

The foundation and dynamics of the Danish labour market

Tripartite negotiations and agreements can function as a political tool to handle issues that have an influence on the Danish labour market and society in general.

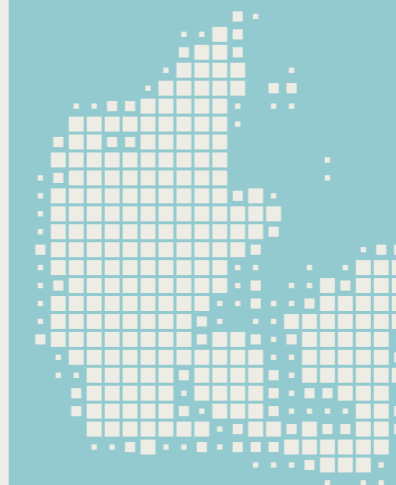
The Danish government will intervene as little as possible in labour market issues. When it comes to dealing with concrete challenges on the labour market, which can have an impact on society as such, the Danish government will invite the social partners to tripartite discussions.

The discussions of how to handle a societal issue will most often lead to tripartite negotiations followed by an agreement concluded between the social partners and the Danish government.

Two different examples show how social partners are instrumental in providing solutions for the Danish society:

- In December 1987, the social partners and the government concluded a joint statement aiming at strengthening competitiveness, moderating pay increases and creating more jobs. The joint statement laid the foundation of mandatory occupational pension schemes as part of the collective agreements.
- In March 2016, the social partners and the government concluded a tripartite agreement on the integration of refugees on the labour market. The agreement aims to prepare refugees to enter the labour market to a much higher extent than previously and much faster. A key part of the agreement is a new scheme, called IGU (IGU is the integrative training program), which offers refugees a two-year job including 20 weeks of education and training at apprentice salary levels.

KEY FACTS



- There is a long-held tradition for organising employees and employers in trade unions and employers' associations.
- There are no extension mechanisms linked to collective agreements on the Danish labour market. Instead there is a strong sense of ownership and joint responsibility based on mutual recognition.
- There is no statutory definition of minimum wage in Denmark, since wages and working conditions primarily are defined by collective agreements concluded between the social partners at branch or company level.
- Legislation covers specific topics such as health and safety, holiday entitlements, sickness benefits, equal treatment, equal pay or maternity/paternity leave.
- The Salaried Employees Act defines issues like probation and notice period for termination.
- The flexible agreements concluded between the social partners are supported by a welfare system, which is financed by taxation and ensures a universal social coverage. For example, a well-functioning guarantee for child care or active labour market policies support a high level of employment.

This information paper is accompanied by fact sheets, which supply elaborative information on the fundamental features of the Danish labour market.

The General Agreement is negotiated by and covers the members of LO and DA.

DA The Confederation of Danish Employers is the main umbrella organisation for private employers' associations in Denmark. Their companies employ 30 pct. of the total workforce (and 50 pct. of the private sector employees).

In Denmark, employees organise according to educational background.

LO The Danish Confederation of Trade Unions is the largest Danish confederation representing both blue-collar workers and salaried employees and covering 44 pct. of all organised employees.

FTF The Confederation of Professionals in Denmark is the second largest confederation representing white collar employees mainly from the public sector, and covering 19 pct. of all organised employees.

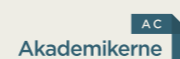
AC The Confederation of Professional Associations in Denmark is the third largest confederation - representing professionals and employees with a university degree and covering 12 pct. of all organised employees.



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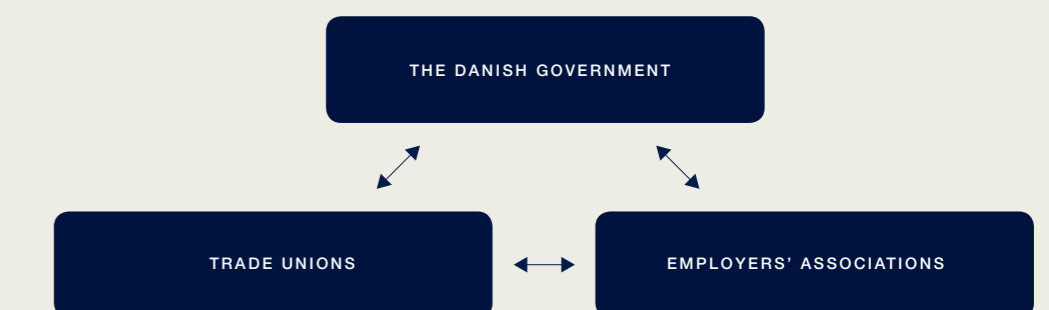


