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Early Retirement in Denmark

1. Introduction

Overview

The public system of early retirement and the union run early retirement scheme:

- In Denmark, early retirement is primarily a state system and collective labor agreements (CLAs) are not playing a major role in the system (Greve 19.10.2009, interview). The impact of social chapters is rather marginal. This is confirmed by Müntzberg (07.02.2010, interview) who states that early retirement in Denmark is dominated by publicly financed benefits.
- In 1979 the voluntary early retirement scheme (*efterløn*) was established (EIRO 2001: Progressive Retirement Arrangements). It is a voluntary union-run but state-subsidized unemployment insurance fund and was initiated by the trade unions, especially the general workers' union. Through this fund it is possible to get pre-retirement pay from the age of 60 until the official public pension age. The payment could be received whether employed or unemployed after ten years of contribution (Ebbinghaus 2006: 130). The scheme was reformed in 1999 and got less attractive as 25 years of contribution are now required and a maximum of five years benefit was introduced (Greve 2004: 165). In the 1980s and 1990s *efterløn* proved to be a major pathway to early retirement which resulted in the mentioned reform in 1999. The unemployment insurance and early retirement pay

got separated and therefore independent from each other. Moreover, it is now voluntary to join the pre-retirement scheme. The popularity of this scheme and the vested interests of trade unions made it politically nearly impossible to ever abolish it (Ebbinghaus 2006: 220).

- In the mid 1990s progressive retirement was established as a part of the 'inclusive labor market' (EIRO 2001: Progressive Retirement Arrangements). Amongst other things it aspired to keep older people in the labor market. The two principal progressive retirement schemes were established by law through the act on early retirement and the act on social part-time pension. Basically, progressive retirement is part of a senior policy campaign initiated by the government and implemented together with the social partners (EIRO 2001: Progressive Retirement Arrangements).

The role of collective labor agreements in early retirement:

- The only role of CLAs within the Danish early retirement system is that they may contain 'social chapters' that ascribe social responsibility to the employers. The concrete implementation is left up to the company level. However, these social chapters have a very minor impact on the early retirement system (Greve 19.10.2009, interview). There is also the possibility that progressive retirement regulations can be included in these social chapters. This is the case in the private sector. In the public sector, progressive retirement is established in CLAs in framework agreements.

Levels of Bargaining

CLAs on progressive early retirement are negotiated at sectoral and company level (EIRO 2001: Progressive Retirement Arrangements).

Actors

General unions have a high influence in the domain of early retirement policies especially when it comes to the interests of low skilled blue-collar workers (Ebbinghaus 2006: 183).

- There are five main trade unions involved in collective negotiations on early retirement:
 - The Danish Confederation of Trade Unions (*Landsorganisationen i Danmark*, LO) is the largest national trade union confederation in Denmark and the most representative organization in the public and private sector (1.5 Million members in 2000) (Nielsen 2005: 19).
 - General Workers' Union in Denmark (*Specialarbejderforbundet i Danmark*, SiD).
 - Union of Commercial and Clerical Employees (*Handels og Kontorfunktionærernes Forbund*, HK)

- The Central Organization for Industrial Employees (*Centralorganisationen af industriansatte i Danmark*, CO-industri)
- Central Federation of State Employees' Organisations (*Centralorganisationernes Fællesudvalg*, CFU)
- There are four main employers' organizations involved in collective negotiations on early retirement:
 - The Confederation of Danish Employers (*Dansk Arbejdsgiverforening*, DA) is composed of 13 employers' organizations and represents more than 29'000 private companies in Denmark (Nielsen 2005: 22).
 - The Danish Commerce and Services (*Dansk Handel & Service*, DHS)
 - The Confederation of Danish Industry (*Dansk Industri*, DI)
 - Danish Confederation of Professional Associations (*Akademikernes Centralorganisation*, AC)

Critical Junctures

Definition: Critical junctures are time periods or years when important decisions on the development of the collectively negotiated early retirement scheme were made.

