



# The labour market in Denmark

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DA, Confederation of Danish Employers: [www.da.dk](http://www.da.dk)

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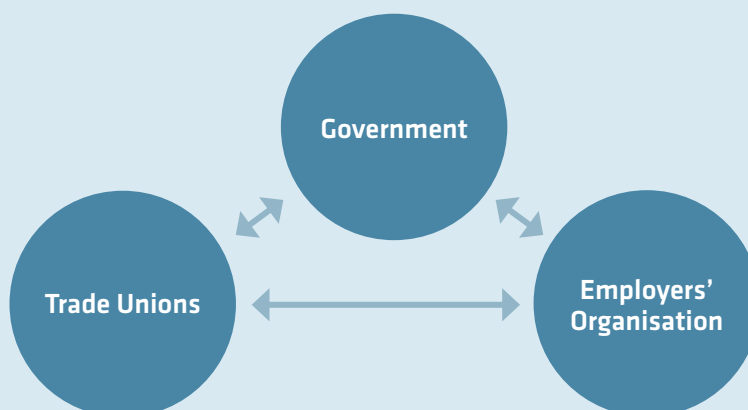
Ministry of Employment: [www.bm.dk](http://www.bm.dk)

# Key facts about the Danish labour market

- Denmark has a long-standing tradition\* of high unionisation and strong workers' organisations (trade unions) and employers' organisations. They are commonly known as the 'social partners'.
- The social partners negotiate collective agreements through a system of collective bargaining. The collective agreements are renegotiated after an agreed period, typically two to three years.
- The high level of mutual recognition between the partners leads to a high level of buy-in and a strong sense of ownership.
- There is no statutory minimum wage. Instead, wages and working conditions are defined in collective agreements at branch, sectoral or company level.
- The legislation only covers specific areas such as health and safety, holiday entitlement, sickness benefits, equal treatment, equal pay and maternity/paternity leave.
- The Salaried Employees Act defines issues such as probation and notice periods for the termination of contracts.
- The collective agreements are underpinned by a tax-funded system of universal benefits, a childcare guarantee and proactive labour-market policies designed to maintain high levels of employment.

\*) On 5 September 1899, the September Settlement, now known as the General Agreement, ended a long period of strikes and lockouts. Often regarded as the 'constitution' of the Danish labour market, the Settlement amounted to a bilateral recognition of employees' right to take industrial action and employers' right to manage the work force.

## The dynamics of the Danish labour market



## The dynamics of the Danish labour market



The Danish government and parliament seek to minimise intervention in the labour market, leaving it to the social partners to negotiate agreements on wages and working conditions. Actual legislation applies mainly to workers not covered by collective agreements. The same principle applies to EU directives. If the collective agreement ensures workers rights that equal those in an EU directive, the worker will not be covered by the

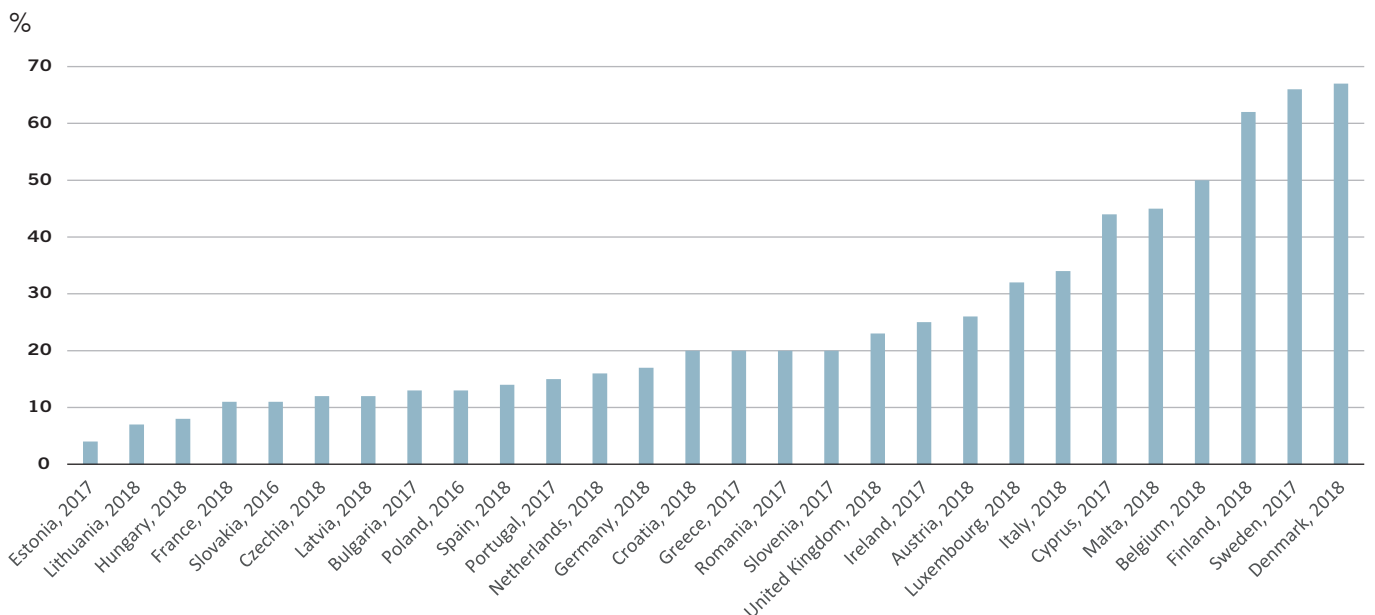
Danish legislation implementing the EU directive.

The social partners have the main responsibility for regulating working conditions and keep the labour market dynamic, a process that helps maintain the influence and relevance of the social partners. The partners can also conclude bipartite and tripartite agreements with the government to address new challenges and transitions that emerge.

