



MODERNISERINGSSTYRELSEN

Employment in the Danish State Sector

December 2011



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Preface

Among EU Member States and in other international contexts, there is considerable interest in sharing experience and mutual inspiration regarding personnel matters and public administration.

The Agency for the Modernisation of Public Administration often contributes information on personnel-related issues in Danish central government in connection with meetings, conferences and seminars held under international auspices. Furthermore, the Agency for the Modernisation of Public Administration provides written responses to questionnaire surveys and other inquiries from foreign cooperation partners and international organisations.

For this purpose, the Agency for the Modernisation of Public Administration has issued a publication, which sets out general employment conditions as well as more specific rules of employment law in central government.

This brief edition contains selected passages and principal messages from the publication.

The full version is available in English and Danish, and is accessible on the website of the Agency for the Modernisation of Public Administration www.perst.dk.

1. The Danish labour market

The Danish collective bargaining model

Collective agreements between the labour market parties are a significant element of the Danish labour market. The point of departure is that as long as the labour market parties themselves are able to reach agreement, the Government will intervene as little as possible in the employees' conditions. This is the key aspect of the traditional Danish model.

The Danish labour market is, generally, characterised by a high rate of organisation both among employers and employees, as well as a long history of mutual recognition of employers' associations and trade unions.

Terms of pay and employment that are agreed through collective bargaining apply also to non-unionised employees within the same staff category.

Legislation

The relationship between the employer and the individual employee is as a main rule regulated by collective agreement.

There are, however, a number of labour market laws which regulate the terms that apply to special groups of employees or apply to special situations. Examples of the former are the

Civil Servants Act, the Civil Servants' Pension Act and the Salaried Employees Act. Examples of the latter are the Holiday Act, the Equal Treatment Act, the Equal Pay Act, the Working Environment Act and the Act on Entitlement to Leave and Benefits in the Event of Childbirth.

2. The state sector

The state sector as part of the public sector labour market

The state sector comprises approximately 185,000 employees. The entire public sector comprises approximately 775,000 employees, corresponding to approximately a third of the Danish labour market.

Today, the public sector comprises:

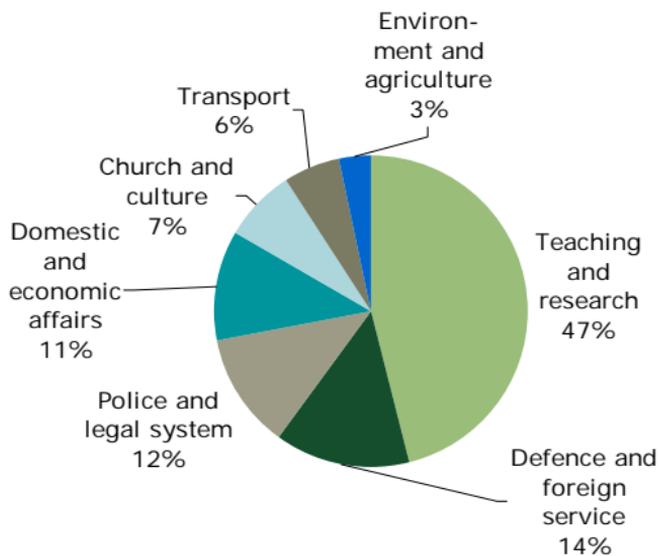
- The state sector, which is in charge of tasks at central level, including central administration, the defence, the police and education (youth and higher education programmes).
- 5 regions, which are in charge of tasks at regional level, including public health service.
- 98 municipalities, which are in charge of tasks at local level, including the environment, employment, primary and lower secondary schools, child care and care for the elderly.

The Agency for the Modernisation of Public Administration in the Ministry of Finance is the central employer in the state sector area. In the remainder of the public area, the employer's interests are safeguarded by Local Government Denmark and Danish Regions, which are the interest organisations of the municipalities and the regions, respectively.