- In Denmark, there is one critical juncture: the establishment of the publicly financed scheme *efterløn* in 1979. It was introduced because of the economic crisis and in order to make elderly employees leaving the labor market and consequently creating more jobs for younger people (Greve 19.10.2009, interview). However, *efterløn* has no link to CLAs.
- The social chapters which are the only regulation concerning early retirement in CLAs can not be viewed as a critical juncture, because they did not have a significant impact on the early retirement system (Greve 19.10.2009, interview).

2. Important Collective Agreements (Examples)

Industry Agreement 2000 (*Industriens Overenkomst 2000*):

- A social chapter was introduced in the CLA of the industry, which gave elderly people a right on early retirement. This option was first introduced in 1912. However, at this point, only lunatics and sick people were eligible to an early retirement option. Only with the agreement of 2000 this old article was changed with the introduction of the social chapter. Since then, early retirement applies primarily to elderly people (EIRO 2001: Progressive Retirement Arrangements; Greve 19.10.2009, interview).

Agreement in Services Sector 2000 (original name not found):

- Concluded between the DHS and HK (EIRO 2001: Progressive Retirement Arrangements).

Framework Agreement in the public sector (original name not found):

- The framework agreement was signed by the Ministry of Finance, the CFU, and the AC. It contains provisions on 'senior policies' which means policies for older workers. They include reduced working hours and the possibility to move to other job positions or access to training (Pedersini 2001: The Role of Collective Bargaining and Law).

3. Important Sectors

- The industry and the services sectors are important, for they have concluded major agreements concerning early retirement as seen in section 2.
- The industry sector is the biggest sector and often considered trend-setting in a variety of collective bargaining issues (Jørgensen 17.09.09, interview). The key actors are DI and CO-industri.

4. Structure, Organization and Mode of Administration

- In principle, progressive early retirement is initiated by the government through the senior policy campaign and implemented in collaboration with the social partners (EIRO 2001: Progressive Retirement Arrangements).
- The private sectors' CLAs include provisions concerning a number of progressive retirement schemes which are based on reduced working hours (part-time) or transition to other fields of responsibility (EIRO 2001: Progressive Retirement Arrangements).
 - There are no early retirement funds established by collective agreements.
 - In 1995 LO and DA agreed on the so called 'social chapters' (Petersen 1997: 1).
 - The system of these social chapters can be compared with the open method of coordination in the European Union. In the chapters it is stated that the employers have a social responsibility and the implementation has to take place at the company level. It has not a deep impact on the system (Greve 19.10.2009, interview).

5. Role of the State: Financial Support, Legislation and Extension Procedures

- Early and progressive retirement is a state responsibility (Greve 19.10.2009, interview).
- In 1997 the government and the parliament wanted to generate a fund for the creation of jobs on special terms of employment that should have been financed by the employers. This concept was heavily opposed by the social partners and expressed their opinion that such matters should be for the social partners themselves to decide. The idea was consequently abandoned (Petersen 1997: 1).
- The state repeatedly attempted to abolish the expensive *efterløn* scheme. But it had to make concessions to the trade unions, especially to the SiD (Ebbinghaus 2006: 221).
- In Denmark, there is an absence of extension. This comes from the long tradition of economy-wide wage coordination, which is supported by strong association. These can be seen as a function equivalent to an extension (Traxler 1999: 75).

6. Financial Structure of the Collectively Negotiated Scheme

- If employees wait as long as possible to enter early retirement, the state supports this decision by granting a tax free reward (EIRO 2001: Progressive Retirement Arrangements).
- Every three months a worker postpones the retirement of the labor market after 60 years there is a saving achieved (EIRO 2001: Progressive Retirement Arrangements).

7. Benefits and Measures of the Collectively Negotiated Scheme

- The lower limit of the working time is 15 hours per week. The claim of progressive early retirement does not affect the time of regular retirement (EIRO 2001: Progressive Retirement Arrangements).
- Through the social chapters employers can receive a subsidy for employing workers on special terms of up to half of the minimum wage (Petersen 1997).

Example of a social chapter:

- Agreement in Services Sector 2000 (original name not found):
 - With consideration of the needs of the enterprise and the employee, working conditions for elderly employees should be organized as flexible as possible (tools may include

flexibility in the work organization, relocation or transfers, new job functions, consultancy work or ad hoc tasks, etc.)