Although membership of a trade union or an employers' organisation is voluntary, there is a long tradition of widespread participation. The unionisation rate varies according to job and sector but is approximately 70% – one of the highest in Europe. The high level of membership and organisation generates a strong sense of ownership.

The tax based universal welfare model provides a safety net, including cash

## Share of workers being organized in trade unions



Source: ICTWSS Database of the University of Amsterdam



benefits, available to all according to need. Unemployed workers are entitled to refuse a job that pays less than the cash benefit level or is below the level set out in the collective agreements. As a result, the Danish model ensures a minimum wage floor for all. The unemployment benefit scheme is an additional and voluntary insurance, which is contribution and membership based. This scheme is tax subsidized.

### Industrial relations in Denmark are regulated by the social partners

In the private sector, the collective bargaining process is based on the framework defined by the social partners in the **General Agreement** of 1899. The two main bodies involved are:

- The Danish Trade Union Confederation (FH), which is the largest trade union body in Denmark. FH is made up of 64 unions with 1.3 million members and is generally recognised as the most represen-

tative confederation in both the private and public sectors.

- The Confederation of Danish Employers (DA), which is made up of 12 private-sector organisations representing approximately 25,000 companies that employ 30% of the total workforce (50% in the private sector).

Similar systems for negotiation and agreements exist between the state and the public-sector unions.

**The social partners have a co-operation agreement** that lays down the conditions for discussing all relevant issues in the workplace. It embodies the general respect and trust found between the social partners and the high degree of responsibility placed partners to find constructive solutions to problems, resolve conflicts and avoid industrial action.

The **general peace obligation** principle is a key feature of the Danish model. It effectively makes industrial action

illegal during the periods covered by existing collective agreements. However, the clause does not apply if the social partners are unable to conclude new agreements.

The Danish labour market model is based on the **collective representation of workers** rather than on individual worker's rights. It is the trade union with its collective force that represents the workers' rights.

High levels of membership for employers' organisations and trade unions are crucial to the collective bargaining system. Without it, the organisations would lack the funding and legitimacy to regulate and enforce the collective agreements.



## Collective agreements

The relationship between employers and workers employees is regulated primarily through the collective agreements, including issues like:

- Wages and wage-setting processes
- Pay during maternity/paternity and parental leave
- Occupational pensions
- Working hours and flexible workdays
- Access to lifelong learning and ongoing skills development
- Various pay arrangements for workers during illness, maternity/paternity leave or paid holiday

## Collective bargaining

- The central agreements for the private and public sectors set the overall framework for negotiations and local agreements in specific branch, sector or company.
- In the last two decades, bargaining in the private sector has been decentralised to enhance flexibility, especially on wage negotiations and working time. As a result, many agreements are now reached at company level.
- At least eight out of ten employees in the Danish labour market are covered by a collective agreement.
- Private-sector workers are often covered by one or more agreements, depending on their occupation and job. Often, the agreements also cover their non-unionised colleagues.
- EU directives are implemented either through collective agreements, legislation or a combination of the two. This means that those working in areas and companies not covered by agreements still benefit from the terms of EU directives.

The government also enters into **tripartite negotiations** with the social partners on broader, more far-reaching social issues that affect the labour market.

The three examples below illustrate how the social partners, working with the government, promote change:

- In December 1987, a tripartite declaration sought to make the Danish market more competitive, curb wage inflation and create more jobs. The declaration paved the way for mandatory occupational pensions to be negotiated.
- In March 2016, a tripartite agreement was reached on the integration of refugees. The aim was quicker integration for a higher number of refugees. A key part of the agreement was a new programme known as Integrational Basis Education (IGU), which offers refugees a two-year job, including

20 weeks of education and training, at apprentice salary levels.

- In 2020, the social partners and government concluded no less than 14 tripartite agreements to mitigate some of the negative consequences that the COVID-19 crisis and the measures taken to restrict the spread of the virus had on the labour market and all parts of society. These include a furlough scheme, temporary part-time working in the private sector and emergency funding for trainees and apprentices.

### Implementation of EU directives

EU directives relating to employment conditions are as a rule implemented via collective agreements. At the outset, the social partners assess whether the collective agreements are EU compliant. If this is not the case, an effort is made by the social partners to

amend the collective agreements.

EU directives are implemented either via sector-level collective agreements or inter-sectoral collective agreements to make sure all areas under collective agreements are covered. Once the implementation agreement has been negotiated via collective agreements, the parliament proposes and adopts legislation for those not covered by the collective agreement.

A collective agreement implementing an EU directive is enforced by the social partner and any breach will be dealt with through the procedures of conflict resolution.

The social partners have agreed on a framework that ensures minimum compliance with EU directives to prevent implementation of them will lead to a shift in the balance of power and reduce the role of the social partners.



# Collective bargaining

The social partners negotiate sectoral collective agreements that define labour market regulation. Workers and employers negotiate local agreements at company level.

The collective agreements provide a flexible framework for employers and staff to negotiate key conditions, including pay and working hours. Companies and worker representatives can enter into specific local agreements that either supplement or deviate from the framework conditions in the overall agreement for each sector.

Collective agreements cover 100% of employees in the public sector, 73% of those in the private sector and 87% of

