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Holtze, Bjørn

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## National Recovery and Resilience Plan: Denmark

Bjørn Holtze\*

### Abstract

This article outlines Denmark's implementation of the funds aimed at economic recovery after the Covid-19 crisis. Denmark applied only for grants, not loans, as the Danish economy is strong, and has not suffered significantly during the crisis. With this in mind, the article concludes that EU grants have had only a minor impact in the social dimension and the labour market.

**Keywords:** Collective bargaining, Green transition, National policy, Tripartite negotiations.

### 1. Introduction – Danish focus on national policy

‘What I want to say here tonight will have huge consequences for all Danes.’

Most Danes will remember these words, uttered in the speech delivered by Prime Minister Mette Frederiksen at a press conference on 11 March 2020, when she announced the decision to implement a lockdown in Denmark. With this decision, the Covid-19 pandemic entered a new phase.

Covid-19 had come onto the global scene a few months earlier, when the first outbreaks occurred in China. Until the abovementioned speech, however, most Danes could scarcely have conceived that it would affect their everyday lives to the extent that it eventually did.

In the following two years, people in Denmark had to live with varying rules and restrictions in response to the pandemic. The first quarter of 2021 was perhaps the most onerous, as many businesses and shops were closed down, food shops being the main exception.

These shutdowns had financial consequences for many business owners, who, despite aid packages from the state, found it hard to cope. A grant was available for furloughed employees, although it covered only 75 per cent or 90 per cent of wage costs, depending on the type of job. In addition, there was a maximum amount.

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\* Assistant Professor, PhD, Aalborg University, Denmark.

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It should also be emphasised that there were substantial economic consequences for individual companies, society and the labour market.

It is worth noting that the EU, and any possible help it might give, did not play a major part in the Danish political landscape and institutional discussions; there was much more focus on the national economy and politics. The biggest hurdle was that Denmark overall wanted the EU budget to be reduced, along with several other Member States, such as Austria, the Netherlands and Sweden. They wanted only loans, not grants. Nevertheless, the proposed EU funding was increased.

This article will, from a Danish perspective, review the areas in which the funds allocated from the NextGenerationEU plan are to be used. In Denmark, the economic disposition of these funds is only to a lesser extent aimed directly at the labour market, but indirect effects are also possible. There are also examples of how the Danish labour market – the so-called ‘Danish Model’ – can support such measures.

Denmark’s approach to the labour market differs from those of most other European countries. Among the Scandinavian countries, Sweden’s employment system is the most similar. The system is characterised by very little legislation, and a considerable number of collective agreements with employee and employer associations, laying down terms and condition. This has been the case since 1899, and the system has worked ever since, with only minor adjustments.<sup>1</sup>

EU legislation, which is more and more pervasive, represents a major challenge to this system based on collective agreements. National legislation is required to transpose EU directives, as not all employees are covered by collective agreements.<sup>2</sup>

Section 1 presents the funds allocated to Denmark in the context of the Recovery and Resilience Facility and the main areas in which they will be used. Also presented, in general terms, are the ways this can affect the labour market.

Section 2 examines the labour market dimensions of the funds in more depth and how they can affect the labour market more directly, with a particular focus on EU-based rights in the European Pillar of Social Rights.

Section 3 draws parallels with the financial crisis and examines whether there are similarities in recovery plans from around 2010 to the present. Section 4 provides a summary and a conclusion, including the author's thoughts about the concrete impact on the labour market.

Given Denmark’s political stability and the fact that green investments are already under way, the Danish Recovery and Resilience Plan (RRP) does not entail fundamental changes in the green transition in Denmark. Nevertheless, it does complement it with a major economic boost.

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<sup>1</sup> For more about the Danish Model, *see*, for example, Kristiansen J., *Kollektiv Arbejdsret*, 4<sup>th</sup> edition, 2021, 25-58 (in Danish).

