

Denmark: Industrial relations profile

Facts and figures

Area: 43,094.41 square kilometres

Population: 5.5 million (2010)

Language: Danish

Capital: Copenhagen

Currency: Danish krone (€1 = DKK7.432)

Economic background

GDP per capita (in purchasing power standards, index: EU27=100)	127 (2010) 123 (2009) 125 (2008)
Real GDP growth (% change on previous year)	1.0% (2011) 1.3% (2010) -5.8% (2009)
Inflation rate (annual average rate of change)	2.7% (2011) 2.2% (2010) 1.1% (2009)
Average monthly labour costs, in €	€4,658.8 (2007) €4,481.1 (2006) €4,359.8 (2005)
Average labour productivity (% change on previous year)	1.5% (2011) 3.6% (2010) -2.7% (2009)
Gross annual earnings, in €	€55,707 (2010) €53,543 (2009) €52,509 (2008)
Gender pay gap	16.0% (2010) 16.8% (2009) 17.1% (2008)
Employment rate (15–64 years)	73.1% (2011)
Female employment rate (15–64 years)	70.4% (2011)
Unemployment rate (15–64 years)	7.6% (2011)
Monthly minimum wage	There is no fixed national minimum wage in Denmark

Source: Eurostat

Industrial relations characteristics, pay and working time

Trade union density (%) (2010) (Trade union members as a percentage of all employees in dependent employment)	67%*
Employer organisation density (%) (2010) (Percentage of employees employed by companies that are members of an employer organisation)	58%**
Collective bargaining coverage (%) (2010) (Percentage of employees covered by collective agreements)	65%**
Number of working days lost through industrial action per 1,000 employees	722.6 (2008) 6.1 (2009) 7.5 (2010)
Collectively agreed pay increase (%) (annual average 2010–2011)	Private sector: 1.7% Public sector: 0.3%
Actual pay increase (%) (annual average 2010–2011)***	2.2% (4th Q. 2010) 1.9% (4th Q. 2011)
Collectively agreed weekly working hours	37
Actual weekly working hours****	35.1 (2011) 34.8 (2010) 33.2 (2009)

Source: Eurostat; unless stated below

* Due and Madsen, 2010 **Larsen et al, 2010 *** Yearly increase in the private sector; Statistics Denmark **** Statistics Denmark

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 economy is characterised by high-tech agriculture, manufacturing industries, extensive government welfare measures, a stable currency and high dependence on foreign trade. 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 in the world.

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 continual decline. Unemployment reached its lowest level at just 3.1% during the second quarter of 2008, subsequently increasing to 5.5% by April 2009, ending on an annual average of 6.0% 2009 and 7.4% in 2010 (Eurostat, seasonally adjusted).

The GDP per capita is above the EU27 average, while the average real GDP growth in 2006–2008 (-1.57%) was well below the same level as the EU27 average (2.23%). 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 to 1.6%. In 2008, the real growth rate was negative (-1.1%) compared with the year before. The figure for 2009 is also negative (-5.2%) (Eurostat). In 2010 the growth rate had increased to 1.3% and in 2011 it was 1.0%.

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 system is characterised by the institutionalisation of conflicts, relatively high membership rates, and a well-established pattern of cooperation fostering industrial peace and stability.

Labour market 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 employees.

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.

Industrial relations context

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. This gives the trade union federation, the Central Organisation of Industrial Employees (Centralorganisationen af Industriansatte, [CO-Industri](#)) and the largest employer organisation, the Confederation of Danish Industry ([DI](#) – organisation for erhvervslivet) an important role in the Danish industrial relations system.

In recent decades, the industrial relations system has shown a significant tendency towards decentralisation of the collective bargaining system including wage bargaining.

Main actors

Trade unions

The Danish labour market has a tradition of a high degree of trade union membership. This is one of the characteristics of the Danish labour market model, and is historically an effect of the connection to the unemployment funds (A-kasser), in turn relating to the Ghent system. Yet in terms of the trend regarding membership, the number of trade union members has declined steadily since 1996. Since 1996, there has been a decrease of 6 percentage points from 73% to 67%. 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.

Unemployment funds have experienced a decline in membership, in spite of the crisis, from 79% in 1994 to 74% in 2008. The number of double members, that is members of both a union as well as an unemployment fund (that formerly constituted a majority of core members) declined from 70% to 62% of the labour force during the same period (Due and Madsen, 2010).

On the other hand, membership in the ideological alternative trade unions (yellow unions) increased by 120,000 members in the same period, and today they constitute 10% of all trade union members. The number of employees who are non-union members is also increasing slightly.

