

Denmark: Industrial relations profile

Facts and figures

Area: 43,094.41 square kilometres

Population: 5.5 million (2008)

Language: Danish

Capital: Copenhagen

Currency: Danish krone (€ = DKK 7.44)

Economic background

	Denmark	EU27
GDP per capita (in purchasing power standards, Index: EU27=100, 2007)	120	100
Real GDP growth (% change on previous year) (Annual average 2004–2007)	2.4%	2.63%
Inflation rate (Annual average 2004–2007)	1.55%	2.18%
Average monthly labour costs, in €(2005)	€4,359	€2,981
Gross annual earnings, in €(2005)	€47,529	€28,992
Gender pay gap (Difference between average earnings of male and female employees as a percentage of male employees' earnings (2007))	17.7% (2007)	n.a.
Employment rate (15–64 years) (2007)	77.1%	65.4%
Female employment rate (15–64 years) (2007)	73.2%	58.3%
Unemployment rate (15–64 years)	3.3% (2008)	7.1% (2007)
Monthly minimum wage (2007)	There is no fixed minimum wage in Denmark.	n.a.

Source: [Eurostat](#) and [EIRO](#)

Industrial relations, pay and working time

	Denmark	EU27 (unweighted)
Trade union density (%) (Trade union members as a percentage of all employees in dependent employment)	69%	n.a.

Employer organisation density (%) (Percentage of employees employed by companies that are members of an employer organisation)	83%	n.a.
Collective bargaining coverage (%) (Percentage of employees covered by collective agreements)	83%	n.a.
Number of working days lost through industrial action per 1,000 employees (Annual average 2004–2007)	29.14 days	37.47 days (Estimate)
Collectively agreed pay increase (%) (Annual average 2004–2007)	2.575%	5.53%
Actual pay increase (%) (Annual average 2004–2007)	0.775%	2.1%
Collectively agreed weekly working hours (2007)	37 hours	38.6 hours
Actual weekly working hours (2007)	38.6 hours	40 hours

Note: n.a. = not available

Source: [EIRO](#) and [Eurostat](#)

Background

Economic context

Denmark joined the [European Union](#) in January 1973. However, the country has opted out of certain elements of the EU's [Maastricht Treaty](#), including the [European Economic and Monetary Union](#) (EMU), European defence cooperation, and issues concerning certain justice and domestic affairs. Denmark's highly developed economy is characterised by high-tech agriculture, competitive manufacturing industries, extensive government welfare measures, a stable currency and high dependence on foreign trade. The country is a net exporter of food and energy and enjoys a comfortable balance of payments surplus.

Denmark has been successful in meeting, and even exceeding, the economic convergence criteria for participating in the third phase of the EMU – establishing a common European currency. However, Denmark decided not to join the 12 other EU Member States in the eurozone, although the Danish krone (DKK) remains pegged to the euro because of the high GDP per capita, welfare benefits, a low Gini index (an index measuring income inequalities) and political stability. On average, the Danish population enjoys one of the highest living standards among the other nations.

The Danish economy experienced a downturn as a consequence of the global economic crisis that started in 2008. The overall level of unemployment increased after many years of continually declining unemployment rates. Unemployment reached its lowest level at just 3.1% during the second quarter 2008, subsequently increasing to 5.5% by April 2009 (Eurostat, seasonally adjusted). It is worth mentioning, however, that the unemployment rate in Denmark has been very low during recent years, both in a Danish and European context. This has made the shortage of labour a more important issue than unemployment.

The GDP per capita is above the EU27 average, while the average real GDP growth in 2005–2007 (2.43%) was virtually at the same level as the EU27 average (2.46%). The annual growth rate of GDP was higher than the EU15 average between 1994 and 1997, but rather low (< 1%) between 2000 and 2003. From 2004 to 2006, the real growth rate of Danish GDP increased, reaching its highest level of 3.3% in 2006. However, in 2007, the real growth rate decreased again, stopping at 1.6%. In 2008, the real growth rate was negative (-1.1%) compared with the year before. The forecast for 2009 is also a negative figure (-3.3%) (Eurostat).