<sup>2</sup> On these challenges, *see* my own PhD thesis, *Lønmodtagerens Retstilting ved overenskomstimplementering af EU-direktiver*, 2019.

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## 2.1. Which areas – and how much?

Denmark applied for funding from the Recovery and Resilience Facility in April 2021. The funds are to be allocated to green agreements entered into in advance, including some agreements that are ‘greener’ than what EU regulations require. In addition, there is more digitalisation to help vulnerable citizens or citizens with difficulties obtaining and keeping a job.<sup>3</sup>

Some 60 per cent of the funds will be spent on green initiatives, which is significantly higher than the EU requirement of 37 per cent. Digitalisation accounts for 25 per cent of funding, as against the EU requirement of 20 per cent.

The full Danish plan (in English) can be read on the Ministry of Finance's website.<sup>4</sup>

Denmark receives 1.3 billion euros (€), with the possibility of an additional €248 million.<sup>5</sup> This corresponds to DKK 11.6 billion.

Denmark has applied only for non-repayable support; it has not applied for a loan.

The areas in which Denmark has chosen to spend the funds are divided into seven components:

Component 1: strengthening the resilience of the health care system<sup>6</sup>

This block has been allocated DKK 0.2 billion.

Component 2: green transformation of agriculture and environment<sup>7</sup>

This block has been allocated DKK 1.3 billion.

Component 3: energy efficiencies, green heat and carbon capture and storage<sup>8</sup>

This block has been allocated DKK 2.0 billion.

Component 4: green tax reform<sup>9,10</sup>

This block has been allocated DKK 3.9 billion.

Component 5: sustainable road transport<sup>11</sup>

This block has been allocated DKK 1.6 billion.

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<sup>3</sup> <https://fm.dk/nyheder/nyhedsarkiv/2021/april/dansk-genopretningsplan-skal-understoette-den-groenne-omstilling/>

<sup>4</sup> Denmark's Recovery and Resilience Plan, April 2021, [https://fm.dk/media/18771/denmarks-recovery-and-resilience-plan-accelerating-the-green-transition\\_web.pdf](https://fm.dk/media/18771/denmarks-recovery-and-resilience-plan-accelerating-the-green-transition_web.pdf) - April 2021 - Denmark's Recovery and Resilience Plan

<sup>5</sup> 10154/21, 28 – This is the Council's approval of the Danish plan.

<sup>6</sup> 10154/21, 1.

<sup>7</sup> 10154/21, 7.

<sup>8</sup> 10154/21, 15.

<sup>9</sup> 10154/21, 25.

<sup>10</sup> The green tax reform was presented at the end of June 2022, with broad political support. This is not discussed in more detail here, as it only has a limited impact on the labour market.

<sup>11</sup> 10154/21, 33.

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### Component 6: digitalisation<sup>12</sup>

This block has been allocated DKK 0.7 billion.

### Component 7: investment in green research and development<sup>13</sup>

This block has been allocated DKK 1.8 billion.

## 2.2. Estimated impact

The investments and reforms laid down in Denmark's RRP are characterised by their lack of direct impact on the labour market. The effects are more indirect and in alignment with the 'Danish Model', meaning little or no legislation, but collective agreements instead.

Tripartite negotiations will most likely play a role.

The main focus of the Danish RRP is environmental policy. Components 2–5 and 7 account for the majority of investments, reflecting the green transition that occupies much of Danish politics. As already mentioned, however, this has a fairly limited effect on the Danish labour market, outside the rather obvious effect of creating new and more jobs.

With the adoption of the Climate Act,<sup>14</sup> Denmark committed itself to a politically binding target of reducing greenhouse gas emissions by 70 per cent by 2030 compared with emissions in 1990 (Climate Act Art. 1.1). Furthermore, it appears from Art. 1.2, that as an intermediate target, greenhouse gas emissions must be reduced by 50–54 per cent by 2025.

The distribution of RRP funds strongly supports this strategy. Denmark has chosen a very progressive approach to the reduction of greenhouse gases.