Danish trade unions are demarcated by occupations basically 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 2010, this number fell to 1.20 million members, thus confirming the tendency of a steady decrease in membership in the LO-affiliated trade unions. For the first time the number of active members fell below one million in the same year.

The largest of the 18 trade unions affiliated to LO are the United Federation of Danish Workers (Fagligt Fælles Forbund, [3F](#)) and the Union of Commercial and Clerical Employees (Handels- og Kontorfunktionærernes Forbund, [HK](#)). Other large areas are transport and construction. The largest LO trade union representing employees mainly working in the public sector is Trade and Labour (Fag og Arbejde, [FOA](#)). LO represents blue-collar unions as well as white-collar unions. Traditionally, LO has been formally tied to Denmark's Social Democrats ([Socialdemokraterne](#)), via interlinking directorates and financial support. However, in 2003, the LO congress severed the relationship.

The second largest trade union confederation is the Danish Confederation of Professionals ([FTF](#)), which was founded in 1952 by white-collar trade unions. FTF has recently experienced a small decline in membership (see table below). FTF's most important member unions are the Danish Nurses' Organisation (Dansk Sygeplejeråd, [DSR](#)), the Danish Union of Teachers (Danmarks Lærereforening, [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 136,636 members (as of January 2010).

The fourth trade union confederation is the Danish Association of Managers and Executives (Ledernes Hovedorganisation, [LH](#)), which has 90,673 members (as of January 2012). LH is considered a confederation even though it no longer consists of a number of trade unions. The

individual members are direct members of LH. As executives at different levels, the members of LH all sign individual contracts with the employer.

Trade union confederations: Membership 2009–2012

	2009	2010	2011	2012
LO	1,224,108	1,201,272	1,167,878	1,122,785
FTF	357,845	358,110	356,408	352,811
AC	133,212	136,636	139,214	141,818
LH	79,585	82,893	86,239	90,673
Total	1,794,750	1,778,911	1,749,739	1,708,097

Source: Statistics Denmark. LONMED.

During the last three decades there has been a trend for union mergers. Most notable is the recent merger between the General Workers' Union (Specialarbejderforbundet i Danmark, SiD) and the National Union of Female Workers (Kvindeligt Arbejderforbund, KAD). This took effect on 1 January 2005 under the new name of 3F ([DK0410103N](#)). On 1 January 2011 the construction workers in the Union of Wood, Building and Industry Workers in Denmark (Træ – Industri – Byg, TIB) formally joined 3F with 61,000 members, creating a large union within the construction sector. Another major development is the aforementioned decrease in trade union membership among LO-unions. The Danish industrial relations model, as it currently functions, is to a high degree dependent on strong social partner organisations.

Employer organisations

The density of employer organisations in Denmark is relatively high. In 2008, 60% of all the employees were employed in a company that was a member of an employer organisation. This is an increase since 2002 where the number was 52% (Confederation of Danish Employers, 2010). A recent survey, however, showed an employer organisation density of 58% in 2011 (Larsen et al, 2010)

The largest employer confederation is the Confederation of Danish Employers (Dansk Arbejdsgiverforening, [DA](#)), covering 52% of employment in the private sector. DA is the main organisation of private sector employers in manufacturing, services, retail trade, transport and construction, representing 12 affiliates with 27,000 member companies employing around 650,000 full-time equivalents (2010).

DA has traditionally had a powerful position. All [collective agreements](#) among DA members have to be approved by DA's managerial board before they can be signed. 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 had undergone 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 employers. Some 90–95% of the sector's employers are organised in the Danish Employers' Association for the Financial Sector (Finanssektorens Arbejdsgiverforening, [FA](#)), covering 67,800 employees which is more than 80% of the employees in the sector (2010). FA is considered a major

organisation even though it does not represent a number of associations but only individual company members. FA is the only employer association in the sector.

The most influential employer organisation at sectoral level is the Confederation of Danish Industry ([DI](#) – organisation for erhvervslivet). Together with the largest bargaining cartel on the trade union side – namely CO-Industri – DI negotiates the Industry Agreement that sets the standard for all collective bargaining in Denmark. DI covers 62.9% of membership in DA, organising large companies as well as 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 a 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.

Until mid 2012 the Danish Confederation of Employers’ Associations in Agriculture (Sammenslutningen af Landbrugets Arbejdsgiverforeninger, [SALA](#)) was the third employer confederation and main organisation for employers in the agricultural sector, covering gardening, forestry, dairies and machine contractors. Over the last decade members of SALA have left the confederation either to operate on their own or to join DI. SALA’s last two member associations covered some 20,000 employees, which then comprised 89% of the employees under SALA’s domain (2011). In summer 2012 the largest remaining SALA organisation, the Danish Dairy Employers’ Association, joined DI, and SALA – the only confederation in the ‘green area’ (i.e. agriculture, forestry, gardening and dairies and related industries) for 65 years – ceased to operate.