Tasks and organisation

The size of the individual ministerial remits varies a great deal, and so may the organisation of them. In addition to a department, most ministries include one or more government agencies. Moreover, a number of institutions are associated with the individual ministerial areas.

Figure 1. Personnel divided into main areas, 2011



Source: ISOLA.

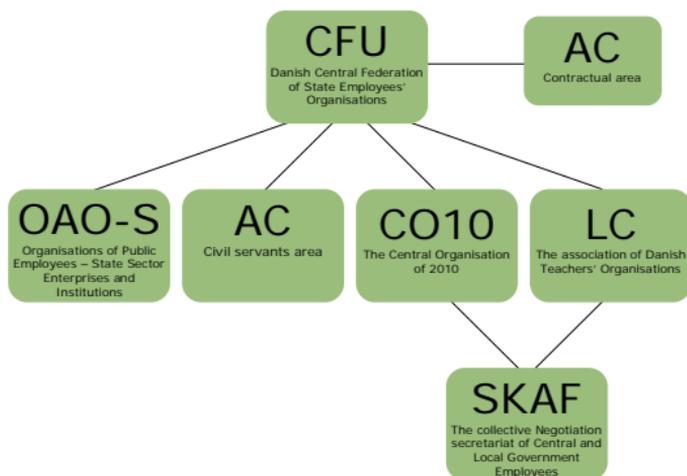
Staff organisations in the state area

The majority of those working in central government are employed under a collective agreement or as civil servants. They are comprised by the collective bargaining competence of the central organisations.

Each of the central organisations represents a number of associated employee organisations.

The central organisations have established a joint collective bargaining committee, the Danish Central Federation of State Employees' Organisations (CFU).

Figure 2. Overview of the central organisations in the state area



Cooperation between the Agency for the Modernisation of Public Administration and the staff organisations

In accordance with the Danish collective bargaining model, framework agreements and general issues regarding pay and employment terms are negotiated between the Ministry of Finance (Agency for the Modernisation of Public Administration) and the CFU in connection with the collective bargaining, which typically takes place every second or third year. The length of the agreement period is decided on each occasion.

Employee participation

It is the task of the management of state sector workplaces to manage and distribute work.

The development of workplaces in central government depends to a very high degree on employee participation.

In all state sector workplaces with a minimum of 25 employees, a joint consultation committee must be set up. In minor places of work, cooperation must be based on the same principles that apply to the work of the joint consultation committees.

The framework for cooperation and joint consultation committees is laid down in an agreement.

It is the task of the joint consultation committee to determine a framework for the cooperation between management and staff that involves staff in the targets and strategy of the workplace and promotes competence development and the best possible working conditions.

Representatives of employees' organisations

At the individual institution, there may be representatives of employees' organisations, provided there are five or more employees in accordance with the collective agreement/organisational agreement in question.

The employees, for the purpose of, among other things, safeguarding their interests in relation to management, elect representatives of employees' organisations. Furthermore, the representative of an employees' organisation is to a certain extent involved in local pay negotiations.

Due to their particularly exposed position, representatives of employees' organisations have a special protection against unfair dismissal and transfer.

The Agency for the Modernisation of Public Administration in a European context

In connection with the implementation of EU directives and European agreements, the Agency for the Modernisation of Public Administration seeks to ensure that both processes and modes of implementation, to the widest extent possible,

respect the competence of national labour market parties to determine pay and employment terms.

Together with the other public sector employers in Denmark, the Agency for the Modernisation of Public Administration is a member of the CEEP, which is recognised by the Commission as a European social partner.

The Agency for the Modernisation of Public Administration participates, furthermore, in a European cooperation regarding public administration in EU Member States, known as the European Public Administration Network (EUPAN).

3. Status of employment

Persons working in central government are as a main rule employed under collective agreements or as civil servants.

It is typically some groups of managers, judges as well as some police, prison and defence staff that are employed as civil servants. Other groups are typically employed on collective agreement terms.

Over the years there has been a drop in the proportion of civil servants from 44 per cent in 1996 to 26 per cent in 2010.