The distribution of funds in the 'green economy' instead of in other social investments (as is the case in most Member States' RRP) can also be explained by the fact that in Denmark there already is a well-developed and effective welfare system. The allocation to the health-care system is therefore relatively low. Denmark is also already strong in the field of digitalisation, with numerous online solutions in relation to public welfare, such as the digital health security card, digital driver's license, online booking at hospital and many other things. This area thus only receives minor funding.

The general investments in education and retraining in the Danish plan help to improve the opportunities for seeking employment and obtaining and retaining employment for citizens with various social difficulties, such as disabilities. This achieves a higher level of qualification, but also better compensation for various limitations, through digitalisation, as seen in several components, with both investment and reforms. This is by providing specific digital tools to compensate for the limitations, and by making common tasks more accessible. The intention of these interventions is to provide better opportunities for more citizens, regardless of various limitations, social, health or other, in different contexts. It will probably also provide greater employment opportunities for these disadvantaged individuals.

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<sup>12</sup> 10154/21, 43.

<sup>13</sup> 10154/21, 52.

<sup>14</sup> L2020-06-26 No. 965.

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### 3. Impact on the labour market and the European Pillar of Social Rights (EPSR)

Denmark is characterised by political stability, although there have been conflicts caused by the government's political response to the Covid-19 pandemic. The government was given many exclusive powers to act on its own, such as the now repealed Epidemic Act. However, this transfer of powers did not take place solely through the action of the government but was carried by a majority in the Danish Parliament.

This stability is relevant when it comes to the mandate behind the plan. The vast majority are in favour of it, and thus it is not controversial. This also means that efforts will, most likely, not be reduced, and this stability will make for a more secure labour market, which can attract more investment through lasting agreements.

As mentioned, the RRP's impact on social and labour policies is mostly indirect, and constitutes a spillover from other investments. This does not seem particularly problematic, because Denmark has a good score on the Social Scoreboard regarding the EPSR. This is at least to some extent the result of the Danish Model. Also the stable economic situation for the past few years has been a contributing factor. The social security system, health care, and educational opportunities all contribute to a equal society with opportunities for all, and also that those who have to leave employment, still can maintain a good way of life.

#### 3.1 European Pillar of Social Rights (EPSR)

The fact that the Danish RRP has only a loose link with social and labour policies makes it difficult to measure advances in the implementation of the EPSR. The impact on the EPSR must be said to be primarily through the better opportunities within digitalisation and access to various offers. This point will counteract discrimination, as groups covered by Directive 2000/78 regarding equal treatment in employment and occupation will have better opportunities and be better compensated for their limitations.<sup>15</sup>

Interestingly, there appears to be a clear link between RRP investments in digitalisation and improved equality, at least for people with various disabilities. It is admittedly not the case between men and women, however. It appears, by contrast, that research applications for funds for green improvements are equal between men and women.<sup>16</sup> On the other hand, although it is stated that equality is being addressed by the new strategy on digitalisation, Document 10154/21 does not explain how.<sup>17</sup>

Social concerns related to people with handicaps, as well as those who attain poor educational results and come from a migrant background are mentioned on p. 12 in 10154/21. The specific impact of the RRP on these groups is framed rather generally, as the positive effect on the groups can be centred around higher employment, which the Danish

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<sup>15</sup> This is mentioned directly on p. 22 in document 10154/21, the EU adaptation of the Danish RRP.

<sup>16</sup> Danish RRP 10154/21, p. 22.

<sup>17</sup> Danish RRP 10154/21, p. 22.

plan supports in various ways. Besides this, no factors are mentioned to improve conditions for these groups.