In contrast to the trade union side, membership density on the employer side in recent decades has been relatively stable in terms of coverage of employees. The most important developments in the last five years are the mergers with DI as centre and the significant strengthening of DI as a result. As of 2012 DI has added almost two entire sectors to its former domain, i.e. transport and food industry.

Industrial relations

Collective bargaining

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 bargaining framework for 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.

Levels of collective bargaining

	National level (Intersectoral)	Sectoral level	Company level
Principal or dominant level		X	

	National level (Intersectoral)	Sectoral level	Company level
Important but not dominant level	X		X
Existing level			

Jesper Due and Jørgen Steen Madsen conclude in their 2010 study that the coverage rate of collective bargaining in the private sector was 74% in 2006 (based on information from Statistics Denmark). In 2002 it was 79%. The coverage in the public sector has traditionally remained close to 100%.

In the TR survey in 2010 (Larsen et al, 2010) managers were asked if they had concluded collective agreements with the different groups of employees. On average 75% answered 'yes', divided between 65% on average in the private sector and 92% in the public sector and 88% in autonomous organisation/institutions.

Collective agreements are legally binding for the signatory parties.

Extension of collective agreements

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

There are no other voluntary mechanisms of extension/application of the terms of collective agreements.

There are no provisions for opt outs in the Danish sector agreement

Main mechanisms in wage bargaining coordination

The main pattern of wage bargaining is set by sectoral agreements; these agreements are, in turn, increasingly supplemented by company agreements. Individual pay is mostly set at company level. In the public sector, the central level still plays the most important part in wage bargaining.

Main trends in collective bargaining

The main trend for collective bargaining is a higher degree of decentralisation. A provision in the trend-setting sector agreement – the Industry Agreement – allows parties at company level to take joint decisions that are in contrast to some provisions at sectoral agreement – for example, in relation to working time arrangements. The central parties do not have to sanction these deviations. In the public sector negotiations at state level continue to control bargaining issues in the regional and municipal sectors and decentralisation in the private sector is not taking place.

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, continuing vocational training, supplementary pensions and cooperation within the company. [Lifelong learning](#) is also an integral part of the Danish agreements. Stress and harassment are not particular issues on the collective bargaining agenda.

Issues of training and lifelong learning are traditionally important issues on the bargaining agenda and an important part of the Danish flexicurity model. Access to qualified continuous vocational training is seen as a measure to mitigate the effects of restructuring and mass redundancies.

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 2007 bargaining round paternity leave conditions were tightened. This was followed up in 2010 and accordingly, if the father does not make use of the leave he is entitled to (2 plus 3 weeks), the leave or payment will not be transferred to the mother, as was the case before.

Industrial disputes

Strikes and lockouts in the years of crisis 2009–2010 resulted in the lowest number of working days lost in Denmark since the current calculation method was introduced by Statistics Denmark in 1996. The total number of working days lost in the public and private sectors combined was 15,000 in 2009 compared with 1.9 million in the so-called ‘conflict’ year of 2008. The unusually high number of days lost in 2008 meant that Denmark topped the European ranking for industrial disputes for 2005–2009.

According to the EIRO report [Developments in industrial action 2005–2009](#), which looks at the EU27 and Norway, Denmark tops the ranking of lost working days due to industrial conflict.

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 ([DK0907019I](#)).

As a result, in 2008 Denmark recorded the highest annual figure for working days lost per 1,000 workers of any country (701.9) during the period 2005–2009, inflating its annual average for the five-year period to more than 159 days lost per 1,000 workers. But if only 2005, 2006, 2007 and 2009 are considered, Denmark had an annual average of 23.7 working days lost.

This would place Denmark around ninth/tenth on the ranking with a normal number of working days lost in 2009. In other words, the normal level of strikes in Denmark over this period places the country in the lower end of the upper third of strike-prone countries in EU, only occasionally taking place in connection with renewals of collective agreements; as in 2008 and in 1998, when 11 million working days were lost due to a major conflict in the private sector covered by DA (see table below).

Number of work stoppages, lost working days and workers involved, 2004–2010

	Number of work stoppages	Number of workers involved	Number of lost working days
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

2009	207	12,679	15,000
2010	329	15,828	18,500

Source: Statistics Denmark 2010

Over the past 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. According to the DA conflict statistics, pay is traditionally the most frequent reason for strikes, followed by working conditions and strikes for political reasons.

Collective industrial dispute resolution 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. Once enacted, Danish labour law prescribes a peace obligation while the collective agreement is in force.

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 the industrial arbitration tribunal (*Faglige voldgiftsretter*). 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, such as a general strike.

