains and cost savings in health and long-term care by strengthening prevention and reducing administrative costs as planned and by managing the level and targeting of provision.**

References

AE - The Labour Movement's Business Council (2023) The richest percent holds a quarter of the total wealth, July 2023.

Andersen H.Y. et al. (2024) The Danish Savings Surplus: Trends in Firm and Household Savings, Danmarks Nationalbank Economic Memo No. 6, September 2024.

Barnes, S., B. Cournède and F. Hanmer (forthcoming), "Searching for Savings: What Can Be Explained in Government Spending in OECD Countries", OECD Economics Department Working Papers, OECD Publishing, Paris

Bovin, Andreas et al. (2024) The household cash-flow effects of monetary policy in Denmark and the euro area, Economic Memo, No. 1, Danmarks Nationalbank, Copenhagen.

Branner V. H. et al. (2024) "Fragmentation of global trade could challenge the Danish economy", Analysis, n°20.

DA Confederation of Danish Employers (2025) DA's Policy Recommendations for reduction of administrative burdens stemming from the EU, August 2025.

Danish Industry (2025) Two superstars are behind the employment growth in the industry, May 2025

Danish Ministry of Economic Affairs (2024), Economic Survey, December 2024.

Danish Ministry of Employment (2025) Agreement on reform of employment efforts, April 2025 (in Danish).

Danish Ministry of Finance (2025) Updated 2030 scenario: Basis for expenditure ceilings in 2029, August 2025.

Danmarks Nationalbank (2024) Response to the European Commission consultation on assessing the adequacy of macroprudential policies for non-bank financial intermediaries (NBFI), Consultation Response, 6 November 2024.

Danmarks Nationalbank (2025a) Towards a neutral monetary policy in 2025, Danmarks Nationalbank Analysis, No.7.

Danmarks Nationalbank (2025b) Global uncertainty affects the financial sector Financial stability, Danmarks Nationalbank Analysis, Financial stability – biannual review and recommendations, No. 13.

Dechezleprêtre, A. et al. (2024), "A comprehensive overview of the renewable energy industrial ecosystem", OECD Science, Technology and Industry Working Papers, No. 2024/11, OECD Publishing, Paris.

DORS (2024a) Danish Economy, autumn 2024 Chapter I: Current economic policy.

DORS (2024b) Economy and Environment 2024 Chapter III: R&D support, innovation and green technology.

Economist Impact (2023) Global Maritime Trends 2050 Report.

EIB (2025) EIB Investment Survey 2024: Denmark overview.

Ejrnæs and Astrid Würtz Rasmussen (2025) Public Sector Wages, Nordic Economic Policy Review 2025.

Encinas-Martín, M. and M. Cherian (2023), Gender, Education and Skills: The Persistence of Gender Gaps in Education and Skills, OECD Skills Studies, OECD Publishing, Paris.

European Commission (2024), "The 2024 Ageing Report - Economic and budgetary projections for the EU Member States (2022-2070)", Directorate General for Economic and Financial Affairs.

Expert Group on the Future of Business Support (2024) *The Future of Business Support: Mapping, Principles and Streamlining*. Copenhagen: Danish Ministry of Industry, Business and Financial Affairs.

Feldthusen R.K. (2023) Denmark: Enterprise Foundations in A. Sanders and S. Thomsen (eds.), "Enterprise Foundation Law in a Comparative Perspective", Intersentia Online, 2023.

Filippucci, F. et al. (2024), "The impact of Artificial Intelligence on productivity, distribution and growth: Key mechanisms, initial evidence and policy challenges", OECD Artificial Intelligence Papers, No. 15, OECD.

Hviid S.J. et al. (2025) The increasing importance of the largest companies, Danmarks Nationalbank Analysis, n°8.

IMF (2024) "Vulnerabilities and Risks in Denmark's Nonbank Financial Institutions", IMF Selected Issues Paper No. 2024/044.

Jensen R.M. (2025) High price level contributes to lower inflation in Denmark than in the euro area, Danmarks Nationalbank Analysis, n°5.

Kaihlanen, A., et al. (2024), "Continuing Education in Digital Skills for Healthcare Professionals — Mapping of the Current Situation in EU Member States", International Journal of Health Policy Management

Langenbucher, K. and M. Vodopivec (2022), "Paying for results: Contracting out employment services through outcome-based payment schemes in OECD countries", OECD Publishing, Paris.

OECD (2019), OECD Economic Surveys: Denmark 2019, OECD Publishing, Paris.

OECD (2022), International Migration Outlook 2022, OECD Publishing, Paris.

OECD (2023a), Implementing the OECD Anti-Bribery Convention Phase 4 Report: Denmark, Implementing the OECD Anti-Bribery Convention, OECD Publishing, Paris

OECD (2023b), Beyond Applause? Improving Working Conditions in Long-Term Care, OECD Publishing, Paris

OECD (2024a), OECD Economic Surveys: Denmark 2024, OECD Publishing, Paris.

OECD (2024b) Investing in Youth: North Denmark Region, Investing in Youth, OECD Publishing, Paris.

OECD (2024c) 2024 Anti-Corruption and Integrity Outlook Denmark Country Note, OECD Publishing, Paris..

OECD (2024d) OECD Survey on Drivers of Trust in Public Institutions 2024 Results - Country Notes: Denmark, OECD Publishing, Paris.

OECD (2024e), OECD lobbying recommendation from 2024, OECD Publishing, Paris.

OECD (2025a), *OECD Economic Outlook, Volume 2025 Issue 1: Tackling Uncertainty, Reviving Growth*, OECD Publishing, Paris.

OECD (2025b), "Reforms, modernisation and co-operation of Public Employment Services to promote an inclusive Nordic common labour market", OECD Publishing, Paris.

OECD (2025c),"OECD global long-run economic scenarios: 2025 update", OECD Economic Policy Papers, No. 36., OECD Publishing, Paris.

OECD (2025d), *Better Regulation Practices across the European Union 2025*, OECD Publishing, Paris.

OECD (2025e), OECD Anti-Bribery Convention Phase 4 Follow-Up Report on Denmark Implementing the Convention and Related Legal Instruments, OECD Publishing, Paris

OECD/European Commission (2024), "Health at a Glance: Europe 2024: State of Health in the EU Cycle", OECD Publishing, Paris

Pedersen, L. H. (2025) "Fiscal Consequences of Green Transition in Denmark", *Nationaløkonomisk Tidsskrift*, Special Issue on the Green Transition and the Danish Economy, p33-52, 2025

Terracol M. (2023) How well do EU countries protect whistleblowers? Assessing the transposition of the EU Whistleblower Protection Directive, Transparency International

Timoney, K. (2023) Demystifying Ireland's national income: a bottom-up analysis of GNI* and productivity, Irish Fiscal Advisory Council Working Paper Series No. 21. Dublin.

Transparency International Denmark (2024) Whistleblowing 2023 Report

UNCTAD, (2024) Review of Maritime Transport 2024


Sydhavn Kaj 21-34
Spor

2 Denmark's pathway towards net zero and climate resilience

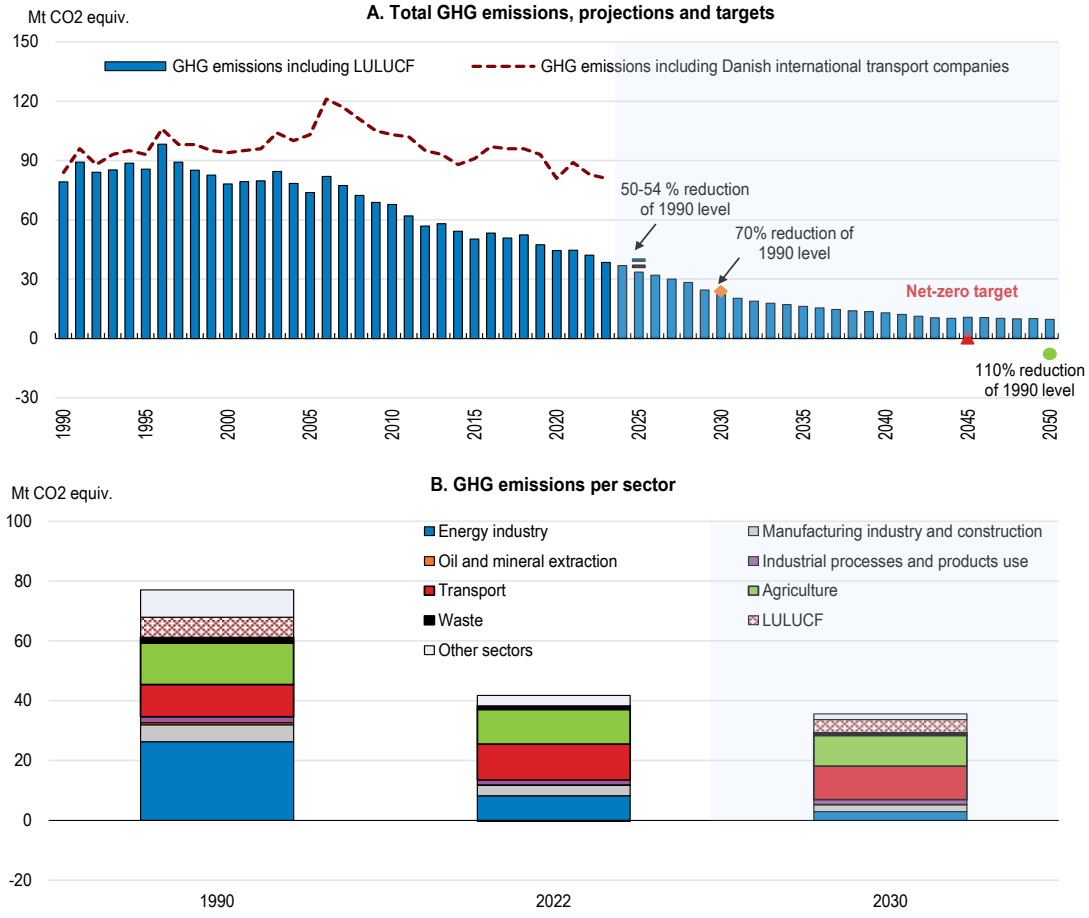
Caroline Klein

Denmark is at the forefront of climate mitigation policy with the ambition to reach climate neutrality by 2045 and a comprehensive package of policies including a broad carbon pricing system. Following the 2022 Green Tax Reform and the 2024 Green Tripartite Agreement that expands carbon pricing to agriculture production - a first in the OECD - it is now on track to meet its 2030 greenhouse gas emissions target. However, additional efforts will be needed to meet the 2045 government target. Further action is also needed to adapt to a changing climate. Large and rising exposure to sea level rise, windstorms, heavy precipitations and floodings calls for accelerating and better coordinating investment in adaptation measures. Fragmentation of adaptation policy has narrowed its scope and impeded coordination. Investment incentives and support for adaptation need strengthening, while reform of the insurance system should aim to maintain high protection against climate-related damages.

2.1. Denmark relies on a range of policy instruments to achieve ambitious climate mitigation targets

Denmark is among leading countries in climate action and has managed to reduce substantially its greenhouse gas emissions (GHG) since 1990 (Figure 2.1, Panel A). It uses a vast range of policy instruments for climate change mitigation, combining regulatory measures, market-based instruments, and public support. The Green Tripartite Agreement signed in November 2024 introduced new measures which should allow to meet the country's 2030 target of a 70% emission reduction compared to 1990 levels. Denmark also plays a central role in the Coalition of Finance Ministers for Climate Action. Emission projections and the effectiveness of climate policies remain uncertain though, making timely monitoring and transparent contingency measures essential for achieving targets (Danish Council on Climate Change, 2024). Reaching the government's targets of climate neutrality by 2045 and reducing GHG emissions by 110% by 2050 go beyond the EU target and will require additional policy action. At the same time, rising temperatures, more frequent extreme weather events and rising coastal erosion call for greater focus on climate adaptation.

Figure 2.1. Denmark is on track to meet its 2030 emission reduction target, but more effort is needed to reach climate neutrality



Note: Blue bars in Panel A and data in Panel B show national emissions inventory under UNFCCC rules, including emissions from land use, land-use change, and forestry (LULUCF). Starting from 2024, data show 2025 projections of the Danish Centre for Environment and Energy (shaded areas in Panel A).

Source: Ministry of Climate, Energy and Utilities, "Klimastatus og-fremskrivning 2025", April 2025; Statistics Denmark; Denmark's National Inventory Document 2024; and Danish Centre for Environment and Energy, Projection of greenhouse gas emissions - 2020 to 2040 data.

StatLink https://stat.link/uzxc70

2.1.1. Denmark is on track to meet its 2030 emission reduction targets

After the rapid progress in the decarbonisation of energy industries and the building sector (see Chapter 4), emission reduction efforts should now concentrate on transport and agriculture. These two sectors accounted for nearly two thirds of total emissions in 2023 and are expected to remain the main emitters going forward (Figure 2.1, Panel B). Under the EU Effort Sharing Regulation, Denmark is required to halve emissions in the non-ETS sectors relative to 2005 by 2030, essentially in these two sectors. International transports operated by Danish companies are also large emitters but are not accounted for in Denmark's emissions under the Paris Agreement. When included in emission accounting, GHG emissions in Denmark have broadly remained at their 1990 level (Figure 2.1, Panel A), although most of this is associated with activities outside Denmark.

Denmark uses a vast range of policy instruments for climate change mitigation, combining regulatory measures, market-based instruments, and public support to most-affected firms and green technologies development. The policy focus has been increasingly on taxing GHG emissions to cut emissions in activities with the lowest abatement costs in an efficient way across activities and on helping channel private investment to climate-consistent projects. The 2022 Green Tax Reform and the 2024 Green Tripartite Agreement expand the coverage and set a clear path for carbon pricing from 2025 onwards, including for livestock farming (Box 2.1). Generous subsidies to finance decarbonisation and tax deductions in sectors exposed to international competition have supported the acceptance of the reform by those more affected but have increased its socio-economic cost.

Box 2.1. Denmark's carbon tax reforms

Denmark is among the OECD countries with the highest levels of effective carbon taxation, but significant discrepancies across sectors subsist (Figure 2.2). The 2022 Green Tax Agreement and the 2024 Green Tripartite Agreement aim to expand the coverage of carbon pricing and create a predictable framework for companies' climate change transition. They combine financial incentives for emission cuts with targeted support to limit carbon leakage risks.

Phase 1 – carbon taxation of industrial and energy activities (2022 Green Tax Agreement)

In industrial and energy sectors, the carbon tax will rise to 750 DKK (EUR 100, 2022-price levels) per tCO_2 by 2030 for firms not covered by the EU Emission Trading Scheme. A 375 DKK (EUR 50, 2022-price levels) per tCO_2 tax and a minimum carbon price will be introduced for firms covered by the EU ETS. The cement industry and other mineralogical processes benefit from a reduced rate. International transports are fully exempted and the fishery industry benefit from an exemption until 2029. In some sectors, the increase of the carbon tax is offset by cuts in the energy tax (Figure 2.2, Panel B). A Green Fund of EUR 7.2 billion (around 2% of GDP) supports investment from 2024 to 2040, including on offshore wind development and CO_2 capture and storage. How the carbon taxation system will adjust to the implementation of EU-ETS2 in 2028 remains uncertain at this stage.

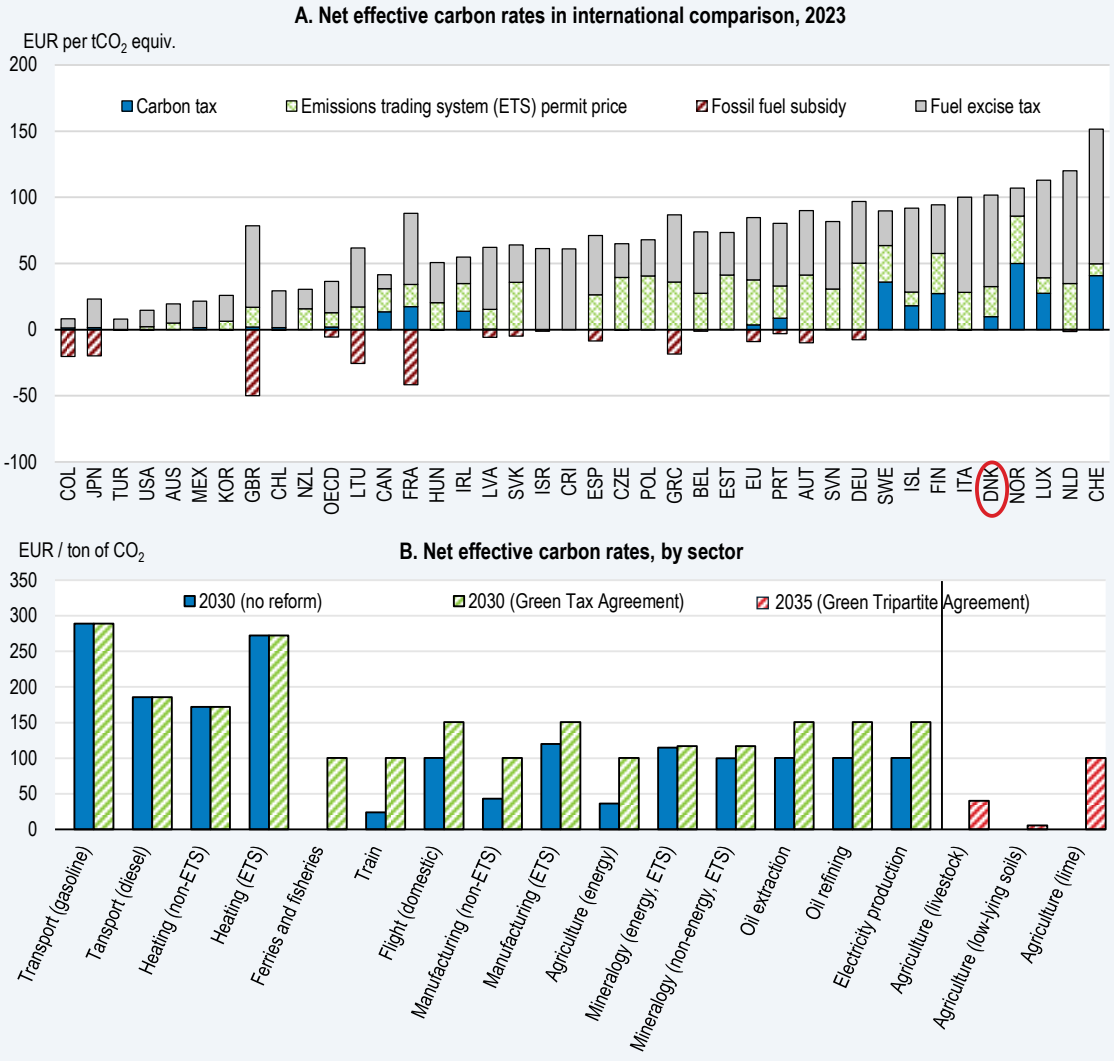
Phase 2 – carbon taxation of agriculture non-energy emissions (2024 Green Tripartite Agreement)

Among a broader reform of agriculture land use, taxes on GHG emissions from livestock, agricultural lime and carbon-rich low-lying soils will be introduced in 2030. A base deduction of 60% of emissions will apply to the average emissions from diverse types of agriculture activities resulting in an effective tax rate of DKK 120 (EUR 16) per tCO_2 in 2030, increasing to DKK 300 (EUR 40) per tCO_2 from 2035. Carbon taxes on low-lying soils of DKK 40 (5 EUR) in 2030 and agricultural chalk of DKK 750 (100 EUR) will be introduced from 2028. Taxes on fluorinated greenhouse gases (F-gases) will increase to DKK 750 (EUR 100) per tCO_2 from 2027. While estimates are subject to high uncertainty, the reform is projected to reduce GHG emissions by at least 1.8 million tCO_2 in 2030 and between 3.3 and 3.6 million tCO_2 in 2035, around 15% and 27% of 2023 GHG emissions from agriculture in Denmark, respectively.

Measures have been put in place to support farmers during the transition. The tax is designed to ensure that most climate effective farmers can avoid the tax, as reducing emissions to the level of the base deduction is possible with existing climate solutions. The proceeds from the new carbon tax will be redistributed to the agricultural industry. Some regulatory fees for slaughterhouses will be reduced from 2029, and subsidies will be provided to encourage lower fertiliser use. EUR 5.3 billion will be invested in rewetting land combined with the

tax on emissions from carbon-rich peat soils. EUR 1.3 billion will be allocated to support the production of biochar through pyrolysis. The total cost of the reform for public finances is estimated at around EUR 4.3 billion from 2025 to 2030 and at EUR 7.5 billion by 2045 (Danish Government, 2024; Beck, 2024).

Figure 2.2. The coverage of the carbon tax is set to broaden further



Note: In Panel A, "Carbon tax" refers to all taxes for which the rate is explicitly linked to the carbon content of the fuel or where the tax is levied directly on GHG emissions. Rates are those applicable on 1 April 2023. See OECD (2024), Supplement to Pricing Greenhouse Gas Emissions 2024: Gearing Up to Bring Emissions Down, for country-specific details on data coverage. In Panel B, net effective carbon rates include the carbon tax, EU-ETS 1 and energy taxes. EU-ETS 2 is not included.
Source: OECD (2025), OECD Net effective carbon rates (database); and Danish Ministry of Taxation.

StatLink https://stat.link/ktfp07

Socio-economic impact of the reforms

The implementation of the first phase of the green tax reform is estimated to have a small negative impact on activity, reducing employment in industry by 1300 (DORS, 2022). In agriculture (phase 2), low effective levels of carbon taxation and subsidies should avoid large cuts in agricultural activities and related negative local social effects, with an estimated 2% decline of employment in agriculture by 2035 (2000 job losses, Ministry of Finance, 2024). The reform's overall impact on employment is projected to be broadly neutral.

Measures to reduce emissions vary widely in their abatement costs, as illustrated by available estimates (Table 2.1). For instance, the cost efficiency of subsidies to pyrolysis is questionable given estimated relatively high abatement costs and large uncertainty about their environmental impact (Langhede, 2024). The government should systematically ensure technological neutrality when allocating funds, offer subsidies awarded through a competitive application process, and improve transparency on abatement costs of planned measures. Denmark could also go further in making emission pricing more uniform across sectors by setting a clear roadmap for the phaseout of rebates in carbon pricing, notably in the emission-intensive cement industry and in agriculture, as suggested in past Economic Surveys (Table 2.2). This could be done during the planned revision of the Agreement of the Green Tax Reform in 2026 for mineralogical processes.

Table 2.1. Estimated shadow price of selected emission reduction measures by 2030

Measure	GHG emission reduction million ton CO_2 eq./year	Budget impact million DKK per year	Shadow price DKK per ton of CO_2 eq. (with externalities)	Shadow price DKK per ton of CO_2 eq. (without externalities)
Carbon tax	2.6	900	275	-
Carbon tax on livestock without deduction (1)	3.2	1 150	150	475
Green tax reform – estimates by expert group (2) including:	2.6	-700	325	550
Carbon tax on livestock	0.4	-	-	-
Afforestation	0.1	-	-400	470
Rewetting of agriculture land	0.3	-	20	570
Subsidy on fertiliser use	0.1	-	380	380
Subsidies to pyrolysis	0.2 (0.3)	-225 (-600)	1900	-
Tax on F-gases	0.1	-	-	
Subsidy on feed additive	0.4	-	-	-
Carbon Capture and Storage	2.3	1770	700	700

Note: The shadow price measures the loss of economic welfare related to the measure and excludes or includes estimated externalities (socio economic value of environmental effects). Estimates for the "Carbon tax" are taken from the L183 bill on carbon and energy taxation. (1) and (2) draw on the Green Tax Reform final report in absence of updated estimates for the 2024 Green Tripartite Agreement (model 1 and model 2b respectively). Model 2b includes a tax of DKK 750 per CO_2 tonne with a 50% base deduction on livestock, subsidies on fertiliser use, rewetting of land, and afforestation. Estimates on biochar produced by pyrolysis provided by the Danish Ministry of Climate, Energy and Utilities are shown in brackets. Estimates on Carbon Capture and Storage relate to 2022-2024 public tenders.
Source: Expert Group for a Green Tax Reform; Danish Ministry of Climate, Energy and Utilities; Danish Ministry of Taxation; OECD calculations.

With the high level of ambition in emissions reduction, carbon capture and storage (CCS) is expected to play an important role, with more than 20% of emissions reduction needed to achieve the 2030 target relying on the deployment of the technology. Denmark has three funding schemes totalling approximately DKK 38 billion for CCS projects and the first tender was completed in 2023. Difficulties to coordinate the establishment of CCS value chains (between capture, transport and storage), to establish transport and storage infrastructure in time for CCS projects to operate effectively within the timeline, as well as uncertainty about the Carbon Removal Credits schemes have made it difficult to achieve initial ambitious targets for CCS development (Danish Energy Agency, 2024). Like in Sweden, negative emissions can be traded through voluntary carbon removal certificates. Pricing of negative emissions should be further promoted, ideally within an EU framework.

2.1.2. Reducing GHG emissions from agriculture production

With the 2024 Green Tripartite Agreement, Denmark has become the first country to introduce a carbon tax on livestock farming (see Box 2.1), although some other countries have had well-developed plans in this area. While its emission intensity has declined below the OECD median, agriculture remains among the most greenhouse gas- and energy-intensive sectors in Denmark, due to its focus on livestock and dairy production (OECD, 2021). The decision to initially implement low effective taxation levels helped to reach an agreement with the agricultural sector. Carbon leakage risks and the relatively unproven mitigation technologies may also provide some justification for starting with a low rate initially as was done with the original EU ETS for instance. However, this may delay the

transition by postponing deep structural changes needed for the decarbonisation, including future technology developments and adoption. Incentives for technology adoption could be strengthened by providing a GHG-reduction audit to qualify for transition support in large farms, as done in industry, and developing partnerships between research institutions and private companies. The tax level should be regularly revised as planned, to reflect progress in technical abatement measures.

Accurately measuring and monitoring emissions at the farm level presents technical challenges, as illustrated by New Zealand's experience. Initiatives, such as the He Waka Eke Noa partnership, to develop systems for farm-level emissions reporting exposed limitations in existing measurement tools and models, which often rely on generalised assumptions or national averages that lack precision. Denmark should strike a balance between minimising implementation costs for farmers and developing a sufficiently precise system to ensure fair treatment and meaningful incentives for emission reductions. Supervision may also be challenging as noted by the National Audit Office on the control of nitrogen emissions from fertilisers (National Audit Office, 2024).

The Green Tripartite Agreement includes a vast reform of land use with the conversion of agricultural land into forest and natural reserves and a new target for rewetting land. Rewetting of carbon rich soils should be accelerated as it contributes to carbon sequestration and reduces nutrient loads in the environment to the benefits of biodiversity, quality of air, soils and waterbodies. Only 0.1% of the 140 000 hectares of carbon-rich lowland soils targeted for uptake by 2030 had been taken out by the end of 2023. A Green Land-Use Fund with a budget of DKK 43 billion is established to finance land conversions up to 2045. "Watershed steering committees" chaired by the municipalities will be in charge of designing conversion plans by 2025 and their implementation by 2027 to facilitate engagement and coordination among stakeholders. However, there has been a lack of clarity on prioritisation as for the restructuring of land use so far, calling for designing a national land-use strategy.

2.1.3. Reducing GHG emissions in the transport sector

The transport sector is the second largest GHG emissions emitter and per capita transport-related emissions are above the OECD average. Emissions in the sector have increased compared to 1990 but are on a declining trend since 2007. The fast electrification of the car fleet is projected to reduce transport emissions by almost two thirds by 2035 relative to 1990. The uptake of zero emission vehicles has surged and at above 60% of newly registered cars is now among the highest in the OECD, supported by a large deduction on the registration tax for zero-emission vehicles. Planned cuts in the electricity tax in 2026-27 should further support car fleet electrification. Emissions from domestic shipping and aviation, accounting for only around 5% of transport sector's total, are expected to decline more modestly, as, for most, switch to alternative fuels remains economically unviable.

As recommended in past Surveys, alternative and cost-efficient measures should be adopted to reduce emissions from road use. The high take-up rate of electric cars suggests that support to electric cars could be reduced in line with the narrowing price gap between electric and conventional cars (DORS, 2025). The commuter tax deduction and allowances should be lowered, and public transportation networks be expanded further (OECD, 2021; Table 2.2). Diesel-fuelled trucks and cars account for around half of emissions in road transportation. Increasing the diesel tax would help reducing emissions from road transport, including from foreign heavy goods vehicles refuelling in Denmark where the tax is lower (Danish Council on Climate Change, 2024). A distance and CO_2-based toll for heavy vehicles (KmToll) was introduced in 2025 and will be gradually extended to the entire public road network by 2028, which is welcome. Extending it to passenger cars should be considered to reduce road use and compensate for revenue losses from fossil fuels taxation (see Chapter 1).

The development of a nationwide public charging network, including for trucks supported electrification in transports and should continue. Accelerating the expansion of the electricity network will be key, calling for strategic planning and investment in grid upgrades (cf. below). The Danish Competition and Consumer Authority has identified significant barriers to competition in the electric vehicle charging market, including complex bundling of home/public charging services (Danish Competition and Consumer Authority, 2023). Measures are needed to increase price transparency, reduce switching costs, simplify payment methods to foster a more competitive and efficient market structure resulting in lower prices for consumers.

While they have decoupled from growth in freight volumes over the past decade, emissions from Danish international transport companies have stabilised at a relatively high level. The shipping sector consists of a large

amount of capital-intensive fixed assets with long lifespans, which makes a transition to zero emissions both long and costly (ITF, 2022). Emissions from maritime transport are partly covered in the EU ETS and the FuelEU Maritime initiative increases financial incentives to switch to bio and alternative fuels. Following the agreement on the International Maritime Organisation Net-zero Framework in early 2025, a GHG fuel standard and a global pricing mechanism for emissions could be established by 2027. National action plans can support the achievement of international commitments through complementary national action. Denmark should define such a plan, as done in Finland, Japan, Norway, among others (Box 2.2).

Box 2.2. National Action Plans for decarbonisation of maritime transport

National Actions Plans can contribute to achieving international commitments to decarbonise international maritime transport by defining coherent legislative and investment measures to meet or surpass International Maritime Organisation (IMO) climate targets by mobilising a broad range of national stakeholders, coordinating their actions, including with other national strategies, and by allocating resources for research on innovative emissions abatement measures in the sector. They can stimulate private sector engagement and investment by sending a clear signal on future plans.

Following IMO's guidelines for designing Action Plans, the Plans could include changes in national regulation and institutions for the implementation of IMO instruments, as well as initiatives to promote ship energy efficiency, the adoption of zero or low-carbon fuels and port emission reduction activities among others. The plans should foster training, awareness, research, and partnerships to enable technical and operational innovation. National Action Plans typically include detailed targets and measures, notably regulation, taxation, funding, for instance by ship types (Norway) or by low-emission technology (Japan).

