



# GUIDE TO HIRING DANISH EMPLOYEES

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Denmark offers the foreign investor a well-organized labor market with good cooperation between the different parties. In a benchmark study of labor market flexibility, Denmark comes out as number 1 in Europe. The Danish flexicurity model has proven its strength. Add to this the facts that a Danish employer pays virtually no social security contribution and that Denmark has a stable labor market, and you have a very competitive workforce in comparison with other European countries. Below, you will find information about the most relevant issues when hiring personnel in Denmark. The three main personnel groups are presented along with the elements included in a typical Danish remuneration package.

**Key facts about hiring Danish employees:**

- Get access to the right skills: Denmark offers a very well-educated population with excellent foreign language skills. A high proportion of the population has a university degree and – within specific sectors such as CleanTech, ICT and LifeSciences – the talent pool is uniquely attractive.
- Full flexibility reduces business risks: The Danish “flexicurity” model offers a flexibility in hiring and firing practices which is unique in Europe. Apart from firing and hiring, also wages and work hour rules are negotiated between labor market organizations or directly in the company to best address market conditions and business needs, thus creating the best framework conditions for your business by enabling highly “industry tailored” labor regulation systems.
- Stability and transparency: The Danish labor market is very stable with few strikes and an efficient and low-cost arbitration system for resolving labor disputes.

According to the IMD World Competitiveness Report 2010, Denmark offers the highest labor market flexibility in Europe and is ranked 6th in the World. Scaling a business up or down can be implemented more smoothly in Denmark than anywhere else in Europe.

- Compared to other European countries the Danish rules for termination of employment contracts are very liberal. This makes it easier for an individual business to adjust the size of its workforce in Denmark, compared to other European countries.

- In Denmark the employer can freely choose whom to dismiss as long as the termination is justified. In other target countries, the employer is bound by the last in – first out principle and other similar restrictions.
- The employers in Denmark have no duty to negotiate with unions except in cases of mass dismissals unless a collective agreement has been made. Even in cases of mass dismissal, the result of such negotiations does not affect the employer’s right to dismiss the employees.
- A Danish employer has no obligations to reemploy previous employees. Redundancy payments are not payable in Denmark until after minimum 12 years of employment.

## 1. Denmark has the highest labour market flexibility in Europe

Ranking	Country	Index
1	Australia	0
1	Hong Kong	0
1	Singapore	0
1	USA	0
5	Canada	4
6	<b>Denmark</b>	<b>7</b>
6	New Zealand	7
6	Switzerland	7
9	Colombia	10
9	Ireland	10
9	Malaysia	10
9	United Kingdom	10

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Source: IMD World Competitiveness Yearbook 2010

## 2. Remuneration packages

When employing a person in Denmark, it is recommended to consider the nature of remuneration packages generally offered to Danish employees, details of which are given below.

### 2.1. Monetary

Usually the employment contract states a monthly or yearly remuneration, the payment terms and yearly renegotiation of salary.

Generally Danish employees are offered a fixed monetary remuneration. In addition, some will receive a variable monetary remuneration such as bonus, commission and gratuity. Whereas bonus is often seen for sales personnel or managing personnel, commission is often seen for sales personnel. Gratuity is often given to all employees. Various stock option and other incentive schemes are often used.

### 2.2. Benefits

#### 2.2.1. Pension

The Danish Labour Market Supplementary Pension Scheme (ATP) and minor statutory contributions totaling approx. DKK 6,000 per year are mandatory and paid automatically by the employer.

Even though the Danish State provides all retired persons with retirement payment, it is today very common that the employee has a supplementary private pension arrangement. Often the employer will pay for example 6% of the salary as a pension contribution and the employee will pay for example 2% or 3% of the salary as a contribution to the pension scheme. Such payments are not mandatory, unless provided by a collective agreement.

#### 2.2.2. Company car

A company car is usually provided to the managing personnel or individuals who as a part of their job travel a lot. A company car is a taxable benefit, as the employee has the possibility of using the car for private purposes. If the employee is using his/her own car for business purposes, the employer can reimburse the employee for this use. If the fixed standard rates are used, the reimbursement is free of tax for the employee.

#### 2.2.3. Company paid phone, computer or internet

If the employer provides an employee with either a paid phone, computer or access to the internet or all three things, the employee will as a main rule be subject to taxation (taxable value of DKK 3,000 per year).

#### *2.2.4. Residence/free household*

Residence is usually only provided to foreign staff, i.e. persons who do not already have a residence in Denmark. Usually the employer rents a house or an apartment with all facilities to the employee. Free residence is subject to taxation.

#### *2.2.5. Free newspaper*

A free newspaper is usually only given to managing personnel or personnel who must keep informed as part of their job. A free newspaper may be subject to taxation, unless delivered at the employer's address.