- The social partners need to create a guide with examples of how the senior policy can be implemented in the enterprises (EIRO 2001: Progressive Retirement Arrangements).

8. Coverage Rates of the Collectively Negotiated Scheme

- As early retirement is not a major issue in CLAs, there is no concrete number of coverage rates in this respect. Further on, the implementation of the social chapters lies within the responsibility of the companies. This makes it difficult to attain numbers on the coverage rate of participants in early retirement schemes based on collectively agreed social chapters.
- Concerning the public *efterløn* scheme, the number of participants gives evidence of an increasing popularity of the scheme. In 1999 there were 150,000 participants in part-time retirement (Hansen 2001: 4).

9. The Politics around the Collectively Negotiated Scheme

Linkages to Public Reform Policies

We have not found any evidence.

Linkages to Wage Agreements and Wage Policy (e.g. Wage Restraint, Tripartite Agreements) and Other Agreements

- Within the collective agreements in the private sector, a number of provisions concerning progressive retirement schemes can be found. These can be based on reduced working hours (part-time) or transition to other fields of responsibility. It is also possible to work reduced hours while participating in continued training activities (EIRO 2001: Progressive Retirement Arrangements).
- There are links between pension and early retirement. If an employee already retires at the age of 60, there is a reduction in early retirement payment for pension purposes. Only if the employee retires at the age of 62 it is possible to get the full amount of the savings (Greve 19.10.2009, interview).

Actors' Strategies and Conflicts among and between Them (State, Political Parties, Employers, Trade Unions)

- The employers do not like the system because they would like the employees to remain within the labor market. The unions are in favor of the system, because they think such regulations are needed for people with physical or psychical disabilities. According to Greve (19.10.2009, interview), this does not lead to real conflicts. Each side knows what the other side thinks and is accepting the system and the rules. It is the parliament that has to decide on possible changes.
- Compared to pensions, collective agreements are not playing a big role in early retirement. In accordance with the Danish agreement model, social partners are involved in the system. But the social partners are satisfied with the statist approach and it will remain like that (Greve 19.10.2009, interview).
- The initiative for progressive early retirement is mostly coming from the employee even though it is not an unconditional right (EIRO 2001: Progressive Retirement Arrangements).
- In 1998 the government introduced major changes in the early retirement system without informing the social partners about its intentions before. They were therefore not directly involved. Madsen (1998: 4) saw this as a signal for the weakening of the 'Danish model'.

10. Recent Developments and Other Interesting Information

The provision in the social chapters in CLAs creates the possibility for the local partners to agree upon jobs on special terms for persons with reduced working capacity without the interference of the authorities. So far, this possibility is mostly unknown among companies and the organizations encourage the companies to make better use of it (Jørgensen 2005).

11. Contacted Experts

We thank the following experts and colleagues for providing information and answering very specific questions:

- Greve, Bent, 19.10.2009, Professor at the University of Roskilde, Denmark, telephone interview.
- Jørgensen, Carsten, 17.09.2009, Academic Assistant and Responsible for Internal and External Information at FAOS, Department of Sociology, University of Copenhagen, e-mail interview.

- Müntzberg, Steen, 7.02.2010, Director of the Confederation of Danish Employers, Denmark, e-mail interview.

12. List of Abbreviations

- AC: *Akademikernes Centralorganisation* (Danish Confederation of Professional Associations)
- CFU: *Centralorganisationernes Fællesudvalg* (Central Federation of State Employees' Organisations)
- CLA: collective labor agreement
- CO-industri: *Centralorganisationen af industriansatte i Danmark* (Central Organisation of Industrial Employees)
- DA: *Dansk Arbejdsgiverforening* (Confederation of Danish Employers)
- DHS: *Dansk Handel & Service* (The Danish Commerce and Services)
- DI: *Dansk Industri* (Confederation of Danish Industry)
- EIRO: European Industrial Relations Observatory On-Line
- HK: *Handels og Kontorfunktionærernes Forbund* (Union of Commercial and Clerical Employees)
- LO: *Landsorganisationen i Danmark* (Danish Confederation of Trade Unions)
- SiD: *Specialarbejderforbundet i Danmark* (General Workers' Union in Denmark)

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