Sources: IMO, Action Plans of Finland, Norway, and Japan

Denmark supports the development of alternative fuels, such as hydrogen and derived fuels, like e-methane, to reduce emission in hard to electrify transports. It invested DKK 1.3 billion in Power-to-X and allocated DKK 1.8 billion to support sustainable domestic aviation, including for the use of e-fuels. Power-to-X initiatives that consist of using electricity produced from renewable sources, capturing CO_2 emissions and convert them into e-fuels could contribute to a circular carbon economy and offer an alternative to conventional fuels. However, these technologies are not cost-competitive due to high capital costs to establish infrastructure for production, transportation and storage, their low production efficiency (energy losses during the conversion process) and regulatory hurdles in emissions accounting. The deployment of other low carbon technologies using renewable energy sources in transports, such as rotor sails on ships, are also hindered by emissions accounting based on inputs rather than emission reductions (Haugh et al., 2025). Denmark should pursue its effort to promote alternative fuels, ideally through international collaboration at the EU level, while systematically considering alternative options and costs.

2.1.4. Fostering investment in the electricity sector

Denmark is among the most energy efficient OECD countries and reliance on fossil fuels has declined significantly over the past two decades. Its energy system has transformed significantly, integrating green technologies, notably offshore wind, biomethane, and combined heat and power plants. Renewables made up around 45% of total energy supply and 55% of total energy production in 2023. Denmark plans to eliminate reliance on fossil fuels by 2050, through extensive electrification and adoption of biofuels. More than 80% of electricity production already comes from renewable energy sources (RES), among the highest rates in the OECD and this share is projected to reach 100% by 2030.

Biomass accounted for almost 70% of renewable energy in 2022, 30% of which was imported. Biomass use in the energy sector is considered CO_2 neutral according to UN emission accounting guidelines and, combined with carbon capture and storage technologies, could help reach carbon neutrality in Denmark. However, the assumption from a lifecycle perspective has been challenged in the scientific literature. There are also negative local air pollution effects from burning biomass and harvesting can be detrimental for the use of land as carbon sinks, for biodiversity and soil quality, with the precise environmental effects dependent on the type and source of biomass. High reliance on wood biomass is projected to significantly decline by 2035 and sustainability requirements were strengthened

in 2025. As recommended in past *Surveys*, incentives for wood biomass use (tax exemptions and subsidies) should be further reduced to better account for its climate and environmental impact (Table 2.2). This would help to reduce overreliance on this energy source, short-term GHG and pollution emissions, import dependency and pressures on this scare resource. Technology-neutral support to green innovation should continue, as it can help to optimise the use of wood biomass and mitigate its negative environmental impact.

There have been delays in plans to expand renewable energy production capacity. Denmark's initial plans to expand offshore wind power generation have been revised with a new political agreement in May 2025. In 2024, public auctions failed, as tender procedures could not adjust to changes in market conditions, notably large increases in investment and construction costs and heightened uncertainty on future electricity prices. A revenue stabilisation model - contracts for difference – has been introduced (up to DKK 55.2 bn over the next 20 years) and should help to meet the targets by reducing investment risks. Allowing more flexibility in tender procedures to adapt to market conditions and address challenges identified during market dialogue could also help reduce the risk of auction failures and unnecessary delays in projects. Onshore renewable energy investments have been hindered by changes in the support scheme, grid charges, and permitting barriers (IEA, 2023). Swift implementation of recommendations from the task force "National Energy Crisis Staff" to remove administrative and regulatory barriers to RES investment should continue (Table 2.2).

The slow pace of grid investment is another important barrier to renewables deployment (IEA, 2023). Grid capacity has reached its upper limit in some areas, expansion has been significantly delayed, and transmission grid investments are estimated to DKK 45 billion by 2027, increasing annual investment to DKK 11 billion over the next 4 years (0.4% of GDP, Energinet, 2024). Adequate and timely expansion of the electricity grid remains challenging due to long procedures, calling for aligning expropriation procedures to those applied in other public infrastructure projects and establishing fast-track processes for simple expansion projects (NEKST, 2024). Expanding the use of overriding public interest provisions in project approvals should also be considered as done in Germany or Switzerland. Balancing the electricity system and maintaining price stability will also become increasingly difficult as wind and solar energy expand and controllable capacity, such as gas power, is phased out, making supply more weather-dependent and less flexible. Meeting growing balancing needs will require further investment in interconnection, storage, and flexible generation. In particular, measures should be taken to further strengthen cross-border electricity market integration in the context of the Nordic electricity market. Technologies, such as Power-to-X, could help but should be evaluated through transparent, full life-cycle cost-benefit analyses.

Table 2.2. Past recommendations and actions taken for climate mitigation and adaptation

Recommendations in past Surveys	Actions taken since 2024
Clarify and complement planned policy action to reach the 2030 emissions reduction target, including by enacting the green tax reform and ensuring consistency with the EU ETS II from 2027.	2025 climate projections suggest the 2030 will be reached with a margin of 1.5 million ton CO_2e thanks to the positive contribution of the 2024 Green Tripartite Agreement.
Make emission pricing outside the EU Emissions Trading System more uniform by implementing a minimum price that reflects the evolution of prices in the EU Emissions Trading System.	The 2024 Green Tripartite Agreement introduces a carbon tax on livestock farming by 2030.
Introduce a low carbon tax on agricultural production and compensate those most affected.	A carbon tax on livestock farming will be gradually phased in from 2030 to 2035 with financial support to achieve the transition.
Streamline and accelerate procedures for the allocation of permits, notably for the construction of grid infrastructure by private stakeholders.	The EU's REIII Directive, the 2024 political agreement on 'faster and more efficient expansion of the electricity grid', and recommendations from the National Energy Crisis Task Force are being implemented.
Progressively reduce woody biomass use in electricity and heat production by strengthening regulatory and financial incentives.	Denmark tightened sustainability requirements for biomass in mid-2025.
Implement cost effective adaptation measures to manage climate-related risks at the local level.	A national action plan for coastal protection was established in 2023 and a second adaptation plan is expected by early 2026.

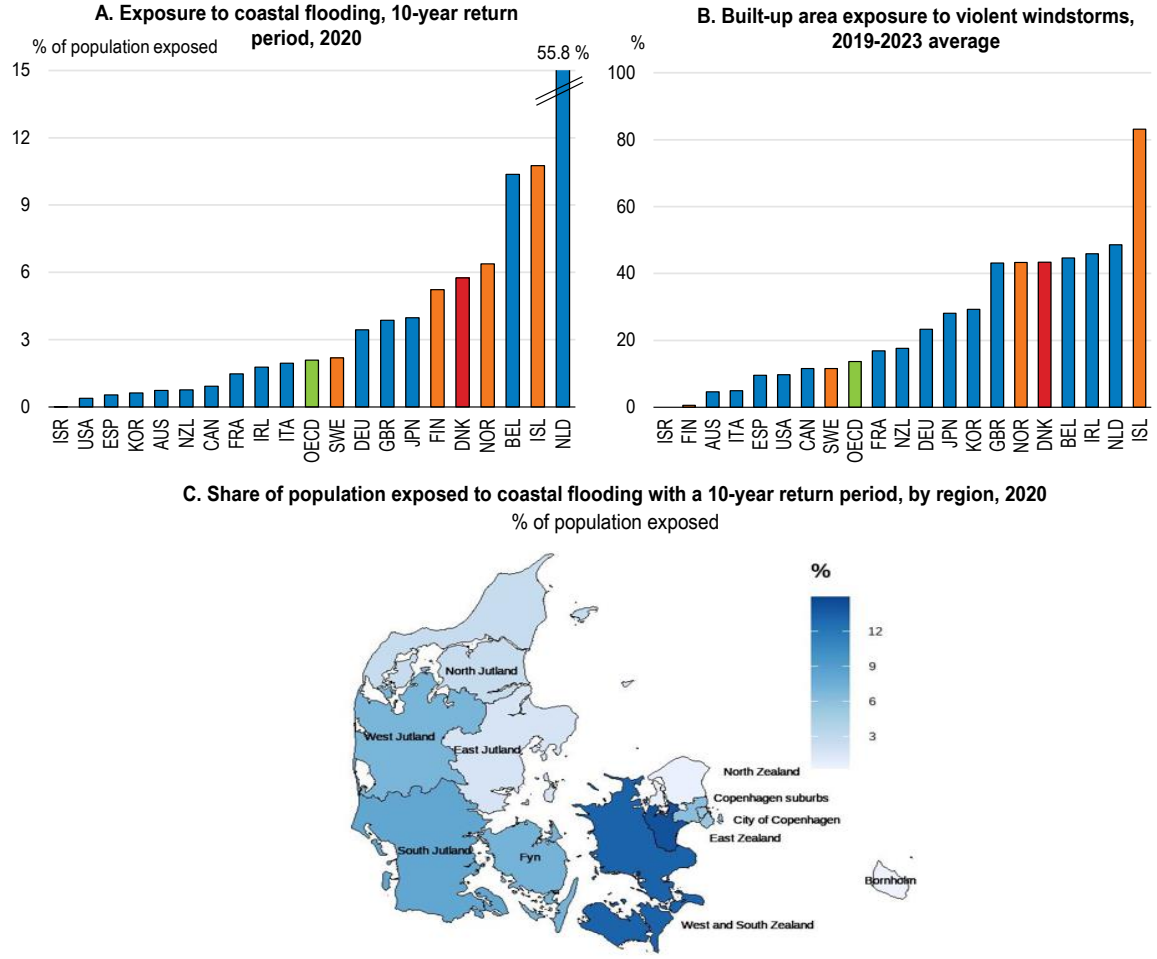
2.2. Addressing weather-related risks and strengthening climate resilience

2.2.1. Low altitude and a long coastline expose Denmark to climate risks

Denmark has the second-lowest average altitude in Europe, after the Netherlands, which makes it particularly vulnerable to coastal flooding and erosion from rising sea levels (Maes, 2022). Exposure to coastal flooding is the

fifth highest in the OECD (Figure 2.3). About one in twenty people lives in a coastal area likely to flood once every ten years and around 30% of Denmark's area is vulnerable to flooding from storm surges, cloudburst and rising ground water levels (FOGP, 2024). More than 40% of built-up area is exposed to violent windstorms, the fifth largest share in the OECD. Other climate risks, such as heat stress, wildfire or drought are relatively less pronounced than in other OECD countries but have risen.

Figure 2.3. Denmark is exposed to coastal flooding and windstorms



Note: A return period is the average or estimated time that an event is likely to recur. In Panel A and C, data are based on models of storm surges and extreme sea levels, and do not include sea level rise.
Source: OECD (2025), "Exposure to coastal flooding" and "Exposure to wind threats", OECD Environment Statistics (database); and Maes, M. et al. (2022), "Monitoring exposure to climate-related hazards: Indicator methodology and key results", OECD Environment Working Papers, No. 201.

StatLink https://stat.link/yqx2ib

Extreme rainfall events and storm surges have caused significant damages in Denmark. Although this partly reflects the high value of assets and the high insurance coverage, economic losses linked to extreme weather events such as storms and flooding have been relatively high compared with other European countries (Figure 2.4, Panel A). In 2011, a sudden cloudburst in the Greater Copenhagen area paralysed transport infrastructure for several days, disrupted healthcare services and induced insurance-covered costs alone of DKK 6 billion (Halsnæs et al., 2022). In 2023, an historic storm surge and record-breaking amounts of rain caused over DKK 3 billion damage (FOGP, 2024).

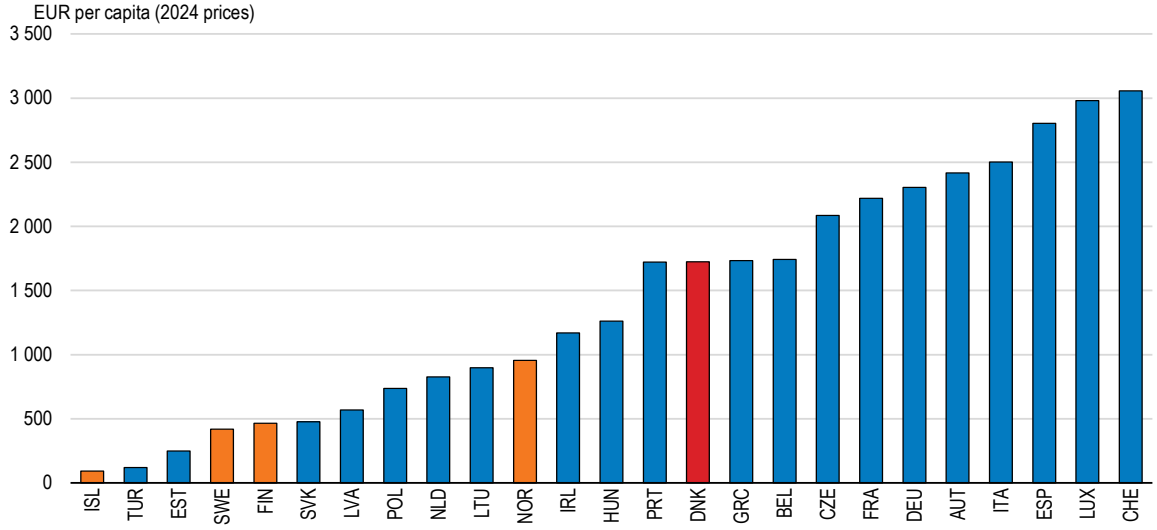
Future climate-related damages are projected to rise substantially due to intensifying rainfall and sea level rise. Under a medium-high emission scenario, which corresponds to global temperature change of around 3° by 2100, events currently expected once every 20 years could occur annually or biennially by 2100 (National Center for Climate Research, 2024). In absence of protection measures, the number of people in Denmark affected by storm surges is projected to increase fivefold over the next century and around 16 000 buildings would be flooded from

cloudbursts annually (Kaspersen and Halsnæs, 2025). Projections of the costs of flooding from torrential rain and storm surges suggest they could almost quadruple to reach DKK 27 billion per year in a century's time (1.1% of GDP), a low-bound estimate as it does not include impact on health, nature and some business activities (Halsnæs et al., 2024). In particular, in the absence of protective action, floodings in Copenhagen could result in substantial economic losses and widespread disruption. Notwithstanding direct economic losses of climate hazards, increasing climate risks can depreciate property values and affect credits institutions. Exposure of credit institutions collateralised by real estate at risk of flooding is significant and concentrated in a few areas (Jygert and Mirone, 2021).

Adaptation measures are essential to reduce economic losses from extreme weather events and can entail large positive externalities exceeding direct private gains. This includes investments in adaptive infrastructure, such as coastal defence, water storage facilities, resilient transportation networks, or energy systems. Under a medium-high emission scenario, adaptation measures for flooding and storm surge, including upgrading drainage networks and sewer systems, creating water retention areas and strengthening coastal protection with seawalls, are estimated to reduce damages from around DKK 400 billion to DKK 225 billion at a cost of about DKK 100 billion over the next century (Halsnæs et al., 2024). Alternative local and nature-based measures could potentially have a higher benefit-cost ratio.

Figure 2.4. Economic losses due to climate-related extreme events have been significant

Economic losses per capita due to weather- and climate-related extreme events, 1980 to 2024



Source: European Environment Agency (www.eea.europa.eu/en/analysis/indicators/economic-losses-from-climate-related).

StatLink https://stat.link/wued8v

2.2.2. Improving the national framework for adaptation

Climate change adaptation policy is mostly decentralised in Denmark and responsibility for planning adaptation measures lies with municipalities. All municipalities have a climate action plan and municipalities highly exposed to flood risks have to prepare risk management plans in line with the EU Flood Directive. Bottom-up design of adaptation plans, and involvement of local stakeholders can help build broad local support, avoid blockage in implementation, and ensure consistency with local development plans. However, high fragmentation of adaptation policies can lead to inefficiencies. Adaptation plans have been uneven across municipalities in terms of details and coverage (Gram-Hanssen et al., 2023). They often miss common approaches, tend to focus on most pressing climate risks, thereby overlooking certain risks, such as heatwaves and droughts and prioritise municipal assets (Holmbo Lind and Hansen, 2024).

Revising the 2008 National Climate Change Adaptation Strategy and the 2012 National Action Plan is needed to address a broader range of climate physical risks and address gaps. The 2023 National Plan on coastal protection and rising groundwater and the 2025 Acceleration Package are first steps. A second national plan is foreseen to further increase investment in coastal protection and establish new funding mechanisms. Denmark could take inspiration of OECD good practices to adaptation planning and implementation (Box 2.3). The revised national framework should include measurable targets against which progress can be assessed and a clear sharing of responsibilities to ensure accountability. Possible interactions and conflicts with other policy priorities, such as nature protection or climate change mitigation, should also be addressed. In particular, adaptation policy should articulate with the implementation of the Green Tripartite Agreement on agriculture land use as planned measures, such as rewetting agriculture land, can contribute to improving climate resilience.

A formal system for coordinating, monitoring and evaluating adaptation efforts needs to be established. Cooperation across government levels has happened on an ad hoc basis so far. While the Ministry of Environment holds the responsibility for national initiatives, legislation, and guidance, it does not oversee municipal plans. Furthermore, policies relevant to adaptation, including the green transition, land use and emergency planning, are dispersed across different ministries. This can lead to a lack of coordination and integration among policies, hindering a unified approach to climate adaptation. Denmark, unlike other Nordic countries, lacks elements of a regular monitoring, reporting and evaluations system, such as formal annual reporting procedures on adaptation progress to the respective Parliaments or plans to make them more comprehensive (Gram-Hanssen et al., 2023). The mandate of the Danish Council on Climate Change does not cover adaptation issues.

Box 2.3. Good practice approaches to adaptation planning and implementation

Successful climate change adaptation planning requires considering four main policy stages:

Risk assessment is essential to prioritise efforts on adaptation. In the UK, the government should produce a Climate Change Risk Assessment every 5 years that outlines current and projected climate impacts. This assessment helps determine the most urgent policy actions, key uncertainties, and research needs to better understand societal risks.

Planning outlines the roles and responsibilities that members of government and society have in responding to climate change. Chile's Climate Change Law introduced legal requirements for the regular development of climate adaptation plans across different levels of government, with sectoral, regional, and communal adaptation plans.

Implementation requires clear and actionable measures. Following Sweden's approach for climate mitigation policy, a climate adaptation report could be published as part of the annual Budget Bill to establish how the provisions and allowances of the Government's Budget contribute or detract from the country's adaptation targets. This would involve legislators who set budgets and public bodies responsible for the implementation of adaptation measures in climate policy planning.

Monitoring, evaluation and learning. South Korea's National Adaptation Plan for 2021 – 2025 requires mid-term and end-of-period evaluations, as well as annual stocktakes. The plan provides for annual self-evaluations by each government ministry as well as annual evaluation of critical climate adaptation projects performed by citizens' evaluation groups, with members across all levels of society.

Improving information on climate risks and their potential costs is critical for cost effective climate adaptation. While information on climate-related risks is available, including detailed flood-risk maps, a systematic national assessment of exposure and vulnerability across key natural hazards and sectors is missing (Gram-Hanssen et al., 2023). Denmark also lacks a comprehensive assessment of future climate-related economic damages, including their impact on health, business activity, and biodiversity. Identifying groups of people that could be disproportionally affected by climate-related damages would also help targeting policies to the most vulnerable.

Assessing adaptation projects at the local level and their expected impact on future costs would help better identify risks and needs. A national screening tool – KAMP – integrates detailed projections on climate change impact to support adaptation and land-use planning at the local level but does not assess how existing infrastructure or

planned adaptation projects reduce risks. Another tool for municipal planning - Kystplanlægger - outlines coastal flood risks and provides recommendations for potential coastal protection projects, but underlying data need updating, notably to include existing coastal protection measures. Alternative tools have been developed in parallel by local governments (OS2-SkadesØkonomi). Nevertheless, data on adaptation measures are not systematically collected and only around one third of municipalities use indicators to measure progress in their climate action plans (Holmbo Lind and Hansen, 2024), calling for strengthening the evaluation framework. Plans from the 2025 Acceleration Package to enhance data collection, including on the effectiveness of existing dikes, and to develop climate adaptation models are steps in the right direction.

Easing access to insurance data on the location and the cost of damages would improve risk assessment capacity but would require revising data protection regulation (FOGP, 2024). Revisions to the legislative framework are being explored. Mandating disclosure of compensation paid following natural disasters like in France and, in the longer term, establishing a confidential database of individual insurance claims would help to assess the financial consequences of natural disasters and inform prevention efforts.

2.2.3. Preventing construction in high-risk areas

Climate related risks can be limited by using zoning restrictions and spatial planning which is the responsibility of local authorities in Denmark. Under the 2018 Planning Act, municipalities are required to integrate climate adaptation considerations into land use planning, However, implementation has been inconsistent. Over 8,000 private residential buildings have been built in areas at risk of flooding between 2009 and 2021 (FOGP, 2024). In 2024, a government agreement proposed to strengthen the Planning Act by requiring municipalities to use standardized methods and data to identify flood-prone areas and by limiting new construction in these zones unless preventive measures are in place. Changes to the legislation are planned for the first half of 2026. To ensure uniform coastal protection standards across municipalities, nationwide regulations should be revised as planned. However, restrictions on construction in high-risk areas should also cover built areas, and managed retreat and setback zones made compulsory in local land-use plans in line with new national guidelines. In the Netherlands, the Environmental Planning Act streamlines regulation for spatial planning, environmental management and permitting.

Accessible information on climate risks would help households to better integrate these risks into their decision-making, including when buying a house. National and local initiatives to increase awareness such as online mapping tools of flooding risks could be complemented with public education campaigns. Adding climate-related risks to national mandatory certification of buildings, for instance by establishing a flood risk labelling scheme that details the level of risk, prevention measures in place and recommendations for the prevention of risks, would also raise the level of awareness.

2.2.4. Supporting municipalities to advance adaptation projects

The implementation of local adaptation plans has been patchy across Denmark due to a lack of funding, expertise, and regulatory barriers to municipal investment. In Copenhagen, various infrastructure projects, from underground reservoirs, sea walls, and the 275-hectare Lynetteholm artificial island, have been developed in recent years to shield the city from storm surges. However, smaller municipalities struggle to translate high level goals into concrete projects, calling for strengthening technical support as envisaged in the 2023 Adaptation Plan. Under the 2025 Acceleration Package, the Danish Coastal Authority will collaborate with selected municipalities to conduct feasibility studies on coastal protection in 14 priority areas and guidance for cost-benefit analyses of adaptation projects will be provided. An Environmental Impact Assessment for storm surge protection in the Capital Region will also be carried out.

Financing large scale projects is a major obstacle for municipalities, including for large cities. Climate-proofing Denmark against 20-year cloudburst events and 100-year storm surge events is estimated to cost DKK 69 and 37 billion respectively (Halsnæs et al., 2024). State funding for local adaptation projects has almost quadrupled since 2019 (from around DKK 100 million in 2018-19 to DKK 370 million in 2024-25 on average) but has been ad hoc and has often fallen short of meeting the needs. A total DKK 1.3 bn has been allocated under the 2023 Adaptation Plan to reduce the risk of flooding and erosion, but only DKK 150 million has been directed to municipal projects through the Kystpuljen national coastal protection fund, which is widely regarded as inadequate to meet local needs. The

2025 Acceleration Package allocates DKK 246 million to the fund for the period 2026 to 2028 and the 2026 Finance Act provides an additional DKK 532 million for 2026-2029. In addition, an agreement has been concluded between the Danish government and the City of Copenhagen to finance infrastructure projects associated with Lynetteholm artificial island, with a DKK 19.8 bn loan from the central government. Nevertheless, the costs associated with climate risk prevention should be more effectively incorporated into the budgeting process and long-term fiscal planning (see Chapter 1). A dedicated recurring national grant for climate adaptation could be established to ensure predictable long-term funding.

The costs of implementing adaptation measures are generally distributed between municipalities and private stakeholders following a "principle of benefit": financial responsibility falls on the beneficiaries according to their relative gains. While cost-sharing frameworks work well for small scale projects, they face challenges in large, multi-municipal urban regions with diverse interests and hard-to-verify benefits and costs (Fryd et al., 2021). Alternative models should be explored, and regional or national coordination considered for complex climate adaptation projects like done in the Netherlands. The project aiming at protecting critical infrastructure of the Copenhagen metropolitan area against storm surges, coordinated by the Ministry of Transport and involving four municipalities, is a step in the right direction. Joint initiatives across municipalities are often limited, as a single municipality is legally responsible for the project and must bear the full financial burden (Gram-Hanssen et al., 2023). A legal framework that clarifies responsibilities in joint projects would facilitate cooperation between municipalities. Another option would be to set up regional water boards to cover water issues across municipal boundaries and steering groups to ensure coordination like in the Netherlands (Box 2.4).

While national schemes should be established to finance large scale projects, allowing for efficiency gains and coordination across administrative boundaries, barriers to municipal investment should be addressed for local prevention measures. Under Denmark's national rules, municipalities' investment and borrowing are strictly capped. The investment cap sets an annual ceiling on the total amount municipalities can spend on investments, no matter if the funding comes from loans, reserves, or grants. In addition, there are strict limits on the amount municipalities may borrow and the types of spending that can be financed by issuing debt. The Danish Ministry of Interior grants single municipalities discretionary permission to borrow, within yearly fixed ceilings of the aggregate value of such approvals, so-called loan pools. Long-term debt of municipalities has declined over the past decade to around 12% of GDP in early 2025. While the cap on investment aims to prioritise capital spending at the local level and ensure compliance with fiscal rules, it tends to slow adaptation projects given their high upfront investment costs and the challenge of competing with existing spending priorities. To allow these new adaptation spending needs to be met, the investment ceiling and borrowing restrictions should be made more flexible for local projects, provided that safeguards are in place to encourage the prioritisation of projects and ensuring consistency with national fiscal rules. Innovative financing models could also be envisaged to leverage private investment. For instance, the construction of the Lynetteholm artificial island in Copenhagen is financed by the sale of land by a publicly owned company and future incomes from urban development (see Chapter 4). A national fund dedicated to finance preventive and adaptation actions and not restricted to coastal protection would help meet the cost of adaptation and could contribute to ensuring coordination across different municipalities. In France, adaptation measures can be financed by the "fonds de prévention des risques naturels majeurs" which is funded by the "Catnat" premium, a mandatory contribution from all property insurance policies.

Box 2.4. The Netherlands' Delta programme

National or regional plans for climate change adaptation can contribute to a better sharing of responsibilities across stakeholders for complex projects, allowing for cost mutualisation and improved cost efficiency. In the Netherlands, the Delta programme started in 2010 to adapt to sea level rise, extreme river discharge and drought, guarantee the population safety and the quality of water mostly by improving land planning. It is a knowledge source that brings together field surveys addressed to provinces and cities, knowledge of research centres and business expertise. It aims to define efficient safety norms, establish objectives and agenda on field of action, defined by natural, rather than administrative, boundaries.

This programme also aims to ensure coordination of national and local initiatives by involving public representatives, public and private companies (like waterboards, civil engineering) and local residents to get expertise and acceptation. The regional water authorities (waterboards) are important stakeholders of the programme. These institutions are in charge of seawalls, water quality and waterways. They are organised into 21 districts and primarily funded through taxes on water and wastewater networks although municipalities or provinces may also contribute as part of partnership arrangements. The Delta programme supports cities and provinces by partly financing some of their local planning projects, based on their effectiveness, urgency, feasibility, and legitimacy. These measures are financed by the Delta fund, which accounts for EUR 27.5 bn until 2050.

Source: National Delta programme 2025

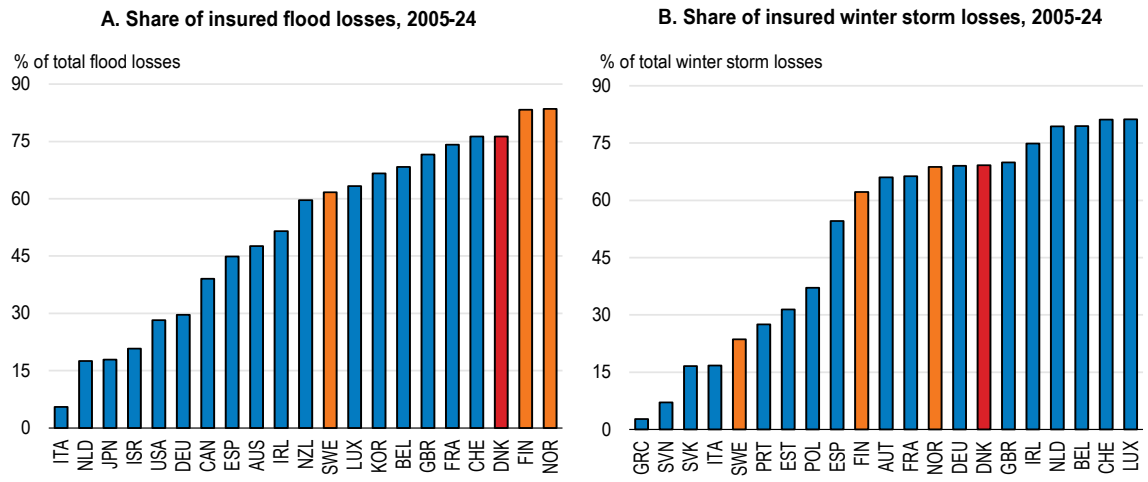
2.2.5. Encouraging prevention while maintaining adequate protection against climate risks

Landowners are generally responsible for climate proofing their properties and financing adaptation measures. Survey data indicate that Denmark's population recognises the need to adapt to climate change to avoid higher cost in the future, 70% of them seeing adaptation as a policy priority (EIB, 2024). However, only 2% of municipalities find that citizens acknowledge their financial responsibilities in their land protection while the vast majority report that they expect the municipality or State to cover all or part of the costs (KL, 2020). Municipalities should disseminate information to households on how to fulfil their responsibility as for damage prevention and determine contribution of landowners in financing collective risk prevention measures. Providing municipalities with a framework or good practice examples on how to achieve these objectives would help raising awareness. For instance, the Copenhagen municipality, in collaboration with the utility company, provides citizens with annual guidance on how to protect their homes from cloudburst-related damage. The rules for landlords' financial contributions to collective adaptation projects lack clarity and are applied inconsistently across municipalities. Greater transparency would help reduce landlords' complaints that often delay coastal protection projects. The establishment of an expert group in end-2025 to design a simpler and transparent model for allocating contributions is a welcome step.

Adaptation measures typically require high upfront investment, and low-income households or small businesses may not have the financial means to protect against climate risks. Public support to private investment in adaptation measures is limited and not targeted. The tax deduction for housing renovation and improvement work of DKK 8 600 (approximately EUR 1 150) can cover adaptation measures but is not means-tested nor conditioned to significant improvement in energy efficiency or climate resilience. Tailored financial instruments could be put in place to support low- and medium-low income households and small businesses, such as means-tested grants, soft loans or mortgage on property.

While having an insurance against flood risk is not mandatory in Denmark, indicators – such as the share of insured losses - suggest the insurance coverage of the population against natural hazards is high (Figure 2.5). A natural disaster compensation scheme administered by the Danish Natural Hazards Council covers damages from uninsurable and low frequency storm surge, inland flooding and droughts. Coverage gaps may occur for events usually not covered by insurance policies (typically storm surge and rising groundwater) and of medium to high frequency. The rising frequency of extreme weather events thus requires adjustments to the coverage provided by the national compensation scheme.

Figure 2.5. Indicators suggest the insurance protection gap has been low



Source: OECD calculations based on data provided by Swiss Re (Swiss Re, sigma database. All rights reserved).

