



The danish labour market model

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The Danish Labour Market Model

What does the Danish Labour Market Model mean for your business? Read the following and find out.

1.1. Unique labour market system

The Danish labour market is characterised by a long tradition of employer and trade union negotiations regarding collective bargaining agreements. In Denmark it is the organisations, without the intervention of the legislature, that have the power to ensure acceptable pay and working conditions. The system of labour market regulations is referred to as the “Danish Model.”

1.2. Collective agreements

The Danish model provides that employment conditions are to a large extent agreed in collective bargaining agreements. Collective agreements constitute the most important source of law in the Danish labour market.

- » A collective agreement is a contract between two parties, an organisation on the employee side, and most often also an organisation on the employer side. Collective agreements lay down the working conditions, which apply to the individual employment relationships for instance maximum working hours and minimum wage. The working hours, wage and other working conditions are defined in each individual sector.
- » The electrical and mechanical contracting industry is covered by two collective agreements: Electricians Collective Agreement and Plumbing and Pipefitting Collective agreement.

1.3. Need to contact the relevant organisation

As a foreign company in Denmark, it is necessary to contact the relevant organisation, who can help the company to understand collective agreements to determine the minimum wage level, maximum working hours and other working conditions in specific sectors.

- » The relevant employers’ organisation in mechanical and electrical contracting industry is TEKNIQ – Danish Mechanical and Electrical Contractors Association. For more information: www.tekniq.dk/blivmedlem/membershipoftekniq.

1.4. Entering the collective agreement

A foreign company in Denmark can be bound by a collective agreement directly through membership of the relevant employers’ organisation.

- » If the company has become a member of an employers’ organisation, the foreign company has to fulfil the requirements in the collective agreement.
- » Workers of this company are entitled to wage level and other working conditions according to the collective agreement even though the workers are not members of a Danish worker’s union.

TEKNIQ offers advice and guidance on the conditions covered by Electricians Collective Agreement and Plumbing and Pipefitting Collective Agreement.

1.5. Accession agreement

A foreign company in Denmark can also be bound by a collective agreement by accession instead of a membership of the relevant employers’ organisation. In this case, a foreign company is often obligated to follow the

relevant collective agreement, that the employers' organisation and trade union have previously agreed to.

- » Companies that follow the provisions in the collective agreement are required to contribute to the Maternity Fund, Conflict Fund and several Training, Development and Educational Funds. The payment contributions provided by the Association agreement obligates a foreign company to pay an administration fee to each fund.
- » The membership of TEKNIQ gives a foreign company free of charge to make those fund contribution payments. A foreign company that is member of TEKNIQ is not required to pay administration fees separately to the funds.
- » The administration fee to each fund payment for companies who are not members of TEKNIQ and the membership fee in TEKNIQ is basically the same amount. Therefore, it makes perfect sense to be a member of TEKNIQ. The membership fee also includes unlimited advice and guidance on the collective agreement area, on the business law area, and the cost of bringing the cases to the courts.

1.6. Industrial actions

The labour market organisations, the trade unions and employers associations, have the tools to secure that collective agreements are followed and respected. These tools are called "industrial actions."

- » In order to impose a collective agreement, the trade union has the possibility to launch a strike or do a blockade.
- » On the other hand, the employers' organisation has the right to do lockouts and boycotts.
- » It is very likely that one of the trade unions whose goal is to conclude an agreement on wages and working conditions will contact a foreign company in Denmark.