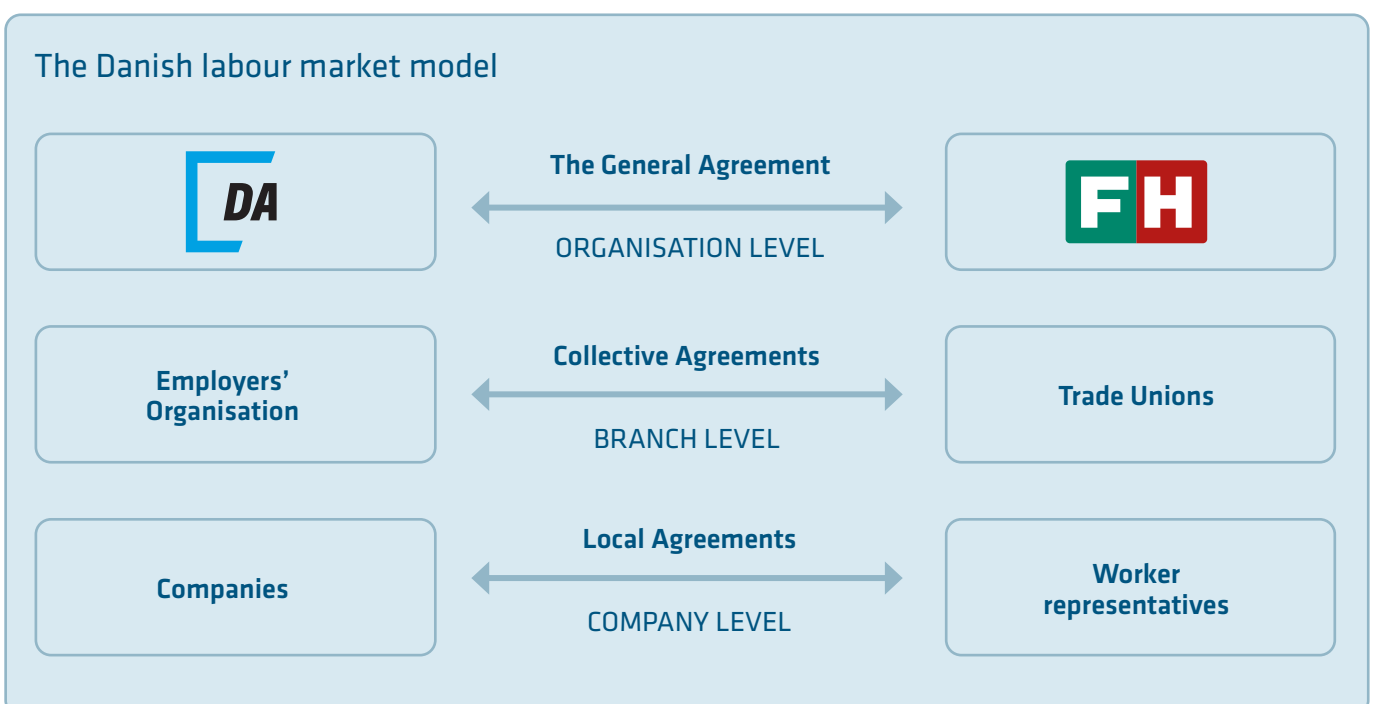
those who work for companies that are members of DA. Foreign workers employed in companies with a collective agreement are covered to the same extent as Danish workers. However, in the private sector, the degree of coverage by collective agreements varies across industries. Senior managers, executives and academics are among the few groups not covered by collective agreements in the private sector. They negotiate their terms and conditions individually.

The Danish model is based on collective representation rather than the rights of the individual worker. Trade union membership is voluntary. However, in general, the terms and conditions negotiated by the social

partners apply to all employees. Company membership of an employers' organisations is also voluntary.

Any company that is not a member of an employers' organisation can voluntarily adopt a collective agreement. Member companies are automatically covered by the collective agreements agreed between their organisation and the trade unions in its sector.

If a company declines to sign a collective agreement or join an employer's organisation, the trade union is entitled to serve notice of industrial action. Other trade unions can – and often will – take sympathy action. The unions provide strike pay to their members.





## Estimated proportion of workforce covered by collective agreements, 2018

	%
<b>Private sector</b>	<b>73</b>
• Members of the Confederation of Danish Employers (DA)	87
• Members of the Danish Employers' Organisation for the Financial Sector (FA)	86
• Other/Unorganized	57
<b>Public sector</b>	<b>100</b>
<b>Labour market total</b>	<b>82</b>

**Note:** Source for the data on coverage for companies that are not DA or FA members: Eurostat's Structure of Earnings Survey. The survey provides information on the number of companies with 10 or more employees in which at least 50% of the employees are covered by a collective agreement. It does not include the agricultural sector. The figure for 'Others' is calculated as an average of the lowest and highest possible rates.

**Source:** DA calculations based on Statistics Denmark's Employment for Workers 2018, the Danish Employers' Organisation for the Financial Sector (FA) and Eurostat's Structure of Earnings Survey 2018.

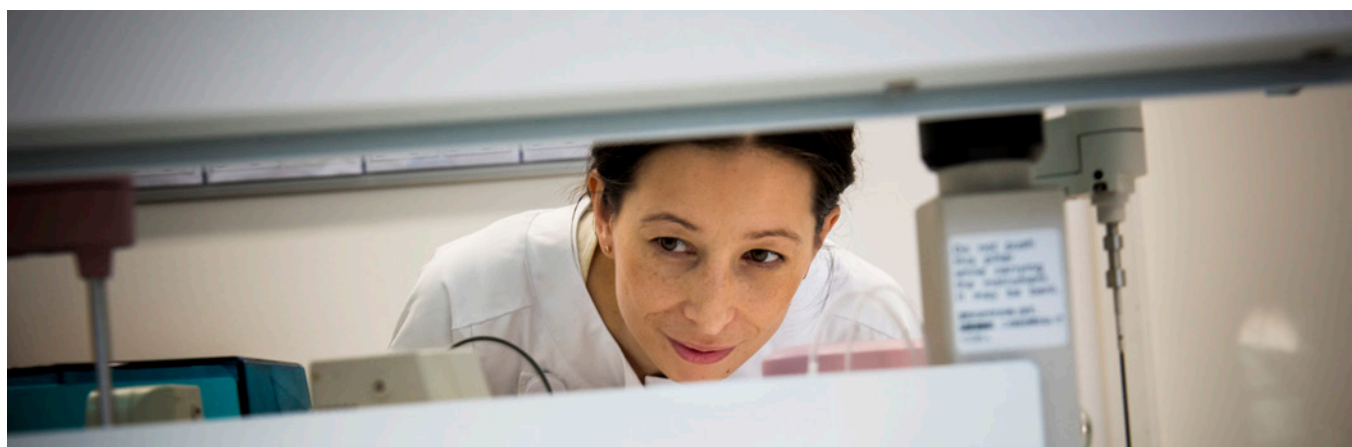
Disputes frequently result in the company agreeing to sign a collective agreement. As such, the system for industrial action helps maintain a high level of coverage for collective bargaining agreements and, in turn, higher wage levels.