StatLink https://stat.link/0vxenq

Risk-based pricing mechanisms could be further developed to incentivise preventive measures. Insurers have begun to implement tariff schemes with location-based risk profiling and some offer premium discounts for policyholders who implement risk prevention measures in Denmark. However, the public natural disaster compensation scheme is financed by a low fee on fire insurance (around EUR 5 per year) unrelated to risk exposure, which induces moral hazard and cross-subsidisation (DORS, 2023). The government has started exploring ways to modernise the scheme. By aligning insurance premiums more closely with individual or property-level risk profiles, insurers can encourage policyholders to adopt risk reduction strategies and reduce claims costs. However, implementing risk-based pricing can be challenging due to limited data availability to assess risks. Establishing a cap on the number of events covered by the insurance system would encourage investment in climate-proof buildings or relocation instead of simple repairs after a damage. Compensations could also be conditioned to the implementation of risk management practices and meeting standards like done in the United States (National Flood Insurance Program). These policies should include accompanying support for those most at-risk and vulnerable and be provided with sufficient advance notice. Other options include adjusting the municipal property tax to reflect climate risks as envisaged in the United States (Washington State).

Risk-based pricing could pose challenges by reducing affordability and accessibility of insurance in high-risk areas, especially for low-income households and small businesses. In the same vein, rising frequency and severity of natural disasters will likely increase the cost of insurance in high-risk areas in the medium to long term. Well-designed reinsurance programmes could ensure insurance protection is maintained. In France, private insurers must include insurance against flood risk in property insurance policies. Insurers in turn benefit from government-backed reinsurance mechanisms against damages from extreme events. This government reinsurance mechanism is financed by a low mandatory contribution from all property insurance policies, ensuring protection for all policyholders, but creating a system of cross-subsidisation, where those in lower-risk areas help cover the costs for those in higher-risk areas. The UK's transitional reinsurance schemes FloodRe provides affordable flood insurance to high-risk properties (excluding recent constructions) funded through a levy on all residential property insurance policies. Subsidies will be phased out through a gradual transition to risk-based pricing by 2039. To further encourage prevention, reinsurance schemes could include subsidies for the adoption of climate proofing measures.

Table 2.3. Policy recommendations for climate change mitigation and adaptation

MAIN FINDINGS	RECOMMENDATIONS (key in bold)
Reaching climate neutrality	
Denmark is on track to achieve its 2030 climate target, but further efforts are needed to reach climate neutrality by 2045. It has made substantial progress to increase the scale and scope of carbon pricing, but discrepancies across sectors persist.	**Maintain a balanced climate policy mix, combining taxation with regulation and green innovation support.** **Phase out rebates in carbon pricing based on regular re-assessment of leakage risks and available abatement technologies.**
A carbon tax on livestock will be phased in by 2030. Tax revenues will be redistributed to support farmers in the transition.	Support access and development of low-emission technologies and best practices.
The uptake of electric cars has surged supported by generous tax incentives. Alternative cost-efficient measures could be envisaged to promote green mobility.	Further support green mobility, including by increasing diesel taxation, reducing tax deduction for commuters and accelerating the development of public transport.
Investment in the grid infrastructure needs to accelerate to meet growing demand for electricity and to green the energy sector but has been slowed by lengthy permitting procedures.	Further ease administrative and regulatory barriers to investment in the grid infrastructure and expand the use of overriding public interest provisions in project approvals.
Strengthening climate resilience	
Denmark lacks a comprehensive and updated national strategy for climate change adaptation. Adaptation policy is decentralised creating inefficiencies and gaps.	**Develop a more ambitious Climate Change Adaptation Strategy and actions plans, defining priorities for policy actions, measurable targets, and assigning responsibilities.**
Local adaptation plans are not well coordinated, and monitoring of risk prevention measures has been uneven.	**Establish a coordination, oversight and monitoring unit for local adaptation plans at the national level.**
Regulation complicates joint municipal initiatives for climate change adaptation projects.	Design a legal framework allowing for shared responsibilities in joint municipal projects.
The lack of financial resources and regulatory restrictions on municipal investments have impeded the implementation of local adaptation plans.	**Increase the availability of finance for adaptation measures by further increasing central government financial support and easing investment and borrowing constraints of municipalities for these projects.**
Municipalities oversee land use permitting and zoning and are encouraged to consider climate risks when issuing construction permits. However, buildings are still being built in exposed areas.	Strengthen climate adaptation requirements in land use regulation, for instance by mandating binding risk assessments for construction permits and setback zones using a methodology defined at the national level.
Landowners are responsible for the protection of their properties against climate risks, but awareness of these duties remains low. There is no scheme in place to support investment in protective measures for low-income households and small businesses.	Mandate disclosure of climate-related risk in the sale of properties and the provision of guidance on private responsibility for damage prevention by municipalities.
Insurance coverage is good, but fees do not reflect risks, reducing incentives for risk-prevention. Higher premiums in high-risk areas can reduce insurance affordability and accessibility.	Promote the gradual introduction of risk-based insurance fees and premium discounts for verified adaptation measures. Consider establishing a reinsurance scheme.

References

Beck U. (2024) Direct expenditure in political agreement on the implementation of the green tripartite, KRAKA Analyse, Copenhagen (in Danish).

Danish Competition and Consumer Authority (2023) Competition in the market for charging electric cars, Analysis, December 2023 (in Danish).

Danish Council on Climate Change (2024) Status Outlook 2024

Danish Energy Agency (2024) "General summary of first market dialogue on the CCS fund"

Danish Government (2024) Agreement on the Implementation of a Green Denmark, November 2024 (in Danish).

Danish Ministry of Environment (2023) Climate Adaptation Plan 2023 (in Danish)

Danish Ministry of Finance (2024) Employment effects of climate solutions for agriculture, Fact Sheet (in Danish).

DORS (2022) Current Environmental-Economic Issues, Economy and Environment 2022 (in Danish)

DORS (2023) Climate adaptation in the coastal zone (in Danish)

DORS (2025) Economy and Environment 2025 (in Danish).

European Investment Bank (2024) The EIB 2024 Climate Survey Attitudes towards climate change adaptation 7th edition 2024

Energinet (2024) Projection Of Energinet's Electricity Tariffs 2025-2027 (in Danish).

Expert Group for a Green Tax Reform (2024), Green Tax Reform – Final Report, February 2024

Fryd et al. (2021) Who should pay? Contribution models for climate adaptation in coastal areas and water catchments. IGN Rapport, March 2021 (in Danish).

FOGP (2024) Wild weather of the future - is Denmark ready? A climate adaptation initiative from the insurance and pension industry

Gram-Hanssen et al. (2023), "Comparison and analysis of national climate change adaptation policies in the Nordic region", TemaNord 2023:525 Nordic Council of Ministers 2023

Halsnæs et al. (2024) Economic consequences of floods National damage calculations and assessment of the need for climate adaptation, DTU, , Lyngby (in Danish)

Halsnæs, K., et al. (2022). Socio-economic consequences of floods and investments in climate adaptation. DTU, Lyngby (in Danish)

Haugh D. et al.(2024) "Stepping up the transition to net zero" OECD Economic Surveys: Finland 2025, OECD Publishing, Paris.

Holmbo Lind, M., and K. E. E Hansen (2024) Adaptation approaches in Danish municipalities climate action plans CONCITO, February 2024

IEA (2023, Energy Policy Review Denmark 2023, IEA, Paris

ITF (2022), "Carbon Pricing in Shipping", International Transport Forum Policy Papers, No. 110, OECD Publishing, Paris, https://doi.org/10.1787/250921ec-en.

Jygert L and G. Mirone (2021),"Flood Risk Can Potentially Affect a Large Share of Credit Institutions' Exposures", Danmarks Nationalbank Analysis No.13.

Kaspersen and Halsnæs (2025) Economic consequences of floods, The price of waiting with climate proofing, DTU, Copenhagen (in Danish).

KL (2020) Climate Adaptation For The Future Water From All Sides

Langhede T. (2024) Pyrolysis and biochar: A climate solution or an environmental challenge? Green Transition Denmark - Rådet for Grøn Omstilling. Denmark.

Maes, M. et al. (2022), "Monitoring exposure to climate-related hazards: Indicator methodology and key results", OECD Environment Working Papers, No. 201, OECD Publishing, Paris

National Audit Office, (2024) Report on the supervision of agricultural emissions of nitrogen from fertilisers | The National Audit Office (in Danish).

National Center for Climate Research (2024) Climate Atlas Report Denmark National Center for Klimaforskning ved DMI (in Danish).

NEKST (2024) Recommendations from the NEKST working group: Faster expansion of the electricity grid (in Danish)

OECD (2021), OECD Economic Surveys: Denmark 2021, OECD Publishing, Paris.

OECD (2024), Measuring Progress in Adapting to a Changing Climate: Insights from OECD countries, OECD Publishing, Paris.

3 Reducing barriers to family formation in Denmark

Jarmila Botev

Jonathan Smith

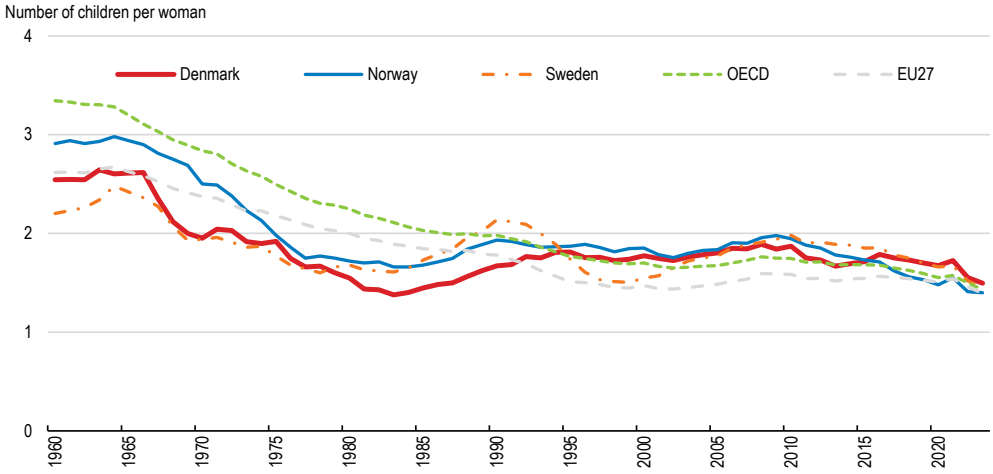
People in Denmark are having fewer children and changing their family formation habits as in many other OECD countries. This trend is complex, not fully understood and driven not only by economic factors and policies, but also by changing societal norms and preferences. Nevertheless, a well-designed comprehensive package of policies could help improve the situation of families and alleviate barriers to having children. Improved monitoring of quality and increased flexibility of childcare provision are needed. Early childcare in Denmark is accessible, but its quality varies widely, and it does not cater enough to the needs of parents with non-standard working hours or during closure days. The public benefit system should accommodate new trends in family arrangements, including children living in shared custody. Recent extension of parental leave for fathers can help further reshape gender norms and contribute to reducing the motherhood penalty.

3.1. The structure of Danish society has been changing

As in many other OECD countries, the Danish population is ageing with rising longevity and fewer young people. This reflects in part declining fertility rates (Figure 3.1) and lower family formation. The total fertility rate in Denmark has declined from 2.5 children per woman in 1960, when it was below OECD average, to 1.5 in 2023, including a decline since 2008 and a further drop post-Covid, although the fertility rate is now in line with the OECD average. This decline arose concurrently with a significant increase in life expectancy. Life expectancy in Denmark increased from 79 in 2010 to 82 years-old in 2023, one year above the OECD average.

Figure 3.1. Fertility rates have declined

Total fertility rate, 1960-2023



Note: Average number of children born per woman over a lifetime given current age-specific fertility rates and assuming no female mortality during reproductive years.
Source: OECD (2025), OECD Family Database, SF2.1 Fertility rates.

StatLink https://stat.link/jt47l6

Lower fertility together with increasing life expectancy contributes to ageing, that has significant implications for welfare and health systems in OECD countries, and more broadly for the ability to sustain economic growth. In Denmark, lower fertility alone initially implies fewer children relative to the working-age population. According to Danish authorities' estimates, the working-age population will shrink in the medium-term, as well as the number of women, leading to an even lower number of children, so that the share of working-age people in total population will then stabilise close to its initial levels around the year 2100.

On the other hand, increasing longevity leads to an older population with increased demand for health and long-term care, while potentially leaving fewer people of working age to finance the system and provide care (Chapter 1). Ageing is projected by the OECD to reduce economic growth in per capita terms in most OECD countries, including Denmark, as the proportion of economically inactive people in the economy increases and creates fiscal pressure on the welfare state (OECD, 2025a), though this can be moderated by policy measures, such as those closing gender employment gaps and increasing statutory retirement ages.

An ageing population is likely to have impacts on the public finances through shifts in spending and revenues. Denmark appears to be unusual in that, unlike other countries, the public costs of the increasing number of older people may be outweighed by lower spending on young people. Projections of Danish authorities (for example DORS, 2024) suggest that lower fertility rates are favourable for the Danish public finances due to comparatively high spending on children and young people. Denmark has one of the largest per capita public expenditure (including tax breaks) in the OECD on children and young people (OECD, 2025b). At the same time, Denmark has a relatively robust pension system and the public pensions are complemented by a fully funded defined-contribution scheme. As discussed in Chapter 1, this outcome is contingent on a continuing increase in statutory pension ages beyond the currently legislated 70 as of 2040, a concurrent increase in labour force participation of older workers, and on healthy aging moderating spending pressures in healthcare and long-term care. Projections do not include

potential impact of lower fertility rates combined with longer life expectancy on labour productivity, via eroded business dynamism, entrepreneurship and possibly less innovation (André, Gal and Schief, 2024). Ageing will also impact the political economy of economic policy, potentially with greater focus on shorter policy horizons and social care and less investment in the long term.

The Danish population is still growing, mainly due to net inward migration, whose contribution is projected to keep the population from falling. The share of the foreign-born population is expected to increase from about 16% in 2025 to around 20% in 2040. Unlike in countries, such as Korea and Japan that are expected to see their population decline because of low birth rates, the Danish population is projected to grow but at a slower rate of about 0.2% annually by 2040 compared to the current rate of about 0.5%. Net migration in OECD countries contributes to population growth and tends to temporarily shift the age composition of the population towards younger working-age people. However, foreign-born people themselves are ageing and thus contribute to the old-age dependency ratio when they reach retirement age. Projecting future migration flows is difficult and associated with large uncertainties (André, Gal and Schief, 2024).

Lower fertility rates have been changing the structure of the Danish society. The aim of the chapter is to understand this shift and to identify potential gaps in family and social policies in providing good conditions and reducing barriers for people to realise their family plans. The chapter first looks at the main facts and trends related to family formation and childbearing in Denmark in the regional and OECD context. The next section discusses policies already in place and areas for their improvement that could potentially also help reduce barriers to family formation, in particular parental leave, childcare accessibility and quality, cash transfers, housing policies and fertility treatment.

3.2. Fertility and family formation have declined despite high life satisfaction and positive children's outcomes

Recent decades have been marked by mothers having later and fewer births. Like in other OECD countries, a major factor in the fall in the total fertility rate is the increasing age of first-time mothers. While this postponement of births somewhat complicates the measurement of total fertility rates, adjusting for it yields similar fertility declines (Box 3.1). The average age of first-time mothers in Denmark has been increasing since 1960 from 23 to 31-years-old, equal to the OECD average. While there is some catching up of fertility at older ages due to the postponement of births, it is not sufficient to compensate for the decline among younger mothers (Figure 3.3). The number of women at the end of fertile life with two or more children has fallen over the last decade, while the number of childless women has risen (Figure 3.3, Panel B).

Box 3.1. Tempo-adjusted fertility rates confirm the decline in fertility in Denmark

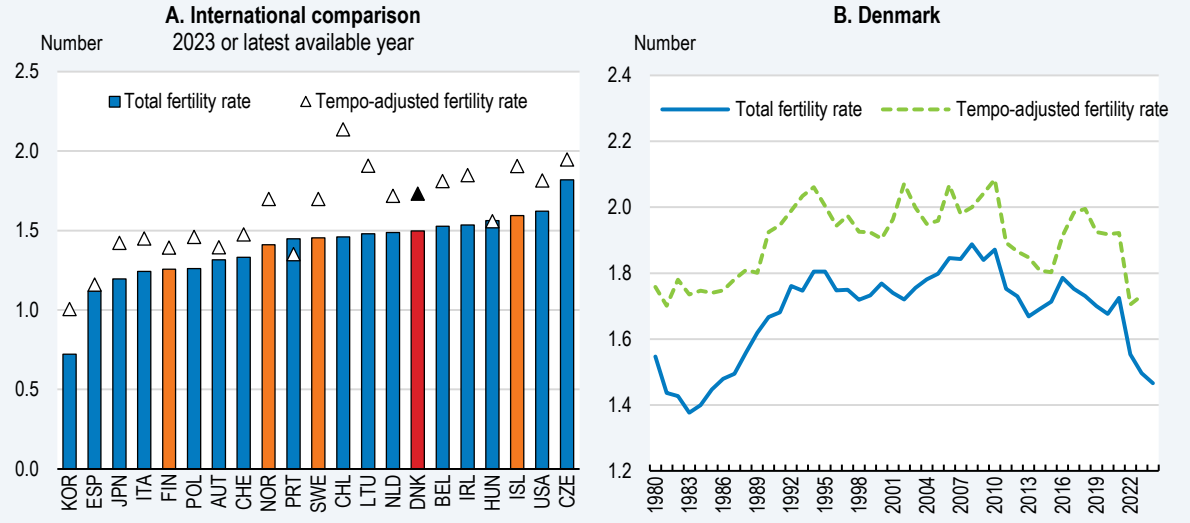
The *total fertility rate* (TFR) measures the average number of children that are born per woman over a lifetime given current age-specific fertility rates. The population is replaced at a total fertility rate of about 2.1 children. While clear in principle, the changes of trends in the timing of births over a woman's lifespan can complicate the calculation of the actual fertility rate, leading to under- or over-estimates of the rate. For example, a general delay in births would lead to an underestimate of the TFR as this would combine the current lower rate for young women and the past lower rate for women who are now older.

To reflect this, the *completed fertility rate* measures the number of children per woman at the end of her reproductive years (taken as 44-50). This is a lagging indicator because it is based on women on average older than those currently of child-bearing age and can overestimate the current fertility rate.

The *tempo-adjusted fertility rate* aims to correct these issues. It uses a model that accounts for the timing and parity of births, which gives a more accurate estimate of the current birth rate (Human Fertility Database, 2015). The tempo-adjusted fertility rate for Denmark confirms the decline in fertility over the last decade, although it suggests the rate is not as low as suggested by the TFR (Figure 3.2). This is consistent with other OECD countries when comparing the tempo-adjusted fertility rate to the TFR, and with previous research (Hellstrand et al., 2021).

Figure 3.2. The tempo-adjusted fertility rate is not as low as the total fertility rate, but both have declined

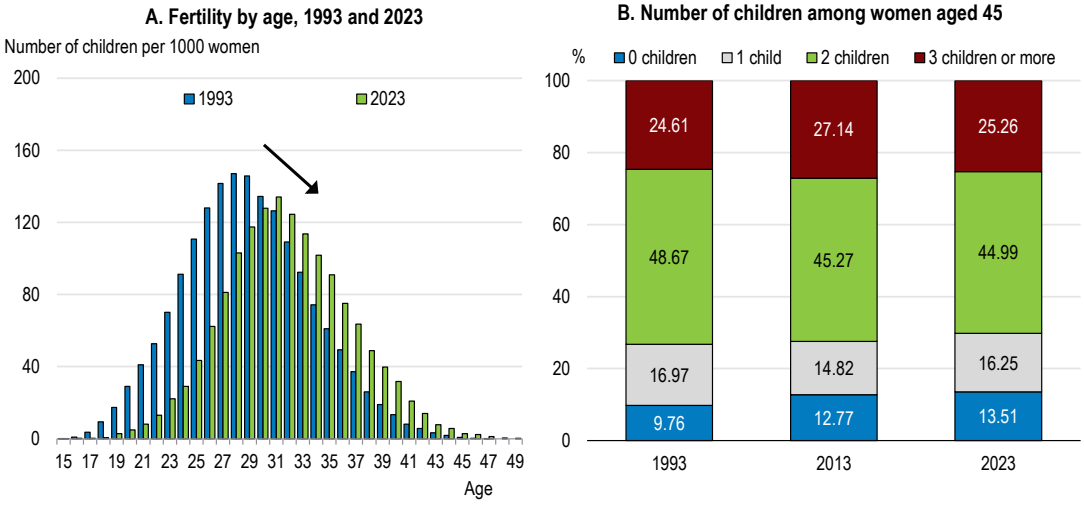
Total fertility rate vs. tempo-adjusted fertility rate



Note: The total fertility rate is defined as the average number of children who would be born alive to a woman during her lifetime, if the age-specific fertility rates of a given year remained constant during her childbearing years. It is computed as the sum of fertility rates by age across all childbearing ages in a given year. The tempo-adjusted fertility rate is the indicator of total fertility in a calendar year adjusted for changes in the timing of births in that period. See the source for more details.
Source: Human Fertility Database.

StatLink https://stat.link/lgwev5

Figure 3.3. Danes are having fewer children and later in life



Source: Statistics Denmark; and Ministry of Finance.

StatLink https://stat.link/hji3m7

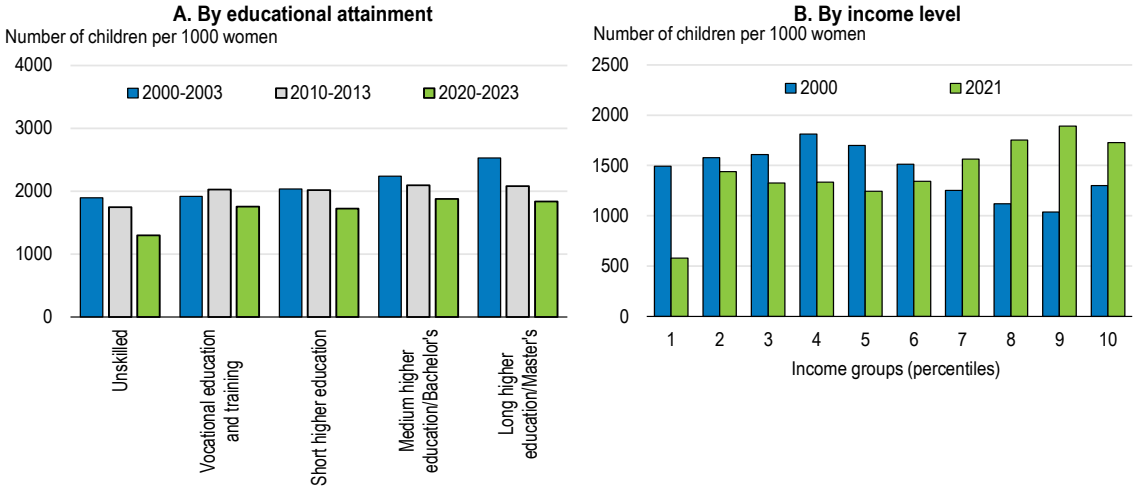
3.2.1. Family formation patterns have been shifting

At the same time, the structure of families has shifted over the past three decades. Similar to other Nordic countries but above the OECD average, 19% of Danish children live with a single parent, up from 15.5% in 1993. The majority of children living with a single parent live with their mother. 6% of children live with one of their parents and their partner. In line with the OECD trend of declining marriage rates, a declining share of children is living with married or registered parents (or their partners), 60% Danish children live with married parents compared to 70% in 1993. Co-habiting parents (or a parent and their partner) make up about a fifth of all households with children.

The least educated and those with lower incomes have the lowest fertility rates. Over recent decades, fertility rates have dropped the most for lower-income women, particularly those in the lowest decile, although they have declined for all educational groups and most income groups. However, the number of children has increased for women in the top four income deciles over the past two decades (Figure 3.4). Higher incomes mean higher resources to support children but can also lead to higher opportunity cost of childbirth. In Denmark and Norway, a positive link between earnings and fertility has been found (OECD, 2024). Similarly, the probability of motherhood increases with income over time for women in Australia, Germany, Switzerland, United Kingdom and the United States. While this trend is not correlated with perceived economic uncertainty, it may be related to higher costs of having children, as well as to postponing parenthood (van Wijk and Billari, 2024). In terms of background, foreign-born women have contributed to the overall fertility decline in Denmark. In the 1990s, fertility rates of foreign-born women and their descendants were on par or even well above those of Danish-born women, with up to 3.2 children per woman on average, depending on their country of origin. Currently, the foreign-born population has fewer children per woman than the native population, at a rate of 1.2 – 1.5.

Figure 3.4. Fertility rates are lowest for those from lower socio-economic backgrounds

Fertility rate by socio-economic backgrounds



Note: Data based on Danmarks Statistics microdata. For Panel A, the data includes women aged 24-40, with completed education. For Panel B, data includes women aged 25-40 and is based on equivalised household income.
Source: Ministry of Interior and Health.

StatLink https://stat.link/j7rv2h

Childlessness is currently highest among low-educated women. Childlessness has historically been highest amongst the more educated and higher income-groups, but it has been increasing continuously among low-educated, low-income Danish women since the cohort of women born in the 1940s. The education-childlessness relationship flipped starting from the cohort born in the 1970s, for which childlessness of low-educated women stands at 20%, 5 percentage points higher than for other education groups. This contrasts with the relationship for men, which has remained fairly stable over time with the lowest-educated men in Denmark having by far the highest levels of childlessness (more than a third) and the likelihood of becoming a father increasing with the level of education and income. Similar patterns for both men and women have been found in other Nordic countries (Jalovarra et al., 2018).

3.2.2. Denmark has high life satisfaction and good work-life balance

The Danes report life satisfaction in line with the EU average. However, while European households with dependent children tend to report a higher average life satisfaction than households without them, for Danish households the presence of children made no difference in 2023, with average life satisfaction for both types of households at 7.5 on a scale of 0-10.

The prospects for Danish children are good with strong educational outcomes, above-average life satisfaction and relatively few at risk of poverty. Students in Denmark scored higher than the OECD average in the latest OECD PISA assessments. Danish children reported above OECD average life satisfaction of 7.2 on a scale of 0-10 in 2022. Danish students also reported to experience less bullying and mathematics anxiety at school than the OECD average. Around 15% of Danish children are at risk of living in poverty or social exclusion, one of the lowest rates in the EU.

Denmark has favourable work-life balance conditions in international comparison and a relatively high share of working parents. A full-time Danish employee worked on average 37.7 hours per week in their main job in 2023, less than the OECD average and less than its Nordic peers. Only 0.3% of Danish workers reported usually working more than 60 hours per week, in line with other Nordic countries and fewer than the OECD average of 1.7%. Around a third of Danish workers worked from home sometimes or usually in 2023. While this is above the EU average of 25%, it is the lowest share among the Nordic countries, for instance Sweden reporting more than 40% of employees working from home at least sometimes (Gill, Hensvick and Skans, 2025).

Policies promoting flexible working can help parents reconcile work and family commitments without having to switch to a more family-friendly job or leaving the labour market. For example, the 2019 European Work-life Balance Directive, implemented in Denmark, extended the right to flexible working arrangements (reduced working hours, flexible working hours and flexibility in place of work) to all working parents of children up to at least 8 years old, and all carers. It also introduced carers' leave for workers providing personal care or support to a relative or person living in the same household. This is unpaid in Denmark, but collective agreements may grant pay. In 2025, some collective agreements introduced fully paid second day of caring for a sick child. In addition, some collective agreements granted two unpaid days to care for children to grandparents. Paid leave also exists for parents of children with severe illness.

Reasons for not having children are complex and wide-ranging, going beyond policy settings or good life satisfaction. Although childlessness has been on the rise across the OECD, it can be difficult to discern how much of it is voluntary (OECD, 2024). In Denmark, survey data show that 8.8% of Danish women born between 1999-2003 preferred to have no children, compared to 4.6% for those born around a decade earlier. Of women aged 45 or older, 51% had fewer children than they would have preferred and only 3% had more (Rockwool Foundation, 2023). A survey found that a quarter of Danish women aged 20-30 is considering not to have children due to climate concerns (Ahle and Godfredsen, 2023). This is broadly in line with findings of similar studies in other OECD countries, like the United States or Australia (OECD, 2024). Changing norms and attitudes, such as the de-stigmatisation of childlessness, anxiety around a future child’s well-being, career and financial future, feeling insecure in the community, worry about economic problems with the arrival of a child, and increasingly, concern over the impact to the climate can all contribute to a decision not to have children or to have less of them (OECD, 2024). These factors can to an extent outweigh family-friendly policies and supportive conditions like high life satisfaction and good work-life balance (OECD, 2023).

3.3. Reducing barriers to families wanting more children

The reasons why people form couples and choose to have fewer children or later in their lives are not fully understood, neither in Denmark nor in other countries and are a matter of personal choice. However, people may face barriers to starting a family and specific policies can make parenthood more attractive to prospective parents, especially if they are designed in a coherent manner, so that parents can access a continuum of supports, in particular during the child's pre-school years, but also later on during childhood (OECD, 2024). These include parental leave, access to good quality early childhood education and care, child and family benefits, policies affecting work-life balance and fertility treatment.

Policies affecting family formation are wide-ranging and though they have relatively limited potential to substantially raise fertility, they often also contribute to fulfilling other social goals, such as raising labour participation or improving a country's human capital stock. They also entail costs that need to be shared appropriately between the state, employers and beneficiaries, especially in a country that has a broad-based and large social welfare system and growing future fiscal spending pressures (see Chapter 1). Ensuring cost-effectiveness of family policies not only matters for fiscal sustainability, but it is key to maintain quality, good outcomes for Danish children and parents, and the ability to target sufficient support where it is most needed, for example to vulnerable children or lower-income families.

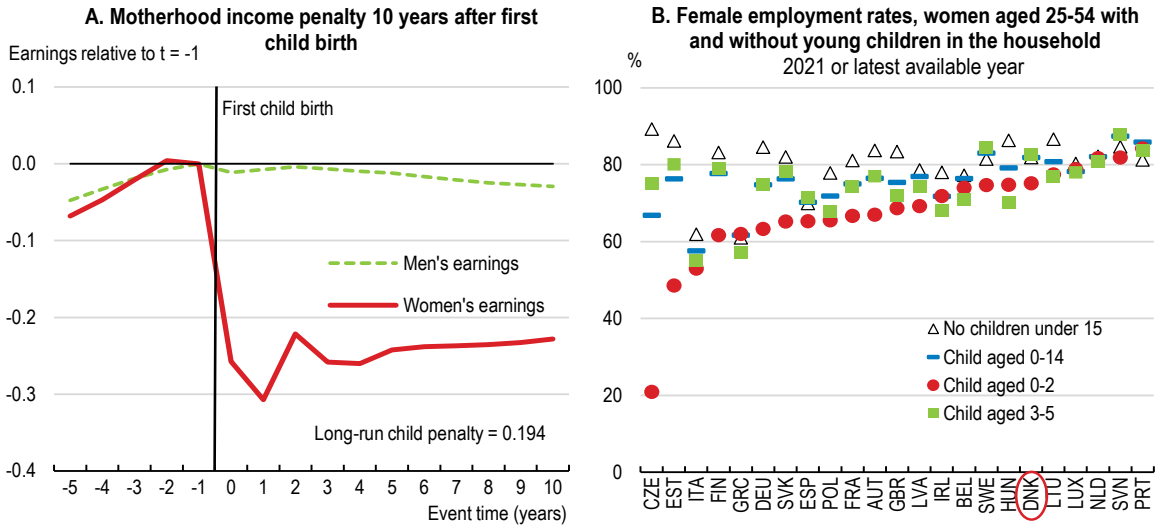
Denmark has strong support for families and is one of the countries that spends the most on families as a share of GDP. Continuous support is essential, so that when entitlement to parental leave runs out, early childhood education and care is easily accessible, school is complemented by suitable out-of-school hour services, and child benefits are available. Denmark performs well, as it has continuous, comprehensive family policies starting from parental leave to extensive support over a child's early life: 97% of 3-5-year-olds are enrolled in full-time day care and 65% of under-twos attend pre-school– the highest share in the OECD.