Establishing a business in Denmark

2.1. Limited liability company

As a foreigner in Denmark, it is possible to set up a company as a one-man company, a general partnership (Interessentselskab I/S), a public limited company (Aktieselskab A/S), a private limited company or an entrepreneurial company (IVS). It may be required by Danish legislation to establish a company to carry out work in Denmark:

- » It is required to establish a permanent business in Denmark if your company is active in Denmark for more than six continuous months or if you take up residence in Denmark.
- » The most typical form of establishing a company in Denmark is a limited liability company as a public limited company (Aktieselskab A/S) or a private limited company (Anpartsselskab ApS).
- » A limited liability company must have a share capital to be denominated in Danish kroner or euro. A limited liability company must be registered at Danish Business Authority.
- » The public limited companies must have a minimum share capital corresponding to DKK 500.000, and private limited companies must have a minimum share capital corresponding to DKK 50.000.
- » There are no requirements to the residency of the members of the executive board, the board of directors or the supervisory board.
- » For further information www.danishbusinessauthority.dk.

2.2. Social security compensation

All established businesses in Denmark are required to pay social security contributions for their employees. Employees will be a subject to Danish social security law if they carry out work in Denmark.

- » A Danish company is required to pay labour market supplementary pension (ATP), financial support scheme for apprentices (AUB) and contribution to labour market fund for occupational diseases (AES).
- » The company is required to pay employees sickness benefits in connection with their illness and insure employees against workplace injuries.
- » As an employer, the company is responsible for the consequences of accidents and/or industrial diseases to which employees are exposed.
- » The company is required to take an insurance policy at a private insurance company.
- » In case of injury the company will be sanctioned with a fine if the company does not have an insurance policy and must pay a compensation to the injured employee. The company must report the injury to the insurance company and to the National Board of Industrial Injury.
- » Contact TEKNIQ for more information about social security compensation payment requirements.
- » For further information www.atp.dk/en.

2.3. Working environment

An established company in Denmark have to follow Danish rules on working environment. The rules on working environment are administrated by The Danish Working Environment Authority (WEA). WEA inspect workplaces to check whether the company's health and safety conditions are in compliance with the working environment regulation.

» WEA will request that the following documents are ready to exhibit:

- 1) Health and safety risk assessment (APV).
- 2) A written company policy on smoking in the workplace incl. company cars.
- 3) Relevant instructions for use of machines and dangerous substances.

» Furthermore, an employer has the obligation to conduct a discussion with employees annual working environment conditions in the workplace.

» WEA inspections can be carried out unannounced. The agency has legal right to enter the company and have the right to speak with employees.

» WEA has the possibility to give the company a sanction. The sanctions might be:

- 1) That the company have to make changes immediately or within a time limit.
- 2) WEA can give the company a fine.
- 3) WEA can close down the company.
- 4) WEA Authority can ask the police to initiate criminal charges against a company if the company does not fulfil the requirements from WEA.

» For future information visit **www.at.dk**.

2.4. Authorisation

If a company works within certain areas of plumbing and electrical installations, the company have to apply for authorisation by the competent public authority in Denmark before the company can start activities in Denmark. It is not a requirement that all employees in the company obtain an authorisation.

» The company authorisation must be obtained from Danish Safety Technology Authority.

» TEKNIQ will help your company obtain an authorisation for key employees in order to make the company able to carry out work in Denmark.

» For further information see **www.sik.dk/Global/English**.

3

Foreign company providing services in Denmark with posted workers

3.1. EU Directive and Danish Act Concerning Posting of Workers

A company providing services in Denmark with foreign posted workers means that a company established in an EU member state brings with the company or posts its own employees in connection with the supply of a service in another EU member state.

- » The relevant regulatory act is the Danish Act Concerning Posting of Workers which implements Directive 96/71/EC of the European Parliament and of the Council of 16 December 1996 concerning the posting of workers.
- » The Directive ensures that employees posted in another EU member state are ensured working conditions in force in the posting country.
- » The Directive enables the stipulation of minimum wage.
- » As Denmark does not have a statutory minimum wage, wages are determined by collective agreements.
- » If you have any questions regarding the wage conditions covered by Electricians Collective Agreement or Plumbing and Pipefitting Collective Agreement, you can contact TEKNIQ.

3.2. Notification on the Register of Foreign Services Providers - RUT

A foreign company providing services in Denmark with their own employees are required to register the company and company's workers to RUT before starting any business activities in Denmark.

