

The Danish Labour Market Model



The Danish Labour Market Model – in brief

The Danish labour market model may briefly be described on the basis of the following three main features:

- Tripartite cooperation
- Strong organisations on both sides of industry
- Collective agreements constitute the most important source of law in labour law matters.

Tripartite cooperation

The tripartite cooperation is a very important feature of the Danish labour market model. Whenever the social partners are able to solve their problems in a satisfactory manner, the state will intervene as little as possible in the regulation of working conditions.

The social partners - the employees and the employers - best know where the shoe pinches and are in the best position to adapt agreements to the individual sector or enterprise quickly and efficiently. The social partners are more apt to respect terms, and conditions, which they have themselves accepted. This is - very briefly expressed - the traditional Danish approach.

Since the formation of powerful organisations in the late 19th century, the social partners have helped to build up a welfare society with one of the most peaceful labour

markets in the world. The cooperation with the social partners is an integral part of the national labour market policy, also in fields, which are primarily regulated by legislation, such as for instance safety and health at work, placement activities, vocational training and the unemployment insurance system.

The social partners are consulted on proposed legislation on labour market matters, before it is adopted. In many fields central or local councils in which the social partners are also represented make important decisions. There are also more informal regular contacts between civil servants and the social partners.

High rate of organisation

There is a high rate of organisation in Denmark. More than 80 per cent of Danish employees are members of trade union. The trade unions are grouped in national federations, which are affiliated to a small number of central organisations. The employer organisations have a similar structure. The biggest central employee organisations are the Danish Confederation of Trade Unions (LO), the Salaried Employees' and Civil Servants' Confederation (FTF) and the Central Organisation of Academic Staff (AC). The biggest private central organisation on the employer side is the Danish Employers' Confederation (DA).

The national trade union organisations and the national employer organisations are going through a period of major changes and reform these years. The trend is in the direction of fewer, but bigger and more powerful organisations or cartels. Denmark has { like the other Nordic countries} a very large public sector. The state and regional and local authorities are the biggest employers and employ about one third of the labour force.

Collective agreements

Collective agreements are important for up to 90 per cent of the Danish labour market. A collective agreement is a contract between two parties who themselves define the scope of the agreement. The parties to the agreement will always be an organisation on the employee side, and

most often this will also be the case on the employer side. The collective agreements lay down the working conditions, which are to apply to the individual employment relationships. As a starting point, the employer will be under an obligation to observe the provisions of the collective agreement, also in relation to employees in the enterprise who are not organised.

It is a characteristic feature of the Danish system that the social partners - i.e. *the organisation* - decide how an agreement shall be interpreted and also whether legal proceedings should be instituted against an employer. The organisations are, of course, expected to safeguard the collective interests of their members. However, individual employees may in certain cases bring an action before the ordinary courts of law.

The employee organisations attach great importance to ensuring that the results achieved benefit their members. On the other hand, they do not want to see "non-organised" employees in a work place covered by a collective agreement "underbidding" organised employees.

This is why an employer bound by a collective agreement must offer also non-organised employees contractual terms. In addition, many non-organised employers often conclude the so-called "adhesion contracts" under which they commit themselves to follow the appropriate collective agreement. Finally, collective agreements set a norm within the fields covered by each of them.

This means that the collective agreements are of importance to a much greater number of persons, than those directly covered by them. This is why the system with "erga omnes" legislation (under which collective agreements concluded within representative fields are given general effect), which is found in a number of EU Member States, is not relevant in Denmark. In Denmark it is the organisations themselves that - by virtue of their representation - have the powers to ensure the employees acceptable pay and working conditions without the intervention of the legislature.

Collective agreements thus constitute the most important source of law in the Danish labour market in labour law matters. However, two bodies have been established by statute: the Public Conciliation Service and the industrial Court.

It is the task of the Public Conciliation Service to assist the social partners in connection with the conclusion of new collective agreements, while the Industrial Court is empowered to decide cases involving breaches of existing collective agreements.

Cases concerning the interpretation of collective agreements are normally settled by industrial arbitration. The judges of the Industrial Court include legally qualified judges as well as representatives of the social partners.

Collective bargaining

Collective bargaining takes place both at the sectoral level and at the decentralised level, normally every second year in odd years. The agreements in the private labour market typically expire on 1 March, while agreements in the public sector expire on 1 April. This means that negotiations concerning the renewal of collective agreements covering nearly the entire Danish labour market take place virtually at the same time.

In *the private sector*, a number of general claims were formerly negotiated between the main labour market organisations, the Danish Employers' Confederation and the Danish Confederation of Trade Unions. Such claims related to general pay increases, reduction of working hours, holidays, etc. The more specific claims were subsequently negotiated between the employer organisation for the individual sector and the corresponding trade union.

In recent years, the negotiating powers have been vested in fewer, but bigger, employer organisations and employee cartels. At the same time, collective agreements increasingly tend to take the form of framework agreements to be filled in by negotiations in the individual enterprises.

In *the public sector* almost all employees are covered by collective agreements. The former extensive system of special conditions for public servants has over the past years been declining in importance. However, there are still groups who are employed under the conditions laid down in Civil Servants Act with special pension rights and with restricted rights to take industrial action. Most of the public sector is regulated by central collective bargaining.

In the state sector, which is the minor part of the public sector the Minister of Finance negotiates agreements with the Common Committee of the Central Organisations (CFU), which covers all the organisations of state employees.

The biggest and most important part of the public sector is the municipalities. The central organisation of the municipal employers negotiates (Local Government Denmark - KL) agreements with the Association of Local Government Employee Organisations.

For further information please contact:

Local Government Denmark (KL)

Weidekampsgade 10

Box 3370

DK-2300 Copenhagen S

Tel: +45 3370 3370

Att: Henrik Schilder

Department of Salaries and Wages