

Collective bargaining in Denmark

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.

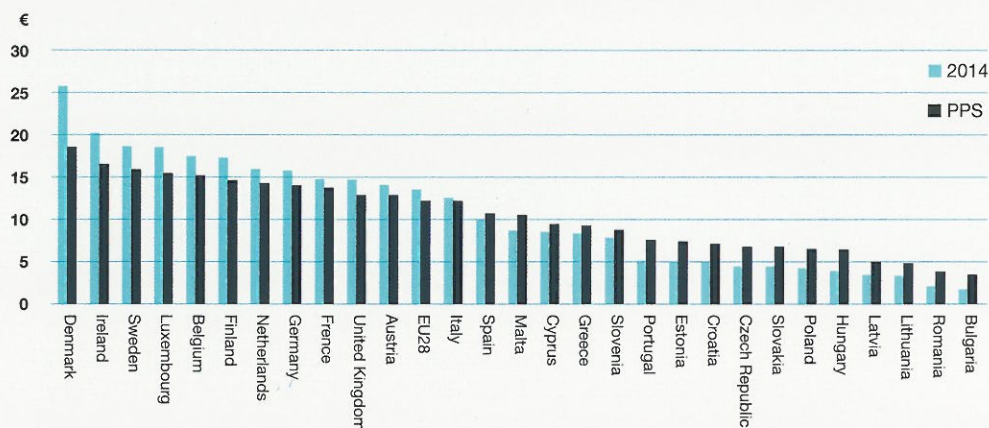
NO STATUTORY MINIMUM WAGE

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.

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.