For the handicapped – specifically, people with physical handicaps – there is an improvement in the enhanced possibility for ‘telemedicine’, which means that treatment or consultation can take place in a person’s own home, with the use of telecommunications, both for talking about the illness, but also for transmission of data from a monitoring device.<sup>18</sup>

According to the Danish RRP (p. 284) there is a relatively flat income structure in Denmark compared with other European countries, which is why the proportion of citizens with an income of less than 50 per cent of the median is approximately half of what it is in the OECD.

Furthermore, it is stated that in Denmark there is great income mobility across generations. It is therefore not a given that children will receive the same income as their parents.

The youth unemployment rate is also lower in Denmark than in the rest of Europe. In Q4 2020, it was 13 per cent as against 17 per cent in the rest of Europe. Over the longer term, unemployment was approximately 5 percentage points below the rest of Europe, in the period 2008–2020.<sup>19</sup>

The plan’s social impact is described on page 286. Not many factors are indicated as exerting influence in the social field. It is stated that the increased employment may have an impact on those with weak links to with the labour market. In addition, the increased employment will generally have a positive impact on society, including on people having difficulties in their everyday lives.

### 3.2 Labour market

The Danish RRP includes measures for boosting employment. In the period 2021–2025, employment is estimated as likely to increase by 12,500 jobs as a result of the planned investments. The distribution of jobs is not even in terms of effort and investments, nor spread evenly over all the relevant areas. Some areas will see a larger increase in jobs than others. In 2021–2022, it is estimated that there will be 9,900 new jobs, with a significantly lower increase in 2023, and even lower in 2024 and 2025.

There are relatively few direct labour market initiatives in the Danish RRP, as the increased employment is rather a secondary effect. The main reason for this is likely to be the nature of the Danish Model, within the framework of which the government generally does not intervene in the labour market.

The major labour market actors in Denmark – the Confederation of Danish Employers (DA) and the Danish Trade Union Confederation (FH) – were involved in drafting the RRP.

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<sup>18</sup> <https://sundhedsdatastyrelsen.dk/da/strategier-og-projekter/telemedicin>

<sup>19</sup> [https://fm.dk/media/18771/denmarks-recovery-and-resilience-plan-accelerating-the-green-transition\\_web.pdf](https://fm.dk/media/18771/denmarks-recovery-and-resilience-plan-accelerating-the-green-transition_web.pdf), 86.

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They supported improvements in education, including education for older citizens, not just the younger generation, enabling them to acquire the right qualifications for participating in the green agenda. More individual learning options are also included. The DA does not see any need for stronger social safeguards at the EU level, such as the Social Imbalances Procedure, as there are already a number of initiatives supporting the same social agenda in collective agreements.<sup>20</sup>

The FH supports the closer involvement of the different stakeholders.<sup>21</sup> In FH's own report, on various tripartite negotiations from January 2022, the RRP is not mentioned, but numerous other measures implemented under Covid-19 are.<sup>22</sup> This suggests that the level of involvement in social investments is generally not high, and this might also be true for the RRP.

What the FH does wish for is fair implementation and use of RRP funds. There should be a social focus, which is contained in the plan, but rather indirectly.<sup>23</sup>

Several of the initiatives should find implementation in the context of collective bargaining. This also means that only guidelines are formulated, with detailed fulfilment to be found under the collective agreement. This would be in line with the Danish Model, under which EU goals tend to be met swiftly and effectively, including the implementation of EU directives.

This method of tripartite negotiations, thereby involving the social partners, was last seen during the Covid-19 pandemic, during which several discussions resulted in legislation, but also collective agreements. Legislation was passed according to which employers could receive partial wage compensation (up to 90 per cent) if they furloughed their employees rather than making them redundant.<sup>24</sup>

Another condition of furlough, in addition to not dismissing employees, was that they had to take up to five days of leave – that is, vacation or non-paid leave – during the relevant period. The aim of the legislation was thus to distribute the burden somewhat, with employees forgoing five days' wages, and employers paying the remainder.

In some instances, wage compensation could also be 75 per cent, depending on the nature of the employment relationship. Employers thus had to cover either 10 or 25 per cent of wage costs during periods in which no work was being done. There was also a maximum amount.