Employment under a collective agreement

For persons employed under a collective agreement, the Ministry of Finance and the relevant employee organisations have concluded pay and other employment terms in collective agreements.

Persons employed under a collective agreement are covered by the general labour market legislation.

Employment as civil servants

Under the Danish Constitution, Danish nationality is a prerequisite for employment as a civil servant (with respect to employment of foreign nationals, please see below).

The employment terms for civil servants are laid down in the Civil Servants Act and the Civil Servants' Pension Act as well as determined by collective agreement.

These Acts regulate issues regarding official duties, disciplinary proceedings, dismissal and pension.

Pay and other employment terms are agreed between the Ministry of Finance and the central organisations.

Civil servants are covered by the general labour market legislation apart from the Holiday Act and the Salaried Employees Act.

Other status of employment

In connection with regulations employment, the terms are determined unilaterally by the employer.

In connection with individual employment, the basis of employment is an individual contract that is concluded between the employee and the employment authority.

Both regulations employed and individually employed members of staff are subject to the general labour market legislation.

Differences between civil servants and other groups

The most significant differences between civil servants and other groups of employees are that civil servants have no right to strike, they are entitled to up to three years' pay if they are dismissed due to abolition of positions, and their pension scheme is a defined-benefit plan that is regulated in the Civil Servants' Pension Act.

Fixed-term employment

Fixed-term employment is based on special rules in the Civil Servants Act and the Civil Servants' Pension Act as well as an agreement concluded by the Ministry of Finance and the central organisations on fixed-term employment, etc. Both civil servants and staff employed under a collective agreement may be employed for a fixed term.

Employment of foreign nationals

Like Danish nationals, foreign nationals may be employed on collective agreement terms or on individual terms.

Appointment as civil servants is only possible provided the employee has Danish nationality, cf section 27 of the Danish Constitution.

In cases where individuals with Danish nationality are employed as civil servants, individuals without Danish nationality will be employed on terms corresponding to those of civil

servants, cf section 58c of the Civil Servants Act. With respect to pensions, they will also be treated like civil servants.

In general, there is no requirement of Danish nationality in connection with appointments in central government administration. However, there are exceptions with regard to certain positions within the area of the Ministry of Defence and with regard to the appointment as judges and police officers.

4. Pay and pension

New Pay in the Danish state sector

In the state sector, the point of departure is the new pay systems. With New Pay, the following has been achieved:

- that part of the pay formation has been decentralised to local level where there is maximum knowledge of the actual working conditions and the qualifications and effort of employees,
- that the pay development of employees reflects the performance and qualifications of the individual staff member to a greater extent than previously, and
- that pay can be used as a management instrument to help motivate employees and to achieve a more effective state sector.

New Pay is, at the same time, an integral part of the personnel and management policy in the state sector.

Structure of the new pay systems

The most prevalent new pay system model is the basic pay rate system. The basic pay rate system consists of a basic pay rate or a basic pay rate interval, which is agreed centrally, together with a superstructure in the form of an allowance component, which is agreed locally. The basic pay rates hold typically no or only a very small number of automatic senior-

ity-related pay increases. Individual pay development has thus been decentralised to the individual workplace.

Locally agreed allowances comprise functions-related allowances, qualifications-related allowances and one-off payments. Furthermore, it is possible to agree performance-related pay schemes.

Figure 3. New pay systems – centrally and locally agreed pay

| | |
|---|------------------|
| Performance-related pay | Locally agreed |
| One-off payments | |
| Qualifications-related allowances Functions-related allowances | |
| Basic pay (one or few grades or intervals) Central allowances | Centrally agreed |

Box 1. Types of allowances under the new pay systems

Performance-related pay is awarded against the background of a number of performance targets (quantitative and/or qualitative) that have been agreed in advance. The performance-related pay is triggered once the conditions of the performance-related pay agreement have been met. It is possible to agree performance-related pay for groups of employees or individuals.

One-off payments will typically be relevant if it is a matter of remuneration following a particular effort.

