

MEMORANDUM

Tripartite agreement on the Danish labour market to retain jobs and pay of salaried employees in the private sector

15. marts 2020

File no.

CADI

The Danish social partners and the Danish government have concluded a tripartite agreement on a Temporary Scheme for Salary Compensation to companies that are in risk of laying off a substantial part of their staff. The agreement was presented on 15 March 2020 in light of the COVID-19 situation that are straining businesses and creating insecurity for private sector employees. It is expected that the scheme can help retain jobs of thousands of employees as well as their salaries during the extraordinary situation on the labour market created by COVID-19.

Companies that would otherwise be forced to cut staff by minimum 30 pct. or more than 50 employees are eligible for salary compensation under the scheme. The state compensation will be at 75 pct. of the total salary expenses to the employees in question, however maximum 23.000 DKK per employee. The compensations will be paid out on condition that the employees in question are not laid off. The companies must also make a commitment that they will not lay off employees for financial reasons during the period in which they receive pay compensation.

For employees paid by the hour the compensation can amount to 90 pct., though maximum 26.000 DKK per month per full time employee.

A company will be able to receive compensation for a maximum of three months, beginning 9 March and ending on 9 June.

Employees covered by the scheme are obligated to use saved holidays amounting to five days in connection to the compensated period. If no or a smaller amount than five days are available, the employee will have to take time off without pay or use holidays from the next holiday cycle.

Companies will have to apply to benefit from the scheme through the website of the Danish Business Authority, virksomheden.dk. The Authority expects to pay out the first compensations at the end of March.

The Danish authorities assess that the scheme will constitute State Aid under EU-law and as such must be reported to and authorized by the European Commission.

In the coming week, the government will seek backing from the Danish Parliament to the temporary salary compensation scheme.