Legal context

Freedom of association is based on Article 78 of the Constitution of Denmark of 1953. Article 78 entitles the country's citizens to form associations for any lawful purpose. **Trade unions** are not explicitly mentioned in the constitution. Freedom of membership of an association – both the positive and the negative right – is expressed in the Act on the freedom of association in the labour market. The law was amended in 2006, abolishing the right to closed shop agreements.

With its long democratic tradition, Denmark has one of the earliest institutionalised bargaining systems in an industrialised, capitalist society. The so-called 'September compromise' laid the foundations of the major components of the system in 1899. The institutional setting was enhanced in 1910 by the implementation of an Industrial Court and the creation of the labour market's public conciliators. These innovations led to what is called the 'Danish model'. The latter is characterised by the institutionalisation of conflicts, relatively high membership rates, and a well-established pattern of cooperation fostering industrial peace and stability.

Legislation is minimal regarding the regulation of the Danish labour market. Central labour market issues – such as wages, working hours, **working conditions** or the **right to strike** – are regulated by agreements between employer and employee.

However, an important act concerning regulation is the Consolidation Act 81 of 3 February 2009 on the legal relationship between employers and salaried employees ([Funktionærloven](#)). This act – also known as the 'White-Collar Act' – regulates working conditions for salaried employees.

Main industrial relations trends

The principal level for **collective bargaining** in Denmark is the sectoral level. Negotiations in the industrial sector generally set the trend for the other negotiations at this level. This gives the trade union federation the Central Organisation of Industrial Employees ([Centralorganisationen af Industriansatte](#), [CO-Industri](#)) an important role in the Danish industrial relations system.

In recent decades, the industrial relations system has undergone some fundamental changes. The most important change seems to be the tendency towards decentralisation of the collective bargaining system.

Main actors

Trade unions

Main trends in trade union density

The Danish labour market has a tradition of a high degree of trade union membership. This is one of the characteristics of the aforementioned 'Danish model', and is historically an effect of the connection to the unemployment funds (*A-kasser*). Nonetheless, in terms of the trend regarding membership, the number of trade union members has been declining steadily since 1996.

Comparing figures from 2004 and 2008, there has been a decrease of 11 percentage points, with trade union density falling from 80% to 69%. It is mostly the traditional trade unions organised in the Danish Confederation of Trade Unions ([Landsorganisationen i Danmark, LO](#)) that have borne the brunt of the decrease. On the other hand, membership in other trade unions is increasing.

Most important trade union confederations

Danish trade unions are demarcated by occupations following the tradition of the guild system. The most important trade union confederation is LO, which was formed in 1898. In January 2008, LO had 1.25 million members, including resting members. In January 2009, this number fell to 1.22 million members, thus confirming the tendency of a steady decrease in membership in the LO-affiliated trade unions.

The largest of the 13 trade unions affiliated to LO are the Union of Commercial and Clerical Employees ([Handels- og Kontorfunktionærernes Forbund, HK](#)) and the United Federation of Danish Workers ([Fagligt Fælles Forbund, 3F](#)). The largest LO trade union representing employees mainly working in the public sector is Trade and Labour ([Fag og Arbejde, FOA](#)). LO has been formally tied to Denmark's Social Democratic Party ([Socialdemokraterne](#)), via interlinking directorates and financial support, for a long time. However, in 2003, the LO congress cut the last formal bonds to the party.

The second largest trade union confederation is the Danish Confederation of Professionals ([Funktionærernes og Tjenestemændenes Fællesråd, FTF](#)), which was founded in 1952 by white-collar trade unions. The confederation has 357,845 members (as at January 2009). FTF's most important member unions are the Danish Nurses' Organisation ([Dansk Sygeplejeråd, DSR](#)), the Danish Union of Teachers ([Danmarks Lærerforening, DLF](#)) and the Danish Federation of Early Childhood Teachers and Youth Educators ([Forbundet for Pædagoger og Klubfolk, BUPL](#)) – all of which belong to the regional and municipal sectors – as well as the Financial Services' Union ([Finansforbundet, FF](#)). FTF also consists of several small trade unions, which mainly belong to the public sector.