Denmark is a good place for family life, with favourable work-life balance conditions, good life satisfaction, strong prospects and educational outcomes for children. These conditions may have helped sustain fertility levels above many OECD countries in the recent decades. Danish parents have higher employment rates than OECD average, including single parents and mothers. Nevertheless, mothers' incomes fall after having a child, leading to a motherhood penalty, potentially reflecting persisting societal norms on gender roles. In addition, for some lower-income parents it may be costly to return to work from unemployment or to increase their working hours.

3.3.1. Addressing the motherhood penalty

Danish mothers have relatively high employment rates compared to many OECD countries, but women's incomes fall permanently after having a child (Figure 3.5). The long-term motherhood penalty is around 20% relative to comparable males' earnings, a sizeable gap even though smaller than that found in Nordic peers and in many other countries (Kleven et al., 2019a, Evertsson et al., 2025). The gap may discourage women from taking time out of their career to have children. Research suggests that the sources of the penalty are fairly evenly split between a reduction in hours worked, lower wage rates and lower labour force participation (Kleven et al., 2019). Women are generally more likely to work part-time than men, with 37% of employed women working part-time in 2024 compared to 12% of men. In addition, the probability of mothers switching from private to public sector rises after the first childbirth, as they seek more family-friendly work and this is also linked to accepting a lower wage (Pertold-Gebicka et al., 2016; Kleven et al., 2019). Nearly 70% of women employed in Denmark are in the public sector, one of the highest rates in the OECD, and this is partly because of the higher flexibility offered by the public sector.

Figure 3.5. Danish women suffer a motherhood penalty though they fare well in terms of employment rates



Note: Panel A illustrates estimates of the evolution of the earnings of men and women as a function of the time in years since the birth of their first child, while controlling for the underlying life-cycle profile of earnings. Estimates are relative to the earnings level of event time -1, that is the last year prior to the birth of the first child and relative to a counterfactual without children. See Kleven et al. (2019) for more details. In Panel B, data refer to 2020 for Sweden and 2019 for the United Kingdom.

Source: Kleven, H. J. et al. (2019),"Children and Gender Inequality: Evidence from Denmark", American Economic Journal: Applied Economics 11, 181-209; and OECD Family Database, LMF1.2. Maternal employment rates.

StatLink https://stat.link/ibu4he

The motherhood penalty may reflect persisting societal norms and gender stereotypes regarding household and childcare responsibilities: while men spend on average 2.5 hours per day with household chores, for women it is 3.5 hours. This includes time spent on childcare that is 30% higher for mothers than for fathers on average (Rockwool Foundation, 2018). A comprehensive package of policies, including improving access to high-quality childcare and encouraging fathers to take parental leave, can contribute to a more equal sharing of unpaid household work (see Sections 3.3.3. and 3.3.4 below). Promoting gender balance policies and disrupting gender stereotypes can help further. Denmark has done a lot in this area. For example, it has recently implemented the European Gender Directive, plans to implement the Pay Transparency Directive and has a regularly updated action plan for gender equality. However, there is still room for improvement as in some outcomes it lags behind its Nordic peers or even other OECD countries. For example, only 29% of all managers in private sector are women in Denmark, less than the OECD average (33%) and much lower than in the United States or Sweden (over 40%). Improving women's access to professional networks to accelerate gender equality in leadership and private sector roles could provide more visible role models for women who have and/or want (more) children (OECD, 2019). Moreover, continuously monitoring progress of individual gender policies and initiatives toward targeted objectives can help ensure accountability and improve effectiveness (OECD, 2025a).

3.3.2. Addressing financial disincentives to work for second earners and low-income parents

Demark has a well-established welfare system that faces trade-offs between providing income insurance and work incentives. Danish parents fare well in terms of employment status, but re-entering employment or increasing hours worked can be relatively costly for them. For couples with children aged 0-14, the share of dual-earner couples (79%) is above the OECD average of 62% and similar to Sweden. Similarly, 70% of single parents work full-time compared with an OECD average of 57%. Around 20% of single parents in Denmark were not working in 2021, while in 17% of parent couples one spouse was jobless. However, the income lost to taxes, foregone benefits and childcare costs combined, is particularly high for insured low-income second earners re-entering employment in Denmark (Figure 3.6, Panel A). It can be between 87% and 100% of the full-time salary during entitlement to unemployment benefits (2 years). Most of this disincentive comes from lost access to unemployment benefits, while childcare costs

contribute less, but still around 15%. Increasing working hours for part-time working parents can also be relatively costly for lower income people in some instances. For example, in 2024 for a couple with children with both parents earning two-thirds of the average wage, a parent increasing their working hours from 50% to full time faced a higher marginal effective tax rate (METR) taking into account cash benefits withdrawal than a similar person in a childless couple and also higher than the OECD average (Figure 3.6, Panel B). METRs could even exceed 80% for parents with lower working hours and lower incomes.

Denmark has reduced the share of workers facing work disincentives over the last few decades with various tax and benefit reforms. For example, the number of workers facing above-80% net compensation rates was reduced from about 16% to 10% between 2005 and 2021. Social assistance was reformed in July 2025. Social assistance benefits contributed to high METRs, as they were reduced almost one-to-one with earnings after their recipient started working. The 2025 reform relaxes the income requirements for social assistance benefits when taking up a job (Box 3.2), and increases earner's deductions, reducing work disincentives. The effects of the reform should be monitored and assessed, and further changes to the benefits system could be considered in the future to remove remaining disincentives to work. Housing benefits and the gradual withdrawal of childcare fee subsidy (see Box 3.4 below) still can increase METRs in some instances for single and/or lower-income parents (Ministry of Economic Affairs, 2024), while the withdrawal of unemployment benefits can hamper return to work from unemployment for some. Phasing out the benefits more gradually with rising income for lower income families with children could improve incentives to fully re-enter the labour market and thus have wider societal benefits beyond potentially raising fertility, though this can be challenging due to relatively compressed wage distribution and due to potentially conflicting incentives for raising working hours versus re-entering the labour market.

Box 3.2. The 2025 social assistance reform

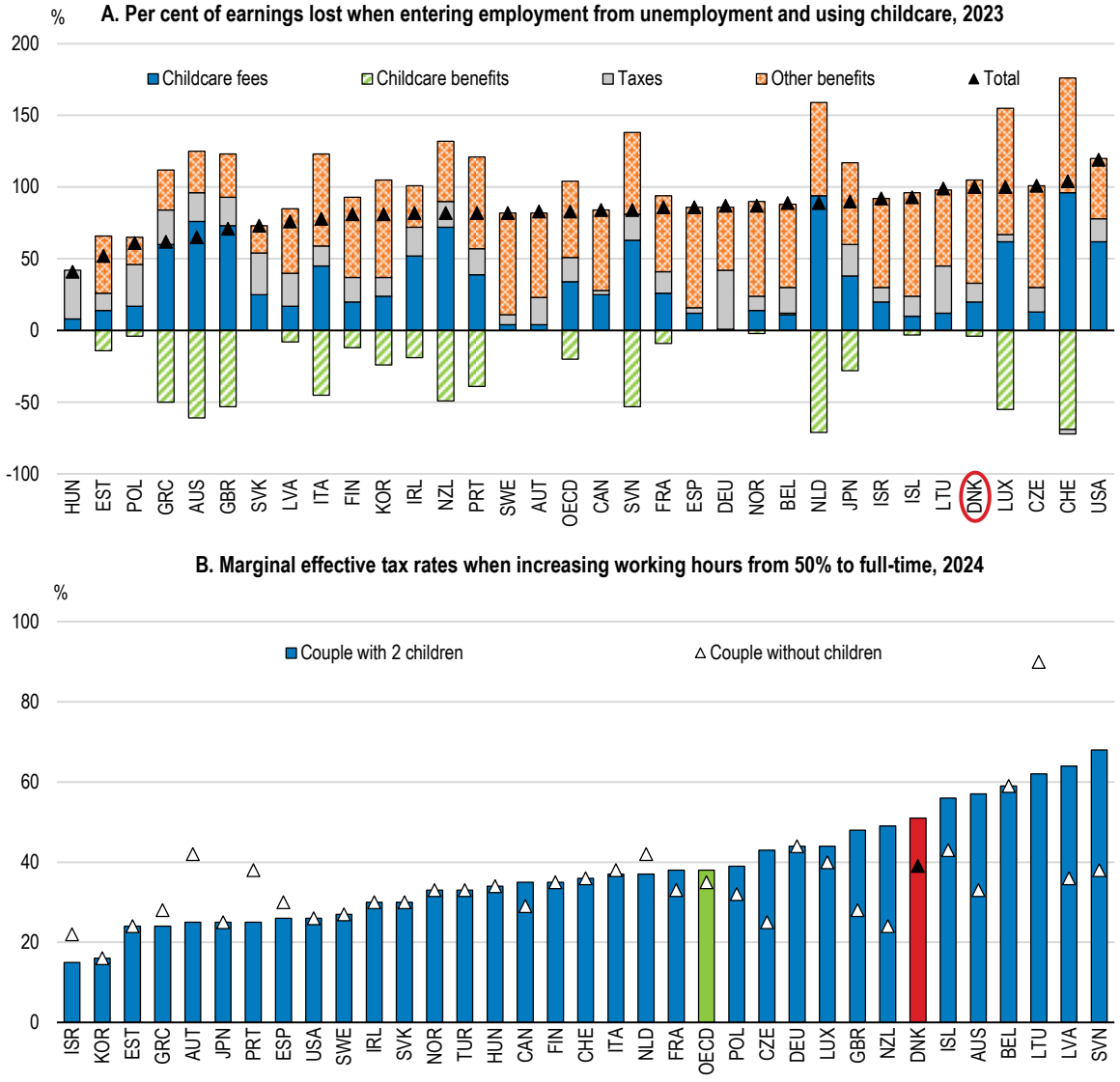
The social assistance (SA) reform of July 2025 simplified the complex SA benefits and introduced a more gradual withdrawal with earned income. The aim of the new system is for the SA recipient to have a maximum disposable income corresponding to 85% of the minimum wage in the area covered by one of the largest trade unions, representing administrative, wholesale and retail workers, among others. Implementation is on-going and monitoring is needed to ensure there are no undesired effects on specific groups.

Before the reform, SA recipient who started earning income would lose eligibility to benefit amount equal to the earned income, beyond a small deductible allowance (their METR when taking benefits into account was close to 100%).

After the reform, the main SA rates are divided based on age (younger/older than 30 years; if younger having worked for at least 2.5 years or not), residence in Demark for at least 9 out of last 10 years and on whether the person under 30 is living at home with their parents. For a 30-year old social assistance recipient receiving the increased rate benefit of DKK 12.498 (EUR 1.674), the benefit is reduced by 65% of the earned income beyond a threshold of DKK 2.600 (EUR 348), so that it is reduced to zero at earned income of about DKK 21.092 (EUR 2.825; around half of the average wage). The spouse's income above DKK 16.972 (EUR 2.273) for a couple with children is fully deducted. Irrespective of earnings, the child supplement is additional DKK 2.784 (EUR 373) and the single parent supplement DKK 1.638 (EUR 219). The recipient must be available for (additional) work, so that people working full-time are not eligible for SA.

Housing benefits are also reduced with earned income beyond a threshold (about 20% of the average wage) and depend on household's income, size, floor space, rent, assets and number of children. They have been capped at DKK 353 (EUR 49) per SA recipient, for couples with the social assistance reform. This ceiling replaces the cap on total SA including housing benefits from before the reform.

Figure 3.6. Second-earners and low-income parents face disincentives to return to work or raise their working hours



Note: Both parents work at 67% of the average wage. In Panel A, the indicator measures the percentage of earnings lost to either higher taxes or lower benefits (social assistance or minimum income benefits, rent supplements, unemployment benefits, childcare allowances) when a parent of two children takes up full-time employment and uses centre-based childcare. Calculations refer to a couple with two children aged 2 and 3. In Panel B, this indicator measures the fraction of additional earnings that is lost to either higher taxes or lower benefits (social assistance or minimum income benefits, rent supplements) when the second earner increases their working hours. Calculations for families with children assume 2 children aged 4 and 6 who do not use formal childcare.
Source: OECD (2025), Benefits, earnings and wage (database).

StatLink https://stat.link/o17826

3.3.3. Well-designed parental leave can help reduce the motherhood penalty

Parental leave supports parents following the birth of a child and helps maintain their jobs when they go back to work. Research suggests a positive link between the duration of paid leave for mothers and fertility rates, especially if the benefits are generous enough. Well-designed parental leave policies that cover fathers can also help shape gender norms around childcare and reduce stereotypes. Parental leave earmarked for fathers contributes to sharing more unpaid work in the household and increases childcare engagement of fathers over the whole duration of childcare responsibilities (OECD, 2024), making it easier for women to work full-time. While research on the direct impact of parental leave policies on the motherhood penalty is inconclusive and varies with specifics like leave

length, these are all channels that may contribute to alleviating the motherhood penalty. In addition, engagement of fathers in early childcare has a positive impact on children's development and positively affects fathers' self-reported life satisfaction and health (OECD, 2016).

Denmark has well-established employment-protected statutory parental leave entitlements, but these are now somewhat less generous and shorter than those of many other OECD countries (Figure 3.7). The statutory system is complemented by generous collective agreement provisions covering all public sector employees and around three-quarters of private sector employees (Box 3.3). Statutory rules offer up to 52 weeks of partly sharable family leave for the mother and father combined, with both maternity and paternity benefits for the duration of leave taken replacing full prior earnings but both capped at 50% of the average wage, leading to an average 50% income replacement rate. Most collective agreements provide full uncapped income replacement, under a minimum prior work condition, for at least 10 weeks or more for each parent, plus a few weeks that can be shared (Box 3.3). During this time, parental benefits are paid to the employer who tops them up to full pay to the employee.

The mix of statutory and widely used collective agreement parental leave provisions in Denmark can put those not covered by collective agreements at a disadvantage. Given the low effective replacement rate of the statutory benefit, those not covered by the collective agreements, the self-employed with above-average earnings or people not fulfilling the minimum work requirement condition of their collective agreement (see Box 3.3), can experience a considerable drop in income when taking up parental leave. This can incentivise them to taking shorter leaves or no leave at all. Similarly, there is a disincentive to take up parental leave beyond the full-paid period granted by their collective agreement for those covered by them, particularly for people with higher earnings. OECD countries with the same or longer length of paid parental leave for mothers have an average replacement rate of 58%, ranging up to 100% in Estonia and Slovenia (both capped at around 2.5 times the average wage). It would be useful to assess whether the current two-tier parental leave system constitutes a major barrier to family formation for some people, and if it is the case, measures to improve adequacy for those not covered by collective agreements, without crowding-out existing collective agreement provisions, should be considered.

Denmark offers less generous statutory father-specific leave than the OECD average, despite a significant increase in the entitlement in 2022. Many OECD countries have been increasingly encouraging fathers to take up parental leave (Figure 3.7). The OECD average parental leave earmarked for fathers is 12.7 weeks, with 13 OECD countries including Norway, Finland and Iceland providing 15 weeks or more. While in Denmark fathers historically only had 2 weeks of earmarked parental leave of the 52-week combined total, a reform in August 2022 increased the share of leave earmarked to fathers to 11 weeks (Box 3.3). After the reform, the take-up of parental leave by fathers increased by about 3 weeks to 12 weeks in the public sector, and to 10 weeks in the private sector. The total leave taken by both parents is little changed at about 40 weeks and parents tend to take overlapping leave more often (Ministry of Employment, 2024). The take-up has been affected by the widely used system of collective agreements in Denmark, offering full salary replacement for each parent for a certain period of time. This provision for fathers has become more widespread and on average longer across sectors and occupations following the reform (Box 3.3). The recent reform extending father's leave is a step in the right direction. Its effects on the take-up of leave by both parents should be assessed and a further extension in line with OECD top performers should be considered in the future.

Box 3.3. Parental leave in Denmark

Parents are entitled to employment-protected parental leave and associated benefits over the whole leave if they are employees, self-employed or unemployed and fulfil certain conditions (having worked at least one full month and 160 hours during the four months before birth if they are employees; having worked a certain amount of time during the last 12 months and for the last month before the leave and being profitable for the self-employed).

Length of leave

As of August 2022, each parent is entitled to 24 weeks of leave with parental benefits after birth, out of which 11 weeks are earmarked for each parent and have to be taken within the first year following birth (of the same combined total 48 weeks after birth, the self-employed only have 2 weeks' leave entitlement earmarked specifically for each parent, as was the case for fathers before 2022). Mothers can take additional 4 weeks of leave before birth. The non-earmarked part of leave can be transferred to the other parent. Both parents can extend their leave by up to 14 weeks with no parental benefits.

A single parent is eligible for additional 13 weeks of leave (i.e. 37 in total after birth). If the single parent in addition has sole custody of the child, they are eligible for additional 9 weeks of leave. Sole parents of multiple children (twins etc.) are entitled up to 59 weeks of leave.

Parental benefits

Each parent is entitled to benefits for the whole period of their leave. If, during any of that time, their employer pays them full salary replacement, as is usually the case based on collective agreements, the employer receives the parental benefits instead. Parental leave benefits replace the full wage up to a cap at around 50% of the average wage.

Self-employed parents with higher prior income than the benefits cap are entitled to a compensation of the difference, so that the effective parental benefit cap for them is about 90% of average wage. If the self-employed has paid sickness insurance, their benefit entitlement is at least two-thirds of the basic cap, irrespective of their previous income or profit. Benefits entitlement is lost if the self-employed parent resumes work for more than 50% of their usual working hours before birth. As of 2026, self-employed will be able to work up to 3.5 hours per week without their parental benefits being reduced.

Provisions of collective agreements

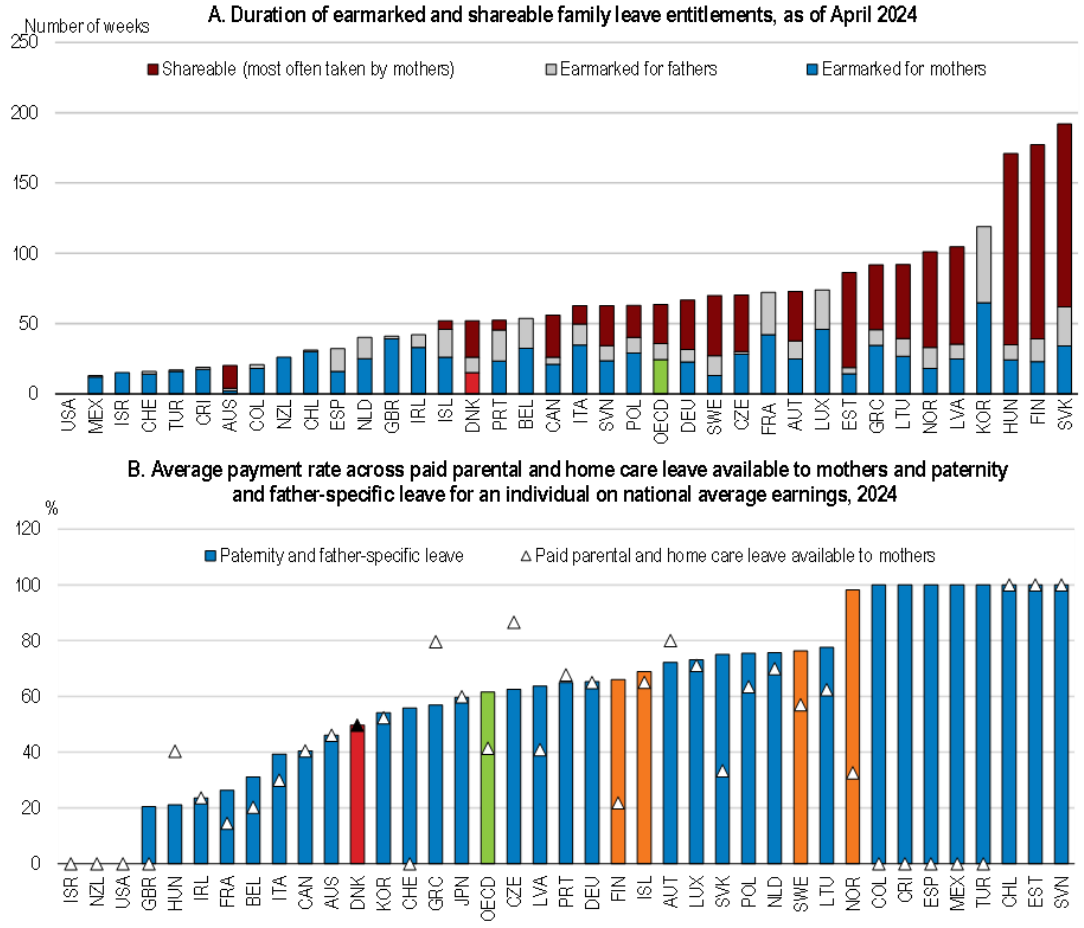
Sectoral collective agreements can grant periods of leave with full salary replacement for varying periods (shorter or longer than those granted by law) that can be also earmarked to one of the parents. Similar to statutory benefits, they usually have a minimum prior work requirement (typically between 6 and 9 months of employment within the past 12 months).

In the private sector, almost all collective agreements introduced 12 weeks of full-paid leave for the second parent in the 2023 round of agreements following the parental leave reform. For example, the 2025 collective agreements for industry and the public sector stipulate the following full-paid leave weeks:

	Earmarked for mother	Earmarked for father	Transferrable for each parent
Industry	19 (+4 before birth)	12	7
Public sector	20 (+6 or 8 before birth)	10	6

Parents who do not satisfy the conditions of having worked or being unemployed before the parental leave (for example, people on social assistance or students) and hence do not qualify for parental benefits can still transfer their leave entitlement to the other parent who can qualify for benefits if they satisfy the work/unemployment condition.

Figure 3.7. The length of paid leave entitlement in Denmark lags other countries and average statutory payment rates are below the OECD average



Note: In Panel A, data refers to paid birth-related leave entitlements to care for young children in place as of April 2024, such as maternity-, paternity-, home care- and parental leave. Periods labelled "earmarked for mothers" and "earmarked for fathers" refer to individual non-transferable entitlements for paid employment-protected leave of absence for employed parents or periods of an overall leave entitlement that can be used only by one parent and cannot be transferred to the other, as well as any weeks of shareable leave that must be taken by one or both parents for the family to qualify for "bonus" weeks of parental leave. Periods labelled "earmarked for mothers" includes weeks of maternity leave that are transferable to fathers. In Panel B, payment rates are based on net earnings for Austria, Chile, France and Germany. Data on all earnings refer to 2023 and net earnings for Chile refer to 2016.
Source: OECD Family Database, PF2.1 Key characteristics of parental leave systems.

StatLink https://stat.link/mxdzis

3.3.4. Childcare is accessible but its quality and flexibility varies

High-quality and affordable early childhood education and care policies are essential to enable Danish parents, particularly women, to combine family and work commitments. Denmark performs well in this regard, with comprehensive childcare services that are largely publicly funded, allowing many Danish parents to continue working after childbirth. Public spending on early childcare services and its expansion are significantly positively associated with fertility rates (OECD, 2024). Early childcare availability boosts fertility rates and increases female employment and the probability of having a second and third child more than any other type of support, including paid parental leave and lump-sum cash transfers (OECD, 2024). In Denmark, all children are entitled to a daycare place which is subsidised. The subsidy is based on parents' income, the number of children and family status, and available for children from 6 months of age to 6 years (Box 3.4). Average net out-of-pocket childcare costs are close to the OECD average for couples with two children, at 12% of the average wage. Net childcare costs for single

parents are considerably lower, at 5% of the average wage or even lower for lower-income individuals (Figure 3.8, Panel B).

The availability of childcare during less standard working hours can lead to difficulties in balancing work and parenting, especially for single parents or for parents (re)-entering employment. There is relatively low demand for facilities with extended hours, so not all municipalities offer them (Krahn, Nøhr and Andersen, 2017). This may partly be due to parents using alternative solutions, like private or informal care by grandmothers that can lead to a "grandmother penalty" (Gørtz et al., 2025). Municipalities are legally obliged to offer some alternative options to families (Box 3.4). For instance, Copenhagen abolished extended opening hours of childcare in the afternoon due to their low use in 2025 and offered a combination of standard daycare and a more expensive flexible private childcare instead. However, municipalities can set an arbitrary eligibility child age limit for the private childcare subsidy, so not all children needing non-standard working hours may be covered. In addition, around 40% of municipalities surveyed in 2017 offered extended hours in an alternative institution that was not in the local area, so it may be hard to access for some parents (Krahn, Nøhr and Andersen, 2017). Even though only a minority of parents may need to accommodate longer working hours, their ability to do so in an affordable way can thus vary depending on their location.

The closure of childcare facilities on some working days can also make it difficult to balance work and parenting. According to the Daycare Act, municipalities must provide childcare on all working days except for Christmas Eve and the Constitution Day, otherwise they can only be closed on days with low turnout of children, such as summer holidays, so-called "closure days". The number of closing days varies across municipalities. Municipalities must offer alternative care options, for example in an alternative institution and as a rule they have to notify parents in advance of the arrangements. However, this can bring about issues similar to extended hours alternatives, like the alternative institution offered being too far for some parents. Some municipalities have been unable to fulfil the legal requirement, as capacity in the alternative institution was not available (Krahn, Nøhr and Andersen, 2017). The childcare system should better cater to the childcare flexibility needs of working parents, for example by adjusting the rules for private childcare subsidies to include all children eligible for childcare. Several municipalities manage non-standard hours or closure days by using a planning system, where parents register their needs in advance, to optimise their resources. The Nordfyn municipality pools resources from the facilities closed on closure days into the alternative open ones. Municipalities could be supported in using such planning systems more widely, on a municipal, rather than institutional, level.

Despite high accessibility, the quality of childcare varies widely. A recent national representative study found that daycare quality varies greatly between municipalities, institutions and even between classrooms of the same institution, for children aged 3-5 (EVA and VIVE, 2025). 30% of institutions were considered as having a learning environment supporting children's wellbeing, development and education only to a low degree. The average staff turnover is 30% and only about half of the staff has completed pedagogical education. Similar results were found for daycare institutions for children aged 0-2 (EVA and VIVE, 2023). Quality supervision responsibility lies with the municipalities in Denmark. Supporting them regularly with a more systematic information base, such as the daycare quality study mentioned above (EVA and VIVE, 2023), or similarly to the Australian Early Development Census conducted every three years can help authorities to make more informed decisions. The 2026 budget plan to increase childcare funding by DKK 1.1 billion, increase staffing and to perform regular quality reviews every four years, is a positive step that can help improve quality. Improving quality monitoring and incentive systems while keeping administrative burden low, offering governance support and potentially reconsidering funding allocation mechanisms between levels of governments (e.g. introduction of conditional grants linked to quality indicators, in addition to existing block and equalisation grants to municipalities) could help provide support and incentives to steer funds towards quality and its more equitable distribution.

Box 3.4. Early childhood education and care in Denmark

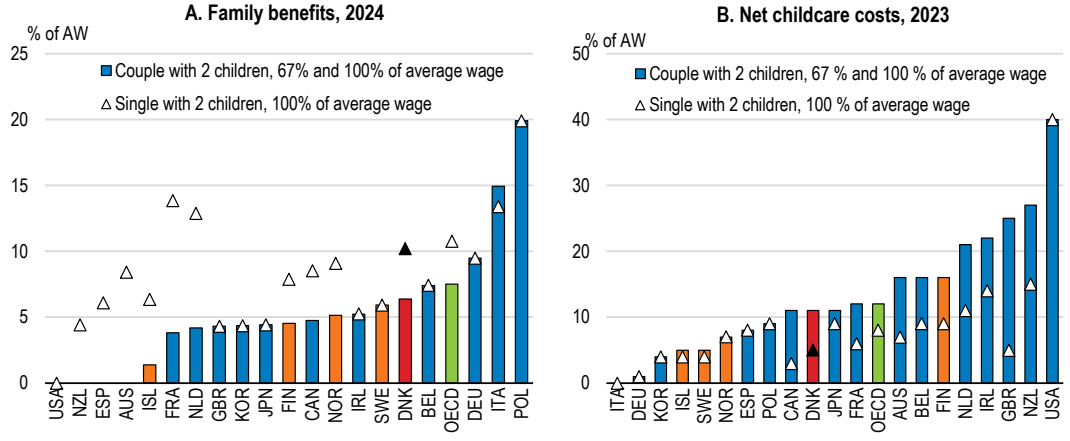
All children from 26 weeks of age until school age (6) are entitled to be enrolled in a *subsidised daycare facility* by 3 months from application. Daycare is provided by municipalities or private providers, with fees varying by type of facility and across municipalities. The state covers at least 75% of the operating costs of daycare facilities, parents pay up to the remaining 25%. The fees are zero up to a household income threshold of about 40% of average wage, then increase progressively with income up to a threshold of about 1.2 times the average wage. The income thresholds are higher for single parents and for each additional child. Parents on parental leave have a right to apply for a part-time daycare service of 30 hours per week with a fee discount.

Subsidies for private childminding and minding own children: The local council may allow parents to choose a financial subsidy for minding their own children instead of accepting a place in a day-care facility under certain conditions, including being able to teach the child Danish. All municipalities have to offer parents with non-standard working hours daycare services or a subsidy covering the private care instead, but child age eligibility limit varies across municipalities.

3.3.5. The perceived cost of parenting is high despite family benefits

Research suggests that monetary transfers only have modest positive effects on fertility that is generally only transitory (OECD, 2024). In terms of cash child benefits and allowances (excluding parental leave benefits) relative to average earnings, Denmark provides support at a level that is broadly in line with the OECD average, favouring single parents (Figure 3.8, Panel A, Box 3.5), similarly to the net childcare costs that are also more favourable for single parents (Figure 3.8, Panel B). Low-income families are treated more favourably only to a limited extent, via the childcare fee subsidy (Box 3.4) and a social assistance supplement as of July 2025. Nevertheless, estimates of self-perceived costs of having children in 2023 were relatively high for the first child both for couples (at about 50% of an adult's costs) and single parents (about 80%), relative to other types of families in Denmark and to other OECD countries, as well as relative to actual incurred equivalised expenditure (OECD, 2025c). Economies of scale with respect to household size, as well as a limited time budget of single parents leading to the need to outsource some activities (such as childcare in non-standard working hours) can to a certain extent explain the higher perceived child costs for these types of families.

