



**MINISTRY OF FOREIGN AFFAIRS
OF DENMARK**

Invest in Denmark

2022

THE DANISH LABOUR MARKET FLEXIBLE, COMPETITIVE AND HIGHLY PRODUCTIVE

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A PRODUCTIVE WORKFORCE AT A COMPETITIVE COST

Denmark is a European leader for its productive workforce and competitive salary levels for professionals and top managers. Minimal labour regulations allow companies to operate 24 hours a day, 365 days a year with few restrictions on overtime work – while still ensuring the rights and social security of employees.

The excellent reputation of the quality and flexibility of the Danish workforce reflects a culture that recognises the importance of education. From an early stage, Danes train their ability to work both independently and in project-oriented teams. These are some of the skills that enable Danish businesses to maintain a high level of competitiveness.

KEY FACTS ABOUT THE DANISH LABOUR MARKET



Denmark is a European leader for its productive workforce and competitive salary levels.

THE FLEXIBLE APPROACH TO HIRING AND FIRING

The Danish rules for termination of contracts are among the most liberal in Europe, ensuring the high flexibility of Denmark's labour market.

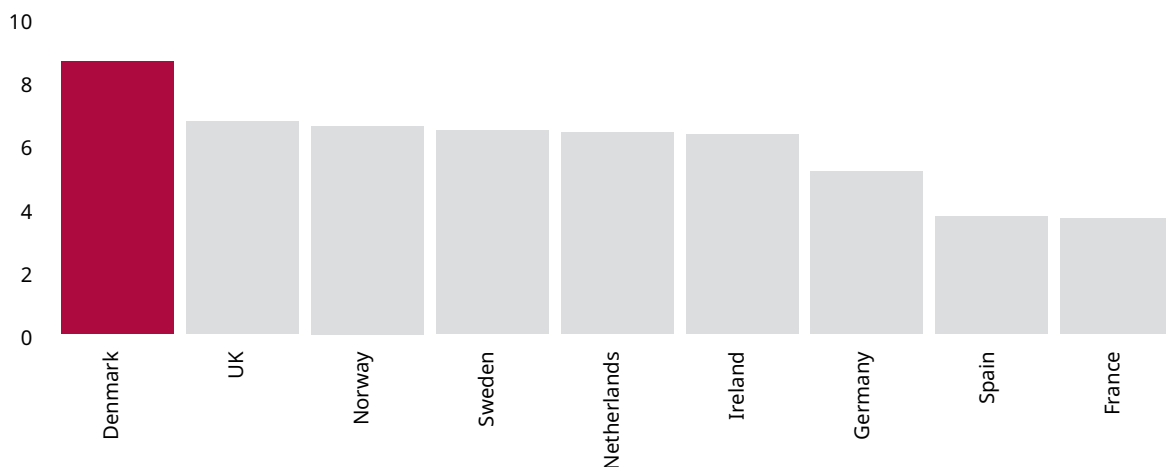
Unlike most European countries, the Danish labour market is built on collective agreements between the representative organisations of employers and employees. Strikes are an infrequent occurrence as a result.

The Danish rules for termination of employment agreements are among the most liberal in Europe, which ensures the high flexibility of the Danish labour market. As long as the legal and agreed notice periods are respected and the reason for termination of employment is not at variance with Danish employment law, (e.g. a termination not reasonably justified by the conduct of the employee or the circumstances of the employer), employers may generally dismiss employees without incurring significant costs. This makes it easier for employers to adjust the size of their workforce than in - for instance - the other Nordic countries (Sweden, Norway and Finland) or other EU countries such as France, the United Kingdom, Germany and the Netherlands.

In Denmark, most people are insured against unemployment. In this way, a high level of social security is guaranteed.

In Denmark, labour regulations (hiring/firing practices, minimum wages etc.) do not hinder business activities. In fact, Denmark ranks no. 1 in the world.