The third largest confederation is the Danish Confederation of Professional Associations ([Akademikernes Centralorganisation, AC](#)). The most significant affiliated associations of AC in terms of membership are the Danish Association of Lawyers and Economists ([Dansk Jurist- og Økonomforbund, DJØF](#)) and the Danish Association of Masters and PhDs ([Dansk Magisterforening, DM](#)). AC has nine member organisations, some of them consisting of more unions, and has 133,212 members (as at January 2009).

The fourth biggest trade union confederation is the Danish Association of Managers and Executives ([Ledernes Hovedorganisation, LH](#)), which has 79,585 members (as at January 2009). LH is considered a confederation even though it does not consist of a number of trade unions any longer. The individual members are direct members of LH.

Main trade union developments

During the last three decades, the tendency has been for small trade unions to merge. Most notable in recent years has been the merger between the General Workers' Union ([Specialarbejderforbundet i Danmark, SiD](#)) and the National Union of Female Workers ([Kvindeligt Arbejderforbund, KAD](#)). Learning from earlier unsuccessful merger attempts by other trade unions in the LO federation, the two unions conducted thorough preparations before they put the merger proposal to vote among their respective members. The merger took effect on 1 January 2005 under the new name of 3F ([DK0410103N](#)). Another main development is the

aforementioned decrease in trade union membership. The Danish industrial relations model, as it currently functions, is to a high degree dependent on strong social partner organisations.

Employer organisations

Main trends in employer organisation density

The density of employer organisations in Denmark is relatively high in a European perspective: 83% of all the employees are employed in a company which is member of an employer organisation (Confederation of Danish Employers, 2009).

Most important employer organisations

The biggest employer organisation is the Confederation of Danish Employers ([Dansk Arbejdsgiverforening, DA](#)), covering 51% of private employment and 32% of total employment. DA is the main organisation of private sector employers in manufacturing, services, retail trade, transport and construction, representing 13 affiliates with 28,000 member companies employing 665,000 full-time equivalents. In terms of density regarding the number of employees covered, DA covers approximately 90% of all employees within its demarcation.

DA has traditionally been very powerful because all [collective agreements](#) have to be approved by its managerial board. DA also decides whether member associations can take industrial action regarding collective agreements. It organises substantial funds to supplement member organisations' costs during work stoppages or strikes.

However, in December 2004, the member organisations conceded that DA underwent a major structural change, including a loss of one third of its budget and the shutdown of its regional network ([DK0501103N](#)).

The financial services sector has a high rating in terms of the percentage of organised employees, at 91%. Some 95% of the sector's employers are organised in the Danish Employers' Association for the Financial Sector ([Finanssektorens Arbejdsgiverforening, FA](#)), covering 59,000 employees.

The Danish Confederation of Employers' Associations in Agriculture ([Sammenslutningen af Landbrugets Arbejdsgiverforeninger, SALA](#)) is the main organisation for employers in the agricultural sector, also covering gardening, forestry, dairy and machine contractors. SALA's four member associations cover some 32,000 employees, which is equivalent to an organisation density of 84%.

The most influential employer organisation at sectoral level is the Confederation of Danish Industries ([Dansk Industri, DI](#)). Together with the largest bargaining cartel on the trade union side – namely CO-Industri – DI negotiates the Industry Agreement that sets the standard for the rest of collective bargaining in Denmark. DI covers 62% of membership in DA, organising large companies and small and medium-sized enterprises (SMEs) within manufacturing, services, retail trade and transport. Already very powerful, DI merged on 1 May 2008 with the third largest employer organisation, the Confederation of Danish Commercial Transportation and Service Industries ([Handel, Transport og Service, HTS](#)). On this date, HTS took seat in the administration of DI and the members were transferred to two new business communities within DI – representing transport and trade – thus enlarging the existing service considerably.