Qualifications-related allowances are used to reward employees on the basis of their professional and personal qualifications, the quality of the performance of the task, the balance in relation to corresponding positions elsewhere on the labour market or for the purpose of recruitment and retention. Qualifications-related allowances are as a rule granted as permanent allowances.

Functions-related allowances are used to reward employees who are in charge of special functions in their positions. The functions-related allowance is linked to particular tasks which the employee performs. The functions-related allowance is, typically, temporary and limited to a particular task, but may be permanent.

Individual pay negotiation

One of the most recent and most significant developments in the state sector pay systems is the introduction of individual pay negotiation. The possibility for the individual employee to negotiate pay directly with his/her manager became a generally accepted part of central government agreements as from the 2005 collective bargaining.

Pay systems for managers

In 2009, the agreement on managerial pay was partly replaced by a framework agreement on employment contracts for managers, which over time will comprise 50 per cent of the central government area. The framework agreement increases flexibility to a significant extent and makes it possible to agree a number of individual terms directly between the employment authority and the individual manager on i.e. allowances, pay grading, the size of the pension contribution, and the term of notice.

It is possible for all managers, including directors general of government agencies, to enter into performance pay contracts in order to establish visible correlation between performance and pay, please see text box below.

Box 2. Contracts of directors general

Performance-related pay for directors general (directors general contracts)

The possibility of concluding performance pay contracts is to be seen in the light of general target and performance management in the state sector. The idea of contract management implies that a contract system can be set up from top to bottom within the institution. It means that the department enters into a performance contract with the institution as a whole and/or a performance pay contract is concluded with the director general. Subsequently, the overall contract will be specified to make it relevant for other managers.

The objective is to establish correlation between performance pay and target and performance management for the institution's activity and strategic development by providing directors general and managers with further incentives to pursue the management objectives of the institution.

The performance-related pay contracts of directors general are, consequently, primarily used as a reflection of the institution's performance contract or parts of the contract.

Old pay systems

Employees on the old pay systems are remunerated either according to the wage system of civil servants: the salary grade system, or other centrally agreed pay scales.

It is a common characteristic of the old pay systems that they typically hold long pay intervals with many salary grades, and that employees move up automatically in connection with increasing seniority.

The old pay systems are characterised by centrally agreed pay elements, which means that there are only limited opportunities of local allowance formation.

Pension

Like all other citizens in Denmark, state sector employees are included in the social pension system. It means i.a. that they receive the old age pension when they reach the state pension age, which is 65 years today. The state pension age will be

raised gradually to at least 67 years of age. Whether it will be raised further depends on the trend in life expectancy.

Staff employed under a collective agreement

Staff employed in the state sector under a collective agreement are covered by collective pension schemes based on pension funds or insurance companies.

These pensions are financed by pension payments made by the employee as well as the employer. The pension payment varies according to the collective agreement area from 15 to 18 per cent of the pensionable salary. It is calculated so that the employer pays 2/3 and the employee 1/3 thereof.

There is no general compulsory retirement age.

Civil servants

Pensions for civil servants are regulated under the Civil Servants' Pension Act. Civil servants are entitled to a pension in connection with the termination of his/her employment due to age, infirmity or any other cause that is not attributable to the civil servant. The civil servant's spouse and children are also secured a pension if the civil servant dies.

The pensions are financed by the Budget as a pay-as-you-go system.

The pension is calculated on the basis of the civil servant's pensionable salary on the date of retirement and the accumulated pensionable service of the civil servant.

The maximum pensionable service is 37 years.

Apart for a few groups there is no general compulsory retirement age for civil servants.

5. Other terms of employment

Working hours

Working time issues are in principle not regulated by law, but through collective agreements and other agreements concluded between the labour market parties for the relevant areas and personnel groups.

Consequently, the length of working time is fixed by collective agreement. Working hours today are 37 hours a week at full-time employment.

It is possible for the individual employee to obtain an agreement on part-time employment (less than 37 hours a week) or plus-time employment (more than 37 hours a week). The pay is reduced or raised proportionally.