Figure 3.8. Family benefits and net childcare costs are favourable for single parents



Note: In Panel A, data refer to child allowance (Børne- ogungeydelsen) plus ordinary and extra child allowance (ordinært and ekstra børnetilskud) for single parents, by gross earnings for selected family types. In Panel B, net childcare costs are the household expenses of using full-time centre-based childcare, after any benefits designed to reduce the gross childcare fees. In both Panels, eligibility to social assistance or minimum income benefits and rent supplements is included in the calculation. The OECD aggregate refers to the unweighted average of 33 countries with available data.
Source: OECD calculations based on output from the OECD tax-benefit model, version 2.7.1; and OECD (2025), Benefits, earnings and wage (database): indicator on net childcare cost for parents using centre-based childcare.

StatLink https://stat.link/zk2dbm

Box 3.5. Main family benefits and other benefits dependent on family composition in Denmark

Cash family benefits

Child and youth benefit: monthly equivalent of DKK 1,099 to DKK 1,764 (around EUR 147 to EUR 236) for each child, it decreases with child's age up to 17 years and with parents' income above a ceiling of about 1.7 times the average wage. The benefit is divided equally between each custodian and their incomes are tested independently. Other means-tested allowances apply in various circumstances, for example, the *special allowance for parents still studying or in training* (irrespective of number of children); the *special child allowance for children of pensioners* (aged 0-17); and *parental leave benefits* (see Box 3.3).

Single parents get an *ordinary and extra child allowance* per child aged 0-17 years and a lump sum irrespective of the number of children. These allowances are reduced by 10% if the single parent's annual income exceeds around a third of the average wage. As of July 2025, each parent on social assistance receives a *supplementary child allowance*, irrespective of the number of children, with an additional allowance for single parents. A*dvance payment of child support* is provided if the absent parent does not pay alimonies on time or the recommended support at birth. The absent parent then has to pay the support back to state.

Other benefits depending on the number of children or family status

Most other benefits, for instance the h*ousing benefit* or *guaranteed minimum income benefit* also depend on the number of children and or family status (single/couple). As of July 2025, children of parents on social assistance are eligible for a yearly *leisure allowance* per each child.

In Denmark, 15% of children are non-resident, meaning that their primary residence is outside of one or both of the parents' household even though they may spend some time in the other parent's household. This is usually due to shared parenting arrangements between parents that have separated. This compares to an OECD average of 7% of children. The self-reported cost of non-resident children in Denmark is the same as the cost of resident children, while for many OECD countries it is lower. These relatively high costs are similar in Scandinavian countries and France, where joint physical custody of children after separation is also common (OECD, 2025b). Child benefit policies take this into account to an extent, notably by dividing the child benefits between parents and assessing their incomes separately for eligibility. Other transfers such as housing benefits and social assistance could also take into account the shared custody of children for households where the child does not have a primary residence, but it still spends some time there and hence this other household incurs child-related expenses. For example, in several OECD countries like Australia, Belgium, France or Norway children living in two homes may be taken into account in the housing allowance of both parents; as a result, families are eligible for a larger benefit than if the child lived solely with one parent. Similarly, in Belgium, Finland and Norway, a child can be considered living in two households and both parents can have access to social assistance if other eligibility criteria are met (Harkovirta et al., 2024).

3.3.6. High housing costs have raised the bar for starting a family

The availability of affordable and suitable housing can impact childbearing decisions, likely to involve questions beyond simply the size of the living space but also including the desirability of the neighbourhood for children. High housing costs have been found to negatively affect fertility rates across multiple countries, including Denmark (Fluchtmann et al., 2023). Real house prices have increased significantly in Denmark over the last decade. House price growth was the second highest in the Nordic region between 2020 and 2022, and despite a dip in real house prices post-Covid, real house prices have been rising again since 2023. Policies improving housing affordability, such as reforming housing taxation, improving the functioning of the private rental market or the use of social housing, could thus also help support family formation (Chapter 4).

3.3.7. Fertility treatment is good, but lifestyles could be healthier

The postponement of births is shifting family formation to the point where fecundity problems interfere with the realisation of desired fertility. An increasing number of women are giving birth in their 40s. Advances in reproductive medicine have helped, and Denmark ranks highest in the OECD for the share of births involving some form of assistive technology with 9.2% of all live births in 2019 (OECD, 2024). Fertility treatment in Denmark is free for the first and second children. The legal limit for a woman to undergo assisted reproduction is 45 years of age, however, public hospitals only provide treatment up until the age of 40, for referrals up until the age of 39. Some collective agreements can in addition provide paid leave for employees or their partners for fertility treatment.

Environmental and lifestyle choices are impacting male fertility. Male sperm quality has been declining for years in Denmark as in many other high-income countries (OECD, 2024). Possible reasons for this decline include unhealthy lifestyle choices linked to obesity, nicotine addiction, radiation-emitting devices and alcohol consumption (Balawender & Orkisz, 2020). Research shows that weight loss and the cessation or limitation of unhealthy lifestyle-related factors can increase the probability of fatherhood (Lassen et al., 2024). The number of people with obesity has doubled in Denmark since 2010, with 25% of men now classified as obese, above the EU average. Denmark also has the highest reported levels of regular heavy drinking in the EU, and the highest levels of binge drinking in the OECD, both for men and women (OECD, 2024). While more research is needed on the causes of drop in male fertility, greater attention must be given to prevention and the promotion of healthy lifestyles.

Table 3.1. Policy recommendations for reducing barriers to family formation

MAIN FINDINGS	RECOMMENDATIONS (key in bold)
Quality of early childhood education and care varies widely across institutions. The 2026 budget allocates funds to increase childcare staffing and envisages to introduce regular 4-year quality monitoring.	**Improve the quality monitoring system for childcare services and ensure that identified issues are addressed through targeted improvement measures.**
Extended hours to accommodate less standard working hours or alternative options when a childcare facility is closed on working days are not always available.	Increase access to childcare services outside of regular working hours and on closure days.
A relatively high percentage of children are in shared custody and live part-time outside of their primary household, inducing costs for the secondary household. Social benefits - except family benefits - do not include provisions to account for these costs.	Consider systematically including provisions in social benefits to account for shared custody, ensuring parents receive a proportional share of entitlements when children reside with them part-time.
Low-income parents returning to work or increasing hours can lose much of their income due to reduced benefits, higher taxes, and childcare costs. Recent social assistance reform helps address this.	Assess the impact of the social assistance reform on work incentives and consider reducing remaining disincentives to work in the future.
Parental leave earmarked for fathers, or the second parent, has been extended recently from two to eleven weeks, less than in OECD top-performers though.	Assess the effects of the extended father's leave and consider its further extension in the future.
The motherhood penalty can discourage taking time out for childbirth. This is partly caused by gender stereotypes that shape care responsibilities and career choices.	Further improve women's access to professional networks with visible role models to improve gender equality in leadership and private sector roles and continuously monitor progress of these initiatives.

References

Ahle, M. D. and A. Godfredsen (2023), "Klimabekymring får hver fjerde unge kvinde til at overveje fravalg af børn" (Climate concerns cause one in four young women to consider not having children), KRAKA & Deloitte.

André, C., P. Gal and M. Schief (2024), "Enhancing productivity and growth in an ageing society: Key mechanisms and policy options", OECD Economics Department Working Papers, No. 1807, OECD Publishing, Paris, https://doi.org/10.1787/605b0787-en.

Balawender, K. and Orkisz, S. (2020) The impact of selected modifiable lifestyle factors on male fertility in the modern world. Central European Journal of Urology, 10 October; 73(4):563–568.

DORS (2024), "Dansk Økonomi" (Danish Economy), autumn 2024.

EVA&VIVE (2023), "Kvalitet i daginstitutioner for 0-2-årige børn" (Quality in daycare facilities for children aged 0-2), Danmarks Evalueringsinstitut & VIVE

EVA&VIVE (2025), "Kvalitet i dagtilbud" (Quality in daycare), Danmarks Evalueringsinstitut & VIVE

Evertsson, M., Y. Moberg and M. van der Vleuten, (2025), Stimulating (In)equality? The Earnings Penalty in Different-Sex and Female Same-Sex Couples Transitioning to Parenthood in Denmark, Finland, Norway, and Sweden, American Journal of Sociology, Volume 130 Number 6

Fluchtmann, J., V. van Veen and W. Adema (2023), "Fertility, employment and family policy: A cross-country panel analysis", OECD Social, Employment and Migration Working Papers, No. 299, OECD Publishing, Paris, https://doi.org/10.1787/326844f0-en.

Gill, A., L. E. Hensvik and O. N. Skans (2025), "Why are Nordic Workers So Remote: Potential Causes and Some (Indirect) Labour Market Consequences", NBER Working Paper No. 33581.

Gørtz, M., Sander, S., and Sevilla, A. (2025) Does the child penalty strike twice? European Economic Review, volume 172, February

Harkovirta, M, D. R. Meyer and M. Haapanen (2024), "Shared residence and social security policy: A comparative analysis from 13 countries", International Journal of Social Welfare, Vol. 33, Issue 4

Jalovaara, M., Neyer, G., Andersson, G., Dahlberg, J., Dommermuth, L., Fallesen, P., and Lappegård, T. (2018) Education, Gender, and Cohort Fertility in the Nordic Countries, European Journal of Population, June 19; 35(3): 563–586.

Kleven, H., C. Landais, J. Posch, A. Steinhauer, and J. Zweimüller. (2019a), "Child Penalties Across Countries: Evidence and Explanations," NBER Working Paper No. 25524.

Kleven, H., C. Landais and J. E. Søgaard (2019), "Children and Gender Inequality: Evidence from Denmark", American Economic Journal: Applied Economics, Vol. 11, No.4Krahn, S. K. J., K. Nøhr and S. A. Andersen (2017), "Dagtilbud med udvidede åbningstider – Udbud og organisering af fleksible tilbud" (Daycare with extended opening hours - Supply and organization of flexible services), KORA.

Lassen, E., Pacey, A., Skytte, A., and Montgomerie R. (2024) Recent decline in sperm motility among donor candidates at a sperm bank in Denmark, Human Reproduction, Volume 39, Issue 8, August 2024, pp. 1618–1627

Ministry of Economic Affairs (2024), "Fordeling og incitamenter 2024" (Distribution and Incentives 2024), December 2024.

Ministry of Employment (2024), "Status på arbejdsmarkedet: Tema om øremærket orlov" (Labour Market Status: Earmarked Leave), October 2024.

OECD (2019) OECD Economic Surveys: Denmark 2019, OECD Publishing, Paris.

OECD (2023), Exploring Norway's Fertility, Work, and Family Policy Trends, OECD Publishing, Paris, https://doi.org/10.1787/f0c7bddf-en.

OECD (2024), Society at a Glance 2024: OECD Social Indicators, OECD Publishing, Paris, https://doi.org/10.1787/918d8db3-en.

OECD (2025a), Gender Equality in a Changing World: Taking Stock and Moving Forward, Gender Equality at Work, OECD Publishing, Paris, https://doi.org/10.1787/e808086f-en.

OECD (2025b), Family Database, PF1.6 Public Spending by Age of Children.

OECD (2025c), "Parenting on a budget: The cost of raising children in changing family configurations and its policy implications", OECD Papers on Well-being and Inequalities, No. 36, OECD Publishing, Paris, https://doi.org/10.1787/bd0b594e-en.

OECD/European Commission (2024), Health at a Glance: Europe 2024: State of Health in the EU Cycle, OECD Publishing, Paris, https://doi.org/10.1787/b3704e14-en.

Pertold-Gebicka, B., F. Pertold and N. D. Gupta (2016), "Employment Adjustments Around Childbirth", IZA Discussion Paper No. 9685

Rockwool Foundation (2023), "Danske kvinder får færre børn end deres foretrukne antal" (Danish Women Are Having Fewer Children Than They Would Like)

Rockwool Foundation (2018), "Mere fritid til danskerne i perioden fra 2008 til 2018" (More leisure time for Danes between 2008 and 2018)

Van Wijk, D. and C. Billari (2024), " Fertility Postponement, Economic Uncertainty, and the Increasing Income Prerequisites of Parenthood", Population and Development Review, Vol. 50, No. 2, June 2024.

4 Making housing more efficient, affordable and green

Peter HOELLER

Housing costs are high in Denmark and there are housing demand and supply imbalances, especially in the Copenhagen area. The tax treatment of owner-occupied housing is generous and inflates land prices. This generosity should be reduced over time. Rent control hampers mobility, leads to poor matches between housing needs and available units and should be eased. Despite a vast social housing stock, access to social housing is difficult, with long waiting times. Mechanisms to improve the allocation of social housing should be explored to improve its use. The planning system should be more focussed towards building where it is needed most. The decarbonisation of the housing stock is well advanced and will get another boost from the recent green tax reform.

4.1. Housing policy and housing market challenges: an overview

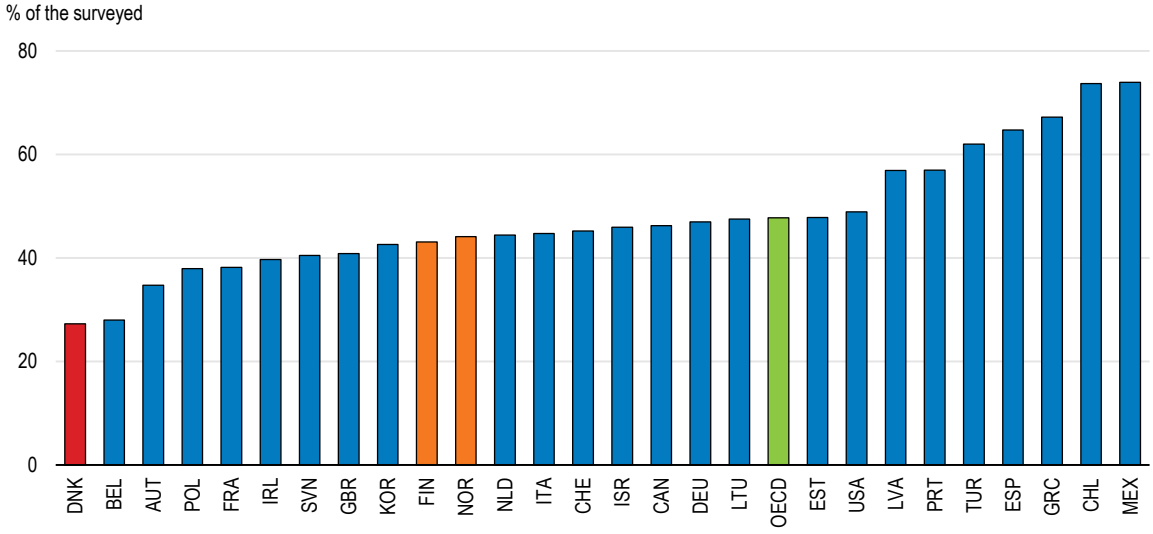
The provision of good quality, affordable homes is the main objective of housing policy nearly everywhere in the OECD but has a deeper meaning in the Nordic countries as they put emphasis on the provision of housing services that are universal and generous. In this way, social gaps should be reduced and poverty, that can push people into homelessness, eradicated. In Denmark, this egalitarian spirit is expressed in the widespread use of rent controls and the construction of vast social or non-profit housing estates, which are financed with an innovative revolving fund system. There is a strong focus on environmental sustainability, where very good results have been achieved. For instance, Denmark has the most developed district heating system in the OECD and carbon pricing is well advanced. In the Danish model, local governments provide a wide range of public services, including housing services, though there is also much co-operation between the levels of government and among municipalities.

Danish housing policy aims at providing affordable housing for all citizens who need it; providing social housing for marginalised citizens (people afflicted by homelessness, disabilities, addiction, or other social issues); creating mixed neighbourhoods across social, cultural and economic backgrounds; re-developing marginalised neighbourhoods defined by specific statistical criteria; and ending long-term homelessness (OECD, 2025a). In recent years, flagship reforms were the establishment of the Fund for Mixed Cities and a property and green tax reform (Danish Ministry of Finance, 2024).

According to subjective measures of housing adequacy, about 30% of the Danish population is concerned about finding or maintaining adequate housing (Figure 4.1). This suggests that a sizeable part of the Danish people is not happy with their housing conditions. Yet, Danish people are among the least concerned in the OECD about finding or maintaining adequate housing, which suggests that the Danish housing market works well in many respects. This is true for women and men, owners and tenants, but less so for people in the bottom income quintile and for young people. Living space is sizeable by OECD comparison, especially for homeowners (OECD, 2025a).

Figure 4.1. There is less concern about the adequacy of housing as compared to other countries

Share of people concerned about being able to find or maintain adequate housing, 2024



Note: Based on 2024 OECD Risks that Matter Survey. Data refer to the share of people who responded "concerned" or "very concerned" to the question, "Thinking about the next year or two, how concerned are you about not being able to find/maintain adequate housing". Unweighted average of 27 countries for the OECD aggregate.
Source: OECD Affordable Housing Database, HC1.4 Subjective measures on housing.

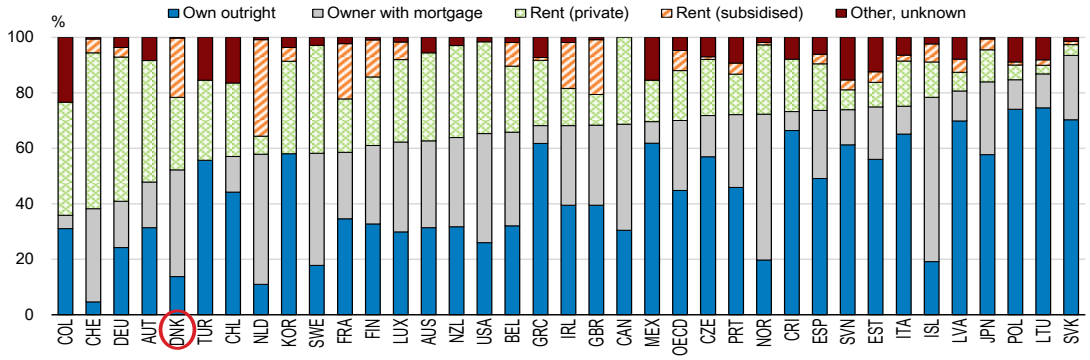
StatLink https://stat.link/wae34b

Despite the good performance in many respects, Denmark faces significant housing market challenges due to deep-seated structural issues of the housing market and the transition to a low-carbon economy. The Danish housing market is characterised by a large share of tenant households and a relatively low share of homeownership

(Figure 4.2). It also includes cooperative housing, which makes up 7% of the housing stock overall and plays a bigger role in large cities. The importance of rental housing is driven in part by the large stock of social housing, which accounts for a fifth of all dwellings, the third largest share in the OECD behind the Netherlands and Austria. Of all rental homes, only one in five are in the private, not rent-controlled, sector. The remainder, either social or rent-controlled housing, have long waiting-lists, as rents are well below market value. The extensive regulation of the majority of Danish rental housing leads to inefficient matches between tenants and apartments, contributing to demand and supply imbalances, especially in big cities.

Figure 4.2. The tenure structure is tilted towards renting

Share of households in different tenure types, 2024 or latest year available



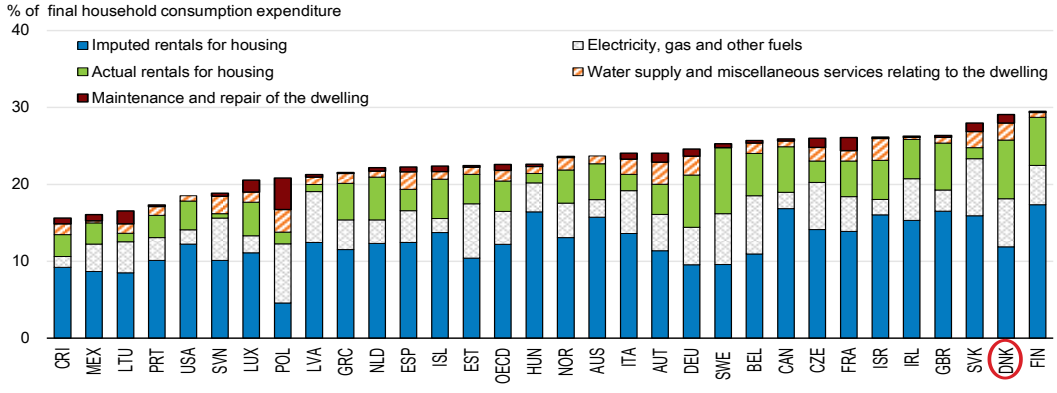
Note: The OECD aggregate includes the countries for which all tenure types are available. See the source for country-specific information. Tenants renting at subsidised rent are lumped together with tenants renting at private rent in Australia, Austria, Canada, Chile, Colombia, Costa Rica, Mexico, New Zealand, Türkiye and the United States. Data on rent (subsidised) for Denmark refers to social rental dwellings.
Source: OECD Affordable Housing database, indicator HM1.3. Housing tenures and PH4.2. Social rental dwellings stock.

StatLink https://stat.link/cfau50

Housing plays a pivotal role in people's lives and takes up a large share of household income. The share of housing-related spending in total consumption spending has been on the rise for the past few decades across the OECD and this is also the case in Denmark. In 2024, the share of housing-related in total consumption spending was the second highest in the OECD (Figure 4.3). It was still higher in Finland, but considerably lower in Sweden and Norway. This raises concerns about the affordability of housing.

Figure 4.3. The share of housing-related spending in household consumption is high

Decomposition of housing-related spending, 2024 or latest available year

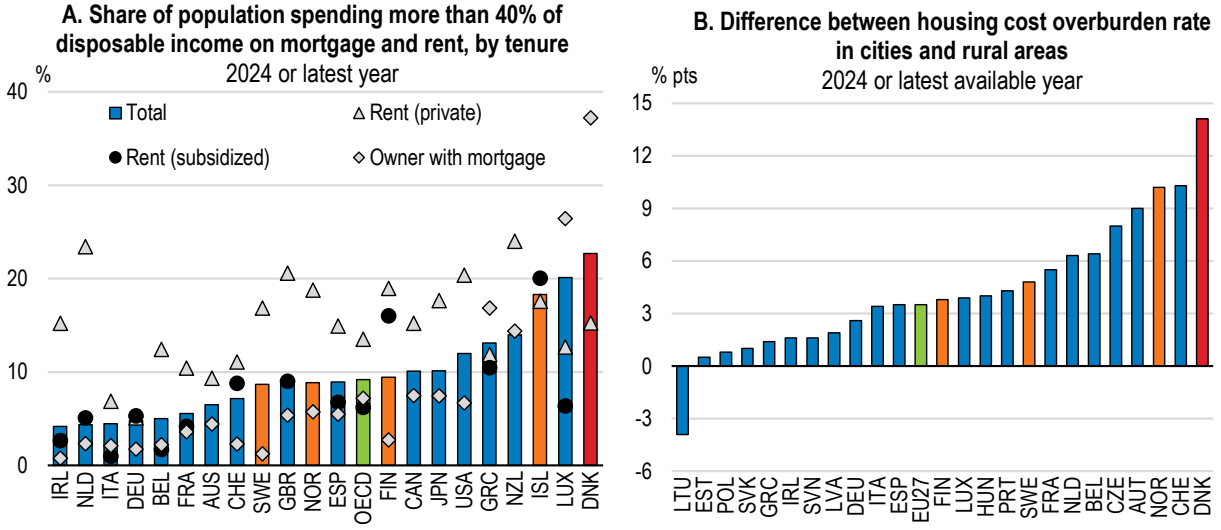


Note: OECD calculations based on OECD National Accounts Database. The OECD average only includes countries with available data for each category.
Source: OECD Affordable Housing Database, HC1.1 Housing related expenditure of households.

StatLink https://stat.link/0l1h5c

Despite widespread rent control and a vast social housing stock, housing costs appear high, particularly in the largest cities. The housing cost overburden rate – measured as the share of households spending more than 40% of their disposable income on housing – is the highest in the OECD (Figure 4.4), though this measure is based on pre-tax mortgage costs. More than one in five households is in this situation, double the OECD average and considerably higher than in the other Nordic countries. This burden rate is especially high for tenants paying rent at market prices in Danish cities, and for 15–29-year-olds and single people. While the high costs for single people partially reflects the large number of young people and students that live alone in Denmark, it remains higher than in the other Nordic countries that also have a large share of young people living alone. The cost overburden rate is also very high among immigrants (OECD/European Commission, 2023[3]). Relative to some other countries, this measure may overstate some of the pressures given generally high income levels, generous housing allowances, large scope of tax-financed services that reduce disposable income but contribute to living standards and the high quality of housing.

Figure 4.4. Many households face very high housing costs



Note: In Panel A, housing costs cover only those relating to mortgage costs (principal repayment and interest payments) and rental costs for both private market and subsidised rental housing. Unweighted average of 36 countries for the OECD aggregate. See the source for country-specific information. In Panel B, data refers to the percentage difference of the population living in a household where total housing costs represent more than 40% of disposable income by degree of urbanisation.

Source: OECD Affordable Housing database, indicator HC1.2 Housing costs over income; and Eurostat (2025), Housing cost overburden rate by degree of urbanisation.

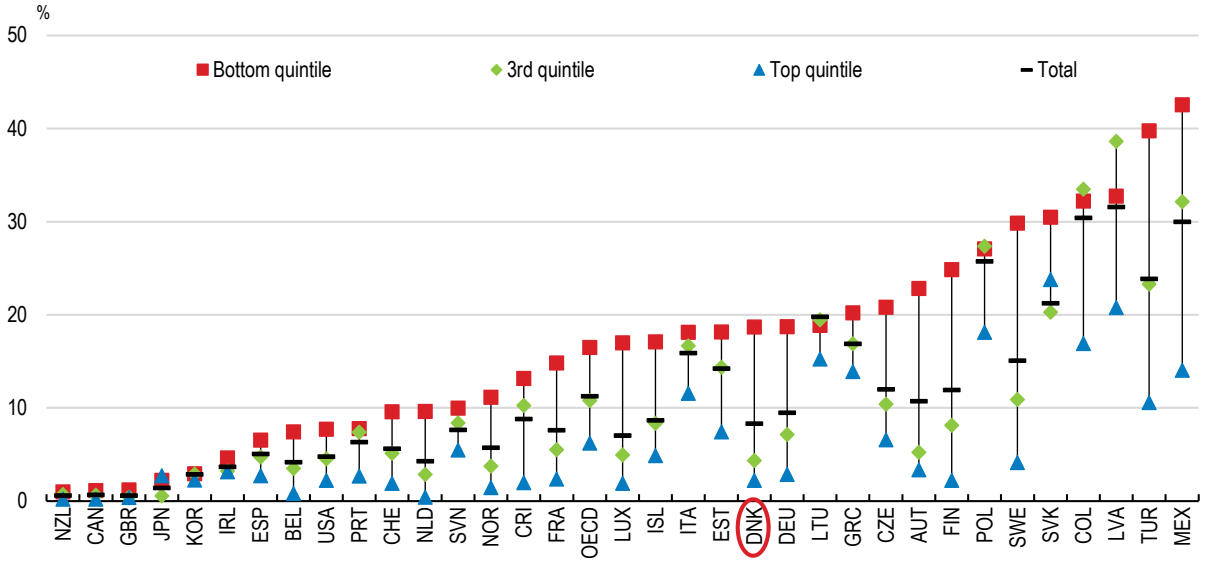
StatLink https://stat.link/xkacdy

Affordability concerns are concentrated in the large cities, as house prices and rents have risen more quickly than the national average. In 2023, Danish house prices in cities were 60% above the national average, while those in rural areas were 50% below. This is among the widest differences between cities and rural areas in a sample of OECD countries (OECD, 2025b). High housing costs and a lack of affordable housing is concentrated in the larger cities and particularly affects first-time buyers, large families, elderly people, low-income students and socially disadvantaged people. Not surprisingly, the housing cost overburden rate is much higher in Danish cities than in rural areas and especially high in Copenhagen (Figure 4.4 panel B).

Overcrowding is a measure of how the housing market meets the housing needs of people in different situations. A household is considered to live in overcrowded conditions if it does not have at its disposal a minimum number of rooms, which depends on household size and composition. The share of people living in overcrowded housing is nearly 10% in Denmark, which is considerably lower than in Sweden, close to Finland, but higher than in Norway (Figure 4.5). The overcrowding rate for the bottom income quintile is nearly 20% and for foreign-born it is close to 30%, the fourth highest in the OECD (OECD/European Commission, 2023[3]).

Figure 4.5. Overcrowding is of concern for low-income households

Share of overcrowded households, by quintiles of the income distribution, 2024 or latest available year



Note: Low-income households are households in the bottom quintile of the (net) income distribution. In Chile, Colombia, Mexico, Korea, Türkiye and the United States, gross income is used due to data limitations. In the United Kingdom, net income is not adjusted for local council taxes and housing benefits due to data limitations.
Source: OECD Affordable Housing database, indicator HC2.1. Housing space.

StatLink https://stat.link/lstzyw

Looking to the future, demographic changes will affect the demand for housing. People are living longer and as a result the share of single elderly households is rising. Marriage rates have been falling, while divorce rates have increased. These trends have many implications for housing demand. An ageing population and the trend towards smaller and more numerous households put strain on housing markets where supply does not respond flexibly to evolving demand patterns. Single-person or single-parent households may find it increasingly difficult to find affordable homes. In the City of Copenhagen, for instance, the supply of smaller two-bed room apartments has not changed since 1981 (Submission by Boligøkonomisk Videncenter). An ageing population also calls for housing that is more accessible and in proximity to a range of essential services (OECD, 2021a; OECD, 2025c).

Over the past decade, various measures have been taken to address these challenges and improve the functioning of the housing market, but these reforms have not touched the root causes of housing market imbalances (Table 4.1). On the other hand, a property tax reform has the potential to reduce tax distortions and the green tax reform enacted in 2025 provides real progress towards reducing housing greenhouse gas emissions (see below and Chapter 2).

The next three sections focus on salient economic features and policy issues relating to owner-occupied housing and the private and social rental sectors. This is followed by a discussion of issues surrounding supply constraints and of progress in decarbonising the housing stock. Macroprudential policies preventing excessive borrowing and speculative activities that affect the financial and housing markets are discussed in Chapter 1.

Table 4.1. Past recommendations and actions on housing policy

Recommendations in past Surveys	Actions taken since 2024
Support a bigger private rental housing market by easing rent regulation while striking a balance between landlord and tenant protection. Establish a commission to investigate the scope for developing a bigger private rental market.	No action taken.
Better target social housing to those in need, particularly in high-demand urban areas where waiting times are longest.	No action taken.
Reduce deductibility of interest expenses in personal income taxation.	A property value tax reform was implemented in 2024, which has the potential to reduce tax distortions.
Gradually reduce electricity taxes as GHG pricing ramps up, while monitoring effects on energy efficiency. Remove ad hoc measures for specific uses as general electricity taxation declines.	The Green Tax Reform moves from excise to carbon taxation of fossil fuels. Started in 2025, it will be phased-in until 2030. The government has proposed to reduce the electricity tax to the EU minimum rate.
Reorient the housing-job scheme (BoligJobordningen) to support renovations to improve building energy efficiency, including by landlords, rather than other housework such as cleaning and gardening.	The reformed scheme now includes many energy-efficiency related works, such as home insulation or the installation of solar panels and heat pumps.
Mandate minimum energy performance standards in rental properties.	No action taken.