Main employer developments

In contrast to the trade union side, membership density on the employer side has been relatively stable in recent decades.

Industrial relations

Collective bargaining

Coverage and legal parameters

The coverage rate of collective agreements was 83% in 2008, thus ranking comparably high among the EU Member States. Coverage in the private sector is 73% and 100% in the public sector. The coverage rate has been relatively stable: up until 2007, the rate stood at 85% for several decades.

Collective agreements are binding in accordance with the basic agreements reached between the social partners in the private as well as public sector.

Most important levels of collective bargaining for setting of pay and working time

The collective bargaining system is characterised by multi-level regulation and a centrally controlled decentralisation – also referred to as ‘centralised decentralisation’.

At national level, DA and LO negotiate a basic agreement (*Hovedaftalen*) and a cooperation agreement (*Samarbejdsaftalen*), which have a longer validity period than the collective agreements at sectoral level. These basic agreements build a framework for bargaining the sectoral agreements by defining fundamental procedural rules – including the right to organise, a peace obligation, cooperation at the workplace or the handling of unfair dismissals.

Based on this framework, most of the collective bargaining on [pay](#), [working time](#) and working conditions takes place at sectoral level. The sectoral agreements, in turn, are used as a comprehensive framework that is implemented at company level.

Extension of collective agreements

There is no formal extension procedure for private-sector agreements. Government action, if any, is taken to adopt EU legislation. More importantly, it is the high share of public-sector employees, who constitute about one third of the workforce, as well as the high trade union density and employer centralisation, that provide for the establishment of widely accepted informal standards far beyond those negotiated at companies covered by collective agreements (Scheuer, 1999).

Main mechanisms in wage bargaining coordination

The main pattern of wage bargaining is set by the sectoral agreements; these agreements are, in turn, increasingly supplemented by company agreements. Actual individual pay is set at company level. This relationship between the central and the local level is, as already mentioned, referred to as ‘centralised decentralisation’.

Main trends in collective bargaining

The main trend regarding collective bargaining is a higher degree of decentralisation. A provision in the trend-setting sector agreement – the Industry Agreement – allows the parties at company level to jointly take decisions that are in contrast to some of the provisions of the sectoral agreement – for example, in relation to stipulations on working time. The central parties do not have to sanction this deviation.

Other issues in collective agreements

Collective agreements cover many issues that are not solely related to pay and working time. These issues include sickness pay, [maternity leave](#), children's sickness and hospitalisation, [vocational training](#), supplementary pensions and cooperation within the company.

Training and [lifelong learning](#) are also integral parts of the Danish agreements.

Gender equality

The issue of [gender equality](#) is not specifically addressed in the sector agreements. Formally, the issue of [equal pay](#) was introduced in the agreements of 1973. Since then, the agreements have not distinguished between men and women. However, in 2003, DA and LO published a joint report on gender equality in the labour market which was the result of a bipartite investigation into the gender pay gap.

At the bargaining round in 2007, the possibility for paternity leave was tightened. Accordingly, if the father does not make use of the leave he is entitled to, the leave will not be transferred to the mother, as was the case before.

Industrial conflict

Frequency of strikes

Industrial action has fluctuated recently. After a general strike in 1998 on pay and annual leave, no major conflicts have arisen; however, various sectoral conflicts have contributed to a comparatively high number of industrial conflicts between 2000–2004. Nonetheless, compared with the rest of the EU, Denmark's annual average for 2004–2007 is only moderate in terms of the number of working days lost through industrial action each year (Table 3).

A prolonged strike occurred in the public sector in 2008. The eight-week conflict involved a strike for equal pay, and the protesting workers represented typical female professions in the public sector – such as nurses, social and healthcare workers, nursery school teachers and youth educators. The workers demanded a substantial pay rise for those working in typical female professions, as a means of evening out the gender pay gap.