Employees who on a weekly basis have worked more than 37 hours/the agreed plus-time hours – calculated as an average over a period of typically one or three months – are entitled to overtime remuneration for the excess hours.

Overtime pay is granted, which in practically all areas amounts to 50 per cent. The employer may normally decide whether the remuneration is to take the form of payment or time off in lieu of payment.

Employees who themselves plan their work, or whose working time cannot be checked are not entitled to overtime pay. However, subject to specific assessment, the employer may grant overtime remuneration in the form of time or money if the scope of the additional work has been considerable.

For the vast majority of state sector employees, work is organised with a daily lunch break of half an hour, which is included in working hours. Employees are at the disposal of the employer during these breaks and may not leave the workplace.

At local level, agreements may be concluded on a so-called flexitime scheme. It gives the employees the opportunity of placing some of their working hours within a particular period.

Dismissal

Any dismissal of an employee by the employer must be based on a reasoned argument relating to the circumstances of the institution (e.g. insufficient funds or restructuring) or to the conduct of the employee (e.g. lack of aptitude, too much absence due to sickness or cooperation problems).

For civil servants, the employer's notice of dismissal is three months. For the vast majority of staff employed under a collective agreement, the rule is that the notice of dismissal is

gradually increased from one month to six months (after nine years' employment).

An employee may tender his/her own resignation at the following notice: Civil servants: three months. The majority of staff employed under a collective agreement: one month.

Holiday

All employees in Denmark have a statutory right to five weeks' holiday. To the extent the employee has been employed in the previous calendar year, it is a matter of holiday with pay. For employees in the state sector, the pay will normally include the usual remuneration + a special holiday allowance that is calculated as 1½ per cent of the taxable income in the previous calendar year.

The vast majority of employees in the state sector are, furthermore, covered by collectively agreed rules according to which they earn a 0.42 special holiday per month. It means that an employee who has been employed throughout the previous calendar year has the right to an additional week's holiday with pay.

Sickness

The majority of central government employees are normally entitled to full pay during sickness.

Maternity/paternity leave and adoption leave

In the state sector, a collective agreement has been concluded regarding maternity/paternity leave, etc. which supplements the statutory rules about entitlement to leave and benefits with a right to pay and to earn pension rights, etc.

According to the agreement, the mother has a right to take pregnancy leave with pay six weeks before childbirth. After the birth of the child, the mother is entitled to 14 weeks' maternity leave with pay, and the father is entitled to two weeks' paternity leave with pay. Lastly, the mother and the father are, each of them, entitled to six weeks' parental leave with pay as well as an additional six weeks' leave with pay to be shared between them (in case both are employed in the state sector, otherwise the person employed in the state sector is entitled to 12 weeks).

The mother and the father are jointly entitled in law to a total of 32 weeks' parental leave on benefits. From these must be deducted the number of weeks the parents have been on parental leave with pay. The remaining number of weeks of parental leave on benefits may be shared by the parents as they please.

The parents earn pension rights during both paid and unpaid periods of leave.

Apart from the biological mother's pregnancy leave, adoptive parents have the same rights to leave and pay, to earn pension

rights, and to flexible planning of the leave as biological parents. However, for adoptive parents none of the leave periods are reserved for one of the parents. If the child is received abroad, adoptive parents, prior to the reception of the child, normally have a right to paid leave in connection with a journey to and a stay in the country in question.

Other schemes for families with young children

Under the state sector maternity/paternity collective agreement, both a father and a mother are entitled to two care days with pay per year per child up to and including the calendar year in which the child reaches the age of seven.

Employees in the state sector will, moreover, normally be allowed time off with pay on the first and the second sickness day of a child.

Other types of leave

Subject to application, an employee may obtain leave without pay for a limited period of time, for example in connection with a job change.

However, in some situations, the employee has a genuine legal claim to leave. This applies i.a. to service in international organisations that Denmark is a member of or cooperates with as, for example, the UN, the EU and NATO.

