

# 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.

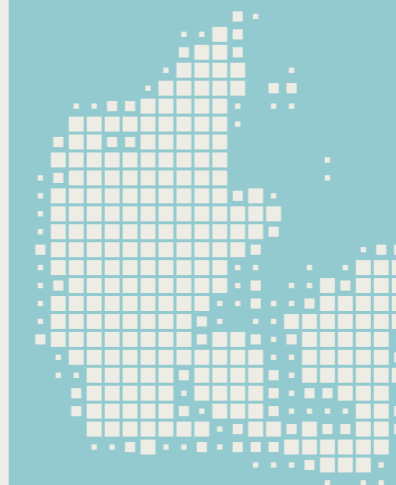
The Danish government will intervene as little as possible in labour market issues. When it comes to dealing with concrete challenges on the labour market, which can have an impact on society as such, the Danish government will invite the social partners to tripartite discussions.

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.

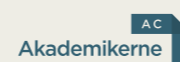
**AC** The Confederation of Professional Associations in Denmark is the third largest confederation - representing professionals and employees with a university degree and covering 12 pct. of all organised employees.



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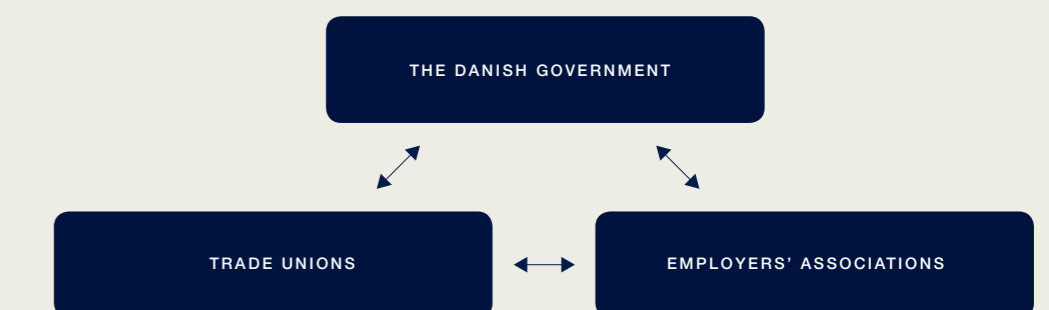


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Figure 1  
THE DYNAMICS  
OF THE DANISH  
LABOUR MARKET



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

SECURITY STABILITY TRUST EFFICIENCY FLEXIBILITY

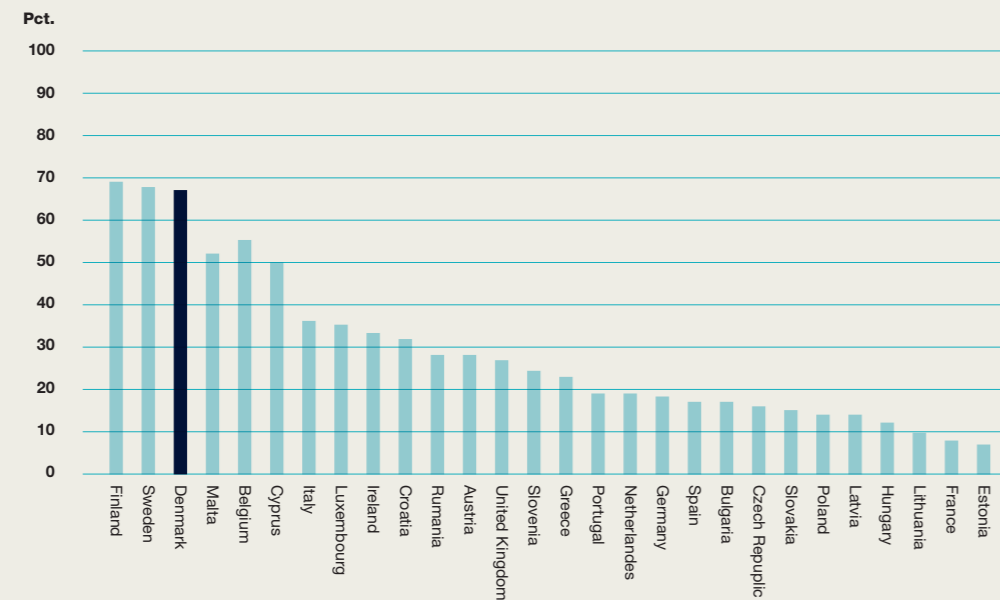
On 5 September 1899 the so-called September Settlement ended a long period of strikes and lock-outs. The September Settlement is regarded as the constitution of the Danish labour market. In the settlement the two sides recognize the right to take industrial action and the employers' right to manage the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