Table 3: Number of work stoppages, lost working days and workers involved, 2003–2008

	Number of work stoppages	Number of workers involved	Number of working days lost
2003	681	44,356	55,100
2004	804	75,710	76,400
2005	534	32,833	51,300
2006	476	79,128	85,800
2007	862	61,113	91,700
2008	335	91,409	1,869,100

Source: Statistics Denmark, 'Work stoppages' (*Arbejdsstandsninger*), various years

Main reasons for collective action

Over the last 10 years, strike activity has been particularly prevalent in the meat processing industry, the metal sector and the public sector at regional and municipal levels. The pay issue is the most frequent reason for the strike activity, followed by working conditions and strikes for political reasons.

Application of conflict resolution and arbitration mechanisms

The resolution of conflicts in the collective labour law builds on the distinction between a 'conflict of rights' and a 'conflict of interests'.

A 'conflict of rights' arises where the matter in dispute is already covered by a collective agreement. In the event of a conflict of rights, there is generally no right to resort to industrial action or a lockout. The only exception that is relevant for employers is a case of lawful sympathetic industrial action or a lockout.

If the case concerns a breach of the collective agreement, it must be referred to the Labour Court ([Arbejdsretten](#)). On the other hand, if there is disagreement concerning the interpretation of the agreement, the dispute must be settled by an industrial arbitration tribunal (*Faglig voldgift*). The legal basis for conflict resolution is the Standard Rules for Handling Industrial Disputes from 1910 (Danish abbreviation is *Normen*).

A 'conflict of interests' occurs in periods and areas when and where there is no collective agreement in force – in these instances, industrial action, such as strikes, lockouts or blockades, can be taken provided that there is a reasonable degree of proportionality between the goal to be obtained and the means used to obtain it. This freedom applies both to the workers and the employers. Conflicts of interests may occur in connection with the renewal of a collective agreement. In this case, an attempt at mediation is made by the public conciliator (*Forligsmanden*) in order to avoid further conflict – that is, a general strike.

In addition, conflicts of interests may arise between the trade unions and employers not covered by a collective agreement. During the period when a collective agreement is in force, conflicts of interests could also arise if, for instance, new technology at the workplace creates new work not covered by the existing collective agreement. On both occasions, the trade unions can take industrial action against the employer in order to obtain a collective agreement.

The collective labour law deals primarily with conflicts of rights. Conflicts of interests are mainly of a political-economic nature.

Tripartite concertation

Traditionally, the division of labour between the social partners and the government has been relatively clear. The social partners have regulated wages and working conditions through collective bargaining and the government has regulated welfare through legislation, although the social partners in many cases have had influence over the preparation and implementation of legislation. However, this division of labour has been blurred in recent decades in so far as welfare and social affairs have increasingly emerged as issues in collective agreements. Moreover, the policy concertation between the social partners and the government has increased in the form of ad hoc invitations to tripartite cooperation from the government.

Main issues and results of tripartite concertation

Examples of **tripartite concertation** include the following: the employment political reform 'bringing more people into employment' from 2002; the Globalisation Council; the Tripartite committee on lifelong learning and qualification and education for all groups in the labour market; the Welfare Commission; and a tripartite agreement on reducing sickness absence. All of these initiatives are aimed at the private sector and were formed in the period 2004–2008.

Furthermore, a Tripartite Committee for a Quality Reform in the Public Sector was set up in 2007. The committee is responsible for promoting an increase in the development of competencies in the public sector. In addition, the government established the Family and Working Life Commission in the autumn of 2005, as a response to an intense public debate on workers' difficulties in trying to reconcile work and family life – especially with respect to working parents. Although the social partners were not direct members of the commission, they secured involvement in the commission's work and discussions. The commission issued a report in 2007.

Workplace representation

Denmark has a so-called single channel workplace representation system, which basically gives the trade unions responsibility for representing employees at the workplace.

The main channels of employee representation at workplace level are the shop stewards and the Cooperation Committee – in the public sector, the latter is referred to as the Co-determination Committee (*MED-udvalg*). These committees, or work councils in a broader sense, consist of an equal number of representatives of employees and management. The employee representatives are elected, as is the case with the shop steward. The Health and Safety Committee, along with board member representatives, are other important channels for employee representation.