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Figure 1
THE DYNAMICS
OF THE DANISH
LABOUR MARKET



The fundamental dynamics of the Danish labour market model are based on:

SECURITY STABILITY TRUST EFFICIENCY FLEXIBILITY

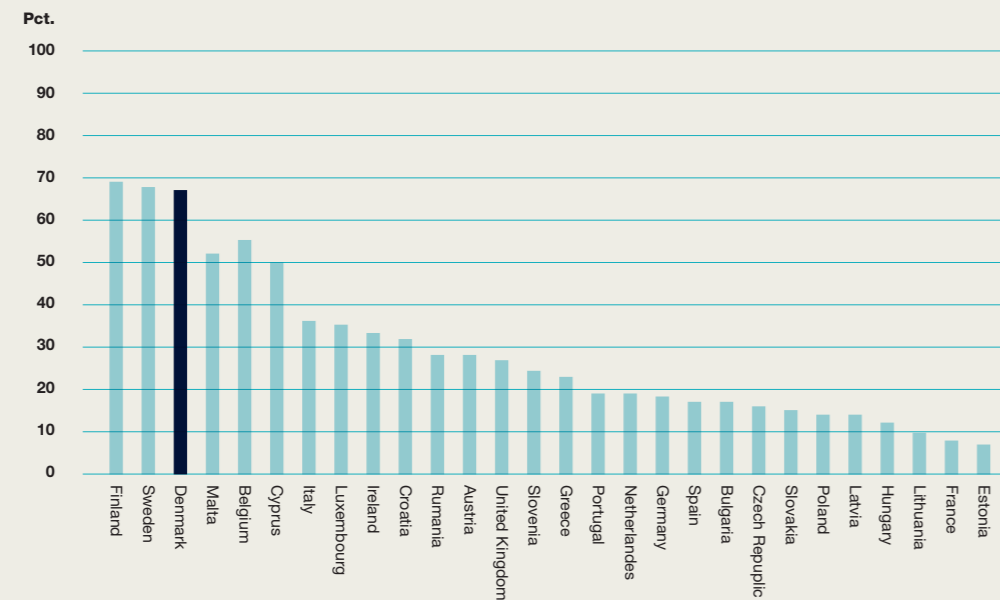
On 5 September 1899 the so-called September Settlement ended a long period of strikes and lock-outs. The September Settlement is regarded as the constitution of the Danish labour market. In the settlement the two sides recognize the right to take industrial action and the employers' right to manage the work force.

The Danish labour market is unique in the way it is regulated, since there is no comprehensive governmental interference or legislation regarding wages and working conditions. There is a clear division of responsibility between the government and the social partners in relation to labour market policies.

Legislative acts on labour issues primarily apply to employees not covered by collective agreements. The same principle applies to EU directives. If the collective agreement ensures the employee the rights of an EU directive, the employee will not be covered by the Danish act that implements the directive.

The regulation of working conditions is primarily in the hands of the social partners, contributing to the creation of a dynamic labour market and at the same time strengthening the influence and relevance of the social partners. This also entails that the social partners can conclude bipartite and tripartite agreements in order to adjust to new developments in the labour market.

Figure 2
LEVEL OF WORKERS AND EMPLOYEES BEING ORGANISED IN TRADE UNIONS



REMARKS Level of being organised in trade unions is in some countries calculated by the annual average from 2000-2015.
SOURCE: Benchmarking Working Europe 2017, ETUI.

There is a strong tradition for being organised in employers' associations and trade unions and industrial relations are regulated mostly by the autonomy of the social partners. The level in Denmark is approximately 70 pct., which is one of the highest rankings in Europe, cf. figure 2.

The organisation rate varies according to sector and profession.

The high level of organisation and unionisation has created a strong sense of ownership and the social partners play a central role in society. The system is based on a voluntary approach.

The process of collective bargaining in the private sector is conducted autonomously according to the terms set by the two sides of industry in **The General Agreement**. It lays the framework for collective agreements. It was concluded between the two main sides of industry:

- The Danish Confederation of Trade Unions (LO)
- The Confederation of Danish Employers (DA)
- Similar systems exist in the public sector

The **Cooperation Agreement** between DA and LO lays down the conditions for discussions on all relevant issues between the management and employees at the workplace. It reflects the general respect and trust between the two sides of industry. It also reflects the high degree of responsibility placed on the social partners to try to find constructive solutions to problems which might otherwise turn into labour disputes.

The General Agreement does not cover professional and managerial staff graduated from universities.