Compared to other EU member states, Denmark is relatively liberal when it comes to the right to initiate industrial action in support of a demand for a collective agreement.

Neither Danish nor foreign companies are under any legal obligation to sign a collective agreement. However, foreign companies operating in Denmark can join a Danish employers' organisation or accept the conditions agreed with the relevant trade union.

The Danish Act on Posting of Workers protects workers posted in Denmark by foreign companies. They are subject to the 'basic' working conditions set

out in the Posting of Workers Directive. The Directive apply with the exception of the provision on minimum rates of pay. The Directive allows trade unions to use industrial action to demand that stipulations in collective agreements regarding minimum pay also apply to posted workers.





**Collective agreements in the private sector** are renewed on a sector-by-sector basis. The social partners in the export market sector define the pace and framework for wage increases and other benefits by concluding the first agreement. This makes the sector the key bargaining area. The negotiations then continue across all other sectors. All of the agreements are eventually

combined on a single ballot and voted upon by the employer's organisations and members of the trade unions. This ensures that all industry-wide agreements are either adopted or rejected at the same time. It is at this stage in the process that the duration of the agreements is set. At present, it is three years. If the members reject the agreement negotiated, industrial

action may ensue. In practice, this rarely happens – the last time the collective agreements were rejected in the private sector was in 1998. This is partly due to the high level of participation in the organisations, which encourages a strong sense of ownership over the collective bargaining process.

## Working conditions

The collective agreements define the regulatory framework for working conditions, including:

- Pay during maternity/paternity
- Pay during sickness and child's sickness
- Occupational pensions
- Working hours and flexible working arrangements
- Access to lifelong learning and ongoing development of competences

## Wage setting

- The collective agreements can include a minimum wage, but it is not a standard claim
- The frameworks for negotiations on wage-setting and wage increases are set in collective agreements at sectoral level.
- Further wage negotiations take place at company level.

### No statutory minimum wage – pay is determined by collective agreements

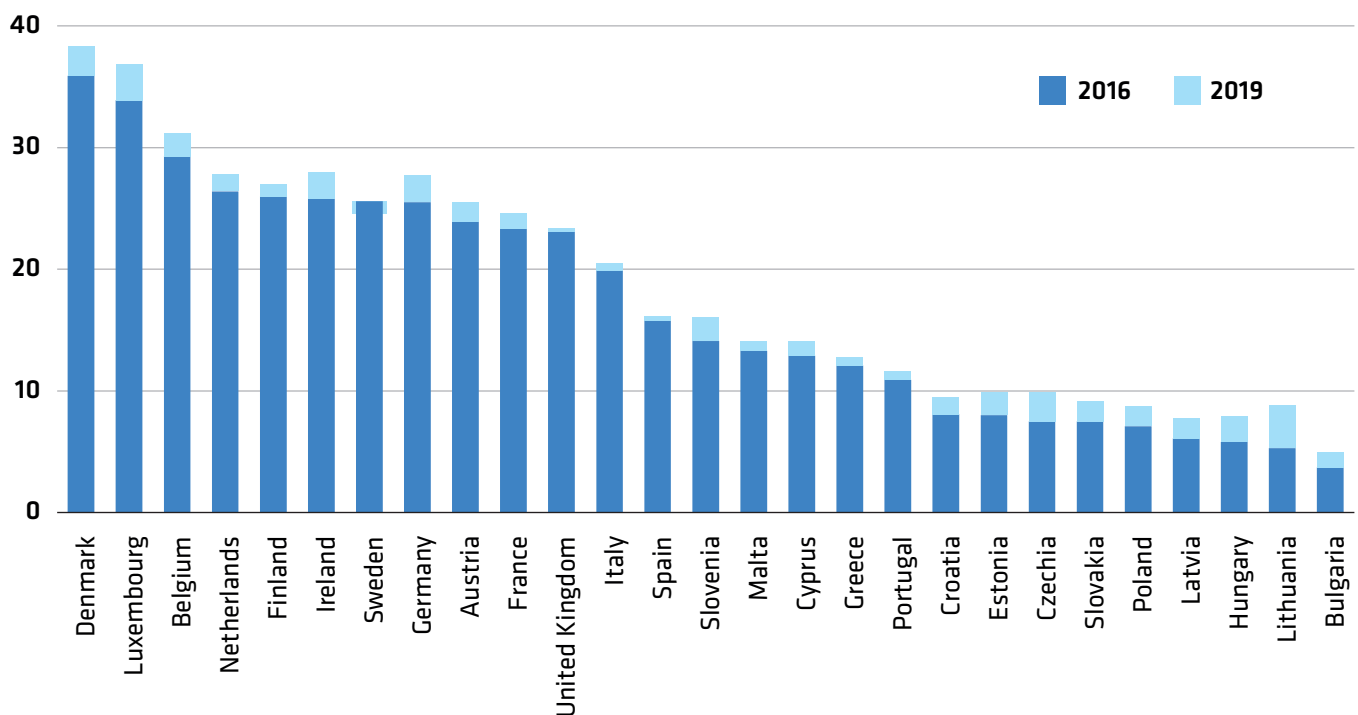
The system of wage-setting is dynamic, as factors such as market demand and other variables influence the negotia-

tions and allow for flexibility at company level allowing to adjust according to economic forecasts and the market situation for the individual company.

Employers and workers accept this approach, as the general framework

has already been negotiated and agreed upon by the social partners. Although there is no statutory minimum wage, salaries in Denmark are the highest in the EU.