TOP COUNTRIES FOR BUSINESS-FRIENDLY LABOUR MARKETS (THE HIGHER THE SCORE, THE BETTER)



Source: IMD World Competitiveness Yearbook 2021

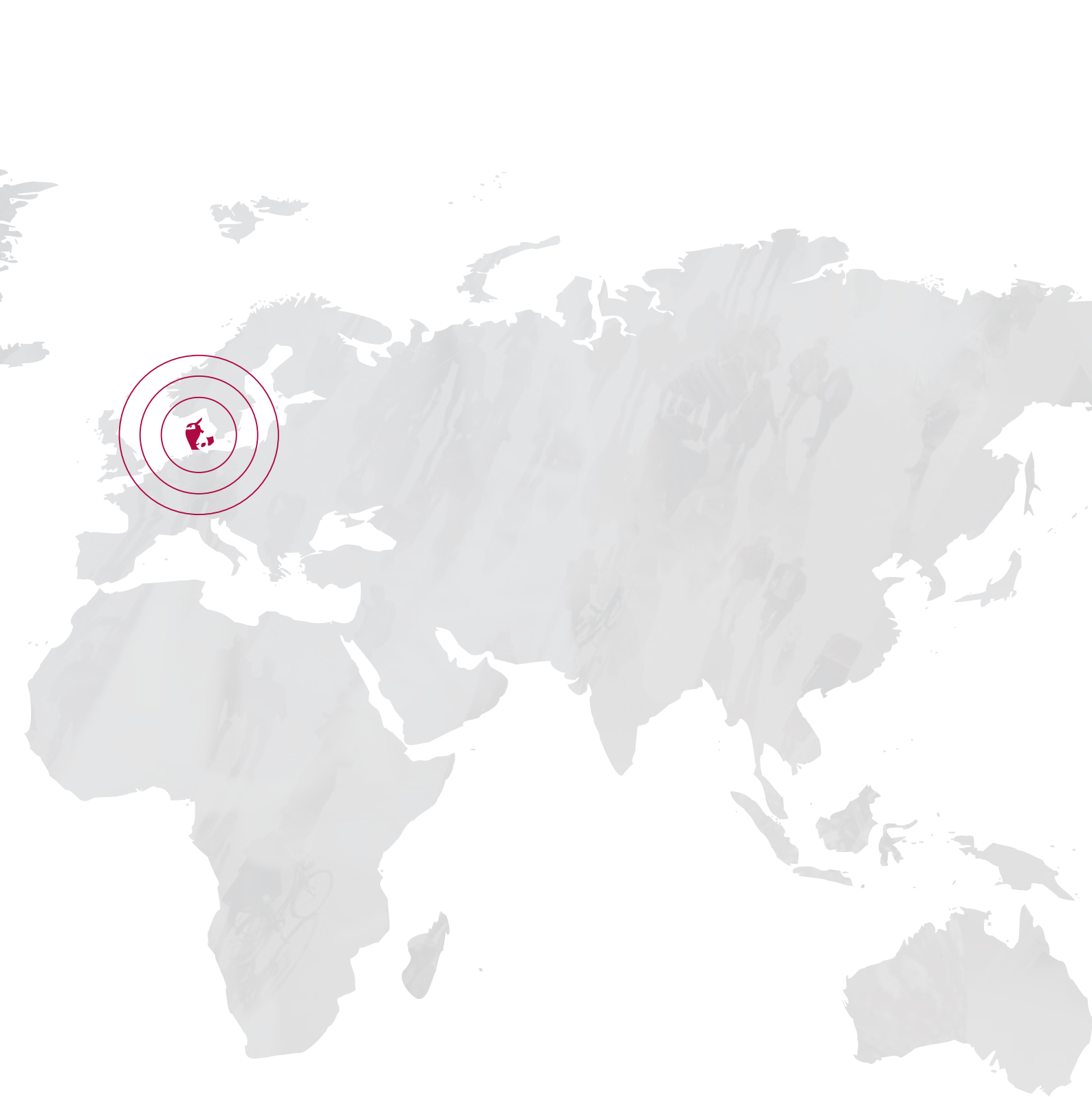


FLAT ORGANISATIONS ARE THE BUSINESS CULTURE

Danish companies are often characterised by their flat organisational structures, which share more responsibility between individual employees. This works well in a country with a well-educated workforce that is accustomed to switching between self-driven tasks and project-oriented teams. Denmark's high productivity is very much linked to the individual worker's strong sense of responsibility. During Covid-19 the Danish workforce has very quickly adapted to a "working-from-home style" without this implying loss of efficiency or quality in work products.

Danish employees are known to be healthily self-critical, willing to learn and committed to improvement. Wherever they set up business in Denmark, foreign companies will find a recruitment pool that is highly motivated to produce results.

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SALARY NEGOTIATION BASED ON DIALOGUE

Unlike many other countries, in Denmark pay and working conditions are typically not regulated by law but laid down by collective agreements between trade unions, representing the employees, and employer organisations, representing the companies. The Danish model is characterised by dialogue, and this also means the employer organisations and trade unions must resolve any disagreements themselves. The state has only limited power to regulate pay and working conditions. However, during Covid-19 three-party agreements were quickly made between the Danish State, the unions and the employer organisations, which have secured a relatively resilient Danish job market, this was also the case in 2021.