THE DANISH MODEL OF COLLECTIVE BARGAINING

The relationships between employers and employees are regulated primarily through the collective agreements. Examples of issues defined in the collective agreements are:

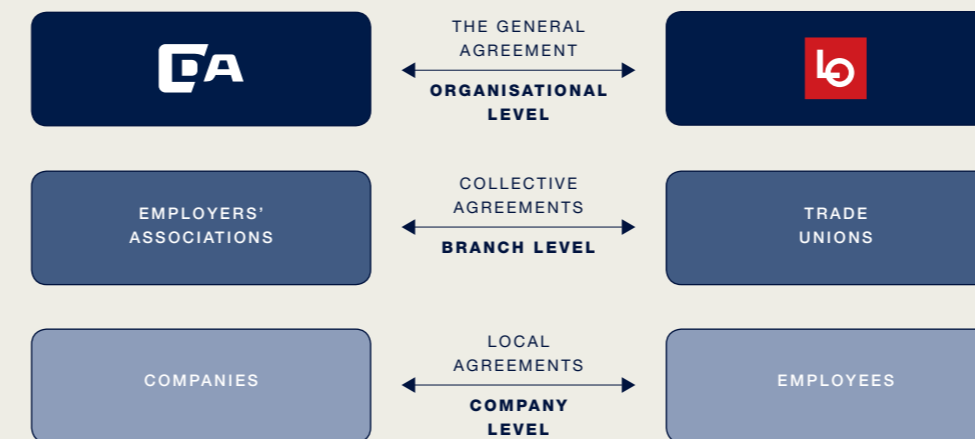
- Wages, wage-setting and processes
- Pay during maternity/paternity and parental leave
- Occupational pension
- Working hours and flexible workdays
- Access to lifelong learning and ongoing skills development
- Various pay arrangements for employees during periods of illness and paid holiday

A characteristic of the Danish system is the **general peace obligation**. This means that during the periods between the renewal of the collective agreements, it is in effect, illegal for the social partners to take industrial action. However, they retain the right to take industrial action if they cannot agree on renewing the collective agreements.

COLLECTIVE AGREEMENTS

- The central agreements for the private and public sector set the framework for negotiations and local agreements in a specific sector or company.
- During the past 20 years, the social partners in the private sector have decentralised bargaining competences with the aim to increase flexibility – especially with regard to wage-setting and working hours at company level. Many agreements are now negotiated and adapted by the parties at company level.
- Almost eight out of ten employees in the Danish labour market are covered by a collective agreement.
- Employees in a company will often be covered by one or more collective agreements, based on their occupation and line of work, and often the non-organised co-workers will also be covered by the agreement.
- EU legislation such as directives, and agreements concluded by the social partners, will be discussed in a tripartite committee called the Implementation Council. Subsequently, the implementation of an EU directive can either be by way of a collective agreement, by way of national legislation or by way of dual implementation, which combine the collective agreement with national legislation, thereby also ensuring coverage for those employees, who work in areas and companies not covered by the collective agreement.

Figure 3
THE DANISH LABOUR MARKET MODEL



Flexicurity in Denmark

Flexicurity as a way to meet future changes and challenges

The increasingly decentralised collective bargaining process aiming at increasing flexibility combined with a high degree of employment security has so far contributed to the development of an efficient and sustainable labour market model capable of adapting to e.g. technological developments and globalisation, cf. figure 4.

Figure 4
TECHNOLOGICAL CHANGES AND DEVELOPMENTS CREATE NEW DEMANDS FOR THE LABOUR MARKETS



A labour market able to adapt to changes, seize possibilities and handle new forms of work and platforms.

KEY FACTS

- Danish labour market regulation is characterised by the exclusive role of the social partners with a strong built-in sense of ownership and joint responsibility based on mutual recognition.
- Wages and working conditions are primarily regulated through collective agreements concluded by the social partners at branch or company level.
- Legislation covers specific topics such as health and safety, holiday entitlements, sickness benefits, equal treatment, equal pay or maternity/paternity leave.