### Average hourly wages and salaries for full-time workers, Euros



Note: The data is for average hourly pay divided by the corresponding number of hours worked p.a. by the average number of employees (expressed as full-time equivalents).

Source: Labour costs annual data – NACE Rev. 2, Eurostat.

# Conflict resolution

In general, the social partners agree that they have a responsibility to make the labour market run smoothly.

When a company is covered by one or more collective agreements, it is the job of the shop steward – who is elected by the workers and a member of the trade union and acts as a local union representative in that capacity – to ensure effective implementation – an element unique to the Danish model.

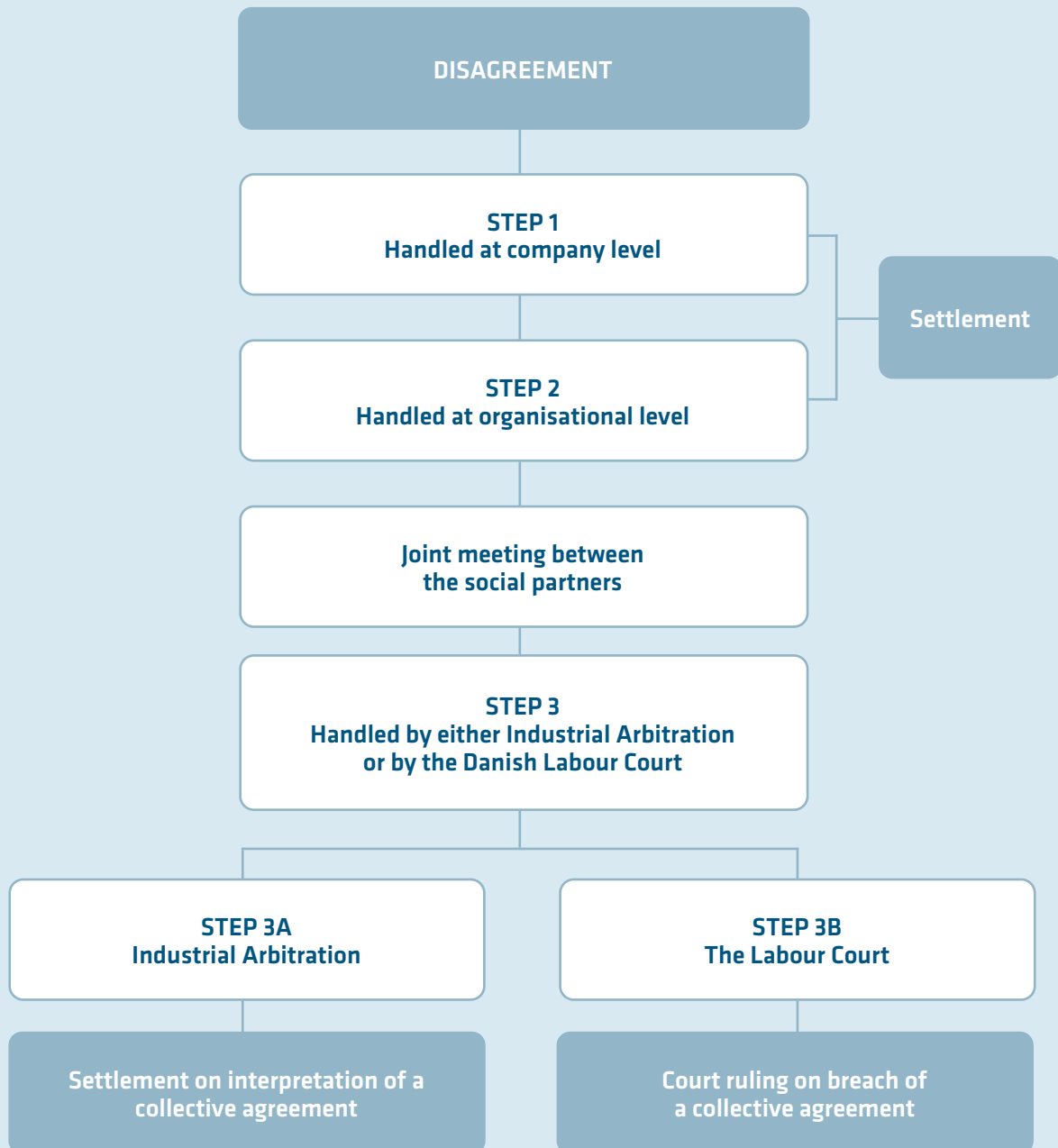
For example, if individual employees claim they are being underpaid, their shop steward will try to solve the case with the management. If agreement cannot be reached, the shop steward will ask the union to raise the issue on their behalf. Even if the workers in the company are not union members, violations are considered breaches of the collective agreement. As a result, the trade unions exert a degree of independent

control over company compliance with agreements for both unionised and non-unionised staff.

The social partners have an established procedure for **conflict resolution**. It is designed to be triggered as soon as possible, and a large number of company or sectoral disputes are resolved at company or local level, at step 1 or 2 in the figure page on 13.