This legislation was aimed at employees on hourly and those on monthly wages, typically salaried employees. It became clear that the legislation had been drafted with trade union input as atypical employees were not covered. The Supreme Court ruled on this state of

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<sup>20</sup> <https://www.da.dk/politik-og-analyser/eu/2021/det-europaeiske-semesteres-efteraarspakke-2021-har-fokus-paa-baeredygtig-genopretning/>

<sup>21</sup> <https://fho.dk/blog/2022/05/06/konferencen-om-europas-fremtid-naermer-sig-sin-afslutning/> - with further notes.

<sup>22</sup> <https://fho.dk/blog/2022/01/21/overview-of-the-expiry-of-relief-packages-and-initiatives-due-to-covid-19/>

<sup>23</sup> <https://fho.dk/aarets-indsats-2022/indsatsomraade-5-eu-internationalt/>

<sup>24</sup> BEK No 1771 af 30/11/2020 – with later changes.



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affairs in a judgment of 2 May 2022.<sup>25</sup> In this specific case it was clear, that employees, who were paid with commission, were not in the mind of the negotiators who drafted the legislation.

Negotiations with the social partners, and subsequent implementation of legislation, is thus familiar practice in Denmark. During the Covid-19 pandemic temporary rules on work sharing were also introduced, enabling employers to send employees home on unemployment benefits on rotation. This is not mentioned in the RRP, but is very characteristic on the functioning of the Danish Model.

### 3.3 Equality

Turning to the social domain, the area of non-discrimination is one that would have benefited the most from investments under the RRP. This concerns both gender discrimination and other vulnerable groups (such as the handicapped).

There are indeed unresolved challenges in relation to gender equality in the Danish labour market, and in society more broadly. As a current challenge, the so-called Civil Service reform of 1969 might be mentioned here. This reform laid the foundation for the wage framework covering a certain portion of public employment.

At that time, the labour market was organised differently from today. Men were treated as the main breadwinner and women's work, if any, was considered a supplement to family income, not something decisive in a couple's finances. Wages were therefore set in such a way that occupations dominated by men were generally better paid than those dominated by women.

Although this has changed over time so that the gender composition of the workforce is different today, more and more areas of the labour market are dominated by women or by men, respectively, as was the case in the 1960s. This applies, for example, to nurses, among whom there are far more women than men.

This difference in pay was one of the factors in the nurses strike of 2021. The strike ended with government intervention, which is why the nurses' demands were not met.<sup>26</sup> The strike was not entirely in vain, however, although wages were not raised more than the conciliation proposal previously on the table during the negotiations. But the strike was the starting point for more in-depth political discussions on civil service reform, and led to more equal pay. Negotiations on this have not been concluded, and it will probably be some time before this happens.

Although the issue of equal pay tends to attract considerable support and sympathy, change is fairly complex. The political parties do not agree on whether such change should take place within the current economic framework, or whether more funds should be provided. It is a given that if change is to take place in the current economic climate, there

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<sup>25</sup> Case BS-45293/2021-HJR.

<sup>26</sup> L 2020-03-24 No 264.

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must either be redistribution, or certain groups must for a number of years have limited, if any wage increases. Although this is an important issue, it was not addressed during the negotiations on the RRP. This may be because raising wages is not a legislative matter, but a matter for the parties acting under the Danish Model. Of course, the situation is slightly different in the public sector because the employer is the Danish government and parliament.

This might be why, as we have seen, there are no parts of the Danish RRP that, either directly or indirectly, are aimed at improving equality. If more funds were made available, both a regulation, securing more equal pay, and a wage increase in general, supporting higher overall wages, could be achieved, regarding all public employees. As this concerns employees within the public sector, either there needs to be more efficiency within the public sector – more work for the same money – or more funding must be made available to the sector, probably entailing higher taxes to pay for it.