The Danish labour market is defined by five dynamics:

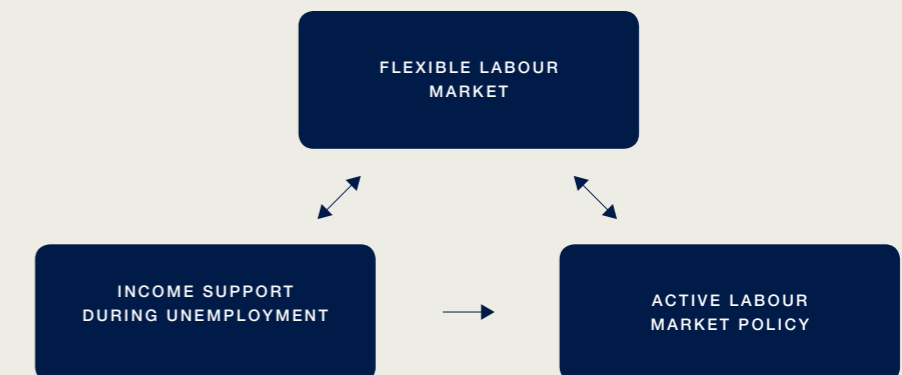


The Danish labour market is a hybrid of different elements combining on the one hand a well-developed social protection system and an active labour-market policy with flexible regulation based on agreements between the social partners, cf. figure 1.

The social partners aim for a flexible labour market, where the individual is secured through employment.

Figure 1
FLEXICURITY IN DENMARK

- 1st element:** Flexible labour market regulation characterised by the absence of restrictive regulation when hiring and firing employees enabling a high level of job openings and job mobility.
- 2nd element:** Income support during unemployment.
- 3rd element:** An active labour market policy focused on job mobility, training, re-skilling and security in employment, supporting individuals in finding a new job.



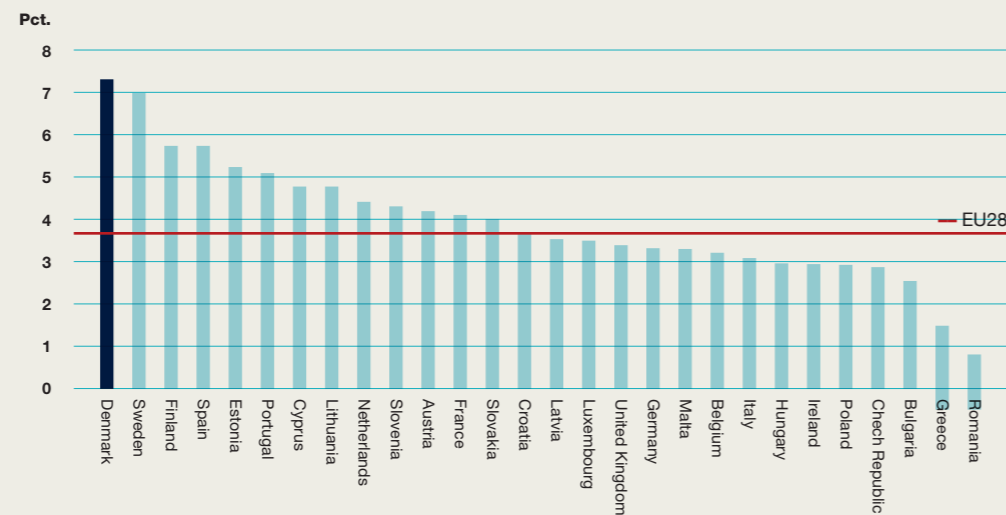
The Danish labour market is **in general open and inclusive**. This is due to active labour market policies and a focus on employment security rather than a narrow focus on job security. This makes companies less hesitant to recruit new employees and allow them to adjust to changes in demand, as it is relatively easy to dismiss employees due to e.g. flexible procedures regarding notification among other things. At the same time, it makes workers more open to mobility and jobchanges.

Among the effects of the flexible labour market regulation are a **high job mobility** and a high number of newly employed, cf. figure 2.

A high level of flexibility is good for the economy and creates more job-openings. The high job turnover yields many job-openings, making it easier for new entrants to the labour market, unemployed or those already in work to find a new job.

Denmark has almost 800,000 job-openings annually. Results from the first quarter of 2017, show that 7,3 pct. of the Danish population, aged 15-64, are newly employed. This is more than twice the European average.