**Step 1:** A disagreement between employers and employees is considered at company level. A settlement is sought through mandatory negotiations

**Step 2:** If the disagreement remains unresolved at company level, negotiations continue, this time between the social partners

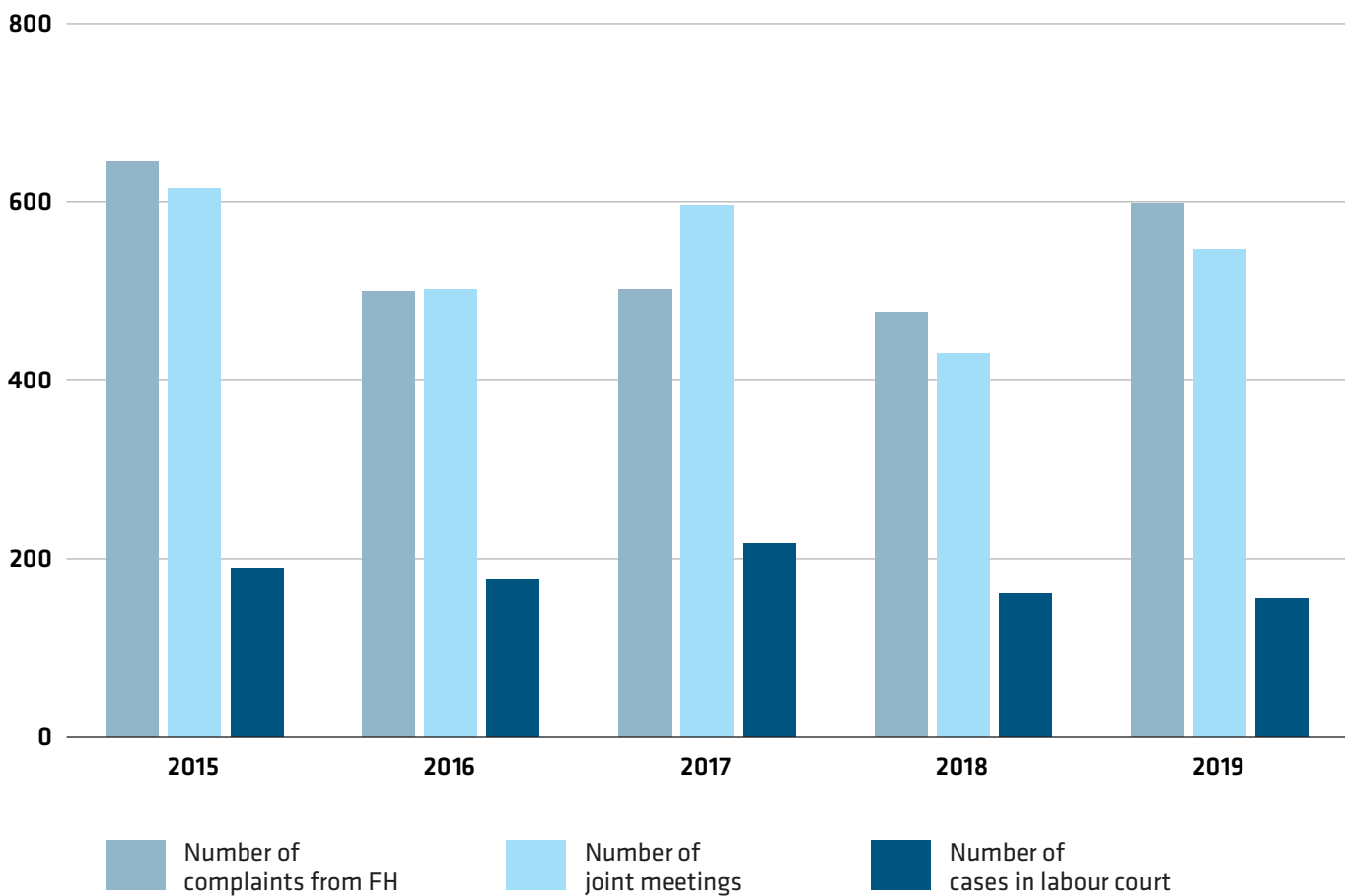
**Step 3:** If the social partners are unable to resolve the dispute, it will be adjudicated by either the Industrial Arbitration Tribunal (step 3A) for matters of interpretation; or the Danish Labour Court (step 3B) for breaches of the agreements.

The Danish Labour Court was established in 1910. The state does not intervene in conflict resolution and arbitration. The President and the five Vice-Presidents of the Labour Court are drawn from among the Supreme Court judges. Based on recommendations from several trade

unions and employers' organisations, the Minister for Employment appoints the remaining members for five-year terms. These members are drawn from trade unions, employers' organisations or executives of large companies. The Labour Court is state-funded.