#### *2.2.6. Share options*

Share option programs usually fall into two groups:

- Individual share options given to managing personnel (shares, warrants, bonds). Such schemes generally imply certain attractive tax benefits
- The general share option arrangement given to all employees and subject to attractive taxation on certain conditions

### **3. Members of the board chosen by the employees**

When a Danish company during the past 3 years has had 35 employees or more in average, the employees are entitled to appoint employee representatives equivalent to half of the ordinary board members. The employees may always appoint a minimum of 2 employee representatives to the relevant board of the company.

Similarly, when a group of companies - consisting of a Danish parent company and one or more Danish subsidiaries - during the past 3 years has had 35 employees or more in average, the employees in the Danish group of companies are entitled to appoint employee representatives equivalent to half of the ordinary board members. The employees may always appoint a minimum of 3 employee representatives to the relevant board of the Danish parent company.

## 4. Labour regulation – overview

	<b>General Managers</b>	<b>Salaried Employees</b>	<b>Non-salaried employees</b>
<b>Regulation</b>	In principle, none	The Act on Salaried Employees The Holiday Act Collective Agreements (rarely)	The Holiday Act or Collective Agreements
<b>Entering into a contract</b>	Free to be negotiated	Minimum requirements as to terms and conditions The Act on Employment Contracts	Minimum requirements as to terms and conditions The Act on Employment Contracts
<b>Probationary period when employing new employees</b>	Free to be negotiated	Maximum 3 months	Limitations vary
<b>Working hours</b>	Free to be negotiated	Average working time must not exceed 48 hours per week Usually 37 hours per week 11 hours of resting time before new working day	Average working time must not exceed 48 hours per week Usually 37 hours per week 11 hours of resting time before new working day
<b>Non-competition and non-solicitation clauses</b>	Free to be negotiated	Compensations of no less than 50% of the salary per month must be paid during the term of the clause.	Usually not relevant
<b>Payment during sickness</b>	To be negotiated	Full salary from the employer (partly compensated by the Danish state)	Varies according to Collective Agreements (partly compensated by the Danish state)

<b>Maternity leave</b>	4 weeks prior to birth and 14 weeks maternity leave and 32 weeks parent leave after birth (possible to extend). Payment to be negotiated. If the employer pays the employee salary during the maternity leave, the employer will receive compensation from the Danish State. The father is entitled to two weeks immediately after the birth and 32 weeks parent leave starting 14 weeks after the birth.	4 weeks prior to birth and 14 weeks maternity leave and 32 weeks parent leave after birth (possible to extend). The employer is obliged to pay 50% of the salary 4 weeks prior to birth and 14 weeks after (compensation from the Danish State for 46 weeks after birth). Salary may also depend on collective bargaining agreements and individual agreements. The father is entitled to two weeks immediately after the birth and 32 weeks parent leave starting 14 weeks after the birth. The father has however no entitlement to salary.	4 weeks prior to birth and 14 weeks maternity leave and 32 weeks parent leave after birth (possible to extend). Salary depends on collective and individual agreements. The father is entitled to two weeks immediately after the birth and 32 weeks parent leave starting 14 weeks after the birth.
<b>Holiday</b>	Free to be negotiated Often according to the Holiday Act	25 days during a holiday year (1 May – 30 April) Often 5 additional holidays are agreed upon	25 days during a holiday year (1 May – 30 April) Often 5 additional holidays are agreed upon
<b>Termination</b>	Free to be negotiated Often 3/6 or 6/12 months notice (employee/employer)	<b>Employment Period</b> 0 – 5 months 6 months – 2 years 9 months 3 – 5 years 8 months 6 – 8 years 7 months longer	<b>Termination, Employer's Notice</b> 1 month 3 months 4 months 5 months 6 months
<b>Employee inventions</b>	Free to be negotiated	The employee has the right to own inventions, unless otherwise agreed. IF the invention falls within the scope of the employee's employment, the employer may claim right to the inventions against reasonable fee, which may be included in the salary	The employee has the right to own inventions unless otherwise agreed. IF the invention falls within the scope of the employee's employment, the employer may claim right to the inventions against reasonable fee, which may be included in the salary

Source: Rønne & Lundgren

# We speak business

Invest in Denmark provides your company with a tailor-made solution for locating your business in Denmark. We measure our success by how well we contribute to yours. So if your company is considering a business or R&D set-up, or looking to access one of Europe's most skilled talent pools, make us your first stop.

Our specialized staff across the globe has the corporate background, industry insight and well-connected networks to advise you on every aspect of locating in Denmark. Not just 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 advantages of locating in Denmark - all free of charge and in guaranteed full confidentiality.

We look forward to hearing from you

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