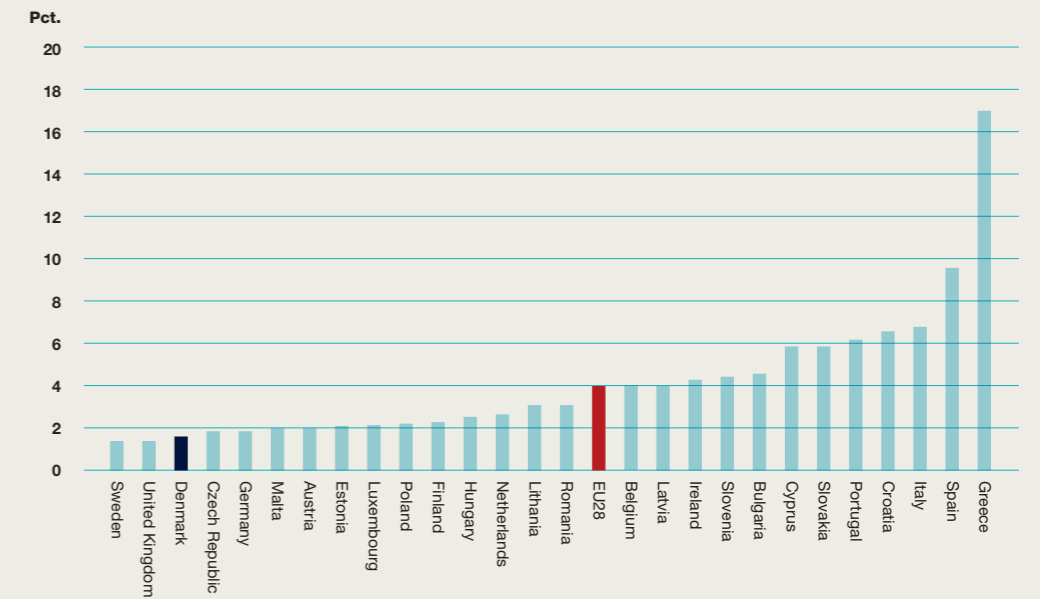
Figure 2
SHARE OF NEWLY EMPLOYED, AGED 15-64, THAT HAS GOT A NEW JOB WITHIN THE PAST THREE MONTHS



REMARKS: First quarter 2017 results. Newly appointed are defined by persons who have been in their current job for less than three months. The newly appointed come from another job, from unemployment or from being outside of the labour market on other terms.
SOURCE: Eurostats Labour Force Survey and further calculations by DA

Another effect of the flexible and open labour market regulation is the **low level of long-term unemployment** in Denmark, cf. figure 3. Denmark has one of the lowest shares of long-term unemployed in the EU. This indicates that high mobility lead to shorter spells of unemployment.

Figure 3
SHARE OF LONG-TERM UNEMPLOYMENT IN EUROPE



REMARKS: Annual average results 2016 from total population. Newly appointed are defined by persons who have been in their current job for less than three months. The newly appointed come from another job, from unemployment or from being outside of the labour market on other terms.
SOURCE: Eurostats Labour Force Survey and further calculations by DA

A focus on lifelong learning and training for employed persons and strong effort to provide employment security characterises the Danish labour market as **open, mobile and dynamic**. A system of adult education and continuing training funded by the public and businesses is in place for unskilled workers, employees and unemployed persons with a vocational training background.

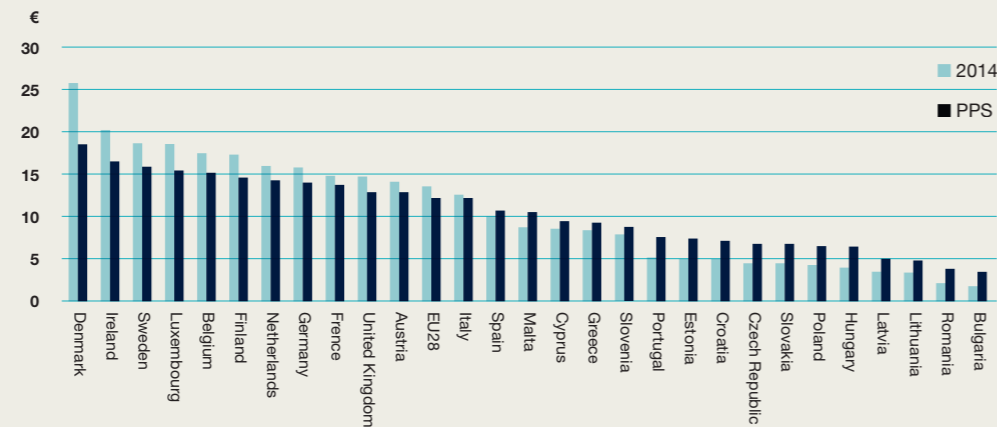
THE DANISH FLEXICURITY MODEL

The Danish flexicurity model is supported by a national focus on and efforts to ensure:

- Development of employees' qualifications and competences
- Further training and education of employees
- Active labour market policies which assure that the workforce maintains a high level of qualifications and is attractive to hire.