4.2. Reform of housing taxation would help to lower prices and improve efficiency over time

Tax settings that promote homeownership exist in many countries, but the Danish system is particularly generous (OECD, 2022). A favourable tax treatment of housing lowers the after-tax cost of owning compared with renting and pushes up housing demand, thereby raising prices if supply is sticky. Denmark provides tax relief for mortgage interest payments, imputed rent is little taxed as the property value tax is low and capital gains are largely untaxed (Box 4.1). By lifting house prices, the tax-favoured status of housing can make it harder for lower-income households to buy a home. This can in turn amplify inequality and put pressure on governments to improve housing affordability through inefficient means. At the same time, well-off households over-invest in housing and under-invest in other assets. A reform of the biased tax treatment of housing can thus support multiple policy goals: improving affordability and making the tax system fairer and more efficient. Tax revenue generated by housing tax reforms can be used to reduce labour taxes (see Chapter 1).

Box 4.1. Taxation of owner-occupied housing in Denmark

In Denmark, there are two recurrent property taxes: a tax on land and a tax on residential structures. The property value tax (Ejendomsværdiskat) is a central government tax, while the land value tax (Grundskyld) is a local government tax, with the tax rate set by local governments. Taken together, property tax revenues as a per cent of GDP are somewhat above the OECD average, but considerably lower than in the English-speaking countries and France.

Property value tax (Ejendomsværdiskat)

The property value tax is a central government tax dedicated to taxing imputed rent and thus applies only to owner-occupied housing. Denmark froze property tax payments in 2002, which contributed to a fall in effective taxation. These tax savings were unequally distributed across regions, with the largest average benefits accruing to homeowners in the Greater Copenhagen area.

In 2017, a major reform of the property value tax was passed, which entailed a reassessment of the fair market value of properties. Property values have been updated, and the reform was finally implemented in 2024. Given the long tax freeze, reassessments had been expected to significantly raise tax obligations, particularly in areas having witnessed large house price increases.

To cushion the increase in tax liabilities and increase political support, the government embedded the update of property values in a set of changes designed to make it broadly revenue neutral and manage the transition. The statutory property value tax rate was lowered from 1% to 0.51% and a surtax aimed at high-value properties

applies above a value threshold of DKK 9.2 million. The surtax level of 1.4% is about equal to the tax value of the mortgage interest deduction. To address liquidity concerns, homeowners whose overall property taxes increase with the new system were compensated through a tax rebate fixed in nominal terms for existing homeowners and they have the option to defer the future increase in recurrent property tax liabilities until the sale of the property.

The implementation of the property evaluation system was delayed from 2021 to 2024. Building an administrative system from scratch has proved to be far more difficult and expensive than expected. Developing IT solutions, as well as re-organisation, has taken longer and been less effective than originally planned. Incorporating new sources of data that were originally not collected for valuation purposes was also difficult. Another major difficulty arose with the implementation of the tax deferring scheme, where the administrative system had to be developed from scratch.

Tax deduction of interest expenses

Interest expenses including on mortgage loans can be deducted from the personal income tax, aiming at tax neutrality between positive and negative capital income across different income sources. A 33% tax credit is provided up to DKK 50 000 for singles and DKK 100 000 for couples, reduced to 25% above the threshold. The thresholds are not indexed, thereby reduced in real terms over time.

Capital gains taxation

Owner-occupied residential property, as well as cooperative shares, are largely exempt from capital gains taxation. Capital gains, when selling a main or secondary residence are not taxed, but the property value tax is based on property market value since 2024 thereby taxing capital gains on an ongoing basis, at a relatively low rate though. The capital gains tax on property (Ejendomsavanceskat) applies only to properties not subject to the recurring property value tax.

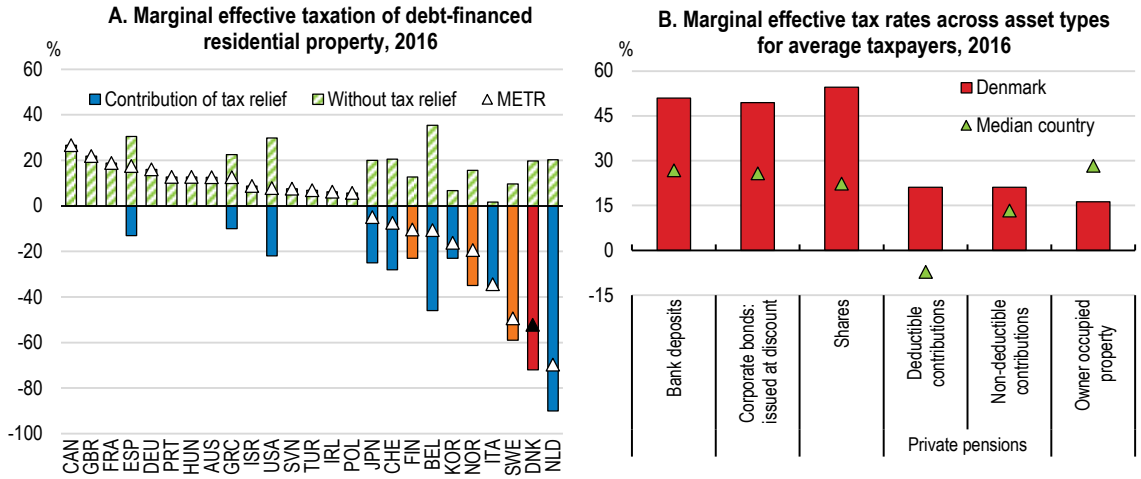
Source: OECD, 2022 and submission by the Ministry of Taxation.

The various aspects of the tax system generate low marginal effective tax rates (METRs) on debt-financed owner-occupied housing investments. METRs are negative where the deductions and credits applied to investments in property outweigh the taxes levied over the life of the investment (Millar-Powell, B. et al., 2022). The Danish METR is estimated to be negative and lower than in virtually all other OECD countries (Figure 4.6, Panel A): only the Dutch METR is more negative than the Danish. In addition, the taxation of housing is low compared to other Danish assets, which violates the principle of tax neutrality between assets in the same country and it is also below the OECD average (Figure 4.6, Panel B). However, as the Danish property value surtax of 1.4% approximately corresponds to the tax value of the mortgage interest deduction, tax neutrality is achieved for high-value properties (see Box 4.1).

The OECD has produced housing market projections to 2050 and policy scenarios. In the baseline scenario, the Danish house price-to-income ratio, which measures the number of years of disposable income required to buy a 100m^2 dwelling, would go up by three and a half years (Cournède, B., V. Ziemann and F. De Pace, 2020). Removing the tax privileges of owner-occupied housing would reduce the price-to-income ratio by nearly four years.

Owner-occupied housing is an asset and to avoid distortions it should be taxed as other assets. To avoid distortions to rental housing, owner-occupied housing should be taxed in a symmetric way to rental housing (so-called imputed rent taxation). This means taxing imputed rents, when mortgage interest relief is provided. The taxation of imputed rents from owner-occupied property is rare and only four OECD countries (Denmark, Greece, the Netherlands and Switzerland) tax imputed rents (Millar-Powell, B. et al., 2022). Imputed rent taxation can be implemented through recurrent taxation of property at its up-to-date market value with a rate calibrated to equalise taxation of owner-occupied housing to that of rentals. In Denmark, the property value tax is a central government tax dedicated to taxing imputed rent and is thus part of central government personal income taxation (see Box 4.1). A reform of the property value tax, which started nearly a decade ago, took effect in 2024 and restored the link between the property tax and actual property values. Nevertheless, although the Danish property value tax is deemed to tax imputed rent, the standard tax rate of 0.51 per cent is low for most taxpayers.

Figure 4.6. Taxation favours owner-occupied housing by a considerable margin



Note: While the estimates relate to 2016 data, they were validated prior to the publication of the study in 2022. In Panel A, METR stands for "Marginal Effective Tax Rate" for owner-occupied, debt-financed housing investments. Transactions, income, wealth, recurrent property and capital gains taxes are taken into account. In Panel B, the marginal effective tax rate summarises the tax on investing one additional currency unit across different assets with an expected holding period of 5 years (20 years for pension funds and housing). The tax rates are adjusted for country-specific average annual inflation rates over the period 2011-16. Savings in private pensions are assumed not to give rise to reductions in means-tested public pensions, which can raise marginal taxes substantially.

Source: Millar-Powell, B. et al. (2022); OECD (2021), Brick by Brick; OECD (2025a), OECD Revenue Statistics database; and OECD (2018), Taxation of Household Savings.

StatLink https://stat.link/ac2zi1

While the generous tax treatment has been justified by its perceived positive impact on homeownership, evidence from Denmark and other countries suggests that mortgage interest deductibility primarily drives up property prices and exacerbates wealth inequality, without significantly improving homeownership rates in the long term. Evidence from Denmark assessing the effects of major tax reforms in the 1980s, which reduced the mortgage interest deduction for high-income taxpayers, found that: i) tax subsidies to promote home ownership had a tightly estimated and robust zero effect on whether households chose to rent or own; ii) tax subsidies were shown to influence the size and value of the homes purchased, with a decrease in the tax subsidy resulting in important reductions in housing size and house prices; and iii) the largest effect of tax subsidies was on household financial, rather than housing decisions (Gruber, J., A. Jensen and H. Kleven, 2021). This tax treatment is regressive as it subsidises those households with the financial capacity to obtain a mortgage, with the subsidy increasing by property value. It likely leads to over-consumption of housing, drives up the price of land and results in significant tax revenue losses.

Denmark should implement a long-term reform strategy with the objective of reducing the favourable treatment of home ownership, which results in high property prices. The best strategy would be to raise the taxation of imputed rents via the property value tax to a more appropriate level, building on the recent update of the property valuations. Higher tax revenues should be re-channelled by reducing other, more distorting taxes, such as those on labour. Property taxes have been found to be among the least damaging taxes for long-run economic growth (Akgun, O., B. Cournède and J. Fournier, 2017[1]). Property taxes can also improve the allocation of housing, potentially improving housing affordability. For instance, they can incentivise older individuals without dependents who live in relatively large properties to downsize, releasing larger residences into the market and contributing to a more balanced and affordable housing market. Empirical studies have also shown that recurrent taxes on immovable property are commonly capitalised into house prices over time, helping slow house price growth and fluctuations.

However, if an increase in the taxation of imputed rent is not feasible, an alternative approach focusing on mortgage lending would be to reduce the mortgage interest deductibility by introducing a cap on the total amount of interest that can be deducted and then gradually lowering this cap over time to a level that ensures tax neutrality. This has a particular impact on homeowners and buyers. Introducing a cap on the deduction would reduce the benefit to higher income earners. This would make owner-occupation more accessible for new buyers and enhance tax-system

efficiency. However, lower house prices prompted by reforms would make all current owners worse off, especially those who are highly leveraged. Such a reform should thus be phased in gradually – as has been the approach, for example, in France, the United Kingdom, the Netherlands and Finland, where mortgage interest relief has or is being phased out (OECD, 2022).

Taxation of capital gains on owner-occupied housing is relatively generous. While Danish capital gains taxation is generally progressive, with a rate up to 42% for rented residential property, corporate bonds and shares, owner-occupied residential property, as well as cooperative shares, are largely exempt. Homeowners do not pay tax on gains realised upon the sale of their primary dwelling provided they have lived in it. Holiday-home owners – typically well-off households – are subject to the property value tax and the land tax but are exempt from the capital gains tax provided they used the property during the ownership period. While the taxation of owner-occupied housing via the property value tax provides some ongoing capital gains taxation and avoids negative aspects of capital gains taxation such as lock-in effects, the property value tax rate is very low so that little of the capital gains are taxed in this way. On the other hand, inheritance tax comprises homes and thresholds are fairly low.

Most OECD countries exempt capital gains from the sale of main residences only. However, Chile, Israel, Korea and the United States exempt gains on main residences up to a cap, while Sweden taxes a proportion of the capital gains. Many countries tax capital gains from the sale of secondary residential properties (Hourani, D. and S. Perret, 2025), because lock-in effects and thus mobility considerations are less relevant for holiday-home owners. Capital gains on the sale of a holiday home should also be taxed in Denmark.

4.3. The favourable treatment of cooperatives distorts the housing market

Housing cooperatives play an unusually large role in Denmark, supported by favourable tax treatment. They were set up to provide affordable housing and contribute to the diversity of urban areas. The rent act was revised in 1975 to include an obligation for owners of rental housing to give tenants a first option to buy the property as a cooperative. This was particularly the case in Copenhagen and Frederiksberg, where there was a large stock of ageing and poorly maintained rental housing. This led to a boom in the creation of housing cooperatives. Housing cooperatives make up around 7% of the housing stock, but nearly 30% of housing in Copenhagen Municipality, although new cooperatives are no longer being created on any scale. The housing cooperatives own and manage a property collectively. Members obtain the use right to a dwelling through the purchase of a share (Larsen, 2024). The associations are economically and organisationally independent, and within legislative limits, members have significant decision-making power. Because rents are below market value, the price per square meter is almost half compared to owner-occupied flats in Copenhagen, long waiting lists to get access to co-operative housing lead to preferential treatment of family and friends and opaque practices to enter the cooperatives.

The share owners in cooperatives benefit from being exempted from the property value tax. Although the cooperative associations could in principle deduct interest payments, in practice there is no offsetting income to take advantage of this facility. The net result is subsidisation as the tenants have interest deductibility without being liable for the property value tax on their share. As the preferential tax treatment of cooperatives is difficult to justify, share owners should be liable for the property value tax with an allowance for borrowing. The tax treatment should be aligned with that of owner-occupied housing. Furthermore, share owners of cooperatives that dissolve themselves should pay capital gains tax.

4.4. Improving the functioning of the private rental market

A well-functioning private rental market is important because it makes it easier to find housing according to changing needs, but Denmark's market is small and a large share of it regulated. The ease of moving residence geographically has efficiency implications because it affects the job-matching process. Low rates of residential mobility can be an obstacle to labour market adjustment, with adverse effects on overall economic performance (OECD, 2021a). Many studies show that people who live in rent-controlled housing move less often and that they more often find jobs in the local area. Such lower workforce mobility is likely to result in lower productivity.

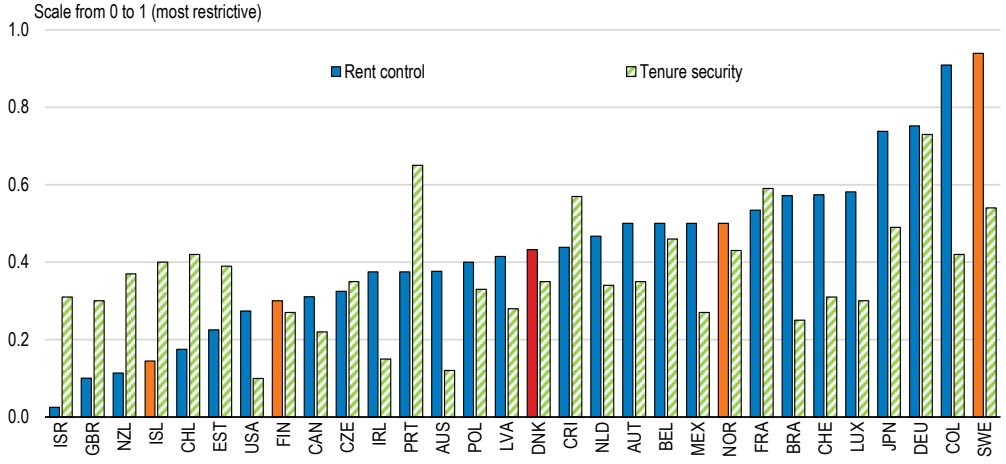
Residential mobility (the percentage of people moving over five years) in Denmark is indeed lower than in the other Nordic and the English-speaking countries (OECD, 2021a).

Rent regulation implies a transfer of resources and rights from landlords to tenants. Regulation can help mitigate hold-up problems by controlling the extent to which rent can be increased. While most countries have adopted legislation limiting rent increases for sitting tenants, the practice differs more when it comes to regulation of rent for new tenants. Rules that prevent landlords from raising rents excessively to take advantage of the fact that, over time, tenants may become more reluctant to move because of increasing attachment to the local area have benefits and provide tenants with greater certainty over their future housing costs.

In Denmark, the form of rent control depends on when the rental property was built. The rent level for private rental housing built up to 1991 is regulated, either on a cost or value basis. These rents can be well below the level that would prevail in an open market. Rents that are value based are higher than cost-based rents, but still below market rents. Value-based rents also apply for all rentals in pre-1992 buildings, if the lease has undergone a renovation that has significantly raised its value. The regulated segment currently accounts for approximately 72% of private rental housing. For private rental housing built after 1991, the rent can be freely negotiated between the tenant and the landlord when the lease is entered into, so that over time the overall adverse effect of rent regulation has eased as more property is subject to market conditions. For existing tenants, there are rules that limit rent increases during a tenancy. For homes built after 1991, rent increases are indexed with the so-called net price index, a consumer price index excluding taxes and duties (The Economic Council, 2023). The OECD index of the stringency of rent control for Denmark is close to the OECD average. It is less stringent than in Sweden, but more stringent than in Finland (Figure 4.7).

Figure 4.7. Rental market regulation is stringent in part of the rental market

Rental market regulation index

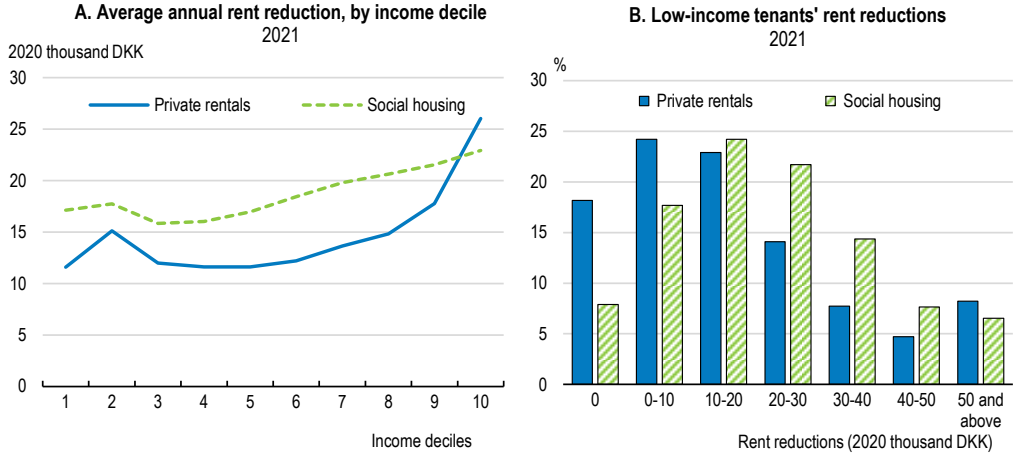


Note: OECD calculations based on answers to the 2019 OECD Questionnaire on Affordable and Social Housing.
Source: OECD (2021a), Brick by Brick: Building Better Housing Policies.

StatLink https://stat.link/mejwlv

While rent control is often justified by the desire to secure affordable rental housing for low-income households, rent control creates rationing so that homes are allocated using, for example, waiting lists, personal contacts or follow landlords' preferences. An Economic Council study shows that it is tenants with a high income, a university education and the elderly who gain the most from rent control (The Economic Council, 2023[]). Among tenants in older private rental housing, the estimated average annual rent reduction linked to the rent regulation is approximately DKK 12 000 for those with low and medium incomes and approximately DKK 25 000 for those with the highest incomes (Figure 4.8, Panel A). The average annual rent reduction masks large differences between tenants that have the same income level. Thus, just under 20% of low-income tenants do not obtain any rent reduction, while approximately 8% have annual rent reductions of more than DKK 50 000 (Figure 4.8, Panel B).

Figure 4.8. Rent control benefits also the well-off



Note: The reductions in rent are calculated in household equivalent units. In Panel B, low-income tenants refer to households in the second income decile.
Source: Danish Economic Council secretariat.

StatLink https://stat.link/mxgztc

Rent control can lead to various types of efficiency losses. For older rental housing units where the rent is below the market rate, this can result in a poor match between the rental properties and the tenants' wishes. An analysis by the Economic Council finds that there is a bad match of the order of 15 to 35% of the older private rental housing. A bad match exists, for example where households live in dwellings that are smaller or larger than they would choose in the absence of rent control (The Economic Council, 2023). Moreover, the increase in market rents has been higher than the increase in the net price index, which is used to regulate increases in rents over time for private rental housing built after 1991, so that the differential has widened and the distortion has increased.

The private rental market should be made more effective by removing restrictions to a closer alignment of rents with market conditions, while taking into account the trade-off between efficiency and distributional concerns. If rent increases followed wage increases rather than the net price index, they would likely track market conditions more closely, reducing the loss of efficiency while maintaining housing costs in line with the income of wage earners and transfer payment recipients (The Economic Council, 2023). A deeper reform could aim to align regulated rents more closely with market rents. Finland deregulated the rental market in two steps (Box 4.2). In the Danish context, one step could be to shift new rentals in pre-1991 housing from a cost to a value-based system. In a second step this could be extended also to existing cost-based rentals. In Finland, the whole regulated market segment was liberalised and the reform was accompanied by a rise in housing allowances. These measures may require higher housing allowances for those on low incomes.

In Denmark, spending on housing allowances, at 0.7% of GDP, is the third highest in the OECD. It is granted based on housing expenditure, the income of the household, the area of the dwelling and the composition of the household, including the presence of children. Special, more generous, rules exist for pensioner households and people on disability benefits. Denmark is among the very few countries with no income threshold and thus also among the few countries, where over 10% of households in the middle quintile of the income distribution receive a housing allowance (OECD, 2024b). While no income threshold exists, there is a rent threshold of DKK 94 200 per year and an allowance threshold of DKK 49 716 in 2025, which is generous. A better targeting of the housing allowance would make it possible to raise the allowance for those most in need, while not spending more money on the allowance. Any changes to the housing allowance would also need to take into account any side effects on financial work incentives (Chapter 3).

Where supply is rigid, an increase in housing allowances may have the unintended consequence of putting upward pressure on house prices and rents. This pressure can offset the intended effect of allowances on affordability for beneficiaries while making housing more expensive for households who are not receiving them. Dealing with this trade-off calls for complementary measures to raise housing supply responsiveness to changes in demand.

Box 4.2. Finland has eased rent control considerably

Finland started deregulating rents following the severe economic crisis in the early 1990s to reduce the risk of future housing bubbles. Deregulation advanced in two steps: In 1993, rent controls were abolished for new contracts and in 1995 also for existing contracts. This led to a liberalised market with no legal limits on initial rent or subsequent rent reviews. In the case of long-term rental agreements, the rent is typically reviewed annually. The size of rent increases must be specified in the lease agreement, and in most cases, the rent increases are based on the cost-of-living index. The OECD index of the stringency of rent control is now among the lowest in the OECD (Figure 4.7).

The motivation of the reform was to boost the construction of rental apartments. As a result of the reform, the median burden of rent payments for tenant households is the highest in Finland (32%) but not that much lower in Denmark at 27%. The easing of rental market regulation in Finland occurred in the context of very strong housing support for vulnerable households. Finland had the second highest spending on housing allowances as a per cent of GDP in the OECD, just before Denmark. An important difference between Finland and Denmark is the generosity of the criteria for receiving the allowance in Denmark, which means that the targeting of the measure on low income households is weaker (OECD, 2025a). Moreover, Finland implemented significant cuts to the housing allowance in 2025.

Source: (OECD, 2021a).

4.5. Social housing: ensuring decent, affordable housing for low-income households

4.5.1. Social housing is very well developed

In Denmark, social housing is dubbed non-profit housing, reflecting its aim to house a wide range of the Danish population. It is provided at cost-based rents through 475 housing associations, which manage more than 600 000 social housing units, where approximately 1 million people reside. The social housing sector is private and not-for-profit, but subject to detailed public regulation. The social housing sector is among the largest in the OECD, making up about 21% of the total housing stock. The share of social housing in the overall housing stock has declined in many OECD countries over the past decade, but with an only small decline in Denmark. Revolving funds have been developed in some countries, including Denmark, as part of a long-term funding strategy for social housing (Box 4.3).

Denmark's social housing policy follows a universalist approach: It is the only OECD country where all households are eligible and where there is no income threshold. Already at the age of 15, people can register on waiting lists. Universalism is seen as important to encompass a wide and heterogeneous population to promote social mixing. Austria and the Netherlands have also traditionally had universalist models and have the biggest social housing sectors (Figure 4.9). However, the Netherlands has moved to target social housing on households below a certain income threshold, while Austria has an income threshold for eligibility, though it is very generous (OECD, 2020). The social housing sector is considerably smaller in Finland and Norway, while it does not exist in Sweden because of tight rent regulation in the private sector.

Box 4.3. Revolving funds provide long-term funding for social housing

Revolving funds have been developed in some countries as part of a long-term funding strategy for social housing, including in Austria and Denmark, through a mix of state guaranteed loans and market loans.

In Denmark, the National Building Fund, created in 1967, is a key pillar of the national model to provide affordable housing, and is largely implemented by housing associations. The National Building Fund is an independent institution. New non-profit housing units are financed by an 86-90% loan from a mortgage institution (government backed), an 8-12% municipal capital loan and a 2% tenant deposit. Rent payments

concerning financing the acquisition cost of new non-profit housing are fixed as a percentage of the total cost and are adjusted annually by the net price index for the first 20 years after loan take-up, and then by three quarters of the index increase until the 45th year, at which point rents are maintained at the nominal level, which was then reached. Thus, a share of tenants' rent is used to pay off the housing association's mortgage loan for the first 30 years, at which point the share is allocated to the state for another ten years. Once this period is over, the share is allocated to a fund within the local housing association (one-third) and to the National Building Fund (two-thirds).

Approximately half of the National Building Fund's resources are used for the construction of new social housing (OECD, 2020) with the rest being used to meet costs, including borrowing costs. In this way, each housing organisation contributes to and can borrow from the Fund, which supports a wide range of activities to ensure the quality of social housing, including renovation of the existing housing stock and social and preventive measures in vulnerable areas, the development of social master plans that are co-financed with municipalities to fund measures related to security and well-being, crime prevention, education, employment, and parental support.

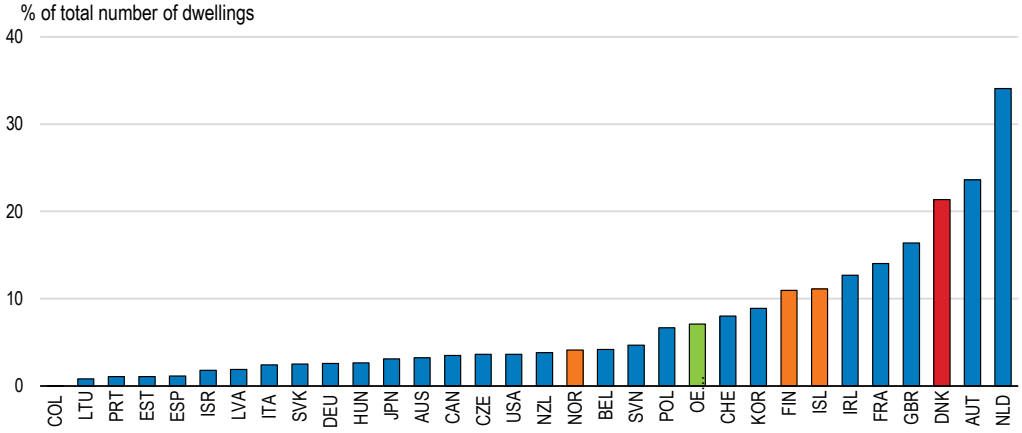
The housing associations benefit from smoothing of payments over time and a number of indirect subsidies in the form of tax breaks and exemptions. This includes a tax exemption on their cashflow, including for corporation tax. They are also exempt from VAT. However, there are some exceptions to this. For example, VAT must be paid on construction project management fees and payroll tax on services provided by them.

Overall, the financial position of this system is strengthening as the number of housing developments that have paid back their mortgages is increasing, so that the resources generated by the rents can be used to pay a larger part of physical and social modernisation programmes.

Source: (OECD, 2020); Submission by the Danish social housing association, BL (Danmarks Almene Boliger).

Figure 4.9. The social housing stock is very high

Share of social rental dwellings, 2022 or latest year available



Note: Unweighted average of countries for the OECD aggregate. See the source for country-specific information.
Source: OECD Affordable Housing database, indicator PH4.2. Social rental dwelling stock.

StatLink https://stat.link/fyrhxn

The social housing system is designed to prevent speculation and the rent is cost-based. Rents should equal the costs incurred by housing associations for building, maintaining and managing the dwellings. Social housing rents were 56% of the market rent in Copenhagen in 2020 (OECD, 2025a). A cost-based approach has the benefit of taking into account the actual costs of developing, operating and maintaining the housing stock, but it does not reflect a household's ability to pay for housing. There can also be a big difference between rent levels in newer housing developments compared to older estates (OECD, 2020). In Copenhagen, for instance, rents in estates built after 2000 are nearly 30% higher than in estates built before 1950.

In the absence of income targeting, demand for social housing exceeds supply and allocation is governed by waiting lists, which can be very long for good locations in high-demand areas. Priority allocation is reserved for certain categories, such as families with children, people with disabilities or the elderly. In addition, municipalities can assign households with housing-related social problems to social housing. The municipalities are entitled to use every fourth of the vacant family dwellings for these means-tested assignments, which take priority over the waiting list. In addition, workers and students can bypass more vulnerable households on the waiting list to facilitate social mixing within certain housing estates characterised by a high share of socially and economically disadvantaged tenants (OECD, 2020).

Despite the inclusive approach of the Danish non-profit housing model, social housing residents have on average lower income levels and higher unemployment rates than the country average, as well as a higher share of single persons or single parents. According to the Danish social housing association, BL (Danmarks Almene Boliger), more than 40% of people with earnings in the lowest income quintile live in social housing, compared to 18% in the third quintile. There are still 4% in the highest income quintile in social housing. Given that rents are not linked to income and are below market rents, tenants with a high income gain the most from being housed in social housing (Figure 4.8) (The Economic Council, 2023).

Contrary to Denmark, many social housing providers in the OECD have introduced various measures to require or incentivise residents to transition out of social housing when their economic situation improves, to make room for tenants with greater need (OECD, 2020). Such tools include: periodic eligibility reviews, fixed-term tenancies and income-dependent rent increases, where social housing rent levels can be tied to residents' income, so that the rent increases when a tenant's economic situation improves above a certain threshold. While there is a tension with the universalist model, linking rents partly to income for higher income earners would help generate additional revenues for the system and reduce incentives for higher income earners to use social housing. The various options to balance socioeconomic diversity with achieving a better allocation of social housing by reducing support to those whose circumstances have improved should be explored.

Trade-offs need to be considered, when incentivising better-off tenants to move out of social housing. On the one hand, efforts to better manage resident "throughfare" are driven by declining housing affordability, and housing equity concerns that would favour a more efficient allocation of social housing resources. On the other hand, if long-time tenants leave their dwellings, this can dampen community building and the accumulation of place-based social capital and can limit the potential for socially mixed communities. Denmark should consider mechanisms to rebalance the allocation of social housing away from better-off households, such as periodic eligibility reviews, fixed-term tenancies or indexing social rents to individual income, while protecting socioeconomic diversity.