In principle, neither the employer nor the employee are under obligation to join an employer association or employee union, respectively, allowing the terms of employment to be freely negotiated. However, parties to collective agreements, especially the employee unions have an interest in achieving a high degree of organisation.

Employers can either join one of the employers' associations and by that become directly covered by the terms of a collective bargaining agreement, which the employer's association has entered into with a union. Instead, employers may also directly accede to one or more collective bargaining agreements with a union without becoming a member of an employer's association. According to Statistics Denmark, 70% of all employees in Denmark are members of a union.

While almost all blue-collar workers are covered by the terms of collective agreements, the same does not apply to white-collar staff, who experience a relatively high degree of contract freedom between employer and employee.

Mandatory minimum requirements on, e.g. notice periods are, however, laid down in the Danish Salaried Employees Act. Statutory restrictions on restrictive covenants (non-compete as well as non-solicitation of customers and employees) are laid down in the Danish Act on Restrictive Covenants.. The legal regime in Denmark concerning employee incentive schemes has been relaxed during recent years, and now presents itself more flexible and adaptable to incentive schemes put in place by foreign companies than before.

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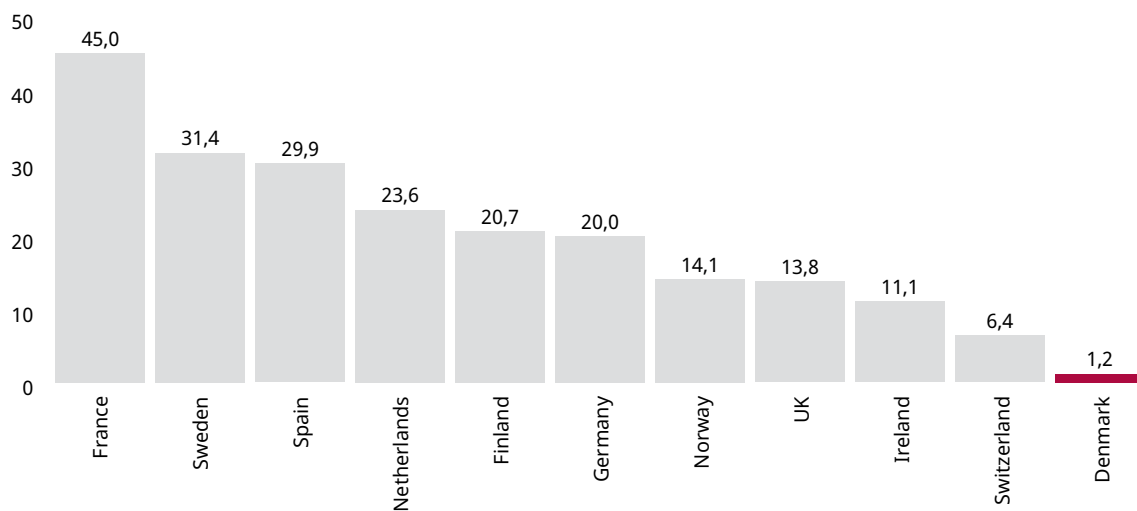
THE COMPETITIVE COST OF DANISH LABOUR

Employers who are new to Denmark will find that overall labour costs are very competitive.

At first sight, Danish wages may seem high compared to other European countries. However, when the low cost of social security, labour taxes and so on is taken into account, employers who are new to Denmark will find that overall labour costs are very competitive.

The Danish social security system is financed by employee-paid taxes. This differs from a number of other countries, where employers are required to pay higher contributions to the social security system. From an international perspective, the social security contribution of Danish employers is much lower than in other countries (totalling approximately EUR 1000 to EUR 1300 per employee per year).

EMPLOYER SOCIAL SECURITY CONTRIBUTION (PERCENTAGE ON TOP OF GROSS SALARY)



Source: Selected countries from KPMG Acor 2021



JOINT CONTRIBUTIONS TO SOCIAL SECURITY

Costs of social security and occupational insurance average approx. EUR 1000 to 1300 a year per employee.

Employees and employers are liable to pay contributions to supplementary old-age pension (ATP). This is a fixed monthly amount of DKK 284 (2022), where one third is paid by the employee (DKK 95) and two thirds by the employer (DKK 189.35). In addition, employers have to pay labour market insurance (AER and AES), maternity- and finance contributions. Employers must also take out an insurance policy that covers employee accidents and short-term exposure to health risks. Such contributions depend on the number of employees, working hours and industry sector etc. Costs of social security and occupational insurance average approx. EUR 1000 to EUR 1300 a year per employee¹.