Collective bargaining in Denmark

Figure 2
WAGE LEVELS
IN EUROPE



REMARKS: Earnings from all employees in 2014, compared with national purchasing power standard (PPS).
SOURCE: Eurostat, 2017

The Danish agreement-based system is described as a **voluntary system**, as it is not obligatory for employees to be organised in trade unions and as companies are not required to be assigned to collective agreements.

Managers, executives and university graduates are among the few groups who are not covered by collective agreements in the private sector. They negotiate their employment conditions individually.

Foreign employees posted to Denmark by foreign companies are covered by the Danish Act on the posting of workers. According to the Act on posting of workers' the "hard core" working conditions set out in the Posting of Workers Directive apply, apart from the provision on minimum rates of pay. The posting of workers Act allows trade unions to use industrial action to demand that specific articles on minimum pay in collective agreements also apply to posted foreign workers.

In order to secure the working conditions for the employees on the Danish labour market, trade unions have an option to resort to **industrial action** and protest against companies that are not assigned to a collective agreement. Industrial action typically takes the form of a strike or so-called sympathy actions by which other companies are prevented from cooperating with the company in question. Protests in the form of a physical blockade are illegal.

The sympathy actions function as effective tools in order to incite more companies to sign a collective agreement and to secure the rights of employees through the Danish agreement-based system without governmental interference.

KEY FACTS

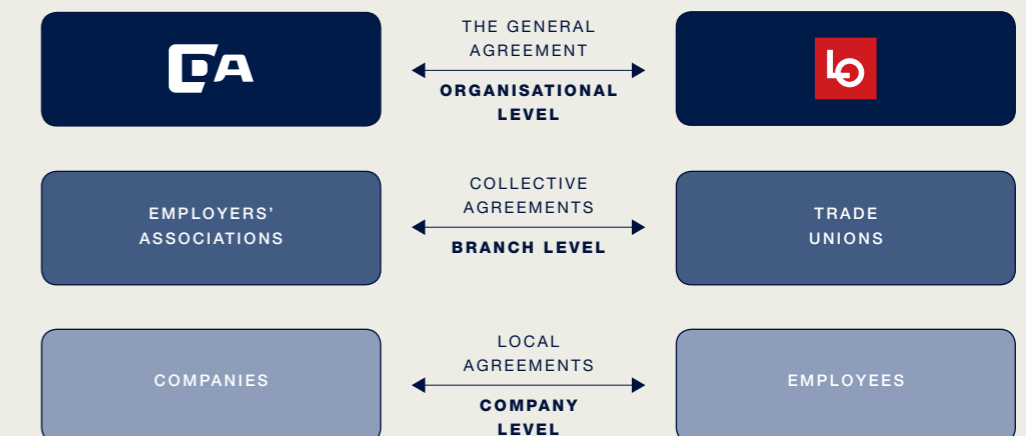
- Danish labour market regulation is characterised by the exclusive role of the social partners and with a strong, built-in sense of ownership and joint responsibility based on mutual recognition.
- Wages and working conditions are primarily regulated through collective agreements concluded by the social partners at branch or company level.
- Legislation covers specific topics such as health and safety, holiday entitlements, sickness benefits, equal treatment, equal pay or maternity/paternity leave.

The Danish labour market is defined by five dynamics:

SECURITY STABILITY TRUST EFFICIENCY FLEXIBILITY

In Denmark, labour market regulation is mainly defined by the sectoral collective agreements negotiated between the social partners. Local agreements at company level are negotiated between employers and employees, cf. figure 1.

Figure 1
THE DANISH LABOUR MARKET MODEL



Collective agreements ensure a flexible framework for companies and employees in terms of working time, pay and other core working conditions. The company and the shop steward can enter local agreements that supplement or deviate from the framework conditions stipulated in the collective agreement.

All employees in the public sector are covered by collective agreements, whereas 74 pct. of employed persons in the private sector are covered. For members of the Confederation of Danish Employers, DA, 87 pct. of the employees are covered. Foreign workers employed in Denmark are more or less covered by collective agreements to the same extent as Danish workers, cf. table 1.

However, there are differences in the extent of coverage by collective agreements between the different employee organisations in the private sector. For example only approximately 10 pct. of the AC-members in the private sector are covered by a collective agreement. The majority is covered by individual agreements.

Table 1
**PERCENTAGES OF
 EMPLOYED PERSONS
 COVERED BY COLLECTIVE
 AGREEMENTS ON THE
 DANISH LABOUR MARKET**

Persons covered by collective agreement 2015, measured in pct.	All employed persons	Foreign workers
Private sector	74	67
Members of the Danish Employers Confederation	87	85
Public sector	100	100
Labour market total	83	74

NOTE: The definition of foreign workers is excluding workers notified in the Register for Foreign Service Providers (RUT).
 SOURCE: Confederation of Danish Employers, Statistics Denmark and Danish Agency for Labour Market and Recruitment 2016.