#### 4. Lessons from the euro crisis

Seen in relation to the 2011 financial crisis, Denmark's actions were different during the Covid-19 crisis.

During the financial crisis, there was no intervention from the government, and thus the labour market continued as before. However, Denmark was affected by the same economic challenges as many other countries, both within and outside the EU. Many jobs were lost and many companies went bankrupt.

On the other hand, Denmark was not affected in such a way that put pressure on its public debt. Denmark has had a strong economy for many years, as a result of which even in periods of more modest growth there was no national emergency, just some job losses. The social security system and economy remained stable, and there was no substantial pressure to enact internal reform to satisfy international creditors.

The domestic challenges included, as already mentioned, job losses as a result of the many bankruptcies. But at that time there was no government intervention.

Government action mainly concerned the banking sector. Several banks came under pressure during this period as their customers were unable to repay loans due to financial difficulties. As a result, the banks were weak in liquidity, especially those that had lent to borrowers severely affected by the crisis. Several went under or were acquired, primarily smaller banks, which had many small traders as customers.

In the wake of these bank closures, new liquidity rules were laid down and lending practices tightened. These reforms might be seen as restrictive by other EU countries. However, there is political consensus that the progressive economic policy and reforms have created a strong foundation in the Danish economy.<sup>27</sup>

Precisely these reforms helped to ensure a strong economic starting point for Denmark in subsequent crises and was thus instrumental in the country being able to protect many

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<sup>27</sup> <https://finansdanmark.dk/10-aaret-for-krisen/hvad-skete-der/>

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companies by offering various support schemes (cf. Section 3). During the Covid-19 crisis, these support schemes led to massive public disbursements (much more than during the 2011 financial crisis), in the form of both direct support, as mentioned in relation to wage compensation, and loans to companies. Without a strong economic starting point and a positive budgetary situation, these major support schemes would not have been possible, and thus job losses and bankruptcies would most likely have been at a much higher level.

These loans have been largely repaid by the beneficiary companies, and it is still unclear, after the repayment deadline was postponed several times, how big an impact repayment will have on the companies that took out loans.<sup>28</sup>

## 5. Final remarks

The impact of NGEU on the social and labour dimension in Denmark is deemed to be very limited. Denmark has not taken out loans but has only received non-repayable aid.

Furthermore, Denmark is not likely to receive much support as the bulk will go to southern Europe, which was hit harder by the crisis than Denmark, and also has more constrained economies. This can possibly be traced back to the 2011 financial crisis.

Nevertheless, Denmark is still positively affected by the NGEU recovery plan, the financial support it will receive will create better opportunities for exports, which can thereby support the Danish economy and the labour market, securing existing jobs and creating opportunities for new ones, especially within the green sector, as also stated by the Confederation of Danish Industries (DI).<sup>29</sup>

In the areas that Denmark has chosen to prioritise, there will of course be an investment boost.

Nevertheless, the conclusion must be that there will be no decisive new reforms in relation to the social and labour dimension. The areas invested in were already under scrutiny prior to the allocation of funds. The latter may possibly have helped to speed things up, but it may not have changed them decisively.

As is also apparent from the investments and their estimated impact, there is no direct effect on EPSR implementation in Denmark. In both the labour and social areas, there will be indirect effects, but nothing direct through targeted investments. Secondary effects will include initiatives helping people to cope with various challenges, in particular digitalisation, and there will also be a broad benefit from increased employment.

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<sup>28</sup> <https://www.sktst.dk/aktuelt/pressemeldelser/coronalaan-virksomheder-har-betalt-knap-14-mia-kr-af-ca-22-mia-kr-tilbage-efter-betalingsfrist/> - This article states that by the end of April 2022 about two-thirds of the loans had been paid back.

<sup>29</sup> <https://www.danskindustri.dk/di-business/arkiv/nyheder/2020/9/coronamilliarder-fra-eu-starter-i-syd-men-ender-i-nord/>

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