

Denmark - New collective agreement in the industrial sector.

February 2023

On Sunday 19 February, CO-industri and the employers' association Danish Industry concluded a new collective agreement for 230,000 workers in the industrial sector in Denmark. Workers will receive significant wage increases, and it is expected that the loss in real income caused by inflation will be regained within a few years.

Claus Jensen, President of CO-industri as well as President of Danish Metal:

"It is historic that we have succeeded in gaining such a strong result through these negotiations. The results, though, are very well deserved for the workers, because the Danish economy is very strong, and our members have felt the negative effects of inflation and living costs very hard. All our members will get at least a 4% pay rise plus the wage increases that we expect from negotiations in the companies."

The parties have agreed that the employers will pay 9% of the wage instead of the current 7% a year to the so-called "free choice account" which allows workers to either draw the money out as salary, taking time off or invest them in a senior scheme making it possible to reduce working time when the worker reach a certain age. This rise in employers' contribution to the "free choice account" will take effect from 2024.

Changes in the proportionate payments to labour market pensions will change, resulting in the employers' share increasing from 8% to 10% and the workers' share thus decreasing from 4% to 2%. The 2% decrease in the workers' share will be converted to a regular wage increase. To sum up, the labour market pension is still 12%, but the workers will now get 2% more salary paid. This takes effect from 2023.

It has also been agreed that the minimum wage will increase by 9 DKR. The increase corresponds to (1.21 EUR) per hour and leads to a new hourly wage of 131.65 DKR (17.70 EUR) for adult workers and 75.80 DKR (10.20 EUR) for workers under 18 years of age. The rates will increase from 1 March 2024. At the same time rates for overtime are raised by 6.5% and the rates for shift work by 8% during the period the agreement applies.

"This is the biggest increase in the minimum wage in all the time we have had the collective agreements for the industrial sector. When it gets such a big boost, it is a very clear signal of where the cut should be made when negotiating wages at the companies. At the same time, we strengthen the backbone of the Danish model, because our union representatives get an expanded toolbox when they negotiate the final salary locally. The shop steward in the workplace will from now on have the right to insight into accounts and the economic situation of the company prior to wage negotiations. This will make it more difficult for the companies to claim that there is no money to negotiate about if it is untrue.

"We have a clear expectation that the restraint seen in recent years with the local wage formation at companies will now be stopped," says Mads Andersen, deputy chairman of CO-industri and chairman of 3F Industrial Section.

The collective agreements for the industrial sector are the breakthrough agreement on the private labour market in Denmark. They help to set the financial framework for the subsequent many agreements that are now to be negotiated.

"It's no secret that it has been difficult along the way to reach this agreement. We are very pleased with the overall result - we now get a clear improvement in pay and working conditions in the industry," says Claus Jensen.

The agreement also gives union representatives better opportunities and more rights to organise - and thus strengthens the Danish model. The possibilities for unionisation in the workplaces are improved through the right to appoint a training delegate. Furthermore, the shop steward will be given paid time off to take part in information meetings of the central union organisation from the signing of a new collective agreement until the ballot among the members takes place. Lastly, the unionised workers will be allowed to elect a shop steward provided that CO-industri has a minimum of four members in the company.

Facts about the new agreement

The new collective agreements are valid for two years until 1 March 2025. They contain many improvements, including the following:

- The free choice account will increase by 2% from 7 to 9% in 2024. This corresponds to more than a monthly salary.
- Employers will have to pay 2% more and workers 2% less into retirement. Workers save the same – but it means that they get 2% more out along with the salary.
- The collectively agreed minimum wage increases by 9 DKR (1.21 EUR) per hour.
- Union representatives will have stronger tools than today, so they will have better opportunities to get good results from local wage negotiations.
- Full pay maternity leave will be extended by four weeks – divided into two weeks for sharing and two weeks for the other parent.
- In future, it will be possible to appoint a training representative at the workplace to assist the union representative's work with training.
- In the future, the employee will receive full pay while participating in self-selected training. Previously, the subsidy was 85%.
- The hourly wage for apprentices and trainees will be increased by 8 % during the period, and other rates will increase.
- Better opportunities and more rights to organise.

The Danish wage-setting model

It is important to stress that only the minimum wage level is negotiated at the central level. The majority of wage increases are negotiated at company level on top of the result of the central collective agreement. Obviously, this means that results will vary from company to company, but as a rule of thumb based on experience about 2/3 of the total wage development will be secured at company level. This is the reason why CO-industri are very confident that the loss of real income will be regained within the duration of this collective agreement.

Edited by industriAll Europe.