There is no legal requirement for Danish or foreign companies to sign a collective agreement. Like Danish companies, foreign companies have a right to join a Danish employers' association and through their membership obtain a collective agreement. Once an employer has signed a collective agreement or joined an employers' association, the employer is obliged to follow and respect the collective agreement.

The collective agreements define labour market regulation regarding working conditions and wage-setting on the Danish labour market.

WORKING CONDITIONS

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

- Pay during maternity/paternity and parental leave
- Pay during sickness and child's sickness
- Occupational pension
- Working hours and flexible workdays
- Access to lifelong learning and ongoing development of competences
- Additional benefits such as bonus schemes, paid holiday or forms of compensation

WAGE-SETTING

The collective agreement 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 the collective agreements at sector level

Further wages negotiations takes place at company level

Collective agreements in the private sector are renewed sector by sector. It is the social partners in the key bargaining export sector who sets the pace and the framework for increases in wages and costs by concluding the first agreement. By the end of negotiations all agreements are linked and put to the vote in one single ballot by the two sides of industry. This ensures that all agreements are either adopted or rejected at the same time. The duration of a collective agreement is decided in each agreement. The current duration of a collective agreement is three years.

The high organisation rate sets the frame for a strong sense of ownership. If the members of trade unions reject the agreements, industrial action will follow. This rarely happens; the last time the collective agreements were rejected in the private sector was in 1998.

NO STATUTORY MINIMUM WAGE

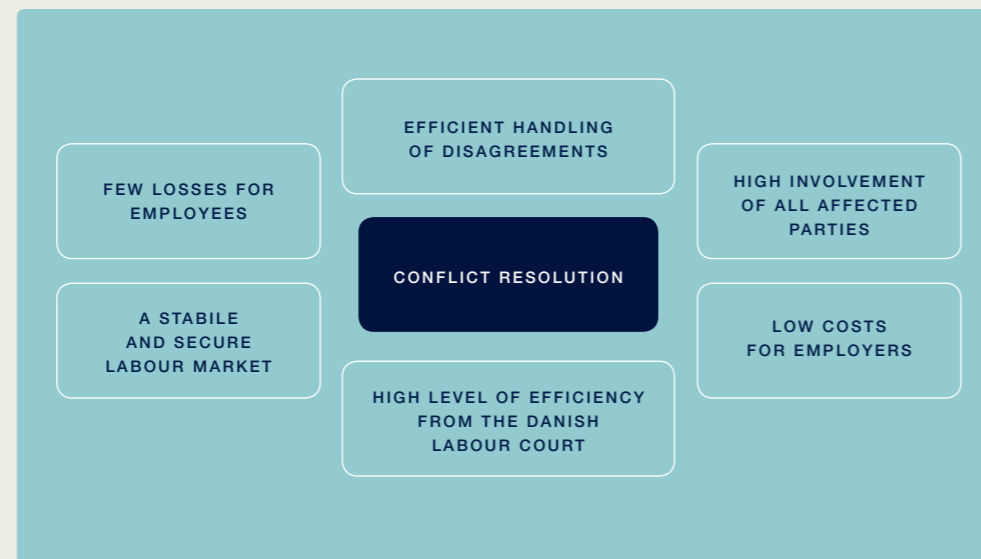
Wages are defined exclusively in the collective agreements. Wage-setting and the development of salaries are negotiated at company or sector level.

The system of wage-setting is dynamic, as it is determined by market demands and changeable elements. This ensures a flexibility at company level as wage costs are determined by the economic forecasts and market situation for the individual company.

The system of wage-setting is supported by employers and employees, as the general framework is negotiated and agreed between the social partners within the collective agreements. Even though, there is no defined minimum wage, the wage level is high in Denmark, cf. figure 2.