In addition, conflicts of interests may arise between 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

There are no specific and formal tripartite councils or national social pacts in Denmark. Tripartite dialogue takes place on an ad hoc basis.

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.

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 Quality Reform in the Public Sector was set up in 2007. The committee is responsible for promoting 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. Although the social partners were not direct members of the commission, they secured involvement in the Commission, which issued a report in 2007. In 2012 the newly elected government led by the Social Democrats invited the social partners to a tripartite dialogue on working time and welfare issues but they were cancelled by the government. Trade union representatives from Danish Metal insisted they would not accept any attempt to extend working time, such as abolishing two public holidays as suggested by the government. The Minister of Finance then chose to cancel the negotiations.

Workplace representation

Denmark has a single-channel workplace representation system, which basically gives the trade unions responsibility for representing employees at the workplace. Thus, workplace representation is codified by collective agreement.

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 consist of an equal number of representatives of employees and management. The employee representatives are elected, as is the shop steward. The health and safety committee, along with board member representatives, are other important channels for employee representation.

In the public sector, ‘MED-udvalg’ or the Co-determination Committees incorporate the health and safety system; hence, it is a one-tier 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.

Main channels of employee representation

	Works council type (WC)	Trade union (TU)	Other
1 Most important body	Cooperation Committee (parity of members) Public sector: Codetermination Committee, <i>MED-udvalg</i> EWCs	Shop steward Joint shop steward	Health and Safety Committee, Board member representation
2 Alternative body		Spokesperson	

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 or any other mechanism of setting minimum standards for terms of employment 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, the Industry Agreement, which normally determines the level to be followed by the other sectors, the minimum hourly pay was increased to DKK103.15 (€13.86) as of 1 March 2009 under the 2007–2010 agreement. This amounted to an increase of DKK2.50 (€0.37) or 2.42% compared with previous year. Renewal of the agreement in 2010 took place in the light of economic crisis. As of 1 March 2010 the minimum hourly pay increased to DKK104.25, equivalent to an increase of DKK1.10 or 1.06%. In 2011 the minimum increase was 1.65% or equivalent to DKK106.00

The industry sector agreement operates the so-called 'minimum wage system', whereby sectoral agreements set only minimum rates, with subsequent local bargaining providing for further increases.

Collective agreed minimum wages or increases differ from sector to sector. However, the difference in relation to the Industry Agreement is not significant.

Pay developments

Average gross annual earnings in Denmark are among the highest in the EU. In 2010, the average gross annual earnings amounted to € 55,707, increasing from € 53,543 in 2009 (Eurostat). In 2008 it was €52,509.

In the past decade labour productivity has increasingly been an issue on the collective bargaining agenda, not least because of the economic crisis beginning in 2008. Employers have repeatedly emphasised that wage increases were much higher in Denmark than in its closest neighbours, Germany and Sweden. This influences labour productivity in a negative way, they claim. According to Arbejderbevægelsens Erhvervsråd (The Economic Council of the Labour Movement), from 2000 to 2009 productivity only increased by 0.5% a year. This should be seen in contrast to the historical average over the last 40 years of 2.0% annually. According to Eurostat, labour productivity increased to 3.6% in 2010 and in 2011 the annual increase was 1.5%.

Unions accepted historically low wage increases in the bargaining years 2010, 2011 and 2012 for the sake of productivity and competitiveness. In reality, this led to a negative increase in real wages because inflation was higher. Labour productivity was the subject for tripartite negotiations, beginning spring 2012. On the agenda was increased working time with the aim of increasing productivity. However, negotiations were cancelled over this issue. The unions would not agree to the cancelling of two public holidays, a method that has been seen in other EU countries during 2001–2012.

There has been a slight decrease in Denmark's gender pay gap in unadjusted form, falling from 17.7% in 2007 to 17.1% in 2008, 16.8% in 2009 and 16.0% in 2010. The gender pay gap in Denmark is slightly higher than the average for the EU27 (Eurostat).

Working time

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

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. A paragraph in the trend-setting industry sector agreement states that providing the local parties agree, the actual weekly working hours can vary as long as the average weekly working time is 37 hours within an agreed period, e.g. 6 or 12 months. However, agreed flexible weekly working time cannot exceed 48 hours in one week.

The average actual weekly working time for full-time workers was 33.2 hours in 2009, 34.8 hours 2010 and 34.8 hours in 2011 (Statistikbanken, AKU-survey). Although the actual working hours seem to be increasing, a survey published in June 2012 revealed the surprising fact that in general Danish wage earners thought they worked more than the agreed 37 hours a week. The survey and figures from Statistic Denmark given here from 2010 and 2011 show that they did not.

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