In the public sector, the Co-determination Committees incorporate the health and safety system; hence, it is a one-tier system as opposed to a two-tier system with cooperation committees and health and safety committees, as is the case in the private sector. The co-influence and co-determination system is based on a framework agreement – the so-called MED agreement. The president of the Co-determination Committees in the public sector is usually the director of the municipality or county, while the vice-president is the joint shop steward.

Employee rights

The nationally negotiated basic agreement (*Hovedaftalen*) between LO and DA defines fundamental procedural rules concerning employee rights – including the right to organise, a peace obligation, or the handling of unfair dismissals. In addition, there are two legal regulations that can be interpreted as a basis for industrial action and the employees' right to strike: namely, Act No. 106 of 26 February 2008 on the Industrial Court and the Industrial Arbitration Courts, which replaced Act No. 183 of 12 March 1997 on the Industrial Court.

Conflicts of rights concern disagreement about questions regulated by collective agreements. In such cases, it is unlawful to take industrial action and the peace obligation applies. These conflicts must be solved in accordance with the procedural rules on mandatory conciliation and binding judicial decisions. The peace obligation is one of the most important characteristics of the Danish system. If possible, local conflicts should always be solved at the lowest level – that is, the company level. If this fails, it is followed by conciliation at organisational level. The highest level is the Labour Court or an Industrial Arbitration Tribunal. Decisions made in such instances are legally binding.

Pay and working time developments

Minimum wage

There is no statutory minimum wage provision in Denmark. Instead, a de facto standard of minimum wages is set by collective agreements at industry level.

In the trend-setting collective agreement in the industry sector, which normally determines the level to be followed by the other sectors, the minimum hourly pay was increased to DKK 98.15 (about €13.19 as at 16 September 2009) as of 1 March 2007 under the 2007–2010 agreement. This amounted to an increase of DKK 3 (€0.4) or 3.15% compared with previous year. A rise of DKK 2.50 (€0.34) will be implemented on an annual basis over the next two years. Thus, the industry sector agreement operates the ‘minimum wage system’, whereby sectoral agreements set only minimum rates, with subsequent local bargaining providing for further increases.

Pay developments

Gross annual earnings

Average gross annual earnings in Denmark are the highest in the EU. In 2005, the average gross annual earnings amounted to €47,529, increasing from €46,122 in 2004 (Eurostat).

Labour costs

The average monthly labour costs are also among the highest in the EU, totalling €4,359 in 2005. This figure increased from €4,186 in 2004 (Eurostat).

Pay increases

Pay increases have been stable throughout the four-year period 2004–2007, with an average rise of 2.575% a year. From 2004 to 2006, this increase amounted to 2.5% each year. In 2007, an increase of 2.8% was agreed (Eurostat).

Gender pay gap

There has been a slight increase in Denmark’s gender pay gap, increasing from 17.6% in 2006 to 17.7% in 2007. The country’s gender pay gap is slightly higher than the average in the EU27 and the EU25 (25 EU Member States prior to the accession of Bulgaria and Romania in 2007). Denmark ranks fifteenth among 27 countries ordered on the basis of those with the lowest gender pay gap (Eurostat).

Working time

Collectively agreed working time

The average collectively agreed working time has, since 1990, stood at 37 hours a week, currently an hour and a half less than the EU25 average. The collectively agreed hourly working time in Denmark is one of the lowest in the EU.

Actual weekly working time

The average actual weekly working time for full-time workers was, in 2007, 38.6 hours, giving a working time drift of 1.6 hours a week. Following nationwide strikes in 1998, collectively agreed annual paid leave is 30 days on average.

Working time as an issue in collective bargaining

The statutory maximum weekly working time is 48 hours, as stipulated in the European Working Time Directive. Working time is an important issue in collective bargaining. The agreed weekly working time of 37 hours is, on average, established at sector level. According to a paragraph in the industry sector agreement, the actual weekly working hours are decided by agreement at company level. The reference period is 12 months, but cannot exceed 48 hours in one week.

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