Conflict resolution in Denmark

Figure 3
RESULTS OF CONFLICT
RESOLUTION



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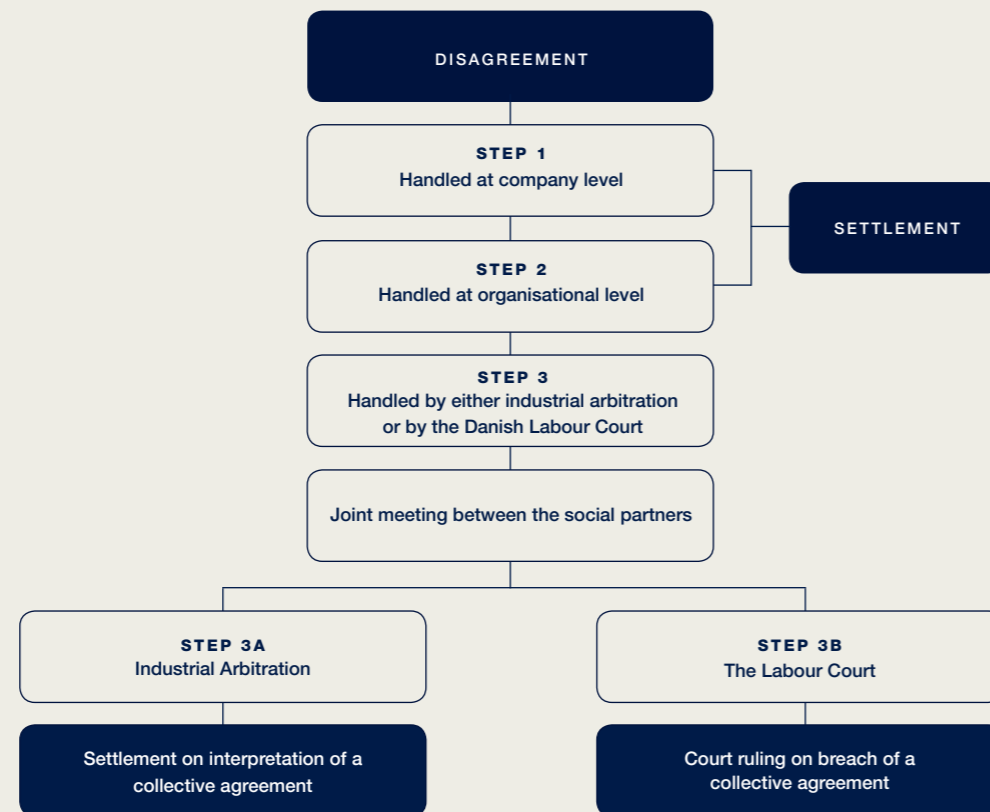
During collective bargaining, the social partners meet in a joint consensus of being responsible for ensuring a secure and well-functioning labour market.

The system of conflict resolution is an established procedure of handling any labour market conflict in close cooperation with the involved parties and often at company level.

A special characteristic of the Danish system is the general **peace obligation**. This means that, in the periods between the renewal of the collective agreement, it is in effect, illegal for the social partners to take industrial action, although they retain the right to take industrial action if they cannot agree on renewing the collective agreements.

Through the procedures of **conflict resolution**, the social partners handle conflicts by negotiation and mediation, cf. figure 1.

Figure 1
THE SYSTEM OF
CONFLICT RESOLUTION



Step 1: A disagreement between employers and employees is handled at company level, where a settlement is sought through mandatory negotiations at company level.

Step 2: If the disagreement is not settled at company level, the social partners will continue to negotiate at organisational level.

Step 3: If the social partners are not able to settle the dispute, the case will be handled by either industrial arbitration or by the Danish Labour Court.

Step 3A: A disagreement on the interpretation of a collective agreement will be settled by Industrial Arbitration.

Step 3B: A disagreement regarding an alleged breach of a collective agreement will be settled by the Labour Court.

Conflict resolution is structured to settle a disagreement or a dispute as quickly as possible. A great number of labour market disputes are settled at company or local level at step 1 or 2. In most instances, the procedure of steps, as illustrated, is obligatory when handling a disagreement in order to make the system more efficient. As a result, the processing time is often shortened.

The industrial conflict resolution system in Denmark is managed autonomously with no interference from the Danish legislative assemblies. The specialised **Danish Labour Court** possesses specific competences, as the labour law define its jurisdictions.

The President and the 5 Vice Presidents of the Danish Labour Court are judges from the Danish Supreme Court, whereas members of the court are chairmen from trade unions, employers' organizations or heads of larger companies. Based on recommendations from a number of trade unions and employers' organizations, the Danish Minister of Employment appoints the members to the court for a period of 5 years.

The Labour Court holds the exclusive competence of ruling on an alleged breach of a collective agreement. Rulings by the Labour Court will set precedents for future ruling in similar cases. The Labour Court's rulings cannot be appealed.

If a settlement on a disagreement cannot be reached in the previous steps of conflict resolution, the presiding judge may pronounce a conclusion based on precedents in order to handle the case quickly – if both parties agree on such a procedure.

Cases filed with the Danish Labour Court has decreased during the past 10 years