Investment in social housing has been low in recent years, partly reflecting a cost cap for new social housing buildings, which can be binding, especially in cities, where construction costs have risen sharply (Danish Ministry of Social Affairs and Housing, 2024b). In Copenhagen City, only 5 000 social housing units were built between 2014 and 2023 as compared to 30 000 private rental units and 12 000 owner-occupied units (submission by Copenhagen City). While essential for containing rent levels in new buildings, the cost cap legislation provides little flexibility for building new housing, especially affecting the capital region. The maximum budget per square meter is set between EUR 3 000 to 4 000, depending, for instance, on the size and type of housing unit. This leads to an increasingly difficult task for affordable housing associations to find contractors for new residential housing projects. To ease the strain in the capital, the government and the City of Copenhagen have entered into an agreement, that will increase the share of social housing to 40% in new residential areas. As part of the housing agreement, DKK 10 billion was allocated to the Fund for Mixed Cities, that was established in 2021 (Danish Ministry for Social Affairs and Housing, 2022). Apart from targeting more social housing in the capital region, the Fund for Mixed Cities supports land purchase loans for new social housing projects, the conversion of private rental properties and commercial buildings into social housing, the establishment of particularly affordable social housing and the densification of social housing (Danish Ministry of Finance, 2024). In addition, it is planned to increase the cap on construction costs, which should be implemented and its effectiveness monitored.

4.5.2. Despite considerable policy efforts, homelessness has not come down

Homelessness is the most extreme form of housing and social exclusion. The number of people living rough or in temporary accommodation is 6 out of 10 000 in Denmark as compared to 5.5 in Sweden, but it is considerably higher

than in Norway (2.6) and Finland (1.6) (OECD, 2025a). On the other hand, it is considerably lower than in France or Germany. The number of people experiencing homelessness rose steadily between 2009 and 2019 and has remained stable since then at about 6 000 persons (Benjaminsen, 2024). Homelessness is concentrated among a small population with multiple needs, rather than being associated with poverty and deprivation as is the case in some other countries. Evidence provided by an analysis of homelessness collected every two years suggests that people experiencing homelessness are those who are not reached by the extensive social protection system (Benjaminsen, 2023).

Denmark applies best practice by implementing a Housing First approach, with the aim of eradicating long-term homelessness. Housing First provides tailored support for people experiencing homelessness with high and complex needs by providing them with immediate housing and enabling them to exercise control over their support services. Since the Danish Homeless Strategy started, there has been a continuous focus on spreading the Housing First approach. With the Action Plan to Combat Homelessness (2018-2021), national guidelines were issued with recommendations for best practice (Danish Ministry for Social Affairs and Housing, 2021a). However, an evaluation of Housing First found large differences in the implementation by the municipalities. Municipalities have great autonomy and may not participate in the implementation of the strategy or implement only part of it. A questionnaire found that out of 81 (out of overall 98) municipalities that responded to the survey only 39 followed the Housing First strategy (Danish Ministry for Social Affairs and Housing, 2021a).

While the Housing First approach is seen as working well, the scaling up of the programme has been lacking. Data suggest that less than 10% of the people experiencing homelessness are reached by the Housing First strategy (Danish Ministry for Social Affairs and Housing, 2021a). This is partly due to the incentives by the municipalities, which have to shoulder a large part of the cost and the complexity of co-ordinating several municipal and regional services. There is potential to use the municipal referral system to social housing better: there are about 600 000 social family homes, of which municipalities have the right to allocate 25%. Around 20 000 of these have a rent of less than DKK 3 500 per month, but in 2020, the municipalities allocated just under 12% of the vacant social housing with a rent of less than DKK 3 500 per month (FEANTSA, 2021).

However, since October 2023, national Danish legislation aims at significantly decreasing the number of homeless persons and ending long-term homelessness. The amendment provides municipalities with better incentives to find affordable housing more quickly for people who otherwise stay in shelters. For example, this is achieved by reforming the reimbursement scheme so that state reimbursement, following a short stay in a shelter, shifts from covering costs associated with long-term shelter stays to supporting individuals in their own homes. As a result, reimbursement for shelter stays is now limited to 120 days per person per year, with a planned reduction to 90 days per person per year starting in 2028. Additionally, the state reimburses 50% of the municipalities' expenses for providing support under the Housing First methods to individuals living in their own homes. The agreement "The Fund for Mixed Cities – More Affordable Housing and a Way out of Homelessness" from 2021 also provides 4 050 affordable homes that can be used for Housing First initiatives aimed at citizens experiencing homelessness or at risk of homelessness. Many other activities supporting a nationwide implementation of Housing First are nationally funded for the years 2022-2025, amongst which is a national partnership entrusted with the task of monitoring the progress of implementing Housing First across the country. The national partnership with municipalities must investigate barriers to the implementation of Housing First in Denmark and annually report to the national authorities on the matter. Whether the sharpened focus on implementation will reduce homelessness will become clearer with the next homelessness survey in 2026. Co-operation agreements on homelessness with more municipalities would help.

4.5.3. There has been progress with urban regeneration

Despite the universalist approach to social housing, segregation is a long-standing problem in Denmark. As in most Nordic countries, there is a link between the concentration of social housing in certain neighbourhoods and the overall level of ethnic and economic segregation (OECD, 2020). There is a wide-ranging literature on neighbourhood effects, which suggests that living in poverty-stricken neighbourhoods can have negative effects on outcomes such as income, health, education and general well-being. There is also evidence that such effects harm especially children. This may lead to an intergenerational neighbourhood effect: a vicious circle of exposure to poverty

between generations where children are affected by where their parents lived can develop and subsequently this can affect their own children later in life (OECD, 2018).

In general, there are three types of policy responses to segregation by socio-economic status: place-based policies, people-based policies and connectivity-based policies. Place-based policies mainly focus on the physical upgrading of deprived neighbourhoods. By demolishing large social housing estates and rebuilding more mixed housing, the socio-economic mix of households can be influenced. Place-based policies require large investments, but within a relatively short period, a neighbourhood can be upgraded by replacing buildings and people. Such policies can only be successful if middle class households can be attracted to poorer neighbourhoods.

Place-based policies alone may be insufficient if they fail to address the underlying mechanisms that lead to persistent poverty. Investment in people and policies that establish equal opportunities are also needed. People-based policies focus on areas such as education and employment. Education introduces people into new networks affecting partner choice, job matching and finally residential choices. Obtaining a higher level of education will also help to reduce intergenerational transmission of living in deprived neighbourhoods. In addition, connectivity-based policies focus on lowering barriers for people living in low-income neighbourhoods to travel to jobs or schools in other parts of the city (OECD, 2018).

Several OECD countries have specific urban regeneration programmes that try to address the issue of a high concentration of social problems in certain urban areas. In Denmark, policy first attempted to make such areas more attractive without trying to directly influence the social composition of tenants but then recognised that the composition of tenants may have an important impact as well and therefore launched measures to improve social diversity (Erlandsen, E., J. Lundsgaard and F. Hüfner, 2006). There has been a long-standing concern in Denmark that some areas lack social diversity or feature concentrations of deprivations of migrants. A 'ghetto list' was first introduced in 2010, which identified deprived areas as ghettos based on the residents' socioeconomic characteristics. It only concerned public housing areas with at least 1 000 residents. The aim was to give municipalities and social housing associations an incentive to change the residential composition of the areas to avoid being on the list (Skovgaard Nielsen, R. and S. Kromhout, 2023) and did not automatically trigger any measures or funds. On the other hand, several social programmes were launched to improve the share of people in education and employment, to reduce crime and raise safety in socially disadvantaged neighbourhoods. These national programmes top up municipal services in these areas.

Several initiatives have been launched to create mixed neighbourhoods by providing social housing, including in the country's most expensive residential areas. The mixing of groups of different social, economic and ethnic backgrounds can lead to better mutual understanding, more trust and greater solidarity. Social mobility and migrant integration are easier to achieve when people do not live in segregated areas or communities (Box 4.4). A key OECD recommendation in this respect is to promote inclusionary zoning (Moreno Monroy, A. et al., 2020). Under inclusionary zoning, private developers are either required or incentivised to incorporate social housing in new site developments. For instance, the French Social Housing Act implemented a social housing minimum quota of 20% in every municipality in urban areas, and municipalities that do not comply with the 20% minimum are fined. Likewise, some German cities have a social housing quota in place for land use allocation (OECD, 2021b).

Box 4.4. Inclusionary zoning needs to be scaled up

While large social housing estates can concentrate deprivation of some social groups, smaller projects tend to decrease segregation as they are more likely to disperse social housing residents in different areas.

Denmark relies on incentives in promoting inclusionary zoning. A provision was added to the Danish Planning Act in 2015 to promote diversity through the option of planning for the establishment of more non-profit housing in cities. The land on which inclusionary housing projects are built is mainly owned by housing associations making them both developers and long-term operators post-completion. In addition, municipalities with high growth in the population can subsidise land purchases. Since 2015, the Planning Act includes also a provision that allows municipalities to require that up to 25% of the housing stock in a new residential area must be social housing (Granath Hansson, A. et al., 2025). The implementation of inclusionary zoning is optional for the municipalities.

An evaluation of the 2015 Planning Act by the Danish Housing and Planning Agency provides a summary of the use of the 25% regulation in local plans from 2015 to 2020 and shows that, out of about 1 700 local plans, only 45 included a demand for a percentage of non-profit housing. Within the 45 local plans with non-profit requirements, 10 400 new homes were built and of these just 635 were non-profit units. Apart from adverse incentive effects of private developers that are required to sell a piece of land to a competing social housing association, municipalities are also resistant fearing that the municipal tax base could be eroded and concerns that developers will choose to build elsewhere (Granath Hansson, A. et al., 2025).

To scale up inclusionary zoning, the government established the Fund for Mixed Cities, which will fund the conversion of private rental housing into social housing and the conversion of commercial properties into social housing between 2022 and 2035. It also includes a land purchase loan scheme that will enable social housing organisations to purchase building land in areas with high land prices (Danish Ministry for Social Affairs and Housing, 2021).

Denmark launched a further wide-ranging initiative in 2018 aiming to address vulnerable residential and "parallel society" areas. Four criteria are used to identify such areas among social areas with at least 1000 inhabitants and at least two of them must be met. These are areas where more than 40% of the population is without employment, the crime conviction rate that is three times the national average, an average gross income, which is less than 55% of the average gross income for the same group in the region and the proportion of residents aged 30-59 who only have a basic education exceeds 60% of all residents in the same age group. A "parallel society" is defined by the same criteria but also includes that the proportion of immigrants and descendants from non-Western countries should not exceed 50%. DKK 10.5 billion were prioritised in the National Building Fund for the conversion of these residential areas via renovation, demolition, new infrastructure, social housing initiatives and rehousing of residents. In residential areas characterised as parallel societies in the past five years the proportion of social housing must be reduced to a maximum of 40% of the current number by 2030.

A new category for residential areas in need of preventive measures, which was introduced in 2021, includes social housing areas with at least 1 000 residents, where the proportion of immigrants and descendants from non-Western countries exceeds 30%. The labour market, education and crime criteria are less strict then for the vulnerable areas. Municipalities are no longer allowed to assign foreigners who are not citizens of Denmark or the EU, EEA and Switzerland to prevention areas. These rules also apply in the vulnerable neighbourhoods (Danish Ministry for Social Affairs and Housing, 2024). The policy is largely funded by the National Building Fund, which finances the costs of demolitions, and supports infrastructure investments. The Fund also partly funds the development of 89 social master plans that are co-financed with municipalities to support interventions linked to security and crime prevention, well-being, education and employment, and parental support (Landsbyggefonden, 2025).

The implementation of the policy has advanced rapidly. The number of vulnerable residential areas and parallel society areas has fallen considerably between 2018 and 2024 (Table 4.2). However, there were still many children in the 12 "parallel society" areas in 2023 who grow up with parents who are not working. A relatively high proportion of pupils attend primary schools, where many pupils are of non-Western origin, and the average grade in the parallel society areas is lower than in the rest of the country (Danish Ministry of Social Affairs and Housing, 2024a). In 2024, there were still 17 residential areas that are covered by development plans between municipalities and housing organisations.

The development plans indicate how the proportion of social housing will be reduced to 40% by 2030. There are many tools to reduce the proportion of social housing, including new construction of both private and commercial units, conversion to social housing for young people or the elderly, and demolition and sale of existing housing. New construction is the most commonly used tool in the development plans. Demolition and sale are being used strategically where it is deemed necessary for the development of the area (Danish Ministry of Social Affairs and Housing, 2024b).

Demolitions are expensive and can up-root people. Living among similar people can have major benefits as it can reduce conflict, give people a sense of safety, and foster social networks. Living in enclaves with people with similar preferences, needs, and lifestyles can also have the benefit of shared services and facilities (OECD, 2018). Reducing segregation by socially mixing neighbourhoods will have some effects on inequality and social mobility, but directly

reducing social disadvantages through education, employment and housing policies seems to be the most efficient way. While many programmes exist already, the previous Survey stressed that there are several policy areas with room for improvement (OECD, 2024). These concern insufficient language skills of migrants, which are crucial to obtain employment, problems with the transferability of qualifications, which reduces chances of becoming employed and housing policy. It concluded that, while significant housing investment in the most challenged areas is necessary, having a close eye on addressing the underlying issues could be more fruitful.

Table 4.2. The number of vulnerable residential areas has declined considerably

Area category	2018	2019	2020	2021	2022	2023	2024
Vulnerable residential areas	43	40	25	20	17	19	12
"Parallel society areas"	29	28	15	12	10	12	8
Conversion areas	15	15	13	10	9	8	7
Areas of prevention				62	67	56	63

Note: Conversion areas replaced the previous hard ghetto areas. It is a residential area that has been a parallel society area for five years.
Source: Danish Ministry for Social Affairs and Housing, 2022; Danish Ministry for Social Affairs and Housing, 2024a.

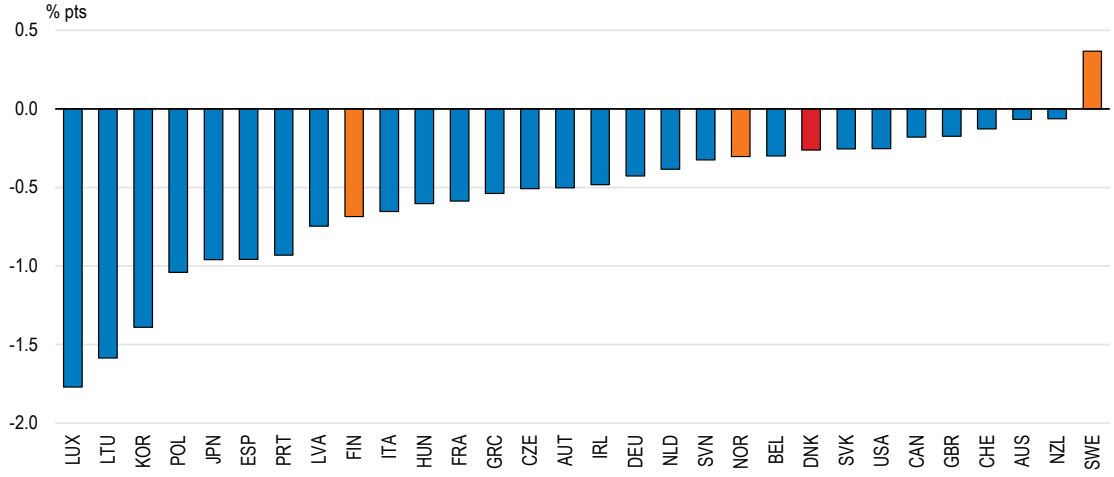
4.6. Improving the responsiveness of housing and land supply is key

4.6.1. There are indications that housing supply is sticky, especially in Copenhagen

Given the growing and changing demand for housing, a slow response of new housing to demand changes can raise price pressure. Housing supply responds to changes in demand, such as from population and income growth, quite differently across countries (Figure 4.10). In Denmark, dwelling stock growth has outpaced population growth only by a slender margin, with housing supply hampered in urban growth areas and ample housing supply in lagging regions.

Figure 4.10. Dwelling stock growth was only a little stronger than population growth since 2000

Difference between population and dwelling stock growth



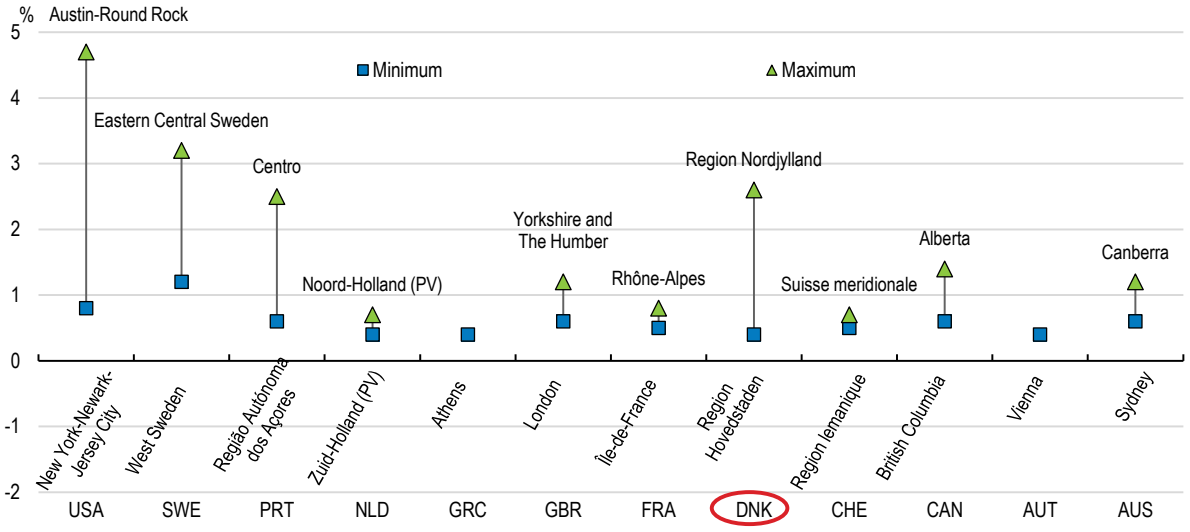
Note: OECD calculations using data on annual population and the number of dwellings over 2000-22 (or latest available year).
Source: OECD (2025), OECD Economic Outlook: Statistics and Projections (database); and OECD calculations.

StatLink https://stat.link/xc4a2i

Land-use regulation plays an important role in housing supply, but it can be hard to assess because Denmark, as most OECD countries, sets these at the municipal or regional level, while the national government is predominantly involved with setting guidelines and general principles (Cavalleri, M., B. Cournède and E. Özsöğüt, 2019). Similarly technological or natural constraints, such as the coastal location of Copenhagen and its many protected green areas

are difficult to assess. The supply response of housing investment to house price developments can be gauged by the elasticity of housing supply to house price increases. A sufficiently elastic supply ensures that the economy responds to housing needs in a timely manner without large price increases, thus underpinning housing affordability. For Denmark, the estimated elasticity of housing supply with respect to housing prices is high in low density regions but very low in the capital region (Figure 4.11). In Copenhagen, housing construction has not kept pace with population growth since 2009, partly reflecting strong population growth. In the rest of the country, housing construction and population growth have been more closely aligned over the past 15 years. With population growth outpacing housing construction, upward pressure on house prices in the capital municipalities has become very strong: owner-occupied apartments in Copenhagen were 17% more expensive in April 2025 than in the same month last year (Danmarks Nationalbank, 2025). Price increases were smaller in other large urban municipalities, such as Odense, Aarhus and Aalborg.

Figure 4.11. The housing supply responsiveness is very low in the capital region



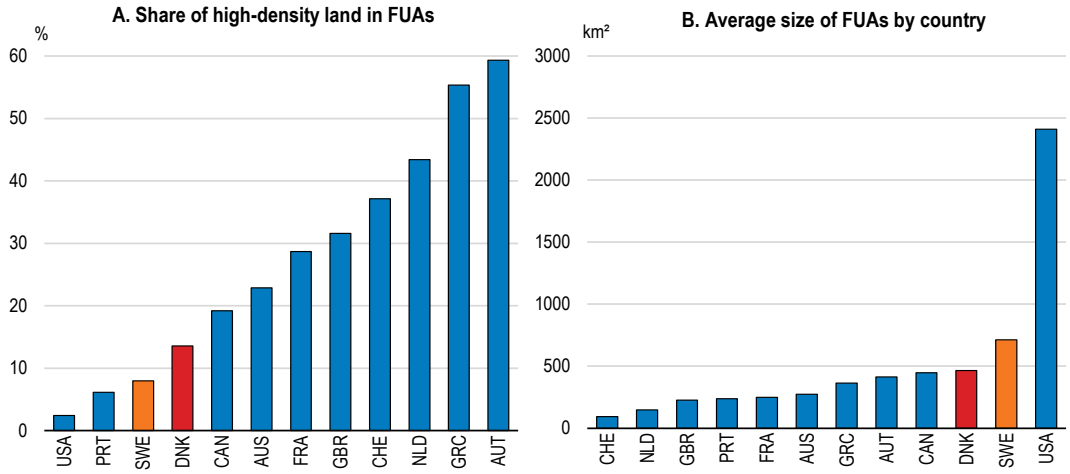
Note: Estimates based on Bétin and Ziemann (2019). Long-term supply elasticities are derived from inverse supply elasticities obtained by regressing changes in real house prices (from 2003 to 2017) on long-run changes in residential construction proxied by local population and instrumented using exogenous labour demand shifts and fertility rates.
Source: OECD Housing Policy Toolkit (housingpolicytoolkit.oecd.org); and Bétin, M. and V. Ziemann (2019), "How responsive are housing markets in the OECD? Regional level estimates", OECD Economics Department Working Papers, No. 1590.

StatLink https://stat.link/b3kpm2

The effect of supply constraints is also illustrated by the fact that the number of two-room apartments in 2024 was the same as in 1981 in the Copenhagen region. This is partly due to urban renewal efforts that led to demolitions and apartment consolidations as well as the legacy of earlier minimum apartment size rules. It comes against the background of increasing demand for smaller units as the size of households has been declining due to ageing and the rising number of single families (Submission by Boligøkonomisk Videncenter). Demand was also pushed by short-term rentals aimed at tourists, though the effect on rents is difficult to assess because of a lack of detailed data.

A lack of density contributes to housing shortages. The functional urban areas in Denmark show a relatively low density, similar to Sweden (Figure 4.12, Panel A). This partly reflects the many protected green areas and building restrictions. Density is also low in most English-speaking countries, but much higher in most other European countries, where the size of functional urban areas is also smaller (Figure 4.12, Panel B). In the Copenhagen region, the land-to-building ratio is low in many areas near stations in the suburbs (Copenhagen Economics, 2018), despite the longstanding "Finger Plan" that aims to focus housing around the five main transport lines heading out from the centre of the city.

Figure 4.12. Building density in cities is low



Note: OECD calculations. FUA refers to functional urban areas which are defined by the OECD as densely inhabited cities and their surrounding commuting zones. High-density land is defined as grids with population density above 3500 persons per km². The average region for each country is shown.

Source: Bétin, M. and V. Ziemann (2019), "How responsive are housing markets in the OECD? Regional level estimates", OECD Economics Department Working Papers, No. 1590.

StatLink https://stat.link/j3aisu

The Building Act provides a range of detailed regulations for construction and influences density. The Ministry of Social Affairs and Housing can lay down rules on minimum plot sizes for properties, building percentages in connection with the development of properties, height and number of storeys for buildings, and minimum distance for buildings to boundaries with other land or paths. As an example, the buildings ratio is defined as the floor area as a percentage of the plot area. A local council may not refuse to approve the floor area of a building when the building ratio does not exceed 60% for multi-storey buildings and 40% for fully or partly integrated single-family houses etc. and similar low, adjacent buildings. The building regulations can also lay down rules on the relationship between the height of a building and its distance to roads, neighbouring boundaries and other buildings on the same plot to ensure satisfactory building distances and lighting conditions. In the absence of a local plan or regulations in the municipal plan concerning the specific area for development, the developers must comply with the general building provisions of the Building Act (Galland, D., 2022). Building restrictions in priority areas close to transport links should be relaxed to increase density, which would boost housing supply.

4.6.2. Governance and incentives of municipalities matter

A shared trend across the OECD has been to allocate more housing policy responsibilities to the local level (OECD, 2021a). This has also generally been the case in Denmark. The capital region is an exception as the Planning Act provides specific planning principles for this region based on the Finger Plan with a special focus on transport infrastructure and the preservation of the green wedges. The municipalities in this region have nevertheless much leeway in land use planning (Danish Ministry of Urban and Rural Affairs, 2024).

The current organisation of spatial planning emerged from the local government reform in 2007, which generated a major redistribution of tasks and responsibilities between the central government, the five regions and the 98 municipalities. Since then, spatial planning tasks and responsibilities have been shared between the national and municipal level, with the regions having limited competencies. The central government sets overall guidelines for planning and regulates priority policy areas through national legislation. The municipalities are responsible for spatial planning through municipal and local plans (Galland, D., 2022). The 2017 Planning Act decreased the involvement of the state in spatial planning and of the state's power to object to municipal plans (Olesen, K., 2023).

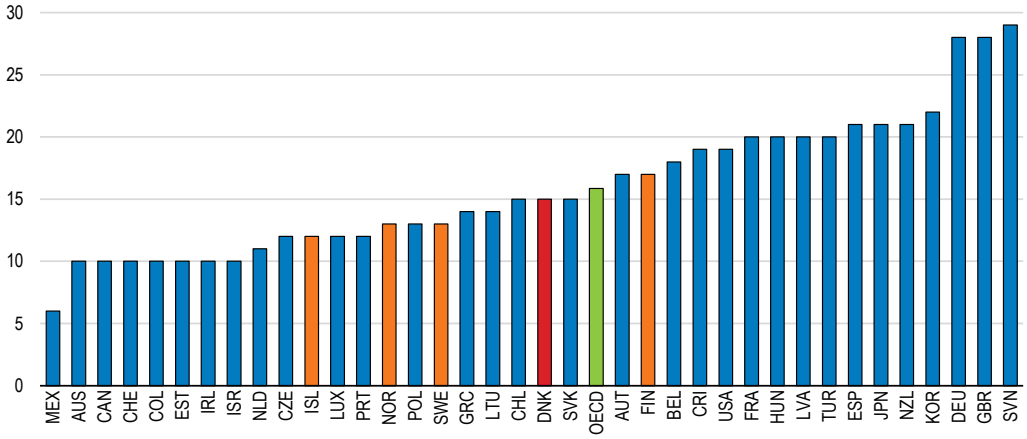
The Planning Act divides the country into three zones: urban, rural, and summer cottage areas, which are governed by specific rules. A major aim of the Act is to protect the countryside by avoiding urban sprawl and unplanned development. Through zoning, the Planning Act establishes clear boundaries between urban areas and the

countryside, protects recreational landscapes, and prioritises agriculture and forestry in rural zones. Development is normally allowed in urban and summer cottage areas provided there is compliance with the regulations. However, development in rural zones and any change of land use for purposes other than agriculture and forestry are either prohibited or subject to a dispensation from the municipal authority.

Land-use governance arrangements that avoid overlap in the allocation of housing policy functions across the different levels of government and favour planning at the metropolitan level rather than lower levels of government can facilitate the matching of supply and demand within broader catchment areas (OECD, 2021a). Countries where land-use regulation decisions are more decentralised often have stricter planning regulations, as local homeowners can more effectively lobby for a restrictive planning stance, like height restrictions, that increase the value of their house. Countries where several government entities are involved in land planning tend to be more stringent than those where fewer entities are involved because each entity can potentially exercise a veto, object or delay housing projects (Cavalleri, M., B. Cournède and E. Özsöğüt, 2019). In Denmark, land-use regulation is fragmented (Figure 4.13) as land use regulation is largely exercised at the local level, while several ministries and agencies are involved in providing the overall land-use regulation framework (Ministry of Social Affairs and Housing, Ministry of the Environment and the Ministry of Urban and Rural Affairs).

Figure 4.13. Land-use decisions are decentralised and overlap across government entities exists

Land-use governance indicator, 2019



Note: The indicator measures the restrictiveness of land use regulation. It comprises two components: decentralisation and overlap of government levels in land planning decisions. High values indicate fragmented decision making and/or overlap across levels of government. OECD calculations based on OECD Questionnaire on Affordable and Social Housing (QuASH, 2019).
Source: OECD Housing Policy Toolkit (housingpolicytoolkit.oecd.org).

StatLink https://stat.link/uialkm

It would be better to coordinate and implement housing policies through spatial planning across functional urban territories, because they often transcend historic administrative boundaries. This is because measures to increase housing supply, to support certain groups of the population or improve housing quality can create trade-offs for interconnected neighbouring areas. For example, measures to restrict housing supply in commuting towns within functional urban areas can put additional pressure on city centre affordability (OECD, 2023[1]).

A study focused on the Copenhagen region, where housing pressures are most intense, identified areas, such as brownfield developments, which have not yet undergone urban development, but which hold considerable future potential (Copenhagen Economics, 2018). These areas should be developed without compromising important constraints, such as the preservation of green areas and demands for increased infrastructure among others. Urban densification is another strategy by building more dwellings in areas that have already seen urban development. This should be done by filling the gaps between existing buildings or through extensions to the existing building stock and relaxing building restrictions, even if modestly (see above). Copenhagen is also using land reclamation for raising housing supply (Box 4.5).

Box 4.5. Reclaiming land: the artificial peninsula of Lynetteholm

A large-scale construction project in Copenhagen's East Harbor is building a new island. Lynetteholm will ultimately provide space for around 35 000 inhabitants and the same number of jobs. 20 000 homes will be built (2.4 million residential square meters). A quarter of it will be social housing. The project is expected to be fully completed by 2070. It is served by a new harbour tunnel and metro. The main actor in large development projects in Copenhagen, such as Lynetteholm is By og Havn (City and Port) owned by the City of Copenhagen (95 %) and the Danish state (5 %). The uplift in value is being used to finance public infrastructure such as metro lines.

The construction of Lynetteholm will make it easier to protect Copenhagen against flooding. The project will raise housing supply in Copenhagen, thereby containing prices in the city and adjacent areas. Gains also include reduced commuting cost and leisure gains. While the long-term gain is considerable, the project will not provide relief from the housing shortage in the next years.

Source: University of Copenhagen, 2022.

The study by Copenhagen Economics (2018) suggests that urban densification would require major changes to existing legislation and political processes as well as substantial private and public investment. Financial and political incentives are two principal problems: Expectations of increasing housing and land prices can act as an incentive for private and public landowners to postpone the sale of land for urban development. Municipalities have economic incentives for attracting only specific residents, for example by primarily zoning new areas for single-family houses, which leads to urban sprawl. It is difficult to achieve a coherent regional development, when the municipalities are competing to attract the same groups of newcomers. Therefore, planning should take place at the functional urban area level.