The Danish social security system offers a high level of protection. By way of example, employees, who suffer illness or injury while in active employment, have the right to sickness benefits from the first day of absence. The employer shall pay for the first 30 days of sick leave. Thereafter, the employee can receive sick leave benefit from his or her municipality. Furthermore, collective bargaining agreements generally entitles parents to full salary on the first day of a child's illness. Even for employees not covered by a collective agreement, this entitlement becoming increasingly common.

LIBERAL RULES FOR WORKING HOURS

Denmark has among the most flexible and liberal rules on working hours in Europe. Standard working hours are 37 hours over a five-day week, and employees are guaranteed five weeks of paid vacation every year. Most employers also grant employees an additional five days' holiday.

As most of the rules on working hours in Denmark are based on EU-regulation, the rules are, however, relatively similar to those in other EU member States. By way of example, the maximum working week must not be more than 48 hours (on average over a reference period that does not exceed four months) and the employee is entitled to a minimum daily rest period of 11 hours. Further, employees working at nightshift may not work more than 8 hours every 24 hours in average over a 4 months period. The rules on working hours are – apart from the said examples of restrictions – generally flexible, as they are specified through collective bargaining agreements.

1 Bech-Bruun 2021

A LONG TRADITION FOR LIFE-LONG EDUCATION

Denmark has a tradition for life-long education for all, offering a wide range of educational institutions, business schools and universities with financial backing from the state. This means the public education system is free and private institutions are able to offer high-quality education programmes at low cost. As a result, Denmark has a well-educated population with a high proportion of university graduates. Approximately 82% of the population have completed at least upper secondary education, while 39% have attained a tertiary-level certificate. This is above OECD average².

The availability of skilled people is vital for a well-functioning labour market. Both the government and industry prioritise staff training and opportunities to upgrade existing qualifications. The latter is particularly important for unemployed workers who need to get back to work.

Approximately 80% of the population have completed at least upper secondary education, while 38% have attained a tertiary-level certificate. This is above OECD average.

STRONG LANGUAGE SKILLS START IN SCHOOL

Throughout the Danish educational system, the focus on intercultural understanding and international competencies prepares students to meet the challenges of a globalised world. Consequently, the population has excellent foreign language capabilities. Within the school system, students start learning English in first grade and are introduced to a second language from the fifth grade. This explains why Denmark is rated 3rd on the EF English Proficiency Index 2021³.

2 OECD (2020)

3 EF English Proficiency Index 2021



READY ACCESS TO RECRUITMENT SUPPORT

Cooperation with experienced recruitment companies is highly recommended to support your recruitment process and ensure the correct match of professional and personal competencies for specific jobs. Vacancies for blue-collar employees may be filled with assistance from the Public Employment Service (Arbejdsformidlingen), which normally offers its services free of charge.

SPECIALIST SUPPORT FOR SETTING UP IN DENMARK

Invest in Denmark provides all the support you need for locating your business in Denmark. So, if you are considering setting up or expanding your activities in Denmark, make us your first stop.

Our specialised, international staff can advise you on every aspect of locating in Denmark. Not only when you set up, but also as your business grows.

Our tailor-made solutions include connecting companies with key local contacts, arranging fact-finding tours and providing comprehensive benchmark analyses. We make sense of local legislation and the advantages of locating in Denmark – all free of charge and fully confidential.



DENMARK: BEST COUNTRY FOR BUSINESS



Gateway to the Nordics

Four international airports serve tourism, business and cargo. Copenhagen Airport has direct international routes to more than 184 destinations as per January 2020, making it by far the largest airport and logistics hub in the Nordics.

THE MOST DIGITAL COUNTRY IN THE EU

Digital Economy and Society Index (2021)

USD 60,556
OECD (2020)

The most flexible labour market in the world

IMD (2021)

#1 in Europe for ease of doing business

The World Bank (2012-2020)

22%
corporate tax



#5 in the world on work-life balance

OECD Better Life Index (2021)



**Denmark aims at 70% CO2 reduction and
100% green electricity by 2027**



Language

9 out of 10 people speak English and
5 out of 10 speak German.

Strong infrastructure

Denmark has a strong infrastructure, including four international airports, sea ports, bridges and an integrated railway system. Together, they enable easy distribution of goods and services to the Nordic markets.

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