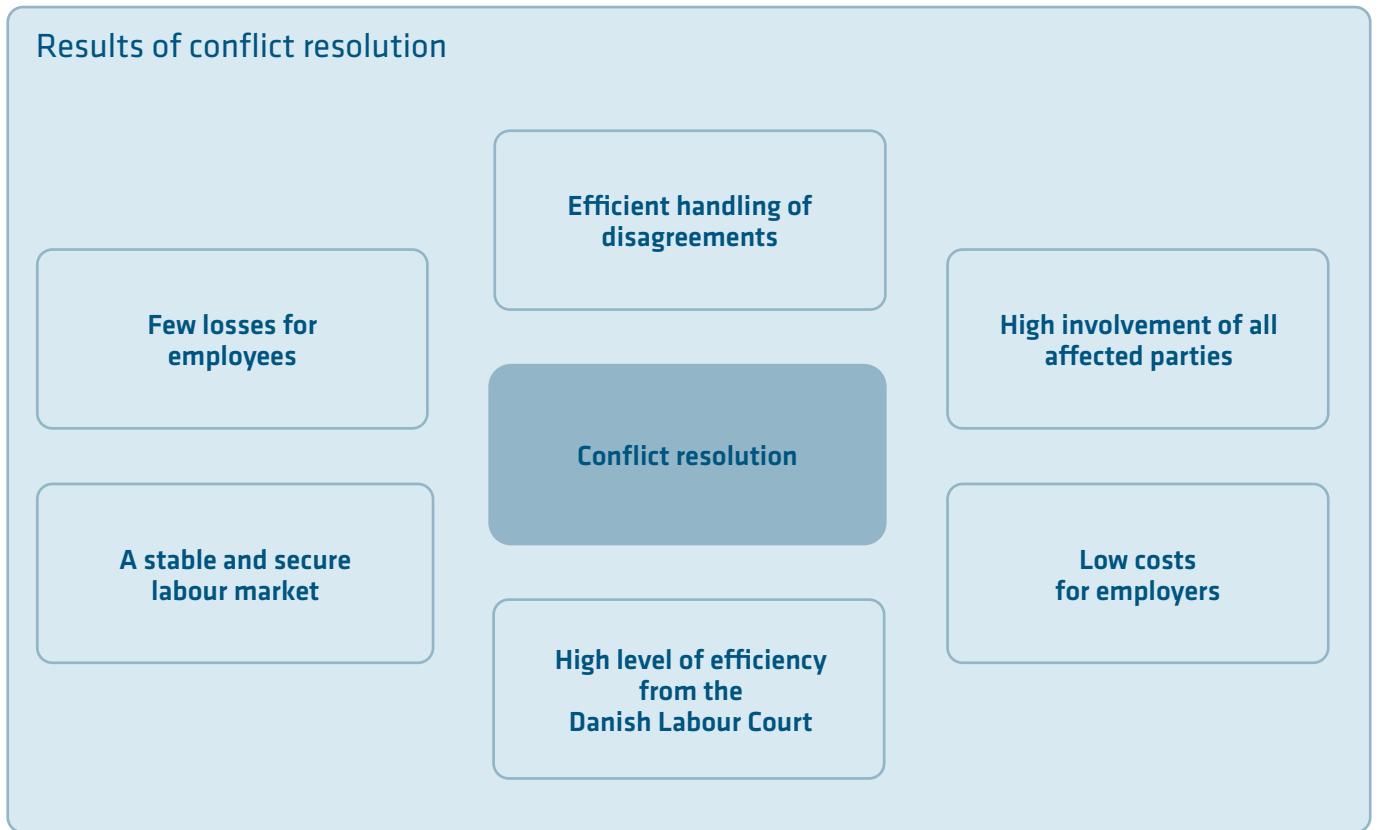
The Danish Labour Court rules exclusively on alleged breaches of the collective agreements. Its rulings set precedents for future similar cases. There is no right of appeal.

## Number of complaints, joint meetings and cases in labour court in the last five years



**Note:** The figure only includes complaints submitted by FH or its members directed towards DA members. These constitute the majority of complaints. The complaints are registered in the year they were filed and the joint meetings in the year they were held. If a complaint lead to more than one joint meeting in different years it is registered every year. The same applies for the cases in labour court. The number of complaints and cases in labour court specified above must be seen in this context.

**Source:** DA.



# Flexicurity

The Danish labour market combines a robust system of social security with a proactive labour-market policy and flexible regulation based on collective agreements between the social partners.

The social partners' main objective is a flexible labour market with high levels of employment based on the fact that employment leads to security for the individual.

In general, the Danish labour market is **open and inclusive**. The policy focus is on long-term employment prospects rather than short-term job security with a specific employer. This makes companies less hesitant to recruit new

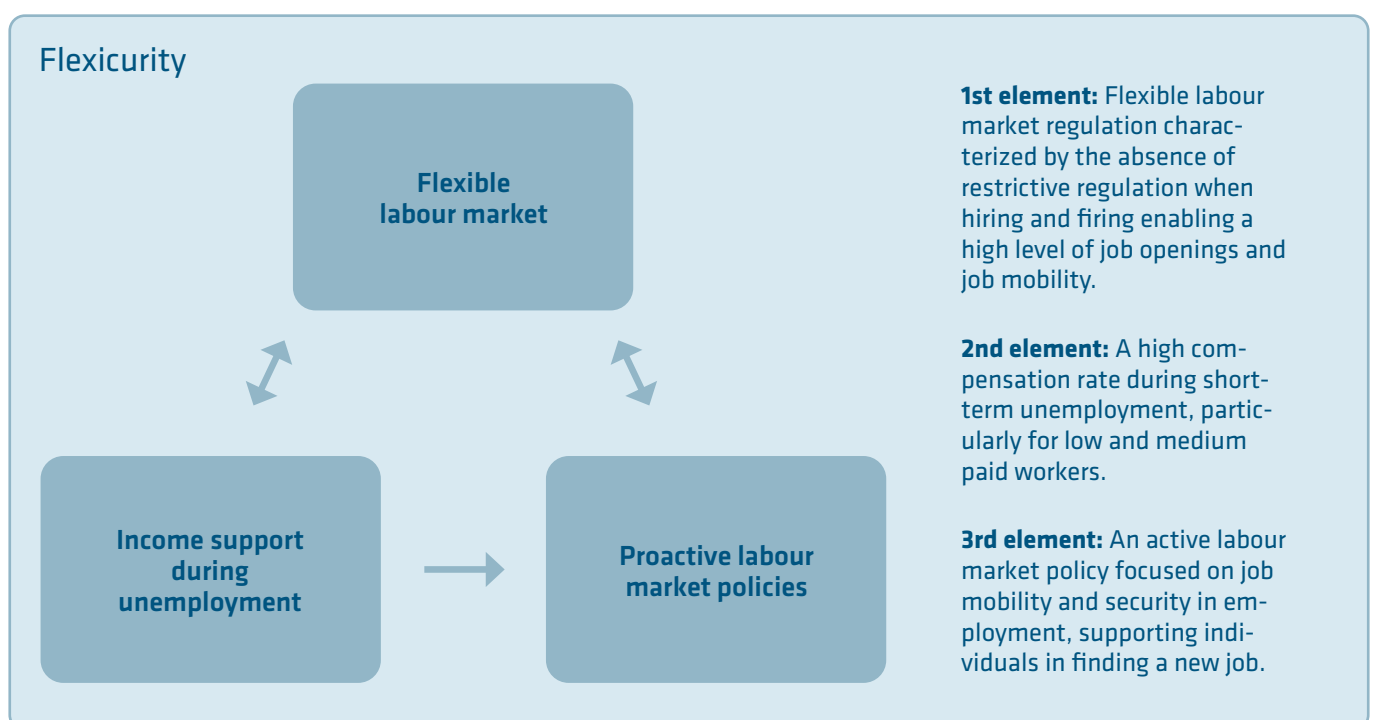
staff and allows them to adapt rapidly to changing circumstances. Flexible procedures for serving notice of termination make it relatively easy to reduce the number of employees, but workers are also entitled to move freely and change jobs regularly.