Urban development leads to substantial investments and costs. Every time areas are zoned for urban development, the municipalities face costs associated with new infrastructure and development of the area, and these costs must be covered by the existing construction budget. Municipalities have little financial incentive to allow housing construction on privately owned land as they bear a large part of its economic and political costs, for example by having to provide the needed infrastructure or overcome opposing interests of existing parties against additional buildings. Development of new land areas requires often investments in technical infrastructure (roads, water and sewage system) and social infrastructure (schools, child-care facilities). A developer and a municipality can make a deal regarding the provision of infrastructure – this is known as an expansion agreement. However, it is not legal for a municipality to contact the developer and put pressure on the company to establish such a deal. The initiative must come from the developer (Submission by Boligøkonomisk Videncenter). More leeway should be given to municipalities to strike such agreements.

4.7. Decarbonisation of housing has made significant progress

4.7.1. Progress with emission reductions has been impressive

Denmark has ambitious targets for greenhouse gas emissions reductions, including reaching climate neutrality by 2045 (Chapter 2). In the housing sector, in 2022, the Agreement on Green Power and Heat included the political ambitions for phasing out gas use in domestic heating by 2035 and for 100% 'green' gas by 2030 as well as conditions that can enable a fourfold increase in the production from renewable energy on land by 2030 (IEA, 2023).

Housing emissions emanate from space and water heating, cooling, ventilation, lighting and the use of appliances and other electrical plug loads, as well as construction of homes, which contributes more than 5% to overall CO_2 emissions, largely reflecting the heavy use of concrete and steel (IEA, 2023). CO_2 emissions by the residential sector in Denmark are relatively low compared to other OECD countries (Figure 4.14, Panel A). As other Nordic countries, it is able to achieve low per capita emissions despite high incomes and a cold climate, primarily through electrification of energy consumption at home coupled with relatively green electricity production. In addition, Denmark has a very high share of district heating.

Among the OECD countries, Denmark stands out for having achieved the steepest decarbonisation of the residential sector as CO_2 emissions have declined by more than 60% in the last 20 years (Figure 4.14, Panel B). This drop is due to a drastic reduction in carbon intensity, mainly due to a shift from coal and natural gas to less polluting generation systems relying on electricity production via renewable resources such as wind power and biomass. Since the late 1990s, Denmark has pioneered gas-powered district heating networks, recently upgraded at a relatively low cost to biomass and waste-powered primary energy sources (Box 4.6). On the other hand, energy efficiency gains (per capita energy use) have contributed little.

Box 4.6. District heat is the main source for residential space heating

Denmark is the district heating champion among the IEA member countries. District heat represents the main source of residential spatial heating, covering two out of three dwellings.

Over the years, the fuel mix of heat generation has evolved. High shares of natural gas and coal in 2011, together accounting for 50%, decreased to just 16% in 2021, replaced by an increasing share of large-scale heat pumps and biomass (e.g. woody biomass and straw). While there are climate benefits from shifting from fossil fuels to woody biomass, there can also be emissions from land use change and woody biomass may not be carbon neutral from a lifecycle perspective (Chapter 2). In 2024, Denmark tightened the sustainability requirements for biomass for energy producers, importers and producers of wood fuels. In 2022, the central government and Local Government Denmark (KL) made an agreement on accelerated planning for phasing out gas for domestic heating. The agreement includes the ambition to roll out district heating where it makes economic sense by 2028. Moreover, Denmark has the political ambition to phase out the use of gas for domestic heating by 2035.

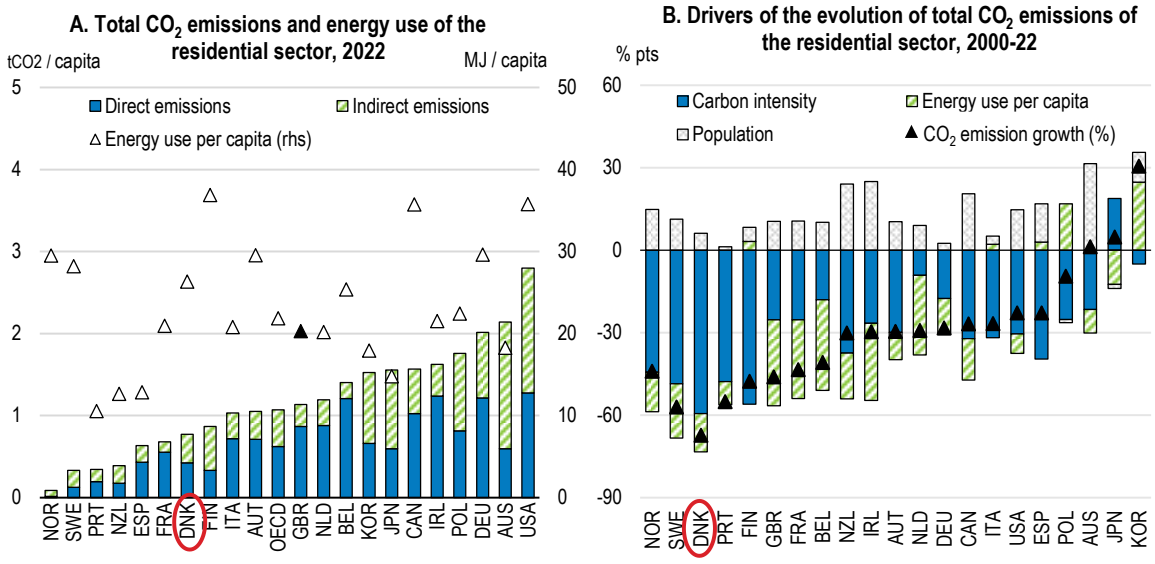
The first district heating network was established 120 years ago. The expansion of district heating took off as a result of the oil crisis in the 1970s, where the focus was on using the surplus heat from electricity production through combined heat and power production. Co-generation helps to ensure security of supply, because combined heat and power plants provide the necessary balance so that people have access to electricity when they need it. When there is a lot of green energy and the electricity price is low, the district heating sector's electric boilers and heat pumps can produce heat that can either be used immediately or directed to thermal storage and used for later heating. The district heating system is thus also an energy storage system. When the electricity price is high, the district heating sector can turn off its electricity-consuming units and produce electricity at thermal combined heat and power plants.

District heating production is decentralised, as production is generally in the vicinity. A district heating system makes it possible to use differences in the consumption patterns of heat consumers, which means that less capacity is needed compared with individual heating (typically down to about 60% of the sum of the corresponding individual heating requirements).

Given the wide variation of district heating prices, the government introduced a price cap in 2024, which is based on the cost of heating with an individual heat pump. An overview of the companies that are above the price cap will be published and these companies must make a plan explaining how they will reduce their prices below the cap.

Source: (IEA, 2023[43]); (Danish District Heating Association, 2024).

Figure 4.14. CO_2 emissions from the residential sector are low



Note: OECD calculations. In Panel A, the breakdown between direct and indirect emissions is based on the proportion of final residential energy used from electricity and district heating. The OECD aggregate refers to the unweighted average of 35 countries with available data. In Panel B, carbon intensity refers to CO_2 emissions per unit of energy used.
Source: IEA (2025), IEA Energy End-uses and Efficiency Indicators; and IEA Emission Factors 2024 database.

StatLink https://stat.link/fna9bp

4.7.2. The green tax reform and other measures will reduce emissions from buildings

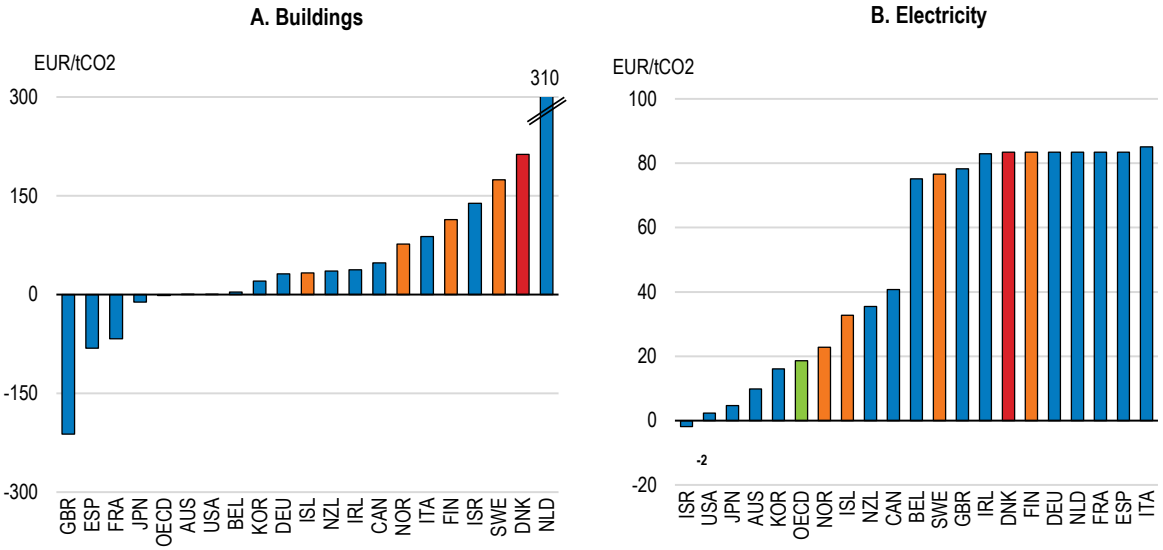
CO_2 taxation is advancing

As discussed in Chapter 2, Denmark relies heavily on carbon pricing and taxation to reduce emissions in an efficient and consistent way. Net effective carbon rates on buildings in Denmark are among the highest in the OECD (Figure 4.15) and the carbon price of indirect emissions via electricity consumption is considerable. Only a few countries, including Denmark, have so far achieved a net effective carbon rate for buildings above EUR 120 per tonne of CO_2, the central estimate for carbon costs in 2030 (IEA, 2021). This is already well above the price initially envisaged in the EU ETS2 scheme that will cover buildings from 2028 onward (European Commission, 2025).

Excise taxes on the energy content, rather than carbon taxes and emission trading dominate in the building sector. In Denmark, the size of the fuel excise tax component was large as compared to the carbon tax component. However, Denmark is implementing a green tax reform, which is expected to deliver a large contribution to Denmark's 2030 climate goals. The reform provides for higher and more uniform taxes on CO_2 emissions. Part of the tax reform was implemented in 2025 with a phase-in until 2030. In a first step the CO_2 tax for home heating increased from EUR 20 to 100, while the energy tax, which was based on the energy and not the carbon content was reduced by the same amount. The very energy-intensive sector of non-metallic mineral products (cement and brickworks), which accounts for more than 25% of total emissions from industry, pays a carbon tax of EUR 13 per tCO_2. The new system streamlines the multiple taxes on energy and fuels, placing the focus on CO_2 content instead of the energy content of fuels (IEA, 2023). This is welcome because a tax base that reflects the carbon content of fuels, provides better abatement incentives for given tax receipts. How the Danish scheme will be integrated with the EU ETS2 scheme has not been decided yet.

Figure 4.15.The effective carbon rate is high

Net effective carbon rate and its coverage of greenhouse gas emissions, 2023



Note: The net effective carbon rate is composed of emission trading prices, carbon taxes, fuel excise taxes minus fossil fuel subsidies. Data are expressed at 2023 constant prices. For some countries, the effective carbon rate for buildings was strongly influenced by subsidies during the energy crisis.

Source: OECD (2025), Net effective carbon rates (database); and Shares of emissions priced (database); and OECD (2024), "Pricing Greenhouse Gas Emissions 2024: Gearing Up to Bring Emissions Down", OECD Series on Carbon Pricing and Energy Taxation.

StatLink https://stat.link/r0hw94

Labelling, certification and regulation are essential complements to carbon pricing

While labelling and certification provide essential tools for making well-informed choices, standards and regulations can also help overcome market imperfections, such as the split incentive problem and enforce the upgrading of new housing equipment and appliances. They can complement emission pricing and be very effective in certain cases, although there is a risk of blurring price signals (D'Arcangelo, 2022).

Market imperfections imply that owners and tenants may not undertake profitable investments, for instance, to raise energy efficiency. A particular problem is the split incentive problem: Tenants usually have limited options to react to higher energy costs. If landlords invest in raising energy efficiency, tenants enjoy the benefits in terms of lower energy costs or greater comfort. There are often only limited options in rental contracts to pass on investment costs into higher rents. Moreover, homeowners have a longer time horizon for energy-saving investments, whereas tenants focus on the short-term benefits of home improvements. Incentives for energy savings are sharper for homeowners because they face the costs and benefits of their decisions. Similar problems arise for houses with several apartments (Box 4.7). It would be important to investigate, whether the voting rules should be relaxed in Denmark as was done in Belgium or Austria, to accelerate the pace of renovation in multi-apartment buildings.

Box 4.7. Multi-ownership, housing associations and CO_2 abatement decisions

In Denmark, three quarters of rental and cooperative dwellings consist of multi-storey dwellings. In the case of multi-ownership, typically, a building management company is charged with the maintenance and repair of common areas, the building envelope and utility installations while also coordinating decisions by the owners about energy efficiency improvements. While maintenance and repair decisions are usually paid out of an accumulated fund, other decisions need voting by the apartment owners on an investment proposal by the building management company.

Strict voting and financing arrangements exist in many countries (Table 4.3). In the Dutch case, for instance, 70% of the occupants need to agree on such a proposal. Some countries have eased the voting rules recently: Belgium reduced the required voting shares from 3/4 of the votes to a 2/3 majority, while Austria reduced a 2/3 majority to a simple majority or a 2/3 majority of the votes that cover at least 1/3 of the owners.

Table 4.3. Voting requirements to approve retrofitting of multi-owner properties

	Maintenance	Renovations	Participation in vote
Australia	Simple majority	Simple majority	All management committee members
Austria	Simple majority	Simple majority or two thirds of a third of the owners	The owners
Belgium	Not specified	Communal parts: 2/3 majority Mandatory work to comply with standards: simple majority Other works: 4/5 majority	Not specified, votes calculated on the basis of share values
Denmark	Simple majority	Simple majority or 2/3 majority	The owners
Finland	No majority requirements	Simple majority	All property shareholders
Germany	Simple majority	3/4 majority	Not specified
Netherlands	70% majority	70% majority	All tenants
Poland	No majority requirements	Unanimity or majority (depending on the community)	All property shareholders, votes calculated on the basis of share values
Portugal	No majority requirements	2/3 majority	Not specified
Spain	Simple majority	Simple majority	Members present at the meeting
USA	Differs by co-ownership	Differs by co-ownership	Differs by co-ownership

Note: Simple majority stands for 50% + 1 vote.

The German government has pursued an innovative approach to overcome the split incentive problem. In 2021, Germany introduced a carbon tax on heating in the buildings sector. In 2022, the government announced that the carbon tax liability would be split between landlords and tenants depending on the building's emission performance. Tenants in low-emission housing will bear most of the tax, while landlords will be liable for most of the additional tax for carbon-intensive rental dwellings. This measure reduces the carbon tax burden of tenants and encourages landlords to undertake investments to improve the emission performance of their homes while still providing incentives to tenants to reduce their carbon footprint.

Source: Hoeller, P. et al., 2023.

Renovation should be underpinned by information on the energy performance of buildings. As in the rest of the European Union, for buildings and appliances, a colour-letter rating on a scale from A to G applies in Denmark. Energy performance certificates are a key tool to encourage renovation and assess the performance of existing and new buildings. Of buildings with energy performance certificates (EPCs) in the residential sector more than half is rather energy inefficient and in need of renovation (IEA, 2023). The energy label must always be visible when selling, renting out or transferring a building or building unit. However, in the City of Copenhagen, there are still 20% of buildings (in terms of m^2) that do not have an energy performance certificate (Submission by the City of Copenhagen). It would be useful to make energy performance certificates mandatory and to focus renovation efforts on the buildings with the worst CO_2 emission performance. In France, for instance, the French Haut Conseil pour le Climat suggested that the renovation of the worst-performing houses (F and G), where energy efficiency

gains are largest, should be promoted. In addition, the French Parliament decided that French apartments of the worst-performing category G can no longer be rented (Hoeller, P. et al., 2023).

The energy efficiency standards of new buildings are of great importance because of the long life span of buildings. The CO_2 limits for new buildings are being progressively reduced by about a third between 2025 and 2029 (Danish Ministry for Social Affairs and Housing, 2024b). To promote renovation rather than demolition, the requirements for the conversion of existing buildings were relaxed. Reused building materials were assigned a value of zero in climate impact calculations to encourage the use of reused components and materials (OECD, 2025d). A limit for the climate impact that arises from transport to, from and on the construction site, as well as from energy and fuel consumption and material waste on the construction site, was set.

Subsidies need to be carefully designed

Subsidies and tax incentives can speed up the deployment of new technologies by overcoming the upfront cost barrier since they can directly fill an immediate financial gap. But funding such subsidy schemes implies raising additional tax revenues now or in the future and dead-weight losses can be high.

The Danish government has five subsidy schemes that aim at phasing out oil and gas boilers and boosting energy renovations: 1) the Heat Pump Scheme, providing subsidies to private individuals investing in a heat pump when replacing gas, oil, or wood pellet boilers, or electric heating; 2) the Energy Renovation Fund, providing subsidies to private individuals for specific types of energy renovations; 3) the Scrapping Scheme, providing subsidies for subscription-based heat pumps through pre-qualified providers, who deliver and install the heat pump at the customer's home and disconnect the existing oil, pellet, or gas boiler; 4) the Decoupling Scheme, providing a fee exemption on the disconnection for citizens decoupling from the gas grid; and 5) the District Heating Pool, supporting the roll-out of district heating in new areas.

To be efficient, the determination of subsidy rates presupposes knowledge of the costs and effects of the various measures. This knowledge is imperfect at best. Limited knowledge and uncertainty mean that it is difficult to set subsidy rates that provide the right incentives. Thus, subsidies are not likely to provide incentives for cost-effective reductions. Calculations by the Environmental Council suggest that if subsidies are used, it will be significantly more expensive to live up to the 2030 emission reduction target. Model simulations suggest that the socio-economic costs will probably be at least three times as high as if the goal is achieved with a uniform tax (Environmental Economic Council, 2020[51]). This calls for close monitoring of subsidy schemes from their introduction to their termination. Support schemes should alleviate liquidity constraints and prioritise low-income and vulnerable groups living in the most energy inefficient dwellings.

Table 4.4. Policy recommendations on housing policy

MAIN FINDINGS	RECOMMENDATIONS (key recommendations in bold)
Promote housing tenure neutrality	
Tax incentives for home buyers through low taxation of property values and generous mortgage interest relief unduly increase housing demand and prices.	**Gradually raise the taxation of property values to a more appropriate level. If this cannot be achieved, consider reducing interest relief including on mortgages.**
Capital gains, when selling a main or secondary residence are not taxed.	Consider taxing capital gains, when second homes are sold.
Co-operatives enjoy tax privileges, which are difficult to justify. They do not have to pay property value tax and the selling of shares is not subject to capital gains tax.	Make cooperatives liable for property value tax with an allowance for borrowing in line with owner-occupied housing. Tax at least part of the capital gains from selling shares.
Private rental market	
Widespread rent controls lead to rationing, mismatch and lock-in effects, which reduce geographic mobility.	**Index rent increases on aggregate wage growth to help narrow the differential with market rents.** **Consider a deeper reform to align regulated rents more closely to market levels accompanied by targeted increases in housing allowances.**
Social housing	
Access to social housing is difficult, with long waiting times. A cost cap legislation provides little flexibility for building new social housing.	Implement and monitor the effectiveness of the planned increase in the cap on construction costs of social housing.
There are no incentives for residents to move out of social housing when their economic situation improves, to make room for tenants with greater needs.	Consider mechanisms to rebalance the allocation of social housing away from better-off households, such as periodic eligibility reviews, fixed-term tenancies or indexing social rents to individual income, while protecting socioeconomic diversity.
Homeless rates are low but have not declined despite the Housing First approach. Many municipalities had little incentive to follow this approach, but a recent reform aims to address that.	Assess the recent reform of the Housing First approach and strike more agreements between the central government and the municipalities on homelessness.
There has been a large push to reduce concentrations of deprivation in specific neighbourhoods and social housing areas.	Implement inclusionary zoning more widely and focus on the root causes of segregation, for instance in the education and labour market areas.
Planning	
Land use planning for residential construction is decentralised, including in the Copenhagen area, which undermines the matching of supply and demand within broader catchment areas. Protection of arable and natural land limits housing supply.	Give more responsibilities to higher levels of government in land use policy. Ease national restrictions on land use and regularly re-evaluate geographic boundaries on urban development.
Housing supply is restrained, especially in cities. Building restrictions in city areas undercut the densification of neighbourhoods well-served with public transport.	**Relax building restrictions in priority areas close to transport links to increase density**
Decarbonisation	
While carbon prices are high, more could be done to encourage households to reduce emissions.	Regularly review financial support measures for residential energy efficiency improvements and discontinue those with low cost-effectiveness. Target renovation grants to low-income households living in the most energy inefficient dwellings. Pursue the renovation of the worst-performing dwellings first.
Coordination issues in buildings with several apartments can lead to the delay of renovations.	Investigate whether the voting rules should be relaxed to raise the pace of renovation in multi-apartment buildings.

References

Akgun, O., B. Cournède and J. Fournier (2017), "The effects of the tax mix on inequality and growth", OECD Economics Department Working Papers, No. 1447, https://doi.org/10.1787/c57eaa14-en.

Benjaminsen, L. (2024), Homelessness in Denmark - National Mapping, VIVE, https://www.sm.dk/Media/638611219202907618/302630_Hjeml_shed_i_Danmark_2024_-_National_kortl_gning_pdf-ua.pdf.

Benjaminsen, L. (2023), Homelessness in Denmark, https://www.taylorfrancis.com/chapters/edit/10.4324/9781351113113-31/homelessness-denmark-lars-benjaminsen.

Bétin, M. and V. Ziemann (2019), "How responsive are housing markets in the OECD? Regional level estimates", OECD Economics Department Working Papers, No. 1590, https://doi.org/10.1787/1342258c-e.

Cavalleri, M., B. Cournède and E. Özsöğüt (2019), "How responsive are housing markets in the OECD? National level estimates", OECD Economics Department Working Papers, No. 1589, https://doi.org/10.1787/4777e29a-en.

Copenhagen Economics (2018), "Housing Market Analysis of Greater Copenhagen. Housing shortage, urban development Housing shortage, urban development", https://copenhageneconomics.com/wp-content/uploads/2022/05/copenhagen-economics-2018-housing-market-analysis-of-greater-copenhagen-english-summary.pdf.

Cournède, B., V. Ziemann and F. De Pace (2020), "The Future of Housing: Policy Scenarios", OECD Economics Department Working Papers, No. 162, https://doi.org/10.1787/0adf02cb-en.

D'Arcangelo, F. et al. (2022), "A framework to decarbonise the economy", OECD Economic Policy Papers, No. 31, https://doi.org/10.1787/4e4d973d-en.

Danish District Heating Association (2024), "The Role of District Heating in the Energy System in Denmark", https://www.euroheat.org/news/the-role-of-district-heating-in-the-energy-system.

Danish Ministry for Social Affairs and Housing (2024b), "New agreement sets ambitious climate requirements for new construction", http://New agreement sets ambitious climate requirements for new construction.

Danish Ministry for Social Affairs and Housing (2024a), "Large drop in the number of parallel societies", https://www.sm.dk/nyheder/nyhedsarkiv/2024/dec/stort-dyk-i-antallet-af-parallelsamfund-.

Danish Ministry for Social Affairs and Housing (2021a), New Report on the Municipalities' Use of Housing First, https://www.sbst.dk/nyheder/2021/ny-rapport-om-kommunernes-brug-af-housing-first.

Danish Ministry for Social Affairs and Housing (2021b), "Political agreement on DKK 10 billion for the Fund for Mixed Cities", https://www.sm.dk/nyheder/nyhedsarkiv/2021/nov/politisk-aftale-om-10-mia-kroner-til-fonden-for-blandede-byer.

Danish Ministry of Finance (2024), Denmark's Fiscal and Structural Policy Plan 2024, https://en.fm.dk/publications/2024/oktober/denmarks-fiscal-and-structural-policy-plan-2024/

Danish Ministry of Urban and Rural Affairs (2024), "Planning Act", https://www.retsinformation.dk/eli/lta/2024/572.

Danmarks Nationalbank (2025), "Global uncertainty affects the financial sector", Financial stability – biannual review and recommendations, Vol. No. 13, https://www.nationalbanken.dk/media/hefi521k/global-uncertainty-affects-the-financial-sector.pdf.

Environmental Economic Council (2020), Economy and Environment 2020. Danish Climate Policy towards 2030, https://dors.dk/vismandsrapporter/oekonomi-miljoe-2020.

Erlandsen, E., J. Lundsgaard and F. Hüfner (2006), "The Danish Housing Market: Less Subsidy and more Flexibility", OECD Economics Department Working Papers, No. 513, https://doi.org/10.1787/046875878368.

European Commission (2025), ETS2: buildings, road transport and additional sectors, https://climate.ec.europa.eu/eu-action/eu-emissions-trading-system-eu-ets/ets2-buildings-road-transport-and-additional-sectors_en.

FEANTSA (2021), The Mixed Cities Fund - More Affordable Housing and the Way out of Homelessness, https://www.feantsa.org/public/user/epoch/National-Strategies/Homelessness-Strategy-Denmark-Original2024.pdf.

Galland, D. (2022), "Country Profile of Denmark", https://www.arl-international.com/knowledge/country-profiles/denmark/rev/3734.

Granath Hansson, A. et al. (2025), "Contrasting inclusionary housing initiatives in Denmark, Sweden, and Norway: how the past shapes the present", Housing Studies, Vol. 40, No.4, https://doi.org/10.1080/02673037.2024.2323607.

Gruber, J., A. Jensen and H. Kleven (2021), "Do People Respond to the Mortgage Interest Deduction? Quasi-experimental Evidence from Denmark", American Economic Journal: Economic Policy, 13 (2), https://doi.org/10.1257/pol.20170366.

Hoeller, P. et al. (2023), "Home, green home: Policies to decarbonise housing", Economics Department Working Papers, No. 1751, https://doi.org/10.1787/cbda8bad-en.

Hourani, D. and S. Perret (2025), "Taxing Capital Gains. Country Experiences and Challenges", OECD Taxation Working Papers, https://doi.org/10.1787/9e33bd2b-en.

IEA (2023), Denmark 2023. Energy Policy Review, https://www.iea.org/reports/denmark-2023.

IEA (2021), Effective Carbon Rates 2021: Pricing Carbon Emissions through Taxes and Emissions Trading, https://doi.org/10.1787/0e8e24f5-en.

Landsbyggefonden (2025), "The National Building Fund", https://lbf.dk/om-lbf/english/.

Larsen, H. G. (2024), "Property Relations between State and Market: A History of Housing Cooperatives in Denmark", Housing Studies, June 2024, pp. https://doi.org/10.1080/02673037.2024.2376679.

Millar-Powell, B. et al. (2022), "Measuring effective taxation of housing: Building the foundations for policy reform", OECD Taxation Working Papers, No. 56, https://doi.org/10.1787/0a7e36f2-en.

Moreno Monroy, A. et al. (2020), "Housing policies for sustainable and inclusive cities: How national governments can deliver affordable housing and compact urban development", OECD Regional Development Working Papers, Vol. 2020/03, https://doi.org/10.1787/d63e9434-e.

OECD (2025c), Cities for All Ages, OECD Publishing, Paris, https://doi.org/10.1787/f0c8fefa-en.

OECD (2025d), "Final Report on Zero Carbon Buildings in Cities: A whole Life Cycle Approach", CFE/RDPC/URB(2024)25/REV1, https://one.oecd.org/official-document/CFE/RDPC/URB(2024)25/REV1/en.

OECD (2025a), OECD Affordable Housing Database | OECD, https://www.oecd.org/content/oecd/en/data/datasets/oecd-affordable-housing-database.html (accessed on 25 February 2025).

OECD (2025b), "Updates on the Geography of Housing", CFE/RDPC/TI(2024)7, https://one.oecd.org/official-document/CFE/RDPC/TI(2024)7/en.

OECD (2024b), Affordable housing database, https://www.oecd.org/content/oecd/en/data/datasets/oecd-affordable-housing-database.html.

OECD (2024a), OECD Economic Surveys: Denmark 2024, OECD Publishing, Paris, https://doi.org/10.1787/d5c6f307-en.

OECD (2023), "Confronting the cost-of-living and housing crisis in cities", OECD Regional Development Papers, No. 49, https://doi.org/10.1787/7a6008af-en.

OECD (2022), Housing Taxation in OECD Countries, OECD Publishing, Paris, https://doi.org/10.1787/03dfe007-en.

OECD (2021a), Brick by Brick: Building Better Housing Policies, OECD Publishing, Paris, https://doi.org/10.1787/b453b043-en.

OECD (2021b), International Migration Outlook 2021, OECD Publishing, Paris, https://doi.org/10.1787/29f23e9d-en.

OECD (2020), Social Housing. A Key Part of Past and Future Housing Policy, OECD Publishing, Paris, https://doi.org/10.1787/5b54f96b-en.

OECD (2018), Divided Cities: Understanding Intra-urban Inequality, OECD Publishing, Paris, https://doi.org/10.1787/9789264300385-en.

OECD/European Commission (2023), Indicators of Immigrant Integration 2023: Settling In, OECD Publishing, Paris, https://doi.org/10.1787/1d5020a6-en.

Olesen, K. (2023), "Reviving strategic spatial planning for the challenges ahead", European Planning Studies, https://doi.org/10.1080/09654313.2023.2231500.

Skovgaard Nielsen, R. and S. Kromhout (2023), "Imposed from above or applied for from below: comparing Dutch and Danish social mix strategies in deprived neighbourhoods", International Journal of Housing Policy, 25(1), https://doi.org/10.1080/19491247.2023.2282235.

The Economic Council (2023), Danish Economy. Autumn 2023. Summary and Recommendations, https://dors.dk/files/media/E23_Summary.pdf.

University of Copenhagen (2022), "Economists calculate welfare gains from the Lynetteholm project", https://www.economics.ku.dk/news/news/economists-calculate-welfare-gains-from-the-lynetteholm-project/.

OECD Economic Surveys: Denmark 2026

January 2026
Volume 2026/2

Denmark has a growth-friendly business environment, a strong labour market and sound public finances but still faces challenges. The economy has run at two speeds, mainly driven by multinational firms, while domestic demand and productivity growth have been weak. Although public debt is low and the fiscal framework is strong, improving spending efficiency and priorities over the longer term would help manage budget pressures created by population ageing, climate change and national security requirements. Denmark is at the forefront of climate mitigation policies and is on track to meet its 2030 climate targets. However, a comprehensive strategy for climate change adaptation and adequate investment in risk prevention are needed to improve climate resilience and address exposures to flooding, storm surges and coastal erosion. Policy reform can further improve Denmark's high livings standards. Reducing barriers for people to realise their family plans requires addressing remaining gaps in family policies and services, notably improving childcare quality. Reforms of property taxation, building regulation, social housing and rent controls, can help to raise housing supply, ease affordability issues in urban areas and support residential mobility.

SPECIAL FEATURES: FAMILY; HOUSING; CLIMATE POLICIES

PRINT ISBN 978-92-64-32097-0
PDF ISBN 978-92-64-77641-8

9 789264 320970