Retention in the labour market - senior schemes

The state sector wishes to develop and retain experienced staff. Therefore, diversity in relation to age is considered an absolute necessity for the purpose of good performance of tasks, and the demographic development requires an increased labour supply.

There is no general retirement age regarding employment in the state sector. A special retirement age for police and prison employees will be discontinued from 2012 and 2019, respectively, and the retirement age in the defence will be raised from 60 to 62 years of age in 2019.

It is possible to make an agreement to the effect that employees above the age of 60 work part-time, while at the same time maintaining their existing pension rights, and that managers above the age of 55 transfer to a lower-ranked position, but receive pay and/or pension-related compensation.

In addition, it is possible for employers to grant employees above the age of 62 one day off per month and a severance benefit to be disbursed if the person in question postpones his/her retirement until a specified date.

6. Personnel and management policy

The central government personnel and management policy

The Danish state sector performs a number of important tasks, each of which serves the purpose of managing and developing Danish society as one of the most successful democracies in the world.

The focus areas of the central government personnel and management policy regard matters pertaining to the performance of tasks, members of staff, diversity and management, respectively. The vision is that staff and managers in central government workplaces

- generate value for citizens
- ensure integrity and legal rights
- are open-minded and service-oriented
- demonstrate responsibility and a holistic approach and
- think innovatively

The overall personnel and management policy provides the framework and direction for the personnel-policy work at the workplaces in central government. However, it is the individual place of work that has to develop and adjust the policy to its special conditions and circumstances. The development of local personnel policies is to a large extent based on the participation of staff and managers.

Code of Conduct

The Agency for the Modernisation of Public Administration has published a Code of Conduct in the Public Sector.

Building upon the fundamental values and principles for public administration, such as openness, democracy, the rule of law and integrity, the code addresses selected themes like

- Authority to issue directions
- Freedom of expression
- Duty of confidentiality
- Impartiality
- Acceptance of gifts, etc. and
- Other occupation

The code takes the form of general guidelines, allowing for the designation of rules appropriate to the needs of specific sectors as well as of individual work places.

The Code of Conduct in the Public Sector is available in Danish as well as in English (brief version) at www.perst.dk.

Forum for Top Executive Management

In cooperation with Local Government Denmark and Danish Regions the Agency for the Modernisation of Public Administration runs a Forum for Top Executive Management which is the largest chief executive workshop in Danish history. The Forum has published a Code for Chief Executive Excellence

which consists of nine recommendations for excellence in public sector executive management:

1. Clarify your managerial space with the political leader
2. Take responsibility for ensuring that the political goals are implemented throughout the organisation
3. Create an organisation which is responsive and capable of influencing the surrounding world
4. Create an organisation which acts as part of an integrated public sector
5. Require the organisation to focus on results and effects
6. Possess vision and work strategically to improve the way your organisation accomplishes its assignments
7. Exercise your right and duty to lead the organisation
8. Display personal and professional integrity
9. Safeguard the public sector's legitimacy and democratic values

More information about the Forum for Top Executive Management can be found at www.publicgovernance.dk.

Digital tools to support personnel-policy work

In addition to providing the overall framework for the personnel policy, the Agency for the Modernisation of Public Administration develops and provides various tools in order to support the personnel-policy work and to enhance effectiveness at the individual workplace.

For instance, the Agency for the Modernisation of Public Administration has set up a general job database - *www.job-i-staten.dk* - where all vacant jobs in the state sector are advertised, thus providing an attractive meeting point for employers and applicants.

Institutions in the Danish State Sector have the competency to recruit personnel themselves. In order to make the local recruitment process more effective, qualified and automatic, a joint digital tool, *e-Recruitment*, is provided.

Campus supports the competence development of state sector personnel by providing a joint catalogue of digital, interactive e-learning courses.

Via *HR-meter*, the Agency for the Modernisation of Public Administration provides a tool for state sector work places to create reports with key figures on for example personnel, absence and salaries. The key figures may be compared to previous reports or to key figures of other work places in the state sector.

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