In autumn 2015, the social partners provided input into a review of the unemployment benefits by the Unemployment Benefits Commission. Unemployment benefit are normally paid for two years. The reviewed system encourages workers to accept temporary or part-time work during this period. This allows them to retain their right to unemployment benefits and potentially extend their entitlement to up to three

years. Due to the large amount of paperwork involved, the rules were simplified and the processes digitalised. The social partners also agreed to extend unemployment benefits to the self-employed, contractors and freelancers.

The new, flexible labour market regulation has increased job mobility and increased the number of people taking new jobs.

Flexibility is good for the economy and it creates jobs. The high rate of people moving from one job to other results in an increase in the number of job vacancies at any given time. This, in turn, creates more job opportunities for





unemployed people or people entering the labour market for the first time. Denmark has a job turnover of approximately 800,000 job vacancies p.a. which parallels to 27 percent of the total labour force.

Another notable effect of the flexible regulations is the reduction of long-term unemployment. Denmark has one of the lowest rates of long-term unemployment in the EU. This suggests that the Danish model leads to shorter periods of unemployment.

Lifelong learning strategies are another important element of the flexicurity model. These enable workers to adapt to new demands and

provide employers with access to the skills they need. The collective agreements for both skilled and unskilled workers often include funding for continuing and vocational education and training.

### Tripartite agreement on Continuing Education 2018–2021

The government and social partners have reached an agreement to improve the education system, flexibility and transparency in the period 2018–2021. The tripartite agreement includes more up-to-date vocational training for both skilled and unskilled workers, including a new comprehensive adult education programme providing on-

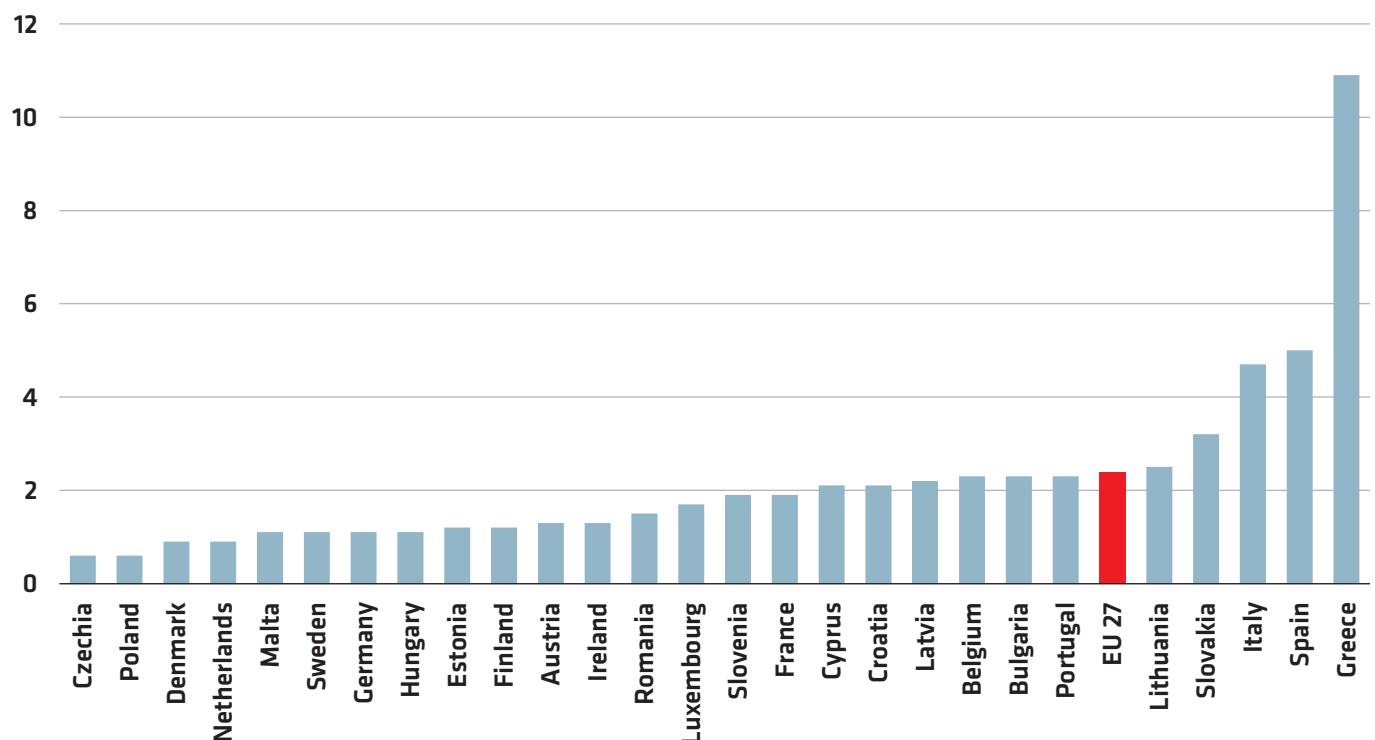
the-job training. The initiative included €320 million to address wider challenges facing industry and employees and a €55 million Transition Fund.

### Flexicurity and the green and digital transitions

The combination of an increasingly decentralised bargaining process designed to make agreements more flexible and good long-term employment prospects have helped make the labour market efficient and sustainable. The Danish model allows the market to adapt rapidly to the challenges posed by globalisation and by the green and digital transitions.

## Long-term unemployment in Europe

Annual average share of long-term unemployment from total population, 2018, %.



Note: Population is defined as active working population (15–74 years old).

Source: Eurostat Long-term unemployment – annual average.