- » The foreign companies, that have not been registered in RUT before starting business activities in Denmark have to pay a fine to the Danish authorities.
- » Register your company at www.virk.dk/rut.

3.3. Work- and Residence Permit

Posted employees must have legitimate grounds for residence in Denmark.

- » EU citizens posted in Denmark are entitled to work and reside in Denmark for a maximum of 3 months without a registration certificate.
- » After 3 months' residency in Denmark, EU citizens are required to get an EU registration certificate. EU citizens have to identify themselves and prove their citizenship to the Danish police authorities.
- » Non EU citizens have to apply for work- and residence permit at the Danish Immigration Service before they can enter into Denmark.

3.4. Social security compensation

A foreign company that provides services in Denmark with posted workers will have their employees covered by the social security rules in their home country. This will also apply if the level of social security in the employee's home country is different from the rules in Denmark.

- » The foreign company pay social security contributions according to the rules of its home country.
- » This also applies to holiday payments, unless the holiday regulation is more favorable in Denmark than the home country's holiday regulations.

- » The foreign company's social security payments are often an issue for trade unions. There is a risk of a strike or blockade against a foreign company if the trade union suspects, that the foreign company does not follow social security payment rules.
- » TEKNIQ can help your company to understand and interpret the social security rules covered by Electricians Collective Agreement or Plumbing and Pipefitting Collective Agreement.

4

Temporary Agency workers

4.1. Equal treatment principle

Temporary agency work is understood as a certain employment situation where a company hires external manpower through an agency for a task of a fixed duration. The temporary agency worker is hired by an agency and leased to the user company.

- » The Danish Temporary Agency Workers Act implements the EU Temporary Agency Workers Directive in Denmark, which serves to protect temporary agency workers by enforcing a principle of equal treatment between temporary agency workers and the user company's own employees.
- » The Danish Temporary Agency Workers Act applies to temporary agency workers who have entered into a contract with a Danish or foreign employment agency and who are posted by the employment agency with user companies in Denmark to carry out work under their direction and supervision.
- » The employment agency must ensure that a temporary agency worker posted in a user company has the same terms and conditions of employment as a directly employed worker - with respect to working time, overtime work, breaks, rest period, night work, holiday, public holidays and wage.
- » The temporary agency worker gets the same working conditions as if he or she had been employed directly by the user company to carry out the same work as the user company's own employees.
- » For more information www.nyidanmark.dk/en-us/coming_to_dk/work/work.htm.

4.2. Health insurance card, work- and residence permit, membership of employers' organisation

Foreign posted temporary agency workers will be a subject to Danish social security law if they carry out work in Denmark.

- » The temporary agency worker must have a valid health insurance card.
- » Both the foreign temporary agency and user company are required to have an insurance policy to cover temporary agency worker's illness and workplace injuries.
- » Foreign posted temporary agency workers must have an EU registration certificate after 3 months of residence in Denmark.
- » Non EU citizens have to apply work- and residence permit at the Danish Immigration Service before they can enter into Denmark.
- » All foreign posted temporary workers have to be registered in the Danish Register of Foreign Services Providers (RUT) before starting to work in the user company.
- » The user company has to pay 8% labour market contribution (AM-bidrag) and 30% temporary hiring tax (arbejdsudlejeskat).

- » The foreign temporary agency can become a member of Danish employers' organisation. In this case, the foreign temporary agency has to fulfil the requirements in the collective agreement, and temporary agency workers are entitled to wage level and other working conditions according to the collective agreement.
- » The foreign temporary agencies who are the members of Danish employers' organisation does not have to prove that they follow Danish legislation towards worker's unions.

For more information <http://international.kk.dk/artikel/how-do-i-order-health-insurance-card-yellow-card> and www.virk.dk/rut.

TEKNIQ

Installatørernes Organisation

Paul Bergsøes Vej 6

2600 Glostrup

Telefon: 4343 6000

www.tekniq.dk

tekniq@tekniq.dk